

## Tenth meeting of the Standing Committee on Finance Bonn, Germany, 12–13 June 2015

### Background paper on the draft guidance to the operating entities of the Financial Mechanism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 consider the compilation and analysis of past guidance with a view to finalizing this exercise and advancing its deliberations on the:

- a) Identification of a set of core guidance to the operating entities of the Financial Mechanism; and
- b) Frequency of guidance provided to the Financial Mechanism.

Furthermore, the SCF may wish to agree on next steps to be undertaken with regards to the draft guidance to the operating entities of the Financial Mechanism to be provided to COP 21.

#### I. Options for consideration by the Standing Committee on Finance

1. With regard to the *identification of a set of core guidance to the operating entities of the Financial Mechanism*, the Standing Committee on Finance (SCF) may wish to:
  - a) Analyse the compilation of past guidance provided to the operating entities of the Financial Mechanism; in doing so, the SCF may wish to:
    - i. Reach a common understanding that guidance is constituted by decisions, which directly or indirectly request for action(s) by the operating entities with regards to policies, programme priorities and eligibility criteria, to which a response by the operating entities is required; such actions would refer to specific actions to be taken, or to information to be reported by the operating entities;
    - ii. Consider the suggested status that has tentatively been allocated by the secretariat, under the guidance of the co-facilitators, to the various pieces of guidance provided to the operating entities, currently covering the categories of “repetitive”, “redundant” and “obsolete”, with the aim to come to an agreement on whether it considers such a categorization a useful exercise, and, if so, to agree on the categories in general, and the categorization of specific pieces of guidance in particular;
    - iii. Analyse the pieces of guidance which would not fall into the above mentioned three categories, with a view to progress also on the identification of a set of core guidance; for example, the SCF could indicate:
      - Whether or not a specific piece of guidance has been “responded to” by the respective operating entity; the SCF could further consider to qualify the response provided by the operating entity, for example, if the guidance provided may require further or additional action on the side of the operating entity in order to fully and adequately address the guidance provided;
      - Additionally, pieces of guidance which would not fall into this category could, for example, be categorized by the SCF using such terms as “active” or “on-going” which have not been responded to and therefore require action by the operating entity;
      - The SCF may wish to consider whether this additional categorization would be a useful step, as well as which categories would add the most value to this exercise;

- b) Agree on the scope of the set of core guidance to the operating entities of the Financial Mechanism; starting point for the SCF could be the body of guidance which does not fall into the categories “repetitive”, “redundant”, or “obsolete”;
- c) Agree on next steps for this exercise by either:
- i. Concluding its work on the identification of core guidance to the operating entities during the 10th meeting of the SCF; or
  - ii. Mandating the working group and its facilitators to work on a draft set of core guidance to be agreed on during the 11th meeting of the SCF on the basis of the scope agreed on during the 10th meeting.
2. With regard to the *frequency of guidance to be provided to the Financial Mechanism*, the SCF may wish to agree on:
- a) Its approach, the SCF may wish to take into consideration:
    - i. The outcome of the compilation and analysis of past guidance provided;
    - ii. The legal perspective of the provision of guidance to the operating entities of the Financial Mechanism;<sup>1</sup>
    - iii. Practical considerations with regard to the provision of guidance to the operating entities of the Financial Mechanism;<sup>2</sup>
  - b) The expected outcome of its deliberations on this matter, which could be in the form of:
    - i. A recommendation to the Conference of the Parties (COP) at its 21st session, proposing a specific frequency of guidance to be provided to the Financial Mechanism;
    - ii. Submitting for further consideration by the COP the findings of the compilation and analysis of past guidance provided to the operating entities of the Financial Mechanism.
3. With regard to the *draft guidance to the operating entities to be provided by the SCF to COP 21*, which, as per its agreement during its ninth meeting, is to be in the form of a draft decision,<sup>3</sup> the SCF may wish to come to an agreement on its drafting approach along the following lines:
- a) The SCF could invite members of the SCF to provide written inputs on the basis of the reports of the Global Environment Facility (GEF) and the Green Climate Fund (GCF) by 30 September 2015, either:
    - i. Following the template that was utilized by the SCF last year for the provision of inputs; or
    - ii. In the form of textual inputs for a draft decision;
  - b) With regard to the actual drafting, the SCF could:
    - i. Mandate the co-facilitators of the working group to prepare a draft decision in advance of the 11th meeting of the SCF on the basis of the inputs received from SCF members and the Adaptation Committee (AC) and the Technology Executive Committee (TEC); or
    - ii. Initiate the drafting during its 11th meeting on the basis of a compilation of the inputs received from the SCF members, the AC, and the TEC.

## II. Background information

4. Parties, at COP 20, endorsed the recommendations of the SCF on the provision of guidance to the operating entities.<sup>4</sup> Furthermore, 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 on this issue.

