

## **Revised initial paper on improving the draft guidance to the operating entities of the financial mechanism**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). An initial paper on improving the draft guidance to the OEs was prepared under the guidance of Mr. Jozef Buys. SCF members were invited to comment on the issues highlighted in this document in advance of the seventh SCF meeting. The initial paper as well as the responses received from SCF members are contained in document SCF/2014/7/6.

2. In order to facilitate discussions during the seventh meeting, the initial paper has been revised under the guidance of Mr. Buys. The aim of this paper is to support the SCF in coming to a decision with regards to the overall improvement of the draft guidance to the OEs to be provided to the Conference of the Parties (COP) in the future, as well as with regards to the provision of draft guidance to the OEs in 2014. In light of the rapidly approaching COP 20, it is important for the SCF to come to an agreement on the procedure for the provision of draft guidance to COP 20 at its seventh meeting.

### **Options for the improvement of future draft guidance to the operating entities of the financial mechanism based on SCF members submissions**

3. The following options with regards to the issues raised in the initial paper on improving draft guidance to the OEs were identified in the submissions received from SCF members:

#### *Updating existing guidance*

Option: 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, and identify core guidance to the OEs, one for the Global Environment Facility (GEF) and one for the Green Climate Fund (GCF), to serve as foundation for future guidance.

- How would core guidance be reflected in annual guidance?
- Should be conducted in collaboration with OEs / hear OEs' view when developing core guidance;
- Identify whether there is need for different templates, standards or treatment for the GEF and the GCF; important to note different circumstances of the GEF and the GCF; template for GCF guidance to have more flexibility to incorporate new things;
- Exercise of building a template and rationalizing future guidance would draw from lessons learned from past guidance, value and practicality of such guidance to the OEs.

#### *Performance based guidance*

Option 1: Approach the provision of guidance to the OEs from a performance based perspective.

- Could be part of the discussion and consideration regarding existing guidance;
- It is important to ensure that it is consistent with performance indicators developed by the OEs;
- Discuss with representatives of the OEs and gain feedback during seventh SCF meeting;
- Further elaborate on what this approach would actually entail / how it would be implemented in practice.

Option 2: Provide guidance from a performance perspective with regards to how the OEs are fulfilling their mandate in accordance with the principles and provisions of the Convention. SCF to take performance indicators of the OEs into consideration when evaluating OE performance, but should not limit itself to such benchmarks. Evaluations to include a performance and institutional perspective, but effectiveness and impact perspective are equally important. For comprehensive guidance performance is only one dimension, other parameters are important as well.

### *Timing of guidance*

Option 1: Reduce guidance to the OEs to every two years.

Option 2: Continue to provide guidance on an annual basis in a template, which will automatically reduce the volume of guidance. Provision of annual guidance is an opportunity for interaction between SCF and representatives of OEs.

### *Complementarity between the operating entities of the financial mechanism*

Option: In-depth SCF discussions on the complementarity of the OEs to be conducted once the GCF is fully operating and there is more clarity on its operational modalities, funding level available, etc.

### **Proposal for the procedural approach to the provision of draft guidance to the operating entities before COP 20**

4. It is proposed that, for the seventh meeting, the focus of the work of the SCF, apart from clarifying with the representatives of the OEs, should be on coming to an agreement on how to approach the provision of draft guidance this year.

5. In view of the lack of harmonization between the reporting cycles of the two OEs, the situation will be similar to last year's, with the report of the GCF probably not being submitted in time for the last SCF meeting of the year, therefore not allowing the SCF sufficient time to process and engage on the report during its last meeting. Therefore, there are three options for the approach the SCF may wish to take in 2014 with regards to the provision of draft guidance:

- a) Option 1: SCF members could be invited to submit elements of draft guidance to the GEF no later than one week before the eighth meeting of the SCF based on the report of the GEF. SCF-8 will develop, based on the submissions by SCF members, submissions by Parties as available, as well as potential inputs received from the thematic bodies (see paragraph 6 below), a draft decision containing draft guidance to the GEF to be annexed to the SCF report. Should the SCF not come to an agreement with regards to such a draft decision, option 2 and 3 would be possible approaches for the provision of draft guidance to the GEF.
- b) Option 2: Similar to last year, the SCF could invite submissions of elements of draft guidance to both the GEF and the GCF from its members inter-sessionally, which would be compiled into the template and provided as is to COP 20 as an annex to the SCF report;
- c) Option 3: The SCF could mandate its co-chairs to provide, based on the submissions made by SCF members within a clear deadline to be agreed upon by the SCF, submissions by Parties as available, as well as inputs received from the thematic bodies, a co-chairs proposal for draft decisions containing draft guidance to the GCF and potentially the GEF (if option 1 is not applied), which would be annexed to the SCF report, clearly indicating that this is a co-chairs proposal and not an agreed text by the SCF.

6. In addition, and also to increase the consistency and practicality of draft guidance to the OEs, the SCF may wish to issue a letter of invitation to the thematic bodies of the Convention to provide the SCF with elements for draft guidance to be provided to the OEs in advance of the last meeting of the SCF in 2014, and/or in response to the issuance of the GCF report. Depending on the approach the SCF will take this year, inputs received from thematic bodies could then be incorporated into the template or the co-chairs proposal.

### **Proposals for improving the provision of future draft guidance to the operating entities**

7. In light of the timing issue and the workload identified in the previous section of this paper, the SCF may wish to engage in further in-depth discussions at a later stage on the options above. During the seventh meeting, representatives of the OEs will be present in order to clarify their respective approach

with regards to results management frameworks and therefore deepen the SCF's understanding on the respective approaches, thereby facilitating future discussions on this matter.

8. Therefore, the SCF could, in its report to COP 20, seek guidance from the COP on the following issues, including on their timing:

- a) Whether the COP deems an analysis of past guidance and the identification of core guidance to the OEs, one for the GEF and one for the GCF, as a sound basis for the provision of future guidance;
- b) Whether the COP deems the approach of performance based guidance as a valuable attempt at rationalizing and improving the practicality of COP guidance to the OEs, whilst clearly stating that this would not limit the SCF to such guidance.

9. With regards to complementarity between the two OEs, the SCF could, in its report to COP 20, indicate that it deems discussions around this issue as premature in light of the current status quo of the GCF.

10. In addition, the SCF could report, in the context of decision 2/CP.17, paragraph 121 (b), on the progress it has made with regards to the linkages with the thematic bodies of the Convention in the context of the provision of draft guidance to the OE.

11. Furthermore, the SCF could recommend to the COP to include, in its guidance to the GCF, a call for the GCF to harmonize its reporting cycle with the reporting cycle of the GEF as soon as possible in order to facilitate the work of the SCF on the provision of draft guidance to the OEs.

---