

Eleventh meeting of the Standing Committee on Finance Bonn, Germany, 26–28 October 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Background paper on the draft guidance to the operating entities of the Financial Mechanism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 submissions and inputs received from SCF members and the thematic bodies with a view to agreeing on two draft decisions containing draft guidance to the operating entities;
- The options for the frequency of guidance to the Financial Mechanism with a view to agreeing on its recommendation to the Conference of the Parties (COP) in this regard;
- The compilation and analysis of past guidance with a view to finalizing this exercise and advance its deliberations on the identification of a set of core guidance to the operating entities of the Financial Mechanism.

I. Options for consideration by the Standing Committee on Finance

a) Draft guidance to the operating entities of the Financial Mechanism

1. In line with the decision taken at its tenth meeting,¹ the Standing Committee on Finance (SCF) may wish to agree on two draft decisions containing draft guidance to the Global Environment Facility (GEF) and the Green Climate Fund (GCF) respectively. In its deliberations, the SCF may wish to take into consideration the following:
 - a. The reports of the GCF² and the GEF;³
 - b. The submissions from SCF members, which can be found in annex I to this document ;
 - c. The inputs received from the Adaptation Committee (AC), as contained in annex II, and the Technology Executive Committee (TEC), as contained in annex III, including the key messages and recommendations of the TEC on the evaluation of the Poznan strategic programme, which the TEC provided for the information of the SCF.
2. The co-facilitators of the working group on draft guidance to the operating entities will prepare two draft decisions in advance of the meeting to facilitate the SCF's discussions on this subject matter, which the SCF may wish to use as basis for its deliberations.
3. The SCF may wish to consider whether or not it wishes to annex the inputs received from the thematic bodies in its report to COP 21 in addition to the draft decisions as prepared by the SCF.

b) Frequency of guidance to the Financial Mechanism

4. The SCF may wish to consider the information on the three options for frequency of guidance, including legal and practical implications, as contained in section III of this document. Based on this consideration, the SCF may wish to agree on its recommendation to COP 21, which could be in the form of:
 - a. A concrete recommendation to the COP proposing either:

¹ See SCF/2015/10/13, paragraph 17.

² FCCC/CP/2015/3.

³ FCCC/CP/2015/4.



- i. One specific frequency of guidance; or
 - ii. In light of the current different stages of maturity of the GEF and the GCF, the SCF may also wish to consider the possibility of providing a recommendation on two different frequencies of guidance to the GEF and the GCF;
 - b. Information to be included in its report to COP 21 which would outline the options for frequency of guidance that the SCF has identified, including legal and practical implications, for further consideration by the COP.
- c) Compilation and analysis of past guidance provided to the operating entities of the Financial Mechanism*
5. The SCF may wish to consider the outcome of the compilation and analysis of past guidance provided to the operating entities of the Financial Mechanism (see also sections IV and V below) with a view to finalizing this exercise and advancing its deliberations on the identification of a set of core guidance to the operating entities of the Financial Mechanism.
 6. In order to finalize the exercise, the SCF may wish to consider the compilation and analysis with a view to identifying whether:
 - a. Each piece of past guidance has been labelled accurately with regard to the suggested status; in doing so, the SCF may wish to pay special attention to pieces of guidance which have been labelled as “responded to”, as well as “responded to/on-going” in order to identify whether these categories have been adequately implemented;
 - b. The categorization as per Article 11, paragraph 1 of the Convention has been conducted in an appropriate manner.
 7. Furthermore, the SCF may wish to agree on the next steps. Options could include:
 - a. To make available to the COP the entire compilation and analysis for information by Parties (e.g. by creating a dedicated space for this on its website), indicating that the assessment of each piece of guidance may help Parties in identifying whether further guidance is needed on a specific issue. Should the SCF not be able to finalize the exercise during its 11th meeting, the SCF could provide this information to the COP, indicating that this is still a work in progress, which would be taken forward by the SCF in 2016;
 - b. To indicate to the COP that it will continue to update the compilation and analysis on an annual basis for information by the COP, as well as basis for its further deliberations on the issue of draft guidance to the operating entities;
 - c. To use the outcome of the compilation and analysis as basis for its deliberations in the development of a set of core guidance to the operating entities.
- d) Identification of a draft set of core guidance to the operating entities of the Financial Mechanism*
8. With regard to the identification of a draft set of core guidance, and in light of time constraints during the meeting, the SCF may wish to agree on its approach to this exercise and consider postponing work on this matter to the year 2016. In this context, the SCF could consider:
 - a. Utilizing the compilation and analysis, and particularly the pieces of guidance categorized as “on-going”, as basis for this exercise. The body of pieces of guidance categorized in such a manner could:
 - i. Either form the draft set of core guidance as such; or
 - ii. Be further distilled by members, also taking into consideration the categorization following Article 11, paragraph 1 of the Convention. This exercise could be based on specific criteria the SCF would have to develop in order to define what “core guidance” would constitute, which could take into account considerations such as durability, level of detail, strategic deliberations, etc.;
 - b. Identifying how it would make use of the set of core guidance in the future, once endorsed by the COP. Possible approaches could include evaluating every annual report by the operating entities against the set of core guidance to identify:
 - i. Whether the set would have to be amended or updated, also due to new developments under the Convention;
 - ii. Whether additional guidance is needed in a given year, or whether the core guidance is sufficient;

