

Eighth meeting of the Standing Committee on Finance Bonn, Germany, 5–7 March 2014

Background paper on the draft guidance to the operating entities of the financial mechanism

I. Background

1. At the seventeenth session of the Conference of the Parties (COP 17), Parties decided that the SCF shall assist the COP in exercising its functions with respect to the Financial Mechanism of the Convention including through providing draft guidance for the operating entities (OEs) of the Financial Mechanism of the Convention to the COP, with a view to improving the consistency and practicality of such guidance, taking into account the annual reports of the OEs as well as submissions from Parties. Additionally, Parties are invited to submit to the secretariat annually, and no later than 10 weeks prior to the subsequent session of the COP their views and recommendations on the elements to be taken into account in developing guidance to the OEs.

2. At its seventh meeting, the SCF considered two documents¹ which contained various proposals and options to improve the draft guidance to the OEs of the Financial Mechanism, as well as options for the procedural approach to the provision of draft guidance in advance of COP 20.

3. With regard to improving the draft guidance to the OEs, one of the proposals was to update existing guidance. In this respect, there was broad agreement that the SCF should analyze past guidance and identify core guidance to the OEs and that a recommendation should be made by the SCF to COP 20 in this regard. In the context of the proposal of performance based guidance, there was broad agreement that this year's guidance will be provided based on the OE reports, and that the SCF will continue to elaborate on the issue of improving future draft guidance to the OEs at its next meeting.

4. Regarding its procedural approach to the provision of draft guidance to the OEs to COP 20, members discussed the options as presented in the revised initial paper on improving the draft guidance to the OEs of the Financial Mechanism:²

a) *Option 1:* SCF members could be invited to submit elements of draft guidance to the GEF no later than one week before the eighth meeting of the SCF based on the report of the GEF. The SCF could then develop, at its eighth meeting and based on the submissions by SCF members and submissions by Parties as available, a draft decision containing draft guidance to the GEF to be annexed to its report. Should the SCF not come to an agreement with regards to such a draft decision, option 2 and 3 could 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 as per the timeline contained in document SCF/2014/7/9, annex II, which would be compiled into the template as used in last year's report³ 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 and submissions by Parties as available, a co-chairs proposal for

¹ Document SCF/2014/7/6 and <http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/revised_initial_paper_on_improving_draft_guidance_to_oes_%282%29.pdf>.

² Available at <http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/revised_initial_paper_on_improving_draft_guidance_to_oes_%282%29.pdf>.

³ Annex V of document FCCC/CP/2013/8.



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.

5. The SCF agreed that members will 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, and the submissions by Parties as available. Furthermore, the SCF agreed that these submissions will then form the basis of a draft decision containing draft guidance to the GEF to be annexed to the SCF report. There was also broad agreement among members that, should the SCF not be able to agree on a draft decision, options 2 and 3 could be the fall back position for this year's approach to the provision of draft guidance to the OEs.

6. Representatives of the secretariats of the OEs will be invited to participate in the SCF meeting and will stand ready to engage with the SCF on matters and questions regarding the report of the GEF, and, in the case of the GCF, the forthcoming report of the GCF in terms of responses to the guidance to the GCF.

7. The SCF may wish to consider the information contained in the below sections and to engage with the OE representatives, with a view to agreeing on its approach and the recommendations to be made with regards to the provision of draft guidance to the GEF and the GCF.

II. Guidance to the Global Environment Facility

8. In order to facilitate discussions on the report of the GEF, annex I contains a table providing an overview of the guidance given by COP 19 to the GEF and the response by the GEF to the COP guidance presented in its report to COP 20. As outlined above, this overview may serve the SCF as basis for the preparation of a draft decision to be agreed upon and to be included in its report to COP 20.

9. Should the SCF not be able to agree on a draft decision, the SCF may wish to come to an agreement whether option 2 or option 3 as outlined in paragraph 4 above would apply for the provision of draft guidance to the GEF in its report to COP 20.

III. Guidance to the Green Climate Fund

10. Due to the non-availability of the GCF report at the time of the eighth SCF meeting, annex II contains a table with guidance provided by previous COPs to the GCF, as well as decisions taken by the GCF Board in response to COP guidance up until the seventh meeting of the GCF Board. Should the SCF not consider it as too premature, the SCF may wish to use this table as a basis for an initial identification of areas where further guidance to the GCF may be necessary at COP 20.

11. With regards to its procedural approach to the provision of draft guidance to the GCF, the SCF may wish to come to an agreement whether option 2 or option 3 as outlined in paragraph 4 above would apply.

IV. Submissions

12. Annex III contains the submissions as received by SCF members as at 22 September 2014, which will serve as basis for the SCF discussions on the matter of draft guidance to the OEs as agreed on during the previous SCF meeting. A compilation of submissions received after that date will be provided to SCF members shortly before the meeting. The

SCF may also wish to take into consideration Parties' submissions on elements to be taken into account when providing guidance to the OEs.⁴

⁴ Will be made available at: <<http://www4.unfccc.int/submissions/SitePages/sessions.aspx?showOnlyCurrentCalls=1&populateData=1&expectedsubmissionfrom=Parties&focalBodies=COP>>

Annex I – Overview of guidance provided to the GEF at COP 19, SBI 39 and 40 and responses by the GEF to such guidance