During its 9<sup>th</sup> meeting, the SCF agreed that a compilation and analysis of past guidance, as well as an identification of a draft set of core guidance, will form the basis for consideration of the issues of: improving the consistency and practicality of guidance; complementarity between the operating entities and the funds they administer; and the frequency of guidance provided to the Financial Mechanism.<sup>5</sup> Furthermore, the SCF

<sup>1</sup> As identified in paragraphs 30 to 32 of document SCF/2015/9/5.

<sup>2</sup> As identified in paragraph 34, as well as annexes II and V of document SCF/2015/9/5.

<sup>3</sup> See paragraph 17 of document SCF/2015/9/10.

<sup>4</sup> Provided in paragraph 10 of the report of the SCF to COP 20, contained in document FCCC/CP/2014/5.

<sup>5</sup> See document SCF/2015/9/10, section 6.

requested the secretariat to compile and analyse the past guidance prior to SCF 10. Additionally, the SCF decided that the Co-Chairs are to issue an official communication to the AC and the TEC containing an invitation to those bodies to provide inputs on the draft guidance to the operating entities of the Financial Mechanism.

### **Approach to the compilation and analysis of past guidance provided to the operating entities of the Financial Mechanism**

Based on the guidance provided by the SCF during its ninth meeting,<sup>6</sup> the secretariat, guided by the co-facilitators of the working group, prepared a compilation and analysis of the past guidance provided to the operating entities of the Financial Mechanism for consideration by the SCF at its tenth meeting.

In this context, the secretariat, in a first step, prepared two compendia of past guidance provided, one for the Global Environment Facility (GEF) and one for the Green Climate Fund (GCF), as provided by the COP, the Subsidiary Bodies (SBs) and the Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP). The compendia are available at <<http://unfccc.int/6881.php>>.

In a second step, the secretariat prepared a compilation and analysis of past guidance provided to the operating entities:

For the *GCF*, the document contains a compilation and analysis of past guidance provided by the COP, the SBs and the ADP, starting from COP 16 up until COP 20; in the document, the decisions are reflected according to the respective relevant thematic areas mirroring, to the extent possible, the categories provided for in the Governing Instruments for the GCF;<sup>7</sup> the document is available at <<http://unfccc.int/6881.php>>;

For the *GEF*, the document contains a compilation and analysis of past guidance provided by the COP, the SBs and the ADP, starting from COP 1 up until COP 20; in the document, the decisions are reflected, to the extent possible, according to the respective relevant thematic categories as identified in the index of document "United Nations Framework Convention on Climate Change; Guidance from the Conference of the Parties and responses by the Global Environment Facility 20 Years" prepared by the GEF secretariat;<sup>8</sup> the document is available at <<http://unfccc.int/6881.php>>.

Additionally, under the guidance of the co-facilitators, a suggested status was tentatively allocated to various pieces of guidance provided in an attempt to progress work on this exercise in offering a starting point for further analysis, using the categories of "repetitive", "redundant" and "obsolete", in the understanding that the categories, as well as the labelling as such are still subject to discussion by the SCF; the categories can be described as follows:

"*Repetitive*" refers to pieces of guidance which are a textual replication of previous guidance provided;

"*Redundant*" refers to pieces of guidance which can be considered as, for example in the case of SBI conclusions, having been overtaken by subsequent COP decisions;

"*Obsolete*" refers to pieces of guidance which are only of historical value as they refer to, for example in the case of the GEF, past replenishment cycles;

Furthermore, where necessary, explanatory notes have been included in the column on the suggested status for pieces of guidance in which case the SCF may wish to consider the actual relevance of such guidance.

In a third step, the secretariat has prepared an overview of the past guidance provided per thematic category, the documents are available at <<http://unfccc.int/6881.php>>. An overview of the guidance provided to the GCF is also contained in annex I, and an overview of the guidance provided to the GEF in annex II to this document.

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<sup>6</sup> See document SCF/2015/9/10, section 6.

<sup>7</sup> Contained in the annex to decision 3/CP.17.

<sup>8</sup> Available at: <[http://www.thegef.org/gef/sites/thegef.org/files/publication/GEF\\_UNFCCC%20COP%20Guidance2014-112414-C\\_web.pdf](http://www.thegef.org/gef/sites/thegef.org/files/publication/GEF_UNFCCC%20COP%20Guidance2014-112414-C_web.pdf)>.

**Outreach activities**

As agreed during the ninth SCF meeting, an official communication was sent on 10 April to the AC and the TEC by the SCF Co-Chairs inviting those bodies to provide inputs on the draft guidance to the operating entities of the Financial Mechanism. This communication contained detailed information regarding the scope, format, timing of the inputs, and how these will be processed. Furthermore, the AC and TEC were informed that Ms. Diann Black-Layne and Mr. Jozef Buys have been entrusted with the facilitation of the work of the SCF working group on the draft guidance to the operating entities, and that the two facilitators stand ready to communicate closely and to collaborate further with the Chairs, or dedicated members of the respective Committee.