- c. Reporting to COP 21 on its proposed approach to the development of a set of draft core guidance in order to seek feedback and endorsement from the COP;
- d. Mandating the working group of the SCF to advance work on this issue in advance of the first meeting of the SCF in 2016, based on the outcome of COP 21.

II. Background information

9. During its tenth meeting, the SCF agreed that the co-facilitators, with the support of the secretariat, would continue their inter-sessional work with regard to the compilation and analysis of past guidance. With regard to the identification of a set of core guidance, it was agreed that this exercise should be postponed until the exercise of the compilation and analysis of past guidance provided has been progressed / completed. For the issue of frequency of guidance to be provided to the operating entities of the Financial Mechanism, it was agreed that the co-facilitators would prepare, for the next SCF meeting, options for consideration, including an identification of pros and cons for each of the options. With regard to the draft guidance to the operating entities, the SCF agreed that the co-facilitators should prepare a draft decision inter-sessionally for consideration at SCF 11, taking into consideration the submissions received from SCF members, as well as inputs received from the AC and the TEC, based on the annual reports of the operating entities. As agreed during the meeting, 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, Ms. Diann Black Layne, the co-facilitator of the SCF working group, virtually attended the meetings of and engaged with the AC⁴ and the TEC⁵, further clarifying issues around the inputs to be provided by the two bodies.⁶

III. Options for frequency of guidance to the operating entities of the Financial Mechanism

10. In line with decision 6/CP.20, paragraph 20, the SCF is to provide advice on the issue of frequency of guidance to the Financial Mechanism. In this context, the SCF may wish to look into the three possible options below for the provision of guidance to the operating entities by the COP:
 - a) Every year;
 - b) Every two years; or
 - c) Every four years.
11. The information below provides an overview of possible advantages and disadvantages of each of the three options from both a legal and a practical perspective, which the SCF may find useful in its deliberations on this subject matter. A scenario timeline outlining the three possible options and how they would interlink with other related processes with regard to the Financial Mechanism can be found at the end of this section.

a) *Guidance to be provided every year*

Possible advantages

12. Annual guidance would be most conducive to the current legal framework indicated below, according to which: the operating entities report to the COP annually, including information on how they have responded to the guidance received; the COP considers the reports from the operating entities at each of its annual sessions; the COP then communicates guidance to the operating entities every year:
 - The arrangements between the COP and the GCF state that the “GCF shall receive guidance from the COP, including on matters related to policies, programme priorities and eligibility criteria”; that the “COP will, after each of its sessions, communicate guidance to the GCF”; that the “COP will provide guidance based, inter alia, upon a thorough consideration of the annual reports of the GCF”; and that the “GCF is to submit annual reports to the COP for its consideration”, and that such reports “shall include information on the implementation of policies, programme priorities and eligibility criteria provided by the COP, including information on the extent to which COP guidance has been adhered to by the Board of the GCF”.⁷
 - The memorandum of understanding (MOU) between the COP and the Council of the GEF states that the “COP will, pursuant to Article 11.1, decide on policies, programme priorities and eligibility criteria related to

⁴ More information is available at: < http://unfccc.int/adaptation/groups_committees/adaptation_committee/items/9029.php>.

