

3 Sep 2015 @ 1500

Conceptual proposals on institutions

1. For Part I, the agreement:

The financial mechanism under Article 11 of the Convention shall serve as the financial mechanism of the new agreement. (based on para 19 in Part I of the tool)

Rationale: The approach herein is that everything that is necessary to state at the level of a legally binding agreement can be found in Article 11 of the convention. In particular this includes guidance by the COP and review.

Thus, most of the paras in part II or III the Tool regarding the FM, the operating entities and other funds and institutions are issues that on the basis of the Convention itself have been and can be dealt with by and at the COP. And many of the proposals submitted have already been at the negotiating table of the COP finance agenda or are work in progress, most recently on the basis of recent COP decisions in Lima.

It would not be feasible to enshrine in a long term agreement, which should be durable per definition, the present status quo of operating entities, other funds and bodies. The financial architecture has evolved through COP decisions and this flexibility a good approach for the new Agreement. The full authority of the COP to adjust and amend the structures of the FM should be preserved.

2. For Part II and/or regular COP decisions:

More elaborated language on the FM, individual funds and institutions, including the Standing Committee on Finance, with Convention article 11 as the reference, could be included in Part II as accompanying decisions. Elements for this can be found particularly in para 29.a, d, and e in Part II of the Tool.

Furthermore, Part II could include decisions on

- **(a) addressing the most relevant ongoing practices/processes established through earlier COP decisions, and**
- **(b) outlining elements for a work plan on institutional issues, that would be coordinated by the Standing Committee.**

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(See attached, as reference points that could used in elaborating text for points (a) and (b) above:

- The two most relevant COP decisions in this context are the ones on the Report of the Standing Committee (dec. 6/COP20) and on the Fifth Review of the Financial Mechanism (dec. X/COP20).
- From the Decision on the report of the Standing Committee:

1. Para 19: *Endorses* the recommendations on the provision of guidance to the operating entities provided in para 10 of the report of the SCF to the COP (>>> these recommendations are: (a) to conduct an analysis of past guidance provided in order to identify a set of core guidance to serve as a basis for the provision of future guidance in order to reduce redundancies, incoherence, and inconsistencies with the guidance provided to the OE's, (b) to increase collaboration between the SCF and the thematic bodies of the Convention in the provision of draft guidance to the OE's; and (c) to consider the issue of complementarity between the OE's and the funds they administer when the GCF is operationalized.
 2. Para 20: *Requests* the SCF to provide advice on the issue of the frequency of guidance to the OE's and report back to COP 21. (With assumption that work on this will continue also after COP 21.)
 3. Para 22: *Requests* the SCF to consider issues related to possible future institutional linkages and relations between the Adaptation Fund and other institutions under the Convention. (*This refers to the mandate given by the COP to the SCF regarding the Adaptation Fund*)
 4. Para 23: *Decides* to conduct the review of the functions of the Standing Committee on Finance no later than at COP 23 in 2017.
- From the Decision on the 5th Review of the FM:
 5. Paras 3-4 combined: *Acknowledges* the executive summary of the technical paper on the 5th review , including the conclusions and recommendations made by the SCF, and *Encourages* the OE's of the FM to address, as appropriate, these recommendations in their future work, particularly with regard to the complementarity between the OE's.
 6. Para 7: *Decides* to consider the timing of guidance provided by the COP to the OE's, especially that guidance which has resource implications vis-à-vis the replenishment cycles of the OE's , in order to ensure that key guidance is fully considered in the programming strategies and policy recommendations associated with each replenishment period of the OE's of the FM. (The background assumption being that the next replenishment negotiations of GEF and GCF will run more or less in parallel, in 2017-18.)
 7. Paras 8-9 combined: *Also decides* to initiate the 6th review of the FM at COP 22 2016, on the basis of existing or updated guidelines, and *Requests* the SCF to provide expert input to the 6th review of the FM with a view to the review being completed by COP 23 in 2017

Possible elements for a work plan on institutional issues:

- Review and improve the coherence and complementarity between the present OE's of the FM and other related funds under the Convention (including the AF).

- Review and improve the methodologies and cycle for the provision of guidance to the OE's of the FM and the other funds.
- Review different options for the future role(s) of the specialized funds (AF, LDCF and SCCF).
- Review and improve the linkages between the SCF, the FM and the relevant thematic bodies of the Convention.
- Review the functions and the future role of the Standing Committee on Finance in the finance architecture under the convention.
- Review – from a cross-cutting perspective based on the above five elements – the overall possibilities and pathways for rationalizing the Financial Mechanism under the convention.