Particularly before and during the last meeting of the AC and the TEC,<sup>9</sup> the SCF may wish to closely collaborate with the two bodies in order to facilitate their work on the respective inputs. The most feasible option for such close collaboration would be for the facilitators of the SCF working group to attend the meetings of the two bodies, either in person or virtually, as well as to engage in advance of the meetings in one or more conference calls with dedicated members of the respective body to address questions, provide further background information, and clearly communicate the SCF's expectations and guidelines for the inputs to be provided.

The SCF may wish to send another official communication to the AC and the TEC upon issuance of the annual reports of the GEF and the GCF respectively, providing a clear timeline for the provision of inputs by 30 September 2015.

Furthermore, continued close collaboration with representatives of the operating entities, particularly during the SCF meetings, may be important to finalize the exercise of identifying core guidance, as well as to provide draft guidance to the operating entities to COP 21.

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<sup>9</sup> Both meetings will take place in Bonn, Germany. The AC meeting is scheduled to take place 7–12 September 2015, the TEC meeting is scheduled to take place 7–11 September 2015.

## Annex I – Compilation and analysis of past guidance provided to the Green Climate Fund from COP 16 up until COP 20 – Overview

Thematic area	COP 16	COP 17	COP 18	COP 19	COP 20	Total
<i>Objectives and guiding principles</i>		1				1
<i>Governance and institutional arrangements</i>					1	1
Relationship to the Conference of the Parties	1	2	2	7	2	14
Legal status		2	1	1	1	5
Rules of procedure of the Board	1	2				3
Role and functions of the Board		1				1
Secretariat	1	3	3	2	1	10
Trustee	1	2	1			4
<i>Administrative costs</i>		1		1		2
<i>Financial inputs</i>		2	1	2	2	7
<i>Operational modalities</i>		2	1	1		4
Complementarity and coherence		1			2	3
Eligibility		1		1		2
Funding windows and fund structure		1			1	2
Readiness and preparatory support		1			2	3
Private sector		1			1	2
Access modalities and accreditation		1		1		2
Direct access		1				1
International access		1				1
Accreditation		1			2	3
Allocation	1	2	2	1		6
Programming and approval processes		1				1
<i>Financial instruments</i>		1				1
<i>Monitoring</i>		1			1	2
<i>Evaluation</i>		1				1
<i>Fiduciary standards</i>		1			1	2
<i>Environmental and social safeguards</i>		1			1	2
<i>Accountability mechanisms</i>		1		1	1	3
<i>Expert and technical advice</i>		1				1
<i>Stakeholder input and participation</i>		1			4	5
<i>Termination of the Fund</i>		1				1
<i>Technology development and transfer</i>						
Funding		2			1	3
Linkages and collaboration		1	3			4
Institutional arrangements			1	1		2
Information and reporting		1	1			2
<i>Adaptation</i>						
Funding	1	1	1	1	1	5

<b>Thematic area</b>	<b>COP 16</b>	<b>COP 17</b>	<b>COP 18</b>	<b>COP 19</b>	<b>COP 20</b>	<b>Total</b>
Linkages and collaboration		1	1			2
National Adaptation Plans			1		2	3
Monitoring and evaluation					2	2
Institutional arrangements				1		1
<b>Mitigation</b>						
Funding		1			1	2
Information and reporting		1	1			2
<b>Article 6</b>						
Funding			1			1
<b>Capacity-building</b>						
Funding		1			1	2
Information and reporting		1	1			2
<b>Results-based finance</b>				1	1	2
<b>Gender</b>				1	1	2
<b>Intended nationally determined contributions</b>				1	1	2
<b>Reporting / information</b>		2	2	2	1	7
<b>Operationalization</b>		1	2	1	1	5
<b>Institutional linkages</b>		1	1		1	3
<b>Other</b>						
Transitional Committee	1	1				2
ADP / WS 2					1	1
Enabling environments					1	1
<b><i>Total</i></b>	<b>7</b>	<b>54</b>	<b>27</b>	<b>27</b>	<b>39</b>	<b><i>154</i></b>

## Annex II – Compilation and analysis of past guidance provided to the Global Environment Facility from COP 1 up until COP 20 – Overview

