

**Thirteenth meeting of the Standing Committee on Finance
Bonn, Germany, 18–20 July 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**Background paper on the draft guidance to the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 (SCF) will be invited to:

- Discuss and agree on ways to undertake further work and provide recommendations to COP 22 on the following two issues by considering the outcomes of inter-sessional work undertaken by the co-facilitators:
 - Draft set of core guidance to the operating entities of the Financial Mechanism;
 - Frequency of guidance to the operating entities of the Financial Mechanism;
- Initiate preparation of draft guidance to the operating entities of the Financial Mechanism in 2016.

I. Options for consideration by the Standing Committee on Finance

Draft set of core guidance to the operating entities of the Financial Mechanism

1. The SCF may wish to consider the compilation and analysis of previous guidance provided to the operating entities of the Financial Mechanism¹ (hereinafter referred as the C&A) which has been updated with latest guidance from the Conference of the Parties (COP) at its twenty-first session and reorganized by: (a) thematic areas² and operational guidance³ and; (b) order of relevance from ongoing to obsolete guidance.
2. The tables of compilation and analysis of previous guidance provided to the Global Environment Facility (GEF) and the Green Climate Fund (GCF) can be accessed at: <http://www.unfccc.int/6881>.⁴ The tables contained in annex I and II contain the outline of the updated the C&A.
3. The SCF may wish to consider undertaking further work to prepare its recommendation on core guidance, with a view to further enhancing the utility of the C&A of previous guidance to, *inter alia*, other thematic bodies engaged in providing guidance to the operating entities of the Financial Mechanism. Specifically, the SCF could:
 - a. Invite the thematic bodies to:
 - i. Consider existing respective thematic and operational guidance contained in the C&A in deliberating on the need and nature of further guidance i.e. the Technology Executive Committee could consider the technology tables in the updated C&A, with a view to increasing coherence and reducing repetitiveness of future guidance;
 - ii. Provide their inputs and feedback on the C&A based on their experience this year, including on the completeness for each respective thematic area, with the aim of increased transparency and coordination;
 - b. Invite its members and observers, including the operating entities of the Financial Mechanism, to also provide inputs and feedback on the completeness of the C&A of previous guidance.

¹ An initial version of compilation and analysis of past guidance provided to the operating entities of the Financial Mechanism was prepared by the SCF, which can be accessed at: <http://unfccc.int/6881>, under the documents for the eleventh meeting of the SCF.

² Such as adaptation, mitigation, technology, capacity-building, etc.

³ Such as eligibility criteria, access policies, knowledge management, etc.

⁴ Under the documents for the thirteenth meeting of the SCF.



4. Once the inputs are received by the SCF, the updated C&A can be revised and circulated inter-sessionally and uploaded on the SCF website prior to COP 22.
5. Furthermore, the SCF may wish to consider what it will report to COP 22 on the issue of draft core guidance. Options include:
 - a. Reporting on the progress that the SCF made in 2016, including its work on the C&A and outreach to other thematic bodies;
 - b. Making the updated C&A available on the SCF website as a tool for Parties, the thematic bodies and any other interested stakeholders;
 - c. Indicating that the SCF will annually update the information referred above for information by the COP and its further deliberation on the issue of draft guidance to the operating entities of the Financial Mechanism;
 - d. Indicating that the SCF will continue to prepare the draft set of core guidance based on this approach, with a view to preparing its recommendations by COP 23.
6. The SCF may wish to agree on the timeline for conducting the work suggested above. An indicative timeline is contained in annex III. The timeline identifies inter-sessional work after SCF 13 and proposes that the SCF resume its preparation of draft core guidance and identification of frequency of guidance at SCF 15 in 2017.

Frequency of guidance to the operating entities of the Financial Mechanism

7. The SCF may wish to continue its work on the frequency of guidance in coordination with its recommendations on the draft set of core guidance. The SCF could indicate to the CP22 that frequency of guidance will be further discussed by the SCF, once the draft set of core guidance is extracted from the compilation and analysis table, in the context of reviewing and updating the draft set of core guidance at a frequency recommended by the SCF.