⁵ More information is available at: < http://unfccc.int/ttclear/pages/ttclear/templates/render cms_page?TEC_meetings>.

⁶ See SCF/2015/10/13, paragraphs 13 to 18.

⁷ As contained in annex to decision 5/CP.19.

the Convention for the financial mechanism which shall function under the guidance of and be accountable to the COP". In addition, the MOU stipulates that the "COP will, after each of its sessions, communicate to the Council of the GEF any policy guidance approved by the COP concerning the financial mechanism". The MOU also states that the "Council will ensure the effective operation of the GEF as a source of funding activities for the purposes of the Convention in conformity with the guidance of the COP. It will report regularly to the COP on its activities related to the Convention and on the conformity of those activities with the guidance received from the COP". Furthermore, decision 12/CP.2, paragraph 1 stipulates that the COP "[t]akes note of Part Two, section III (a), paragraph 5, of the report of the Conference of the Parties at its first session, which states that the Conference of the Parties should receive and review at each of its sessions a report from the Global Environment Facility".⁸

13. From a practical perspective, the provision of annual guidance could be considered as most appropriate in terms of ensuring that the operating entities are accountable to and function under the guidance of the COP. Additionally, it could be considered that annual provision allows the COP to provide guidance that is most responsive to new developments regarding climate finance, but also to other developments under the Convention. This may be considered as particularly beneficial in light of the status of operationalization of the GCF, during which Parties may wish to follow developments closely, and the Board may seek specific guidance from the COP on specific matters in the context of the operationalization. In this regard, it could be considered appropriate to re-evaluate the reduction of frequency of guidance provided to the GCF at a later stage, for example once a regular replenishment process for the GCF has been established. It may also be considered that the provision of annual guidance may offer an opportunity for close interaction between the COP, particularly through the SCF, and the operating entities, thereby promoting a closer link and constant flow of information.

Possible disadvantages

14. It could be considered that the need to produce annual guidance may possibly lead to the provision of iterative and repetitive guidance. For example, the GEF has highlighted in both its Fourth and Fifth Overall Performance Studies that the "repetitiveness of some Convention guidance, which is issued unchanged or with very minor changes in several decisions from one COP to the other, adding to the accumulation of irrelevant or obsolete items" poses a challenge to the operationalization of guidance by the GEF.⁹ In this regard, a reduction in the frequency of provision of guidance may be one approach, among others, to facilitate the increase in consistency and practicality of guidance provided by the COP, bearing in mind also the other related work of the SCF on the improvement of consistency and practicality of guidance provided.

b) Guidance to be provided every two years

Possible advantages

15. The provision of biennial guidance would be feasible from a legal point of view without the need to modify the arrangements between the COP and GCF, or the MOU between the COP and the GEF Council. Should this option be chosen, the COP would, on an annual basis, still take note and/or welcome the reports provided by the operating entities through a procedural decision, but only provide substantive guidance every second year. The current legal framework would, in such a scenario, not prevent the COP from deciding at any point in time to provide additional guidance, even if it is not formally a year for providing guidance. It should also be noted that the scenario of biennial guidance would not preclude the COP from providing guidance on an ad hoc basis should it see the need to do so, for example, if a Party raises specific issues pertaining to the operating entities or in order to respond to urgent new developments. Nor would it prevent the COP from, for example, taking decisions on reconsideration of funding decisions or other related matters as covered by the arrangements between the COP and the GCF, and the MOU between the COP and the GEF outside the biennial cycle.
16. In practical terms, reduced frequency may offer the COP an opportunity to provide more strategic and focused guidance rather than guidance on a micro-operational level. For example, focusing guidance on specific issues every two years could allow for a more in-depth and thorough study of the reports of the operating entities and in turn the provision of more targeted guidance. Furthermore, from the viewpoint of

⁸ As contained in annex to decision 12/CP.2.

