



Background paper on possible draft guidance and recommendations to the Conference of the Parties for the operating entities of the financial mechanism. Note by the secretariat.

I. Background

1. The Conference of the Parties (COP), at its 17th session, agreed on the functions and activities of the Standing Committee (SC). One of the activities of the SC is to provide to the COP draft guidance for the operating entities of the financial mechanism of the Convention, with a view to improving the consistency and practicality of such guidance, taking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. Another of the SC's activities is to make recommendations on how to improve the coherence, effectiveness and efficiency of the operating entities of the financial mechanism.
2. By decision 3/CP.4, the COP decided that the Global Environment Facility (GEF) shall be an entity entrusted with the operation of the financial mechanism of the Convention. In accordance with the memorandum of understanding (MOU) between the COP and the GEF Council contained in the annex to decision 12/CP.2, the COP will, after each of its sessions, communicate to the GEF Council any policy guidance approved by the COP concerning the financial mechanism. In addition, annual reports of the GEF will be made available to the COP.¹
3. At COP 16, Parties, by decision 1/CP.16, established a Green Climate Fund (GCF) as an operating entity of the financial mechanism of the Convention under Article 11. The GCF began its work in 2012 and in August of this year the GCF Board had its first meeting. In this meeting, the Board, amongst other matters, elected the Co-Chairs of the GCF Board and held discussions on its workplan. The GCF Board will shortly hold its second meeting in 2012 and will continue to work on its operational arrangements.
4. This background paper provides information that the SC may consider in preparing draft guidance and recommendations to the COP for the operating entities of the financial mechanism.

II. Current practice in the development of draft guidance and recommendations to the operating entities of the financial mechanism

A. Process in the development of previous guidance to the operating entities

5. The COP at each of its regular sessions, has communicated policy guidance to the GEF concerning the financial mechanism. In accordance with decision 6/CP.1, the COP usually referred the report of the GEF to the SBI for its consideration when drafting the guidance. The SBI then formed a contact group to prepare the draft guidance to the GEF for adoption by the COP based on the following inputs:
 - a. The annual report of the GEF to the COP;
 - b. Submissions from Parties on views on elements to be taken into account in developing guidance to the GEF;
 - c. Views expressed by Parties during the session.
6. There are also elements of the GEF report that are relevant to other agenda items, such as support to non-Annex I national communications, adaptation, matters referring to the least developed countries, capacity building and technology transfer. The SBI generally agreed that these issues would be taken up by the contact groups of the other agenda items, and the draft decisions relating to these issues (as decided by the other contact groups) were then incorporated by the SBI contact group into the draft guidance.

¹ 12/CP.2



7. The SBI contact group on financial mechanism then considered the inputs in paragraph 5 (a) to (c) above and inputs from other negotiating groups of the SBI during the sessions as part of the draft omnibus decision on the guidance to the GEF for adoption by the COP.

B. Substantive content of guidance

8. At recent sessions of COP, guidance to the GEF has focused on the following issues:
- a. The operational rules and modalities for providing support through the GEF, including those of the implementing and executing agencies of the GEF;
 - b. Enhancing the transparency of the project review process throughout the project cycle of the GEF;
 - c. Providing support through the GEF for activities related to Article 6 of the Convention, and for the implementation of capacity-building activities;
 - d. Simplifying the procedures of the GEF and improve the effectiveness and efficiency of the process through which developing country Parties receive funding and the agreed full costs to meet their obligations under Article 12, paragraph 1, of the Convention (i.e. national communications);
 - e. Providing support to developing country Parties to conduct or update their Technology Needs Assessments;
 - f. The modalities in relation to the reconsideration of funding decisions through the GEF;
 - g. Clarifying the concept of additional costs as applied to different types of adaptation projects under the Least Developed Countries Fund and the Special Climate Change Fund.

III. Possible draft guidance and recommendations of the Standing Committee

9. As per COP decision in Durban, the SC may provide draft guidance to the COP for the operating entities with a view to improving the consistency and practicality of such guidance. The SC may also provide recommendations on how to improve the coherence, effectiveness and efficiency of the operating entities.

10. In addition to taking into account the annual reports of the operating entities² as well as submissions from Parties, the SC may consider other inputs in preparing its annual draft guidance to the operating entities that could include:

- a. Outputs and conclusions from the forum of the Standing Committee;
- b. Independent reviews and assessments;
- c. Outputs of the work of SC work relevant to the operating entities;
- d. Contributions from other thematic bodies under the Convention.

11. The draft guidance may consist of strategic guidance which may improve the coherence, effectiveness and efficiency of the entities and coherence between the entities of the more general elements of the operating entities. The SC may consider how to provide the COP draft guidance or recommendations for the operating entities regarding issues such as:

- a. Effective delivery of resources;
- b. Programme priorities of the COP for funding;
- c. Responsiveness of the operating entities to guidance provided by the COP;
- d. Consistency of reporting of the operating entities to the COP.

² For 2012, the annual reports of the operating entities have the following symbols: FCCC/CP/2012/6, 'Report of the Global Environment Facility to the Conference of the Parties. Note by the secretariat.' and FCCC/CP/2012/5, 'Report of the Green Climate Fund to the Conference of the Parties. Note by the secretariat.'



IV. Possible linkages between the Standing Committee and the Subsidiary Body for Implementation

12. As per the MOU between the COP and GEF, the GEF is to report annually to the COP. In turn, according to decision 6/CP.1, the COP refers the report of the GEF to the SBI, with the request for the SBI to review this report and forward the outcome of this review to the COP for its decision. The procedure for the consideration of the report of the GCF has not been defined. However, as in the case of the GEF, the GCF will submit its annual report to the COP for consideration (see decision 3/CP.17).

13. For information regarding possible linkages and duplication of functions between the SC and the SBI with regards to providing draft guidance and recommendations for the operating entities of the financial mechanism, please refer to the 'Background paper on approaches for maintaining linkages with the Subsidiary Body for Implementation and the thematic bodies of the Convention. Note by the secretariat'.

14. In this note, three possible scenarios for the providing of draft guidance and recommendations were outlined:

Scenario 1: Both bodies review the report and prepare draft guidance following the same procedure.

Scenario 2: Only the SBI provides the guidance, based on inputs received from the SC, which will be referred to the SBI by the COP;

Scenario 3: Only the SC provides the guidance, in which case the COP would no longer refer the reports to the SBI but refer this exclusively to the SC.

15. Another scenario that may take place at COP18 in Doha is for the Standing Committee to recommend that at this session, SBI will continue to consider the report of the GEF and to prepare the draft guidance for consideration and adoption by the COP. However, the SC will assume this role as per decision 2/CP.17 paragraph 121(c) at COP 19.
