

Eleventh meeting of the Standing Committee on Finance Bonn, Germany, 26–28 October 2015

Report of the breakout group on draft guidance to the operating entities of the Financial Mechanism (Agenda item: 4)

Outcome(s) of the discussions

1. On the issue of frequency of guidance to the Financial Mechanism, discussions focused around the three options, including the legal and practical implications of these options, as outlined in the background document (SCF/2015/11/5). Participants raised issues such as the importance of timing and sequencing, particularly in light of the reviews of the Financial Mechanism, the replenishment cycles of the operating entities, as well as related evaluations; the provision of guidance on a more strategic level; the question of whether or not different frequencies for guidance to be provided to the two operating entities would be feasible in light of the different status of operationalization; and ways to improve the reports of the operating entities to the COP. However, the participants could not come to an agreement on either one of the options outlined.
2. Substantive discussions took place on the two draft decisions containing draft guidance to the GEF and the GCF that had been prepared by the co-facilitators. Participants of the breakout group provided various comments, either to indicate that some inputs had not been reflected accurately, or to seek substantive clarifications on some of the inputs provided. Clarifications were also provided on the inputs received from the Adaptation Committee (AC) and the Technology Executive Committee (TEC). Inputs were also provided by the breakout group on the 2015 forum of the SCF. In addition, participants provided various proposals on how to further improve the draft decisions. Based on the discussions, the two draft decisions were further amended in the room to address the technical comments made, where SCF members could agree.
3. With regard to the compilation and analysis of past guidance, and the development of a draft set of core guidance, no substantive discussions took place in light of time constraints, however participants highlighted the importance of this exercise, as well as the need for further work by the SCF on this issue.

Agreements reached in the breakout group

Based on the discussions that took place in the breakout group, the below **draft recommendations are proposed for consideration** by the SCF:

Frequency of guidance

1. With regard to the issue of frequency of guidance to the Financial Mechanism and the request by COP 20 for the Standing Committee on Finance (SCF) to provide advice on this matter, the COP may wish to take note of the options the SCF has identified in this regard with a view for the COP to take a decision on this matter at a future session:
 - a) Guidance to be provided every year;
 - b) Guidance to be provided every two years;
 - c) Guidance to be provided every four years.¹
2. Further to this matter, the SCF wishes to bring to the attention of the COP that further considerations may be necessary in order to conclude on this issue, taking into consideration, inter alia, issues around:

¹ Further information on the options identified by the SCF, including legal and practical implications for each of those options, are contained in section III of document SCF/2015/11/5, available at: http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/item_5_-_background_paper_on_guidance_to_oes.pdf.



- 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
- d) The possibility of providing guidance to the operating entities on a more strategic level.

Draft guidance to the operating entities

3. The SCF recommends that the COP consider the draft decision on draft guidance to the Global Environment Facility (GEF) as contained in annex X, which contains a compilation of submissions made by members of the SCF, as well as the Adaptation Committee (AC) and the Technology Executive Committee (TEC), in its deliberations on the guidance to be provided to the GEF at COP 21. These submissions were technically refined by the SCF, where SCF members could agree, but not negotiated by the SCF.

4. The SCF also recommends that the COP consider the draft decision on draft guidance to the Green Climate Fund (GCF) as contained in annex XX, which contains a compilation of submissions made by members of the SCF, as well as the AC and the TEC, in its deliberations on the guidance to be provided to the GCF at COP 21. These submissions were technically refined by the SCF, where SCF members could agree, but not negotiated by the SCF.

Development of a draft set of core guidance to the operating entities of the Financial Mechanism

5. In the context of conducting 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, the COP may wish to take note of the extensive work undertaken and progress made by the SCF.² The COP may further wish to take note that additional work by the SCF may be necessary in 2016 in order to:

- a) Further refine the compilation and analysis of past guidance provided; and
- b) Initiate the development of a draft set of core guidance to the operating entities of the Financial Mechanism.