⁹ See OPS4 Technical Document #4 available at

<https://www.thegef.org/gef/sites/thegef.org/files/documents/FULL%20REPORT OPS4%20Progress%20Toward%20Impact_0.pdf> and

OPS5 Technical Document #4 available at

<https://www.thegef.org/gef/sites/thegef.org/files/EO/TD4_Relevance%20of%20the%20GEF%20to%20the%20Conventions.pdf>.

the operating entities, a reduced frequency may allow more time to respond to guidance, possibly leading to more effective operationalization of guidance provided. For example, some of the challenges identified by the GEF in its OPS include the “accumulative nature of guidance...creating a steadily increasing set of requirements” and “lack of prioritization of requests”,¹⁰ which may be resolved with more time and more directed guidance.

Possible disadvantages

17. Regardless of the frequency of guidance, the operating entities would have to continue to provide annual reports on their activities in response to guidance provided, and the COP would have to consider the reports at every session based on the current legal arrangements, unless the COP decided to change the legal arrangements. This would imply that, for the years outside the biennial cycle, reports would be submitted without the COP substantively considering the information contained therein, which would only happen with one year delay.
18. A two-year cycle for guidance could be considered as implying that newest developments may not be reflected in guidance to the operating entities as quickly as annual guidance, and may provide less assurance to Parties that the operating entities are fully accountable to and function under the guidance of the COP.

c) Guidance to be provided every four years

Possible advantages

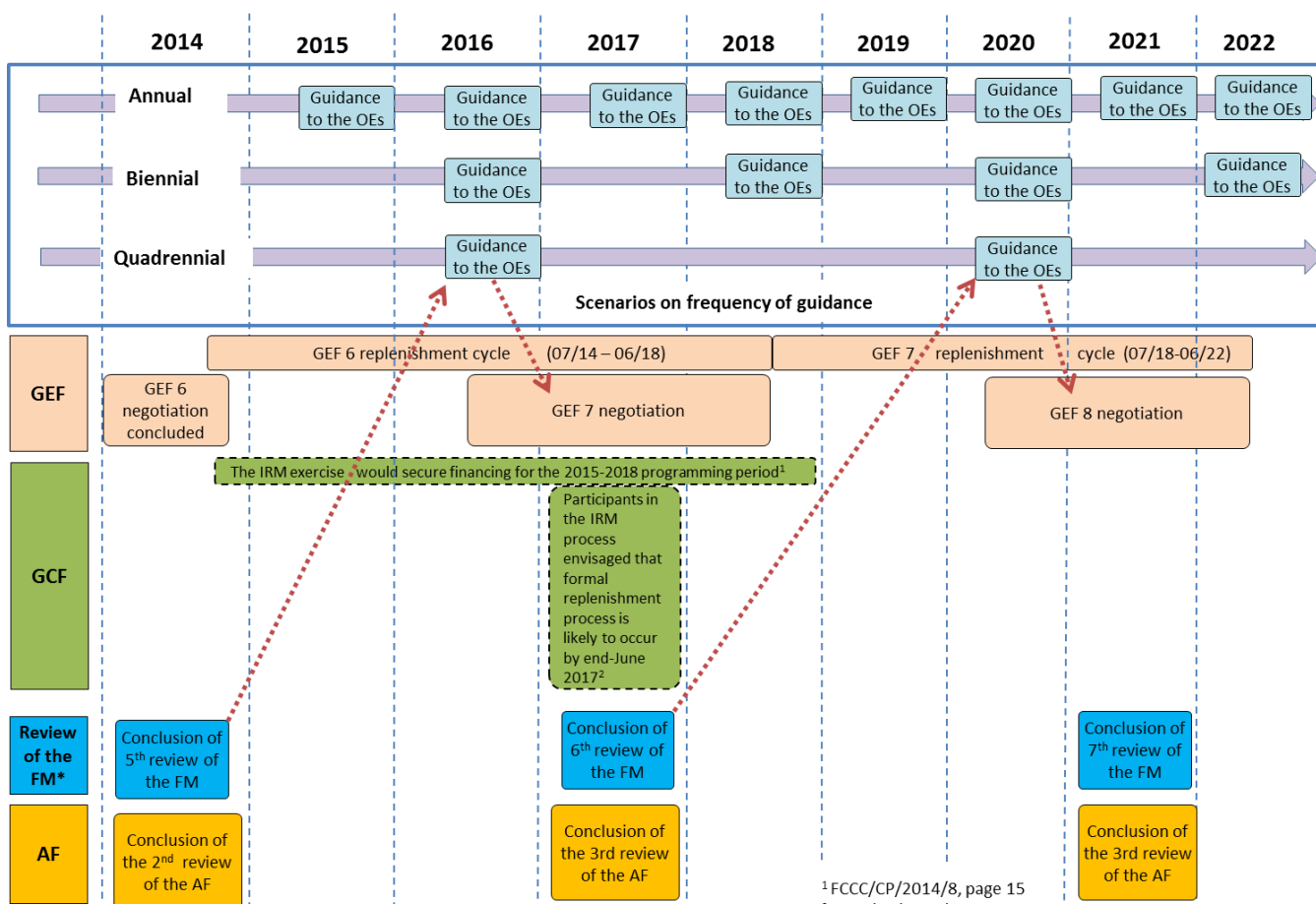
19. Quadrennial guidance is also feasible from a legal perspective and does not prevent the COP from providing ad hoc guidance or considering issues such as the reconsideration of funding decision outside the cycle, as described in paragraph 15 above.
20. A practical advantage of quadrennial guidance, which could be considered in addition to the ones outlined for the biennial guidance, is that it would allow the cycle of provision of guidance to be aligned with the timeline of related processes, including the four-year replenishment cycle of the GEF and the quadrennial review of the Financial Mechanism (FM), as also shown in the timeline below. More specifically, strategic guidance could be provided at the outset of replenishment negotiations to ensure adequate allocation of resources to relevant activities, as well as after the completion of the reviews of the FM so as to appropriately take into account its conclusions and recommendations. This would in turn offer an opportunity for the COP to focus on providing targeted and meaningful guidance aimed at achieving the most impact in relevant years. In light of the lack of a formal replenishment cycle for the GCF at this point in time, and as outlined above, it may be considered as more appropriate to consider an adequate frequency of guidance for the GCF upon the establishment of a formal replenishment process.