Guidance provided by COP 19, SBI 39 and 40	GEF response
<p><u>Decision 6/CP.19, paragraph 3</u>: The COP requests the GEF to clarify the concept of co-financing and its application in the projects and programs of the GEF.</p>	<p>In response to this policy recommendation, the GEF Secretariat has, in consultation with the GEF Agencies, developed a proposal for a new co-financing policy, which was approved by the GEF Council at its meeting on May 25–26 2014. The GEF Secretariat's new policy, adopts a clearer definition of co-financing for GEF Trust Fund projects, and includes clearer requirements for GEF-financed projects during different stages in the GEF project cycle. The document also describes the GEF's approach to mobilizing co-financing during GEF-6. This document (<i>GEF Policy FI/PL/01</i>) can be found at the following link: http://www.thegef.org/gef/policy/co-financing.</p>
<p><u>Decision 6/CP.19, paragraph 4</u>: Also requests the GEF to further specify the steps that it has undertaken in response to the request contained in decision 9/CP.18, paragraph 1(c).</p> <p>Decision 9/CP.18, paragraph 1(c): Through the SCCF, to consider how to enable activities for the preparation of the national adaptation plan process for interested developing country Parties that are not least developed country Parties, as it requested the GEF, through the LDCF, to consider how to enable activities for the preparation of the national adaptation plan process for the least developed country Parties in decision 5/CP.17, paragraph 22.)</p>	<p>On March 21, 2014, the LDCF/SCCF Council approved an SCCF grant amounting to \$4.93 million towards the FSP 'Global: Assisting Non-LDC Developing Countries with Country-driven Processes to Advance National Adaptation Plans (NAPs)' (GEF ID: 5683).</p> <p>The program seeks to strengthen institutional and technical capacities to allow non-LDC developing countries to integrate CCA into their medium- and long-term development planning processes in a continuous, progressive and iterative manner. The project has three main components, aiming to: (i) enhance the capacities of non-LDC Parties to advance medium- and long-term adaptation planning in the context of their development policies, strategies, plans and budgets; (ii) develop and disseminate tools and approaches to support the NAP process; and (iii) promote the exchange of lessons and knowledge through South-South and North-South cooperation.</p> <p>Consistent with the decision taken by the LDCF/SCCF Council at its 14th meeting in June 2013, the GEF Secretariat also invited developing countries to put forward proposals under the SCCF for MSPs, FSPs and programmatic approaches that would contribute towards the preparation of their NAP processes, consistent with the objectives, principles and scope of the process, as defined in decision 5/CP.17 and specified in document GEF/LDCF.SCCF.14/06, 'Operationalizing Support to the Preparation of the NAP Process in Response to Guidance from the UNFCCC COP'.</p> <p>The GEF, through its existing portfolio of SCCF projects and programs, is already providing significant support towards the objectives of the NAP process, and future support will build on the progress made to date. GEF support, through the SCCF, towards the preparation of the NAP process in non-LDC developing countries is further elaborated in the GEF's submission to the SBI of March 26, 2014, which is available on the UNFCCC website.⁵</p>
<p><u>Decision 6/CP.19, paragraph 5</u>: Further requests the GEF to include, in its report to COP 20</p>	<p>As indicated in paragraph 5 of the memorandum of understanding between the COP and the GEF Council,</p>

⁵ <<http://unfccc.int/resource/docs/2014/smsn/igo/156.pdf>>.