Initiate preparation of draft guidance to the operating entities of the Financial Mechanism

8. The SCF may wish to initiate the preparation of draft guidance to the operating entities of the Financial Mechanism, which, as per its agreement during its twelfth meeting, is to be in the form of a draft decision and of strategic nature.⁵ Possible approaches during this meeting could include:
 - a. Inviting the co-facilitators to brief the SCF on their participation to the meetings of the thematic bodies during the inter-sessional period;
 - b. Considering the draft report of the GCF that is currently available;⁶
 - c. Continuing to elaborate on the elements that could form the basis of developing guidance of a more strategic nature;⁷
 - d. Agreeing on the next steps, including:
 - i. Setting a deadline for inputs from the SCF members for textual inputs for a draft decision;
 - ii. Mandating the co-facilitators to prepare a compilation of inputs received from the SCF members, the AC and the TEC with a view to initiate the drafting during SCF 14.

⁵ See paragraph 33 of document SCF/2016/12/10.

⁶ Draft annual report of the GCF to the COP can be accessed at: <http://www.greenclimate.fund/documents/20182/226888/GCF_B.13_04_-_Fifth_Report_of_the_Green_Climate_Fund_to_the_Conference_of_the_Parties_to_the_United_Nations_Framework_Convention_on_Climate_Change.pdf/5ca9f462-9a3b-41ab-a3c9-d66e78dcaaf?version=1.1>.

⁷ The elements on which the SCF initiated its discussions can be found in the report of its twelfth meeting, contained in document SCF/2016/12/10, paragraph 33.

II. Background

Draft set of core guidance to the operating entities of the Financial Mechanism

9. At SCF 12, the SCF agreed that the co-facilitators would work inter-sessionally on this issue and provide recommendations to SCF 13. It was also agreed that the elements that could form the core guidance could be extracted from the C&A, but that some further work was required beforehand.⁸
10. During the inter-sessional period, the co-facilitators updated the C&A that was presented at SCF 11 by: (a) adding the latest guidance from COP 21; (b) reorganizing guidance by a number of thematic areas and by operational guidance on a more general nature and; (c) reorganized in the order of relevance from ongoing to obsolete. Any piece of guidance that pertains to more than one thematic area was put into multiple relevant tables, to ensure the comprehensiveness of this exercise. This was done with a view to increase its user-friendliness, its usefulness to other thematic bodies and to undertake further analysis to highlight guidance that could constitute core guidance. The C&A tables can be accessed at <http://www.unfccc.int/6881> and the tables contained in annex I and II contain the outline of how the compilation and analysis of previous guidance provided to the GEF and the GCF has been reorganized.
11. The updated C&A may be useful, in particular for the thematic bodies, in distinguishing ongoing guidance from the guidance that might be retiring. For example, the table of ongoing guidance related to adaptation, together with any related operational guidance, could be useful for the Adaptation Committee in deliberating on the need for and nature of further guidance to the operating entities of the Financial Mechanism on adaptation.
12. In order to ensure comprehensiveness and robustness of this exercise of reorganizing the C&A of all guidance provided to the operating entities of the Financial Mechanism from COP 1 until COP 21, the co-facilitators recommend that the SCF calls for inputs and feedback from its members, observers including the GEF and the GCF and other thematic bodies to check the completeness for each respective thematic area. This will also ensure an inclusive and transparent process of work, given that many stakeholders, including Parties and observers, will benefit from a streamlined C&A of previous guidance provided to the operating entities of the Financial Mechanism.
13. For example, the thematic bodies could be invited to provide their feedback on the C&A, based on their experience of utilizing the C&A in preparing their inputs to the draft guidance to the operating entities of the Financial Mechanism in 2016. The feedback will be useful in improving the C&A further and enhancing collaboration between the thematic bodies on the work related to draft guidance to the operating entities of the Financial Mechanism.
14. Based on inputs referred to in paragraphs 12 and 13 above, the C&A can be further revised and circulated inter-sessionally to the SCF for agreement. The revised C&A could be uploaded to the SCF website and included, through a web-link, in its annual report to COP 22. The SCF could resume its work of identifying/extracting draft set of core guidance from the updated C&A at SCF 15 in 2017, with a view to finalizing this work by COP 23. An indicative timeline is attached to this note as annex III.