Possible disadvantages

21. However, it could be considered a critical disadvantage that, with a four-year cycle, the COP would generally be less responsive to new developments. Concerns could arise around the questions as to whether this would decrease the accountability of and the functioning under the guidance of the COP by the operating entities. Moreover, given that, due to the current legal framework, annual reports by the operating entities and annual consideration by the COP would continue during one quadrennial cycle of guidance, under regular circumstances three annual reports would be submitted by the operating entities, but only considered procedurally by the COP without the provision of additional guidance in those three years.

¹⁰ *Ibid.*

Timeline relating to the operating entities of the Financial Mechanism and funds under the Convention



¹ FCCC/CP/2014/8, page 15
² FCCC/CP/2014/8, pages 15, 16
 *The review of the FM to focus also on the LDCF and SCCF

IV. Compilation and analysis of past guidance provided to the operating entities of the Financial Mechanism

22. Based on the guidance provided by the SCF during its ninth and tenth meetings, the following three documents were prepared for consideration by the SCF:¹¹

- a) Two compendia, one for the GCF and one for the GEF, of past guidance provided by the COP, the Subsidiary Bodies (SBs) and the Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP);¹²
- b) Compilation and analysis of past guidance provided by the COP, the SBs and the ADP. For the GCF, the document contains past guidance from COP16 to COP20; 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 GCF¹³. For the GEF, the document contains past guidance from COP1 to COP20; 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;¹⁴
- c) An overview of the past guidance provided per thematic category, one for the GCF and one for the GEF, was contained in annex I and annex II of document SCF/2015/10/5.

¹¹ All documents are available at <<http://unfccc.int/6881.php>>.

¹² Available in the documents section of the tenth meeting of the SCF:

<http://unfccc.int/cooperation_and_support/financial_mechanism/standing_committee/items/6881.php>.

¹³ Contained in the annex to decision 3/CP.17.