Guidance provided by COP 19, SBI 39 and 40	GEF response
<p>(December 2014), information on the modalities that it has established in response to paragraph 5 of the memorandum of understanding between the COP and the Council of the GEF.</p> <p>MOU between the COP and the Council of the GEF, paragraph 5:</p> <p><u>Reconsideration of funding decisions</u></p> <p>The funding decisions for specific projects should be agreed between the developing country Party concerned and the GEF in conformity with policy guidance from the COP. The Council of the GEF is responsible for approving the GEF work programmes. If any Party considers that a decision of the Council regarding a specific project in a proposed work programme does not comply with the policies, programme priorities and eligibility criteria established by the COP in the context of the Convention, the COP should analyse the observations presented to it by the Party and take decisions on the basis of compliance with such policies, programme priorities and eligibility criteria. In the event that the COP considers that this specific project decision does not comply with the policies, programme priorities and eligibility criteria established by the COP, it may ask the Council of the GEF for further clarification on the specific project decision and in due time may ask for a reconsideration of that decision.</p>	<p>the GEF Council approves the GEF work program consisting of project proposals, taking into consideration comments from GEF Council members, relevant Convention secretariats, Scientific and Technical Advisory Panel (STAP), representatives from civil society organizations (CSOs), and other stakeholders. Project proposals need to be endorsed by a country's GEF operational focal point (OFF) before they are submitted to the GEF Secretariat; projects often emerge from a country planning exercise, involving stakeholders, to identify priorities for GEF programming. Project proposals submitted to the GEF Secretariat are also shared with the appropriate Convention secretariats for comments to be transmitted to the GEF Secretariat; Convention secretariats are also invited to participate in the GEF Operations Committee meetings that finalize work programs prior to submissions of GEF project proposals to the GEF Council. Collaborating with recipient countries, the GEF agencies respond to these comments and take actions during project preparation to improve project designs and other implementation arrangements. Furthermore, the GEF Secretariat works with the agencies to ensure that all proposed projects are in compliance with eligibility criteria, GEF policies, and focal area strategies. To date, the GEF Council has not been requested to provide clarification on a specific funding decision on the basis of compliance with the policies, program priorities and eligibility criteria established by the COP in the context of the Convention; or to reconsider such a decision. The GEF Council will provide further clarification on any funding decision in accordance with the memorandum of understanding with the COP, should the COP request it.</p>
<p><u>Decision 6/CP.19, paragraph 8:</u> Emphasizes the need for the GEF to consider lessons learned from past replenishment periods in its deliberations on the strategy for GEF-6 in order to continue to increase the effectiveness of its operations.</p>	<p>GEF-6 was informed by an independent overall performance study (OPS5), which was undertaken by the Independent Evaluation Office of the GEF. OPS5 provided a comprehensive evaluation that assessed the performance, institutional effectiveness, and impact of the GEF, and also identified potential improvements. To help inform the replenishment process, the first report of OPS5 was presented at the first replenishment meeting. The progress report was presented at the second replenishment meeting. The final OPS5 report was presented at the third replenishment meeting and circulated to facilitate the considerations of lessons learned in the Strategy deliberations during the replenishment process.</p>
<p><u>Decision 6/CP.19, paragraph 9:</u> Calls upon developed country Parties, and invites other Parties that make voluntary financial contributions to the GEF, to ensure a robust sixth replenishment in order to assist in providing adequate and predictable funding.</p>	<p>At the November 2012 Council meeting, the GEF Council requested the Trustee of the GEF, in cooperation with the GEF CEO, to initiate discussions on GEF-6. The fourth and final meeting of the replenishment process was held in April 2014, at which donor pledges were finalized, with a total of \$4.43 billion. The 'Summary of Negotiations' and the core replenishment documents (Programming document, Policy recommendations and draft Replenishment Resolution) were endorsed by the GEF Council in May 2014. The Council requested the GEF CEO to transmit the Summary of Negotiations and the core replenishment documents to the World Bank's Executive Directors for consideration and adoption of the Replenishment Resolution. The financing period under GEF-6 will begin when the World Bank Executive Directors adopt the GEF-6 Replenishment Resolution. This Resolution authorizes the World Bank to act as Trustee of the GEFTF. The Trustee will inform donors of the adoption of the Resolution, and donors will work to formalize</p>

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	their pledges to the replenishment. Once donors have obtained the appropriate parliamentary authorization and/or budgetary approval to participate in the replenishment, they will deposit an Instrument of Commitment with the Trustee. This will initiate the implementation of the new replenishment. GEF-6 is expected to fund four years of GEF operations and activities, beginning July 1, 2014 and ending June 30, 2018 (FY 2015-FY 2018).
<u>Decision 6/CP.19, paragraph 10:</u> Requests the GEF to give due consideration in its sixth replenishment period to funding for SIDS and LDCs in order to enable them to address their urgent needs and to comply with their obligations under the Convention.	During GEF-6 negotiations, participants agreed on the need to provide more resources to LDCs and SIDS, in line with the recent guidance from the conventions. The mechanism that allocates resources to countries within the climate change, biodiversity and land degradation focal areas was reviewed, and modifications designed to enable the GEF to better effect global environmental impact and transformational change, were adopted by the GEF Council in May 2014. These modifications both directly and indirectly target the LDCs and the SIDS, with an aim to direct more resources to these groups of countries in order to address their known environmental vulnerabilities.
<u>Decision 6/CP.19, paragraph 11:</u> Also requests the GEF to support, within its mandate, the implementation of country-driven projects identified in the technology needs assessments prepared by developing country Parties.	When reviewing climate change project proposals, the GEF Secretariat systematically checks whether the project proposals are consistent with the results of the TNAs prepared by developing country Parties, if these exist. The GEF Secretariat encourages countries and agencies to develop project proposals that are consistent with existing TNAs, in a country-driven manner.
<u>Decision 6/CP.19, paragraph 12:</u> Encourages the GEF to continue with its voluntary National Portfolio Formulation Exercise (NPFE), which has been proved to enhance coordination and coherence at the national level.	The GEF Secretariat followed the Council's request on including proposals for continuation of NPFE support in GEF-6, to be implemented through the Secretariat. The Council also requested to use the balance of the GEF-5 NPFE support for programming exercises to enable countries - on a voluntary basis - to prepare for GEF-6. Therefore, after some consultations, the GEF Secretariat updated the NPFE guidelines to make this exercise available to countries. See https://www.thegef.org/gef/NPFE_template .
<u>Decision 6/CP.19, paragraph 14:</u> Encourages the GEF to finalize the accreditation of new project agencies and assess the possibilities for further expanding the direct access modality.	The Accreditation Pilot began in January 2012. The GEF Council, in June 2012, approved 11 applicant entities to progress to Stage II of the accreditation process. Since then, the independent GEF Accreditation Panel (the Panel) has been conducting Stage II reviews of these applicants in order to assess their level of compliance with the GEF's Fiduciary Standards as well as its Environmental and Social Safeguards, including Gender Mainstreaming. Thus far, four applicants, namely World Wildlife Fund, Inc. (WWF-US), Conservation International (CI), International Union for Conservation of Nature (IUCN) and the Development Bank of Southern Africa have successfully completed their Stage II review process, receiving approval from the Panel for accreditation to become GEF project agencies. The process of Panel reviews of remaining applicants is continuing.
<u>Decision 6/CP.19, paragraph 15:</u> Invites the GEF and all of its implementing agencies and recipient countries to continue to work together to improve institutional arrangements, giving special consideration to expediting the project cycle.	The GEF Secretariat and GEF agencies continue to work on streamlining the project cycle. In addition to the eight measures currently under implementation, four working groups were formed to further explore measures that could expedite project processing. These four working groups are: (i) Further Simplification of Templates and MSP Process; (ii) Regional Projects; (iii) Co-financing; and (iv) Corporate Activities. The status of these working groups and their findings were included in a progress report on streamlining of the