Further to the above draft recommendations, the breakout group conducted considerable work to further refine the draft decisions. The outcome of the discussions with regard to the **Green Climate Fund in the form of a draft decision** is captured in annex I to this document, and the outcome of the discussions with regard to the **Global Environment Facility in the form of a draft decision** is captured in annex II to this document. Both documents are being put forward to the SCF for its consideration.

² All information is available in the following documents: document SCF/2015/11/5 (<http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/item_5_-_background_paper_on_guidance_to_oes.pdf>); document SCF/2015/10/5 (http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/scf_10_background_paper_draft_guidance_to_oes.pdf); the Compilation and analysis of past guidance provided to the Green Climate Fund COP 16 up until COP 20 (http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/compilation_analysis_of_past_guidance_gcf.pdf); and the Compilation and analysis of past guidance to the Global Environment Facility COP 1 until COP 20 including SBI conclusions (http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/compilation_analysis_of_past_guidance_gef_combined_0910.pdf).

Annex I

Draft decision on the draft guidance to the Green Climate Fund³

[The Conference of the Parties,

Recalling decision 7/CP.20,

Taking note of the recommendations of the Standing Committee on Finance contained in its report to the Conference of the Parties with regard to the provision of draft guidance to the Green Climate Fund;⁴

1. *Welcomes* the report of the Green Climate Fund to the Conference of the Parties⁵ and the information contained therein on the progress made by the Green Climate Fund towards its full operationalization;
2. *Notes* with appreciation the attainment of the effectiveness of the Green Climate Fund;
3. *Welcomes* that the Green Climate Fund is fully operationalized by achieving the 50 per cent threshold required for allocating its resources for projects and programmes;
4. *Welcomes* the allocation of up to USD 900 million to be provided through requests for proposals for pilot programmes in enhanced direct access, engaging micro-, small-, and medium-size enterprises, and mobilizing resources at scale;
5. *Urges* the Board to ensure maximum transparency and fairness, while ensuring a country driven approach, in the selection of pilot programmes and operational entities, underscoring the complementarity between the pilots and other proposals supported by the Fund, and requests the Board to report on the implementation and status of the pilot programmes to the Conference of the Parties at its twenty-second session;
6. *Urges* those Parties that made pledges under the Initial Resource Mobilization process of the Green Climate Fund but have not yet confirmed their pledges to the Green Climate Fund into contributions arrangements/agreements, to do so as a matter of high priority;
7. *Reiterates* the invitation for financial inputs from a variety of sources, public and private, including alternative sources, throughout the initial resource mobilization process, and encourages the Green Climate Fund to complete early in 2016 the policies and procedures to accept financial inputs from non-public and alternative sources;
8. *Urges* the Board to develop a clear pathway to ensure the goal of triggering the first formal replenishment process no later than June 2017, in line with the ongoing process to convert pledges into fully executed contribution agreements as soon as possible;
9. *Urges* the Board to complete the process to appoint the permanent Trustee no later than early 2017 while noting that the interim Trustee has been extended until April 2018;
10. *Welcomes* the decision of the Board to develop a strategic plan for the Board, and urges the Board to adopt this plan as soon as possible and report on its implementation to the twenty-second session of the Conference of the Parties;
11. *[Placeholder on the outcomes of the 11th meeting of the Green Climate Fund Board, particularly with regard to the approval of first funding decisions, the initial monitoring and accountability framework, work plan 2016 and the first biennial report on privileges and immunities];*
12. *Requests* the Green Climate Fund to review its initial proposal approval process and take steps to improve its functionality for all stakeholders based on its initial experiences;

³ The appendix to this draft decision contains further inputs received from members of the SCF, as well as the Technology Executive Committee which Parties may wish to also take into consideration in their deliberations.

⁴ FCCC/CP/2015/4, annex X.

⁵ As contained in section 3 of document FCCC/CP/2015/3.