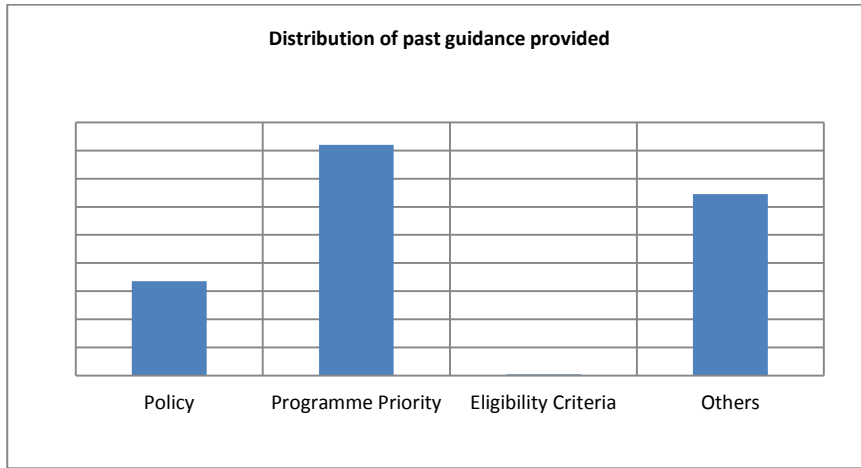
¹⁴ Available at: <http://www.thegef.org/gef/sites/thegef.org/files/publication/GEF_UNFCCC%20COP%20Guidance2014-112414-C_web.pdf>.

23. In response to the guidance provided during the tenth meeting, the compilation and analysis of past guidance provided was expanded to complement the information that was contained in the previous version in order to enable the SCF to finalize the exercise, as well as to move in the direction of developing a draft set of core guidance to the operating entities.
24. In this context, the suggested status of each piece of past guidance provided was labelled with one or more specific categories, as appropriate, based on the following working definitions:
- a) “Repetitive”, which refers to pieces of guidance which are a textual replication of previous guidance provided;
 - b) “Redundant”, which 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;
 - c) “Obsolete”, which 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;
 - d) “Responded to”, which refers to pieces of guidance in response to which the operating entities have provided information in one of their annual reports; if a specific piece of guidance is not further qualified as “on-going”, this specific piece of guidance can be considered as closed as no further action is needed by the operating entity;
 - e) “On-going”, which refers to pieces of guidance in response to which operating entities have not as yet taken (sufficient) action, or which remain valid due to their durable nature (e.g. as they refer to eligibility criteria);
25. Furthermore, each piece of guidance was categorized as per Article 11, paragraph 1 of the Convention based on the working definitions below. (More information on the development of these working definitions is available in annex IV to this document):
- a) “*Policies*” refers to pieces of guidance that provide the guiding principles to set the overall direction for actions to be taken by the operating entities in their respective role as operating entity of the Financial Mechanism of the Convention, and independent of the type of programme or activity implemented by the operating entity;
 - b) “*Programme priorities*” refers to pieces of guidance provided to the operating entities with regard to prioritizing specific activities as they may evolve over time which the respective operating entities, in their role as operating entity of the Financial Mechanism of the Convention, need to prioritize, particularly in terms of funding decisions;
 - c) “*Eligibility criteria*” refers to pieces of guidance provided to the operating entities identifying countries or activities eligible for funding from or support by the respective operating entity in their role as operating entity of the Financial Mechanism of the Convention;
 - d) In cases where a piece of guidance did not seem to fall into one of the above three categories, it was labelled as “*Other*”.

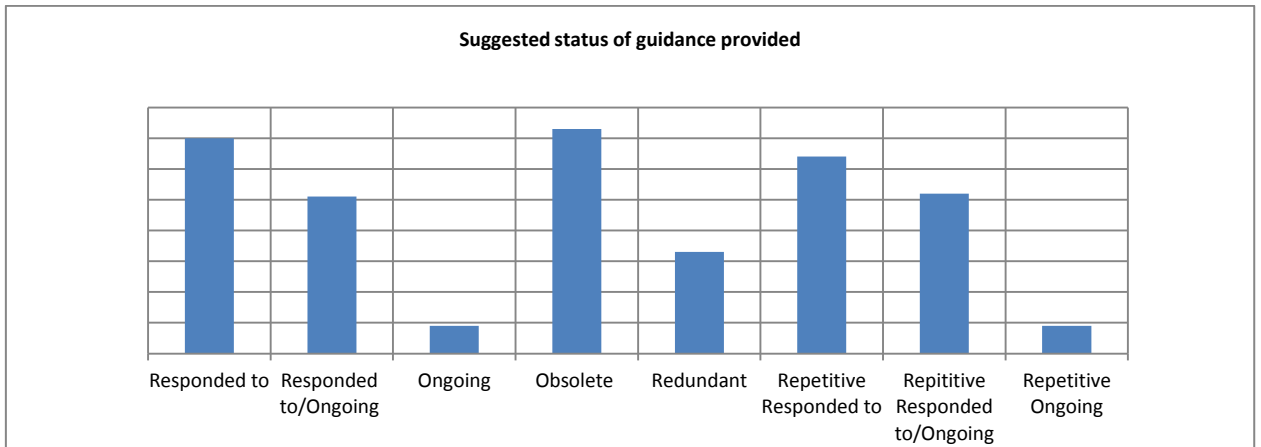
V. Summary of the outcome of the compilation and analysis of past guidance provided