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	GEF project cycle submitted to the May 2014 Council Meeting.
<p><u>Decision 6/CP.19, paragraph 16:</u> Encourages the GEF to continue to increase the overall transparency and openness of its operations.</p>	<p>Transparency and openness of its operations are objectives that the GEF Council, Secretariat and agencies pursue continuously. Most recently, the Secretariat created a space on the GEF website to post all GEF policies and strategies, as opposed to previously having to search through all Council documents to locate a particular GEF policy. An effort is underway to upload policy and strategy documents to this space so that all GEF policies will become publicly accessible at one place (see http://www.thegef.org/gef/policies). The policies posted on the website also incorporate Council discussions and comments, and will thus provide an alternative to the Joint Summary of Chairs for Council decisions concerning a particular policy. This initiative is providing added transparency on GEF activities and operations.</p>
<p><u>Decision 6/CP.19, paragraph 17:</u> Also encourages the GEF to strengthen its collaborative efforts with the SCF.</p>	<p>The GEF continues to support and inform the work of the SCF through participation in SCF meetings and provision of information. The GEF also contributed information towards the Committee's biennial assessment and overview of climate finance flows, and engaged in consultations regarding the fifth review of the financial mechanism.</p>
<p>Results-based finance</p> <p><u>Decision 9/CP.19, paragraph 5:</u> Encourages entities financing the activities referred to in decision 1/CP.16, paragraph 70, through the wide variety of sources referred to in decision 2/CP.17, paragraph 65, including the Green Climate Fund (GCF) in a key role, to collectively channel adequate and predictable results-based finance in a fair and balanced manner, taking into account different policy approaches, while working with a view to increasing the number of countries that are in a position to obtain and receive payments for results-based actions.</p> <p><u>Decision 2/CP.17, paragraph 65:</u> Agrees that results-based finance provided to developing country Parties that is new, additional and predictable may come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources</p>	<p>The GEF, through its CCM programming under 'reducing emissions from land use, land-use change and forestry (LULUCF)' and Sustainable Forest Management (SFM)/Reducing Emissions from Deforestation and Forest Degradation plus (REDD+) incentive program, has provided significant resources and will continue to support activities described under 1/CP.16, paragraph 70.⁶</p>
<p><u>Decision 9/CP.19, paragraph 6:</u> Also encourages the entities referred to in paragraph 5 above, when providing results-based finance, to apply the methodological guidance consistent with decisions 4/CP.15, 1/CP.16, 2/CP.17, 12/CP.17 and 11/CP.19 to 15/CP.19 as well as this decision, in order to improve the effectiveness and coordination of results-based finance.</p>	<p>The GEF continues to provide support for a range of technical and policy-related capacity-building activities that contribute to implementation of the decisions. This support includes, but is not limited to, identifying drivers of deforestation or degradation, implementation of activities to reduce emissions caused by such drivers, and use of appropriate methodologies to estimate related GHG emissions and removals.</p>

⁶ SFM is designed as an incentive for a project where two or more focal area objectives are addressed.