Frequency of guidance to the operating entities of the Financial Mechanism

15. At its twelfth meeting, the SCF was encouraged to reflect upon the timeline and the pros and cons of different frequencies of guidance, as contained in the background note from SCF 11.⁹ The SCF recalled the importance of timing of the COP guidance as input into the replenishment processes and agreed that the co-facilitators will work inter-sessionally on this issue with an aim to continuing the discussion at SCF 13.

⁸ More details about the compilation and analysis of past guidance can be found in document SCF/2016/12/10.

⁹ More information can be found in document SCF/2015/11/5.

Preparation of draft guidance to the operating entities of the Financial Mechanism

16. At its twelfth meeting, the SCF agreed to adopt and enhance the approach used last year in preparing draft guidance to the operating entities of the Financial Mechanism, by collaborating with and reaching out to other thematic bodies of the Convention. In addition, the SCF also agreed to be more ambitious this year in developing guidance of a more strategic nature and considered elements that could form the basis of such guidance.¹⁰
17. During the inter-sessional period, as agreed, an official communication was sent to the AC and the TEC inviting those bodies to provide inputs on the issue of draft guidance. In addition, the co-facilitators attended the following meetings to brief and clarify issues around the inputs to be provided by the thematic bodies.
 - a. Twelfth meeting of the Technology Executive Committee;¹¹
 - b. Seventh meeting of the Advisory Board of the Climate Technology Centre and Network;¹²
 - c. In-session workshop on linkages between the Technology Mechanism and the Financial Mechanism of the Convention.¹³

¹⁰ More information can be found in document SCF/2016/12/10.

¹¹ More information is available at: <<http://unfccc.int/ttclear/templates/render cms page?TEC meetings>>.

¹² More information is available at: <<https://www.ctc-n.org/calendar/events/7th-ctcn-advisory-board-meeting>>.

¹³ More information is available at: <http://unfccc.int/ttclear/templates/render cms page?s=events_ws tmfm>.

Annex I

Outline of the updated compilation and analysis of previous guidance provided to the Global Environment Facility

THEMATIC GUIDANCE ON ADAPTATION	
Programming	National adaptation plans
	National adaptation programmes of action / Least Developed Countries Fund
	Strategic priority on adaptation
	Special Climate Change Fund
	Least developed countries programme
	Stage I, II and III (Adaptation)
	Systematic observation
	Global observing systems
	Buenos Aires Programme of work
THEMATIC GUIDANCE ON MITIGATION	
Programming	Energy efficiency
	Carbon capture and storage
	Land use and land-use change projects
	Nationally appropriate mitigation action
	Response Measures
	Results-based finance / REDD+
THEMATIC GUIDANCE ON TECHNOLOGY	
Programming	Technology Needs Assessment
	Technology transfer
	Poznan Strategic Programme on Technology transfer
	Climate Technology Centre and Network
	Special Climate Change Fund
THEMATIC GUIDANCE ON CAPACITY-BUILDING AND ARTICLE 6	
Programming	Capacity-building
	Article 6 – Public awareness and education
	New Delhi work programme
	National Programmes
	Project proposals identified in the national communications
THEMATIC GUIDANCE ON ENABLING ACTIVITIES	
Programming	Enabling activities
	National Communications
	Biennial update reports
THEMATIC GUIDANCE ON INTENDED NATIONALLY DETERMINED CONTRIBUTIONS	
Programming	Intended nationally determined contributions
THEMATIC GUIDANCE ON GENDER	
Policies	Gender

THEMATIC GUIDANCE ON CAPACITY-BUILDING INITIATIVE FOR TRANSPARENCY	
Programming	Capacity-building Initiative for Transparency
OPERATIONAL GUIDANCE	
Eligibility criteria	Initial guidance on eligibility criteria
Policies	Access
	Resource Allocation Framework (RAF)
	Co-financing
	Country Ownership
	Gender
Programming	Initial guidance on Programming
	Agreed full costs
	Incremental costs
	Country-Specific needs
Procedure	Awareness-raising on GEF programmes and procedures
	Project cycle management
	Streamlining and simplifying project cycle
	Implementing/executing agencies
	Knowledge management Policies
	Transparency
	Reporting on results achieved
General	Initial guidance on activities
	Memorandum of Understanding
	GEF Council
	Fifth replenishment of the GEF
	Sixth replenishment
	Country dialogues
	National experts/consultants
	Green Climate Fund
	Report of the GEF