Global Environment Facility

26. With regard to the compilation and analysis of past guidance provided to the GEF, an initial examination of the preliminary outcomes of this exercise suggests that, with regard to the distribution of past guidance provided in terms of the criteria as set out in Article 11.1 of the Convention, most guidance provided falls either in the category “Programme Priority” or “Other” as the graph below shows.

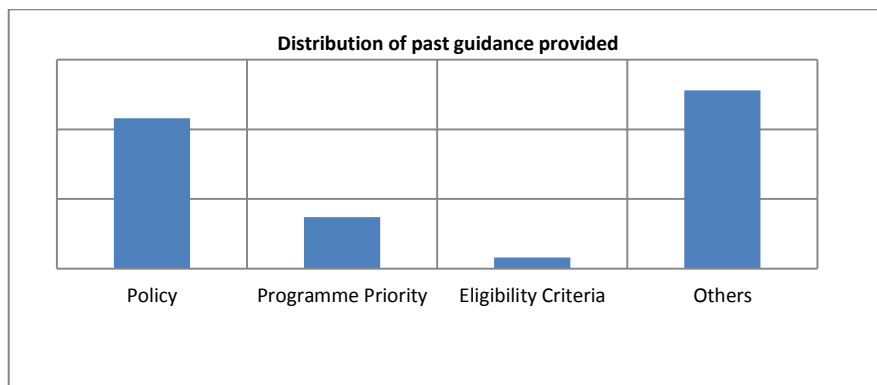


27. With regard to the suggested status of past guidance provided, based on the initial compilation and analysis, the graph below shows that it seems most guidance provided has been responded to by the GEF. However, with the exception of guidance labelled as “obsolete or “redundant”, a large part of guidance could be considered still valid due to its durable nature or still in need for response and action by the GEF.

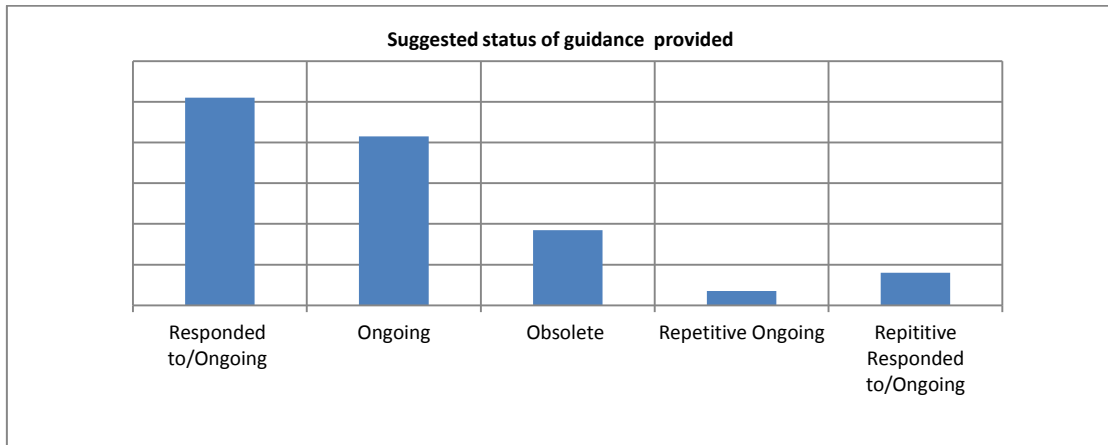


Green Climate Fund

28. With regard to the compilation and analysis of past guidance provided to the GCF, an initial examination of the preliminary outcomes of this exercise suggests that most guidance provided in terms of the criteria as set out in Article 11.1 of the Convention falls either in the category “Other”, or “Policy” as the graph below shows.