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<p><u>Decision 9/CP.19, paragraph 8</u>: Encourages entities financing the activities referred to in decision 1/CP.16, paragraph 70, through the wide variety of sources referred to in decision 2/CP.17, paragraph 65, to continue to provide financial resources to alternative policy approaches, such as joint mitigation and adaptation approaches for the integral and sustainable management of forests.</p>	<p>The GEF is equipped with modalities to finance joint mitigation and adaptation approaches and encourages more countries to seek support for such approaches.</p>
<p><u>Decision 1/CP.19, paragraph 2(d)</u>: To urge and request developed country Parties, the operating entities of the financial mechanism and any other organizations in a position to do so to provide support for the related activities referred to in paragraphs 2(b) and 2(c) above as early as possible in 2014.</p> <p><u>Decision 1/CP.19, paragraph 2(b)</u>: To invite all Parties to initiate or intensify domestic preparations for their intended nationally determined contributions, without prejudice to the legal nature of the contributions, in the context of adopting a protocol, another legal instrument or an agreed outcome with legal force under the Convention applicable to all Parties towards achieving the objective of the Convention as set out in its Article 2 and to communicate them well in advance of COP 21 (by the first quarter of 2015 by those Parties ready to do so) in a manner that facilitates the clarity, transparency and understanding of the intended contributions, without prejudice to the legal nature of the contributions.</p> <p><u>Decision 1/CP.19, paragraph 2(c)</u>: To request the ADP to identify, by COP 20, the information that Parties will provide when putting forward their contributions, without prejudice to the legal nature of the contributions, referred to in paragraph 2(b) above.</p>	<p>The GEF has made available resources for countries to prepare their intended INDCs, and has participated in various meetings and workshops to encourage countries to utilize the available GEF resources for this purpose. A component has been added to the Global Support Program for NCs and BURs to provide technical assistance to countries to prepare their intended INDCs for the 2015 Agreement. In June 2014, the GEF approved projects for Azerbaijan, Côte d'Ivoire, Iraq, Thailand, Tunisia, Timor Leste and Yemen to prepare their intended INDCs.</p>
<p>National adaptation plans</p> <p><u>SBI 39 conclusions, paragraph 111</u>: Also welcomes the establishment of the NAP global support programme for the LDCs for facilitating technical support to the LDC Parties, and invited developed country Parties, United Nations organizations, specialized agencies, and other relevant organizations, as well as bilateral and multilateral agencies to enhance support to the programme, and to other relevant programmes, to address the needs of all LDC Parties in initiating the NAP process.</p> <p><u>SBI 40 conclusions, paragraph 97</u>: The SBI further took note of the activities carried out by the National Adaptation Plan Global Support Programme for the LDCs, and invited developed country Parties, United Nations organizations, specialized agencies, and other relevant organizations, as well as bilateral and multilateral agencies, to enhance support to the programme, and to other relevant programmes, to address the needs of all LDC Parties in initiating the NAP process.</p>	<p>Please refer to the response to decision 6/CP.19 above.</p> <p>GEF support, through the SCCF, towards the preparation of the NAP process in non-LDC Parties is further elaborated in the GEF's submission to the SBI of March 26, 2014, which is available on the UNFCCC website (http://unfccc.int/resource/docs/2014/smsn/igo/156.pdf).</p> <p>With regard to addressing the needs of LDCs in initiating their NAP processes, the LDCF project 'Global: Assisting LDCs with Country-driven Processes to Advance NAPs' (GEF ID: 5320), is underway and is providing institutional and technical support to LDCs, as well as sharing information on tools, methods and other relevant resources that countries may draw on in advancing their NAP processes.</p> <p>Through four regional training workshops carried out over the course of 2014, the project is providing representatives of all LDCs with an opportunity to learn about the NAP process and the associated technical guidelines developed by the LEG; relevant tools and methods; opportunities to access further financial and technical support; and to reflect on the progress they have made towards the objectives of the NAP process and their potential needs for further support. Progress made under the project is continuously updated on</p>

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<p><u>Decision 18/CP.19, paragraph 4</u>: The COP invites developed country Parties, United Nations organizations, specialized agencies and other relevant organizations, as well as bilateral and multilateral agencies, to continue to enhance financial and technical support to the national adaptation plan process for the LDC Parties, and other interested developing country Parties that are not LDCs.</p> <p><u>Decision 18/CP.19, paragraph 5</u>: The COP invites United Nations organizations, specialized agencies and other relevant organizations, as well as bilateral and multilateral agencies to consider establishing or enhancing support programmes for the national adaptation plan process within their mandates, as appropriate, which could facilitate the provision of financial and technical support to developing country Parties that are not LDCs, and to submit to the secretariat, by 26 March 2014, information on how they have responded to this invitation.</p>	<p>the project website (http://www.undp-alm.org/projects/naps-ldcs).</p> <p>As in the case of the SCCF (see response to decision 6/CP.19 above), the GEF Secretariat has invited LDCs to put forward proposals under the LDCF for MSPs, FSPs and programmatic approaches that would contribute towards the preparation of their NAP processes. The GEF, through its existing portfolio of LDCF projects and programs, is already providing significant support towards the objectives of the NAP process, and future support will build on the progress made to date.</p>
<p>National Communication from Parties non included in Annex I to the Convention, provision of financial and technical support</p> <p><u>SBI 39 conclusions, paragraph 33</u>: The SBI invited the GEF to continue providing detailed, accurate, timely and complete information on its activities relating to the preparation of national communications by non-Annex I Parties, including information on the dates of the approval of funding and the disbursement of funds. It also invited the GEF to continue providing information on the approximate date of completion of the draft NCs, and an approximate date of submission to the secretariat of the NCs, for consideration at SBI 41 (December 2014).</p> <p><u>SBI 39 conclusions, paragraph 34</u>: The SBI invited the GEF to continue providing detailed, accurate, timely and complete information on its activities relating to the preparation of BURs, including information on the dates of the request for funding, approval of funding, disbursement of funds as well as an approximate date of submission to the secretariat of BURs, for consideration at SBI 40 (June 2014).</p> <p><u>SBI 39 conclusions, paragraph 35</u>: Encouraged the GEF implementing agencies to continue facilitating the preparation and submission of project proposals by non-Annex I Parties for the preparation of their BURs.</p> <p>SBI 39 conclusions, paragraph 36: The SBI encouraged the GEF to make support available to non-Annex I Parties for preparing their subsequent BURs in a timely manner, taking fully into account decision 2/CP.17, paragraph 41(a) and (e).</p>	<p>The GEF continues to provide resources to non-Annex I countries to prepare their NCs and BURs using the existing policy guidelines, taking fully into account decision 2/CP.17 paragraphs 41 (a) and (e). The status of BURs as at April 30, 2014 can be found in Error! Reference source not found. to the GEF report to COP 20. A further update on the status of BURs and NCs will be submitted to the UNFCCC.</p>