Thematic area	COP 1	COP 2	COP 3	COP 4	COP 5	COP 6	COP 7	COP 8	COP 9	COP 10	COP 11	COP 12	COP 13	COP 14	COP 15	COP 16	COP 17	COP 18	COP 19	COP 20	Total	
<b>SBI</b>			SBI 6		SBI 11	SBI 12 SBI 13-2	SBI 15	SBI 17	SBI 18 SBI 19	SBI 20	SBI 22 SBI 23	SBI 24 SBI 25	SBI 26 SBI 27		SBI 30 SBI 31	SBI 32 SBI 33	SBI 34 SBI 35	SBI 36 SBI 37	SBI 39	SBI 40 SBI 41		
<b>General</b>																						
Memorandum of Understanding																				1		1
GEF Council										1												1
Fifth replenishment																1		1				2
Sixth replenishment																			2			2
Adaptation fund							1															1
Country dialogues													1									1
Green Climate Fund																1						1
Report of the GEF	1												1					1			1	4
National experts/consultants				1			1						1									3
<b>Procedure</b>																						
Awareness-raising on GEF programmes and procedures												1										1
Project cycle management												1								1	1	3
Streamlining and simplifying project cycle				1			2	1								2	1					8
Implementing/executing agencies				1			1						1	1								4
Knowledge management																2						2
Transparency of review process																	1		1		3	5
Reporting on results achieved																					3	3
<b>Eligibility criteria</b>																						
Eligibility criteria	1	1																				2
<b>Policies</b>																						
Access							1		2	2	1	3	1	1		4		2			2	19
Resource Allocation Framework (RAF)											1	1		1		1						4

Thematic area	COP 1	COP 2	COP 3	COP 4	COP 5	COP 6	COP 7	COP 8	COP 9	COP 10	COP 11	COP 12	COP 13	COP 14	COP 15	COP 16	COP 17	COP 18	COP 19	COP 20	Total	
SBI			SBI 6		SBI 11	SBI 12 SBI 13-2	SBI 15	SBI 17	SBI 18 SBI 19	SBI 20	SBI 22 SBI 23	SBI 24 SBI 25	SBI 26 SBI 27		SBI 30 SBI 31	SBI 32 SBI 33	SBI 34 SBI 35	SBI 36 SBI 37	SBI 39	SBI 40 SBI 41		
Co-financing											1	1		1					1	2	6	
Gender																					2	2
<b>Programming</b>																						
Agreed full costs	1	1		1				1				2	2	8	1	3	2	4				26
Incremental costs	1	1		1				1					1									5
Country-Specific needs		1																				1
Article 6 (Public awareness and education)				1			1	1	1	4	2	2	1			2	6	1				22
New Delhi work programme								1					1									2
Capacity-building				1	1		4	2	2	6	1	1		2		1	1	1				23
Enabling activities		1																				1
National Programmes				1																		1
National Communications		1		3	2	1		1	1	3		4	4	5	1	8	3					37
Project proposals identified in the national communications										1	2		4	4	1	4	2	2	1	1		22
Biennial update reports																	1	8	2	8		19
Energy efficiency												1										1
Carbon capture and storage											1											1
Land use and land-use change projects												1										1
Results-based finance / REDD+																	1		1			2
Nationally appropriate mitigation action (NAMAs)																	1	1				2
Technology Needs Assessment				1					1			1			1		1	1	1	1		8
Technology transfer							2	1	2			1	4	1			2	1				14
Poznan Strategic Programme on Technology transfer														2	1	1		3				7
Climate Technology Centre and Network																	2	2			3	7
Private sector		1																				1
Stage I, II and III	1			1			3			1												6
Systematic observation				1													2					3
Global observing systems									1													1
Strategic priority on adaptation									1	1			1									3



Thematic area	COP 1	COP 2	COP 3	COP 4	COP 5	COP 6	COP 7	COP 8	COP 9	COP 10	COP 11	COP 12	COP 13	COP 14	COP 15	COP 16	COP 17	COP 18	COP 19	COP 20	Total	
<b>SBI</b>			SBI 6		SBI 11	SBI 12 SBI 13-2	SBI 15	SBI 17	SBI 18 SBI 19	SBI 20	SBI 22 SBI 23	SBI 24 SBI 25	SBI 26 SBI 27		SBI 30 SBI 31	SBI 32 SBI 33	SBI 34 SBI 35	SBI 36 SBI 37	SBI 39	SBI 40 SBI 41		
Buenos Aires Programme of work										3												3
Least developed countries programme							1							2		1	1				2	7
National adaptation programmes / Least Developed Countries Fund							1	1	2	1	1			6		5	2	1			2	22
National adaptation plans																	3	4	1	2		10
Special Climate Change Fund							1		1			2										4
Intended nationally determined contributions																			1	1		2
<b><i>Total</i></b>	<b>5</b>	<b>7</b>	<b>0</b>	<b>14</b>	<b>3</b>	<b>1</b>	<b>19</b>	<b>10</b>	<b>14</b>	<b>23</b>	<b>10</b>	<b>22</b>	<b>23</b>	<b>34</b>	<b>5</b>	<b>36</b>	<b>32</b>	<b>33</b>	<b>14</b>	<b>34</b>	<b>339</b>	