13. *Urges* the Board to identify and complete the essential components to support the programming of the resources of the Green Climate Fund in line with Board decisions, including a timetable for their implementation;
14. *Requests* the Green Climate Fund to take concrete steps to better facilitate accreditation of private sector entities;
15. *Takes note* of the progress made in accrediting entities to the Fund, and *urges* the Board to prioritize the accreditation of public and local private sector entities, and maintain a fair and equal balance among public, private, and international accredited entities;
16. *Welcomes* the Board's decision on country ownership and in this regard *urges* the Board to expedite support to help developing countries in accordance with the Governing Instrument of the Green Climate Fund;
17. *Requests* the Green Climate Fund to consider how to support developing countries in formulating policies, strategies, programmes and projects to implement their respective intended nationally determined contribution (INDC) starting in 2016;
18. *Urges* the Board to ensure that sufficient resources are provided for readiness and preparatory support in the context of its initial parameters and guidelines for the allocation of resources;
19. *Also requests* the Green Climate Fund to prioritize the development of its initial risk management framework in its efforts to further refine its institutional policies in 2016;
20. *Takes note of* the initiation of the process to appoint the Heads of the Independent Evaluation Unit, Independent Redress Mechanism and Independent Integrity Unit and *urges* the Board to ensure adequate developing country representation in the appointment of their heads, and to operationalize the Units no later than its third meeting in 2016;
21. *Urges* the Board to make public the procedures Parties and affected individuals should follow in order to seek redress while the Independent Redress Mechanism is being operationalized;
22. *Invites* the Green Climate Fund to consider supporting the advancement of the implementation of national adaptation programmes of action, and to clearly communicate in its annual report to the Conference of the Parties how it will do so;
23. *Also invites* the Green Climate Fund to consider:
 - (a) How it can support the development of adaptation proposals, drawing on lessons learned from the GEF's Project Preparation Grant approach;
 - (b) In its programmatic priorities, the Cancun Adaptation Framework, in particular the principles as contained in paragraph 12 and the activities contained in paragraph 14 of decision 1/CP.16;
24. *Requests* the Board of the Green Climate Fund, recalling decision 1/CP.18 paragraph 62, to report to the Conference of the Parties on the linkages between the Fund and the Technology Executive Committee;
25. *Encourages* the GCF to enhance its coordination and exchange of information on the provision of support, including results-based payments guided by the Warsaw Framework for REDD-plus, with other entities financing REDD-plus;
26. *Encourages* the Green Climate Fund to expedite work on results-based finance in 2016, applying the methodological guidance consistent with the Warsaw Framework for REDD-plus in order to improve the effectiveness and coordination of results-based finance, as referred to in 9/CP.19, paragraph 7 and report its progress to COP 22;
27. *Welcomes* GCF provisions to provide forest finance in the context of ecosystems based adaptation;

28. *Requests* the Green Climate Fund to consider, in its work under Private Sector Facility, the mobilization of finance for sustainable land-use practices and sustainable management of forests;
29. [Placeholder on possible guidance from the SBI agenda item 10(b) Poznan strategic programme on technology transfer]
30. [Placeholder for requests emanating from ADP discussions, including on finance, technology development and transfer, capacity-building and transparency];
31. *Welcomes* the efforts of the Green Climate Fund to engage with the Global Environment Facility to date, and encourages them to further articulate and build on the complementarity of their respective policies and programmes within the Financial Mechanism of the Convention;
32. *Urges* the Board to ensure it moves swiftly to implement the provisions of the Governing Instrument,⁶ in particular paragraphs 33 and 34 and to interact with the technical and expert Bodies of Convention, the National Designated Authorities /Focal Points, in its consideration of options for the development of mechanisms to promote coherence in programming at the national level in accordance with paragraph 34 of the Governing Instrument;
33. *Also urges* the Board, via the Co-Chairs or representatives designated by the Board, to coordinate with the SCF to address elements of paragraph 34 in accordance with their respective mandates;
34. *Further urges* the Board to consider options for appropriate arrangements between the Fund and other financing entities, with a focus on the Adaptation Fund;
35. *Urges* the Board in collaboration with the Standing Committee on Finance to develop appropriate mechanisms to support the Fund in drawing upon appropriate expert and technical advice, including from thematic bodies;
36. *Requests* the Board of the Green Climate Fund, recalling decision 7/CP.20 paragraph 15, when reviewing its policies and programme priorities, to make use of the information and lessons learned through engagement with other relevant bodies under the Convention, and other relevant international institutions;
37. *Invites* Parties to submit to the secretariat annually, and no later than 10 weeks prior to the subsequent session of the Conference of the Parties, their views and recommendations in writing on the elements to be taken into account in developing guidance to the operating entities of the financial mechanism of the Convention.]