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<p>Decision 2/CP.17, paragraph 41 (a) and (e):</p> <p>Decides</p> <p>(a) That non-Annex I Parties, consistent with their capabilities and the level of support provided for reporting, should submit their first biennial update report by December 2014; the least developed country Parties and small island developing States may submit biennial update reports at their discretion;</p> <p>(e) That enhanced support for the preparation of biennial update reports should be ensured by developed country Parties and other developed Parties included in Annex II to the Convention by means of resources, in accordance with Article 4, paragraph 3, of the Convention, on the basis of agreed full-cost funding.</p>	
<p>Poznan strategic programme on technology transfer</p> <p><u>SBI 39 conclusions, paragraph 137:</u> The SBI invited the GEF to continue to consult with the CTCN, through its Advisory Board and UNEP as the host of the Climate Technology Center, on the support that the GEF will provide for the work of the CTCN and to report on the concrete results of the consultations at SBI 40 (June 2014).</p> <p><u>SBI 40 conclusions, paragraph 139:</u> The SBI invited the GEF to continue to consult with the Advisory Board of the CTCN on the support that the GEF will provide for the implementation of the five-year programme of work of the CTCN and to report on its findings for consideration at SBI 41.</p> <p><u>SBI 40 conclusions, paragraph 141:</u> The SBI recalled its conclusions at SBI 39, namely the need for the GEF to align the further implementation of the element of the Poznan strategic programme on support for climate technology centres and a climate technology network with the operationalization and activities of the CTCN, taking into account decision 2/CP.17, paragraph 140, and to consult with the Advisory Board of the CTCN on this matter and report on its findings for consideration at SBI 41.</p>	<p>During the reporting period, the GEF Secretariat consulted with the CTCN on numerous occasions and reported on the concrete results of the consultation at SBI 40 (see report on GEF consultation with the CTCN: http://unfccc.int/resource/docs/2014/sbi/eng/inf03.pdf). Details are available in Part II of this report. The GEF CEO approved in June 2014 a \$2 million project proposal entitled 'Promoting Accelerated Transfer and Scaled-up Deployment of Mitigation Technologies through the Climate Technology Center and Network (CTCN)', to be implemented by the UNIDO on behalf of the CTCN consortium.</p> <p>The GEF Secretariat will report to SBI 41 on these two items as requested by SBI 40 conclusions.</p>

Guidance provided by COP 19, SBI 39 and 40	GEF response																								
<p>Reporting from Parties not included in Annex I to the Convention, provision of financial and technical support</p> <p><u>SBI 40 conclusions, paragraph 1:</u> The SBI invited the GEF to continue providing detailed, accurate, timely and complete information on its activities relating to the preparation of BURs, including information on the dates of requests for funding, approval of funding and disbursement of funds, as well as the amount of funding disbursed to non-Annex I Parties for the preparation of BURs, and the amount of funding provided for the preparation of national communications during the same period, for consideration at SBI 41.</p> <p>SBI 40 conclusions, paragraph 3: The SBI invited the GEF to provide, in its report to COP 20, detailed information on the funding available under its latest replenishment to non-Annex I Parties for the preparation of NCs and BURs, and the total amount of funding available in its climate change focal area.</p> <p>SBI 40 Conclusions, paragraph 5: The SBI, recalling decision 9/CP.18, reiterated its encouragement of the GEF to make support available to non-Annex I Parties for preparing their subsequent BURs in a timely manner, taking fully into account decision 2/CP.17, paragraph 41(a) and (e).</p>	<p>Detailed information on the funding available in GEF-6 in the Climate Change focal area is provided in Table 1 below. Information on the country allocations under the STAR is provided in Error! Reference source not found. of the GEF report to COP 20. During GEF-6, each country can access up to \$500,000 and \$352,000 for NCs and BURs, respectively. If additional resources are required for these activities, they can be obtained from the country STAR allocation.</p> <p style="text-align: center;">Table 1: Climate change resource allocations for GEF-6 (2014-2018 replenishment period)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><i>Climate Change Focal Area</i></th> <th style="text-align: right;"><i>\$ millions</i></th> </tr> </thead> <tbody> <tr> <td colspan="2">STAR Set-aside</td> </tr> <tr> <td>Convention obligations (NCs and BURs)</td> <td style="text-align: right;">130</td> </tr> <tr> <td>Global and Regional Programs</td> <td style="text-align: right;">109</td> </tr> <tr> <td style="padding-left: 20px;">Integrated Approach Programs</td> <td style="text-align: right;">50</td> </tr> <tr> <td style="padding-left: 40px;">o Sustainable Cities – Harnessing Local Actions for Global Commons</td> <td style="text-align: right;">40</td> </tr> <tr> <td style="padding-left: 40px;">o Fostering Sustainability and Resilience of Production Systems in Africa</td> <td style="text-align: right;">10</td> </tr> <tr> <td style="padding-left: 20px;">Other Global and Regional Programs</td> <td style="text-align: right;">59</td> </tr> <tr> <td>Sustainable Forest Management</td> <td style="text-align: right;">80</td> </tr> <tr> <td>Sub-total</td> <td style="text-align: right;">319</td> </tr> <tr> <td>STAR Country Allocations</td> <td style="text-align: right;">941</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">1,260</td> </tr> </tbody> </table>	<i>Climate Change Focal Area</i>	<i>\$ millions</i>	STAR Set-aside		Convention obligations (NCs and BURs)	130	Global and Regional Programs	109	Integrated Approach Programs	50	o Sustainable Cities – Harnessing Local Actions for Global Commons	40	o Fostering Sustainability and Resilience of Production Systems in Africa	10	Other Global and Regional Programs	59	Sustainable Forest Management	80	Sub-total	319	STAR Country Allocations	941	Total	1,260
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Source: GEF report to COP 20, at pages 6–14.