Annex II

Outline of the updated compilation and analysis of previous guidance provided to the Green Climate Fund

THEMATIC GUIDANCE ON ADAPTATION	
Adaptation	Funding
	Linkages and collaboration
	National Adaptation Plans
	Monitoring and evaluation
	Institutional arrangements
THEMATIC GUIDANCE ON MITIGATION	
Mitigation	Funding
	Information and reporting
THEMATIC GUIDANCE ON TECHNOLOGY	
Technology development and transfer	Funding
	Linkages and collaboration
	Institutional arrangements
	Information and reporting
THEMATIC GUIDANCE ON CAPACITY-BUILDING AND ARTICLE 6	
Capacity-building	Funding
	Information and reporting
Article 6	Funding
THEMATIC GUIDANCE ON RESULTS BASED FINANCE	
Results-based finance	
THEMATIC GUIDANCE ON GENDER	
Gender	
THEMATIC GUIDANCE ON INTENDED NATIONALLY DETERMINED CONTRIBUTIONS	
Intended nationally determined contributions	
THEMATIC GUIDANCE ON REPORTING	
Reporting / information	
THEMATIC GUIDANCE ON ENABLING ENVIRONMENTS	
Other	Enabling environments
OTHERS	
Other	Transitional Committee Ad Hoc Working Group on the Durban Platform for Enhanced Action / Workstream 2
OPERATIONAL GUIDANCE	
Objectives and guiding principles	
Governance and institutional arrangements	Relationship to the Conference of the Parties
	Legal status

	Rules of procedure of the Board
	Role and functions of the Board
	Secretariat
	Trustee
Administrative costs	
Financial inputs	
Operational modalities	Complementarity and coherence
	Eligibility
	Funding windows and fund structure
	Readiness and preparatory support
	Private sector
	Access modalities and accreditation
	Direct access
	International access
	Accreditation
	Allocation
	Programming and approval processes
Financial instruments	
Monitoring	
Evaluation	
Fiduciary standards	
Environmental and social safeguards	
Accountability mechanisms	
Expert and technical advice	
Stakeholder input and participation	
Termination of the Fund	
Operationalization	
Institutional linkages	

ANNEX III – Indicative timeline of work

ACTIVITIES	2016			2017		
	August	September	COP 22	SCF 15	SCF 16, SCF 17	COP 23
PREPARATION OF DRAFT GUIDANCE TO THE OPERATING ENTITIES OF THE FINANCIAL MECHANISM IN 2016						
Deadline for inputs from the SCF members for textual inputs on the draft decision on the guidance to the operating entities of the Financial Mechanism	30					
Deadline for inputs from the thematic bodies for their inputs on the draft decision on the guidance to the operating entities of the Financial Mechanism		After the final meetings of the AC and the TEC <i>TEC: 6-9 Sept</i> <i>AC: 13-15 Sept</i>				
Compiled inputs from the SCF members and the thematic bodies circulated to the SCF members		3rd week				
Prepare draft decision text and report to COP 22		SCF 14	X			
DRAFT SET OF CORE GUIDANCE AND FREQUENCY OF GUIDANCE						
Deadline for inputs and feedbacks from the SCF members, observers and the thematic bodies on the C&A		15				
Revise, update and upload the compilation and analysis, based on the received inputs and feedback		Prior to COP 22				
Report to COP 22 the progress made in 2016			X			
Update the compilation and analysis based on the latest guidance from COP 22 and identify elements that could serve as a basis for draft set of core guidance				Prior to SCF 15		
Resume discussion on the draft set of core guidance and frequency of guidance				X	X	
Report to COP 23 recommendation of the SCF on the draft core guidance and frequency of guidance						X