⁶ As contained in the annex to decision 3/CP.17.

Appendix to the draft decision on draft guidance to the Green Climate Fund⁷

1. [Expresses concern regarding the implementation of the no-objection procedure, including matters related to transparency and the public disclosure of the no-objection letters;
2. Encourage Parties, in a position to do so, and invite relevant organizations to enhance support for capacity building and for national champions in each stage of the technology project cycle for effective climate technology financing and technology transfer ; *{may be further discussed under the SBI agenda item 10 Development and transfer of technologies and implementation of the Technology Mechanism}*
3. Underlines the need for financial resources for the implementation of the Technology Needs Assessment results ; *{may be further discussed under the SBI agenda item 10 Development and transfer of technologies and implementation of the Technology Mechanism}*
4. Given the different criteria and evaluations of international climate finance and technology support, there is a need to enhance coherence between international institutions, in order to reduce the complexity of processes which developing countries have followed to request financing.]

⁷ The appendix to this draft decision contains further inputs received from members of the SCF, as well as the Technology Executive Committee which Parties may wish to also take into consideration in their deliberations.

Annex II

Draft decision on draft guidance to the Global Environment Facility⁸

[The Conference of the Parties,

Recalling decisions 12/CP.2, 3/CP.16, 5/CP.16, 7/CP.16, 11/CP.17, 9/CP.18, 6/CP.19 and 8/CP.20,

Taking note with appreciation of the annual report of the Global Environment Facility to the Conference of the Parties,⁹

Taking note of the recommendations of the Standing Committee on Finance contained in its report to the Conference of the Parties with regard to the provision of draft guidance to the Global Environment Facility,¹⁰

Welcoming the pledges and contributions made to the Least Developed Countries Fund and the Special Climate Change Fund;

1. *Notes* that the Global Environment Facility has supported implementation of the remaining elements of the least developed countries work programme, including the updating and implementation of national adaptation programmes of action by providing funding to projects aimed at building capacity for least developed countries to participate effectively in climate change processes, promoting public awareness on climate change issues, promoting the transfer of adaptation technology and strengthening meteorological and hydrological services;
2. *Welcomes* the investments by the GEF in sustainable forest management and REDD+, harnessing multiple benefits from forests and tackling the drivers of deforestation and forest degradation;
3. *Encourages* developed country Parties and other Parties in a position to do so to mobilize financial support for the national adaptation plan process through contributions to the Least Developed Countries Fund and the Special Climate Change Fund in addition to bilateral, multilateral, and other support;
4. *Urges* the GEF to continue to explore additional sources of contributions for the Least Developed Countries Fund and the Special Climate Change Fund;
5. *Requests* the GEF to carry out a technical review of LDCF programming priorities with a view to identifying possible alternative roles for the LDCF in the evolving climate finance architecture, in consultation with relevant stakeholders, particularly the UNFCCC LDC Group, and focus on:
 - (a) Piloting concrete climate change activities particularly relevant for LDCs;
 - (b) Enhancing longer-term institutional capacity to design and execute such activities;
6. *Encourages* the GEF to continue its efforts to simplify access to the Least Developed Countries Fund and the Special Climate Change Fund;
7. *Notes* the finalization of the pilot accreditation of Global Environment Facility project agencies, and *welcomes* the addition of eight new project agencies to the network of the Global Environment Facility;
8. *Urges* the Global Environment Facility to work with all its agencies and recipient countries to ensure countries can take full advantage of the expanded network of agencies;
9. *Welcomes* the efforts of the Global Environment Facility to promote synergies between its focal areas, including through its integrated approach pilots;

⁸ The appendix to this draft decision contains further inputs received from the Technology Executive Committee which Parties may wish to also take into consideration in their deliberations.