Annex II – Overview of previous guidance to the Green Climate Fund and relevant decisions by the GCF Board

Guidance received from COP 19	Relevant decisions by the GCF Board in 2014
<p>Requests the GCF:</p> <p>(a) To <u>balance the allocation of resources</u> between adaptation and mitigation, and ensure an appropriate allocation of resources for other activities;</p> <p>(b) To pursue a <u>country-driven approach</u>;</p> <p>(c) In allocating <u>resources for adaptation</u>, the GCF will take into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change; (<i>decision 4/CP.19, paragraph 9</i>)</p>	<p><i>Decision B.06/06</i>: adoption of the <u>initial parameters and guidelines for allocation of resources</u>, during the initial phase of the Fund;</p> <p><i>Decision B.06/06</i>: adoption of the <u>initial parameters and guidelines for allocation of resources</u>, during the initial phase of the Fund;</p>
<p>Confirms that all developing country Parties to the Convention are <u>eligible</u> to receive resources from the GCF (<i>decision 4/CP.19, paragraph 10</i>)</p>	
<p>Urges the Board <u>to finalize as soon as possible the essential requirements to receive, manage, programme and disburse financial resources</u> in line with the approved workplan of the Board so that the GCF can commence its initial resource mobilization process as soon as possible and transition subsequently to a formal replenishment process; (<i>decision 4/CP.19, paragraph 12</i>)</p>	<p><i>Decision B.07/09</i>: decision that the <u>eight requirements for the Fund to receive, manage, programme and disburse financial resources have been met</u>, and <u>the commencement of the process to mobilize resources</u> commensurate with the Fund's ambition to promote the paradigm shift towards low-emission and climate resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change.</p>
<p>Requests the Board of the GCF:</p> <p>(a) To consider <u>important lessons learned on country-driven processes from other existing funds</u>;</p> <p>(b) To ensure that in its consideration and finalization of the GCF's <u>access modalities</u>, the Board takes into account the <u>institutions already accredited by relevant institutions</u> covered by the Board's agreement on the best practice fiduciary standards and principles and environmental and social standards;</p> <p>(c) To <u>report</u> to the COP at its twentieth session on progress made in the implementation of this decision, as well as the implementation of decision 6/CP.18; (<i>decision 4/CP.19, paragraph 16</i>)</p>	<p><i>Decision B.07/02</i>: adoption of the <u>initial guiding framework for the Fund's accreditation process</u> as contained in annex I of document GCF/B.07/11 (also applies to private sector), of the <u>initial fiduciary principles and standards</u> as contained in annex II of document GCF/B.07/11, and of the Performance Standards of the International Finance Corporation (IFC), as contained in annex III of document GCF/B.07/11;</p> <p><i>Decision B.07/03</i>: adoption of the <u>initial proposal approval process</u> as contained in annex VII of document GCF/B.07/11;</p>
<p>Requests the Board of the GCF <u>to report on the implementation of the arrangements</u> referred to in paragraph 4 above in its annual reports to the COP, starting at the twentieth session of the COP. (<i>Arrangements between the COP and the GCF, decision 5/CP.19, paragraph 5</i>)</p>	
<p>Encourages entities financing the activities referred to in decision 1/CP.16, paragraph 70, through the wide variety of sources referred to in decision 2/CP.17, paragraph 65, including the GCF in a key role, <u>to collectively channel adequate and predictable results-based finance in a fair and balanced manner, taking into account different policy approaches, while working with a view to increasing the</u></p>	<p><i>Decision B.07/04</i>: adoption of elements of the <u>initial results management framework</u> of the Fund, <u>core indicators for mitigation</u>, and <u>core indicators for adaptation</u>; <u>request to secretariat to develop a logic modal and performance framework for ex-post REDD+ results-based payments</u>, in accordance with the methodological guidance in the Warsaw framework for REDD+, for consideration at the</p>