⁹ FCCC/CP/2015/4.

¹⁰ Annex X to document FCCC/CP/2015/X.

10. *Also welcomes* the exploration of innovative non-grant instruments by the Global Environment Facility and encourages the Global Environment Facility to work with recipient countries, the private sector, and its agencies to submit proposals that aim to catalyse large-scale changes;
11. *Further welcomes* the approval of projects by the Global Environment Facility to support 46 developing country Parties in preparing their intended nationally determined contributions,¹¹ and *requests* the Global Environment Facility to continue to provide support to Parties that may need such support.
12. *Requests* the Global Environment Facility to consider how to support developing countries in formulating policies, strategies, programmes and projects to implement their respective intended nationally determined contribution (INDC) starting in 2016;
13. *Takes note* of the actions of the Global Environment Facility to establish a more coherent, system-based approach for managing and sharing information and knowledge gained from projects and programs of the Global Environment Facility in order to improve the effectiveness of the Global Environment Facility and its agencies and enhance the capacity of recipient countries;
14. [Placeholder for requests emanating from ADP discussions, including on finance, technology development and transfer, and transparency];
15. [Placeholder on possible guidance from the SBI agenda item 10(a) Joint annual report of the Technology Executive Committee and the Climate Technology Centre and Network];
16. [Placeholder on possible guidance from the SBI agenda item 10(b) Poznan strategic programme on technology transfer];
17. [Placeholder on possible guidance from the SBI agenda item 4(c) Provision of financial and technical support to reporting requirements for non-Annex I Parties, in accordance with article 12 of the Convention];
18. [Placeholder on possible guidance from the outcomes of the discussion by the Standing Committee on Finance on the issue of frequency of guidance to the operating entities];
19. *Welcomes* the efforts of the Global Environment Facility to engage with the Green Climate Fund to date, and encourages them to further articulate and build on the complementarity of their respective policies and programmes within the Financial Mechanism of the Convention;
20. *Invites* Parties to submit to the secretariat annually, in writing, and no later than 10 weeks prior to the XX session of the Conference of the Parties, their views and recommendations on the elements to be taken into account in developing guidance to the Global Environment Facility;
21. *Requests* the Standing Committee on Finance to take into consideration the submissions referred to in paragraph 20 above when providing draft guidance to the Global Environment Facility for consideration by the Conference of the Parties;
22. *Also requests* the Global Environment Facility, to include, in its annual report to the Conference of the Parties, information on the steps that it has taken to implement the guidance provided in this decision.]

¹¹ As of 16 September 2015.

Appendix to the draft decision on draft guidance to the Global Environment Facility¹²

1. [Given the different criteria and evaluations of international climate finance and technology support, there is a need to enhance coherence between international institutions, in order to reduce the complexity of processes which developing countries have followed to request financing; *{may be further discussed under the SBI agenda item 10 Development and transfer of technologies and implementation of the Technology Mechanism}*]
2. *Invites* the Global Environment Facility to continue to provide financial support to developing country Parties to conduct or update their technology needs assessments; *{may be further discussed under the SBI agenda item 10 Development and transfer of technologies and implementation of the Technology Mechanism}*
3. *Underlines* the need for financial resources for the implementation of the Technology Needs Assessment results; *{may be further discussed under the SBI agenda item 10 Development and transfer of technologies and implementation of the Technology Mechanism}*
4. Encourage Parties, in a position to do so, and invite relevant organizations to enhance support for capacity building and for national champions in each stage of the technology project cycle for effective climate technology financing and technology transfer;] *{may be further discussed under the SBI agenda item 10 Development and transfer of technologies and implementation of the Technology Mechanism}*

¹² The appendix to the draft decision contains further inputs received from the Technology Executive Committee which Parties may wish to also take into consideration in their deliberations.