<p><u>number of countries that are in a position to obtain and receive payments for results-based actions</u>; Also encourages the entities referred to in paragraph 5 above, when providing <u>results-based finance</u>, to apply the methodological guidance consistent with decisions 4/CP.15, 1/CP.16, 2/CP.17, 12/CP.17 and 11/CP.19 to 15/CP.19, as well as this decision, in order to improve the effectiveness and coordination of results-based finance;</p> <p><u>Requests the GCF, when providing results-based finance</u>, to apply the methodological guidance consistent with decisions 4/CP.15, 1/CP.16, 2/CP.17, 12/CP.17 and 11/CP.19 to 15/CP.19, as well as this decision, in order to improve the effectiveness and coordination of results-based finance;</p> <p>Encourages entities financing the activities referred to in decision 1/CP.16, paragraph 70, through the wide variety of sources referred to in decision 2/CP.17, paragraph 65, <u>to continue to provide financial resources to alternative policy approaches</u>, such as joint mitigation and adaptation approaches for the integral and sustainable management of forests; <i>(decision 9/CP.19, paragraphs 5 to 8)</i></p>	<p>third Board meeting of 2014</p>
<p style="text-align: center;">Guidance received still of relevance from COP 18</p>	<p style="text-align: center;">Relevant decisions by the GCF Board</p>
<p>Requests the Board of the GCF, in its report to the COP at its nineteenth session, to report on the implementation of decision 3/CP.17 in which inter alia requested the Board:</p> <p>(a) To develop a <u>transparent no-objection procedure</u> to be conducted through national designated authorities referred to in paragraph 46 of the governing instrument, in order to ensure consistency with national climate strategies and plans and a country-driven approach and to provide for effective direct and indirect public and private-sector financing by the GCF, and to determine this procedure prior to approval of funding proposals by the Fund;</p> <p>(c) To <u>secure funding</u> for the GCF, taking into account paragraphs 29 and 30 of the governing instrument, to facilitate its expeditious operationalization, and to establish the necessary policies and procedures to enable an early and adequate replenishment process;</p> <p>(e) To select the <u>trustee</u> of the GCF through an open, transparent and competitive bidding process in a timely manner to ensure that there is no discontinuity in trustee services;</p> <p>(f) To initiate a <u>process to collaborate with the Adaptation Committee and the Technology Executive Committee</u>, as well as other relevant thematic bodies under the Convention, to define linkages between the Fund and these bodies, as appropriate; <i>(decision 6/CP.18, paragraph 7)</i></p>	<p><i>Decision B.07/09: decision regarding <u>the commencement of the process to mobilize resources</u> commensurate with the Fund's ambition to promote the paradigm shift towards low-emission and climate resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change</i></p>
<p>Requests the Board of the GCF to continue to include in its report to the COP the specific steps that it has undertaken to implement the request contained in paragraphs 5 and 7 above, as well as <u>information on the status of financial contributions for the administrative budget</u> of the GCF, including the administrative costs of the Board of the GCF and its interim secretariat; <i>(decision 6/CP.18, paragraph 10)</i></p>	
<p>Requests the Board of the GCF <u>to make available its annual reports</u> to the COP as early as possible, and no later than 12 weeks prior to a session of the COP, for consideration by Parties; <i>(decision 6/CP.18, paragraph 15)</i></p>	

Annex III – Submissions as at 22 September 2014

Submissions made by members of the Standing Committee on Finance

Sarah Conway on behalf of Jessica Brown, 08/07/2014

Performance-based Guidance

The U.S. observers identified two definitions of performance-based guidance that were elaborated at the seventh meeting.

Quantitative targets – The first interpretation of “performance-based guidance” is that the COP would define quantitative targets they expect the OEs to achieve. We do not agree with this approach because it is outside the remit of the COP and would not be helpful.

- The COP has the mandate to *provide guidance*, but does not have the mandate to *set targets* for the OEs. Further, setting targets would implicitly define “compliance,” and the OEs are not required to “comply” with guidance, they “respond” to guidance.

- It is not helpful to set targets that are defined by COP negotiations and not the governing bodies of the OEs. The governing bodies of these institutions have far better information on what objectives are appropriate and feasible, and can choose to set targets as they deem appropriate.

Increasing the COP’s knowledge of OE performance – The second interpretation of “performance-based guidance” is that the COP’s guidance could be better informed by previous performance of the OEs. The concern we heard from Standing Committee members and observers is that the annual report from the OEs to the COP do not provide sufficient information on the previous performance of the OEs in order for the COP to provide the most relevant guidance. We understand this concern, and are open to exploring how to improve the information flow to the COP, from which the COP can then provide better-informed guidance. Following this interpretation, we would also suggest changing the name of this discussion in SCF to something like: “better-informed guidance”.

Timing of Guidance

The main barrier to producing better-informed guidance would be allowing enough time for the OEs to provide additional information. As such, this discussion is directly linked to the one on timing of guidance. We have previously supported providing guidance less than annually, either every two or four years. In order to accommodate better-informed guidance, we see two possibilities, either of which we could support:

- Guidance every four years: Under this scenario, the COP would base its guidance on the critical in-depth performance studies that occur every four years: GEF’s OPS and the COP’s review of the financial mechanism. The GCF’s Evaluation unit and assessment process is still developing, but could implement a review cycle to align with that of the GEF’s OPS and COP’s review of the FM. That would provide significant material upon which to base COP guidance for the next 4-year cycle.

- Guidance every two years, with biennial reports from OEs – The Secretariat of the OEs would not be required to report every year, but would instead report every 2 years. That would permit more analysis on results to be included in those reports, thus increasing the information upon which COP was basing its guidance.

Elements of COP guidance to the GEF

Initial input from Sarah Conway on behalf of Jessica Brown (9/19/2014)

Category	Element	Potential input	Rationale
Program priorities	NatComs/BURs	Welcome the GEF-6 replenishment set-aside for support for reporting of actions on climate change.	Reporting of mitigation actions is critical for providing transparency on implementation under the UNFCCC.
Policies	GEF interaction with the GCF	Engage with GCF Secretariat to define complementarity between the two operating entities.	Want to avoid duplicative activities and ensure complementarity. This will require ongoing engagement.
	Replenishment	Welcome replenishment outcomes.	Reinforce COP’s acceptance and support of replenishment outcomes.
	Direct access	Engage in sharing lessons about direct access.	GEF pilot on direct access can provide lessons for other institutions, e.g., GCF.