29. With regard to the suggested status of past guidance provided, based on the initial compilation and analysis, it seems that the graph below shows that a large part of guidance provided has been responded to by the GCF. It does seem however, that with the exception of guidance that has been labelled as “obsolete”, most guidance could be considered as still in need of response from and action by the GCF.



Annex I – Submissions received from SCF members on draft guidance to the operating entities

Elements of COP guidance to the GEF

Initial input from Sarah Conway (25/9/2015)

Category	Element	Potential input	Rationale
Program Priorities	Non-Grant Instrument Pilot	Welcome the GEF's exploration of innovative non-grant instruments and encourage the GEF to work with recipient countries, the private sector, and its agencies to submit proposals that aim to catalyse large-scale changes.	The GEF's non-grant instrument may play a large role in helping the GEF consider new, innovative mechanisms that may leverage additional sources of co-financing to address global environmental issues.
Policies	GEF interaction with the GCF	Welcome the efforts of the GEF to engage with the GCF to date, and encourage the operating entities of the Financial Mechanism to further articulate and build on the complementarity of their respective policies and programs.	The two operating entities should avoid duplicative activities and ensure programming complementarity. This will require ongoing engagement.
	Knowledge Management	Take note of the GEF's actions to establish a more coherent, system-based approach for managing and sharing information and knowledge gained from GEF projects and programs to improve the effectiveness of the GEF and enhance the capacity of recipient countries and GEF agencies.	Knowledge management was not mentioned in the GEF's report to the COP, but will be a big focus of the GEF over the next few years. The point here supports the KM effort, and focuses the efforts on recipient countries and agencies.
	Accreditation Pilot	Welcome eight new project agencies to the GEF Network at the conclusion of the GEF Accreditation Pilot and urge the GEF to continue to work with all its agencies and recipient countries to ensure countries can take full advantage of the expanded network of agencies.	Over 50% of GEF funds are being administered through the UNDP, with the next largest portion of resources going to UNEP. We would like to see a greater diversity in GEF programming, especially with the newly expanded network.

Elements of COP guidance to the GCF

Initial input from Sarah Conway (25/9/2015)

Category	Element	Potential input	Rationale
Program Priorities	GCF is operational	Welcome the full operationalization of the Green Climate Fund in 2015 and look forward to achieving the aim of taking funding decisions by the third Board meeting of 2015.	The COP should acknowledge that GCF is now operational, which responds to key guidance from COP20.

	Request for Proposals (RFPs)	Welcome the allocation of up to \$900 million to be provided through requests-for-proposals for pilot programmes in enhanced direct access; engaging micro-, small-, and medium-sized enterprises; and mobilizing resources at scale.	The COP should acknowledge the allocation made through RFPs, which also responds to key guidance from COP on programme priorities (e.g., guidance to accelerate PSF and guidance on improving access and modalities to enhance direct access).
Policies	Policies for Contributions	Continue to invite financial inputs from a variety of sources, public and private, including alternative sources, and continue to encourage the Green Climate Fund to complete early in 2016 the policies and procedures to accept financial inputs from non-public and alternative sources.	There is one remaining gap in the policies for contributions, and that is policies for accepting financial inputs from non-public and alternative sources. COP20 provided this exact guidance, but it has not yet been responded to, so we suggest reiterating it through COP21. Nearly all traditional donors have pledged to the GCF, so to continue the current efforts for resource mobilization, it is necessary to engage other sources.
	GEF and GCF	Welcome the efforts of the GCF to engage with the GEF to date, and encourage the two operating entities of the Financial Mechanism to further articulate and build on the complementarity of their respective policies and programs.	Complementarity and coherence between the two operating entities of the financial mechanism is an ongoing issue, but better articulation of complementarity and coherence in policies and programs is more urgent now that GCF is operational and 1) it is beginning programming, and 2) over 2016/17 will review a number of policies that were adopted as “initial” or on an interim basis.
	Accreditation	Request the Green Climate Fund to take concrete steps to better facilitate accreditation of private sector entities.	The GCF has committed to actively support the accreditation of subnational, national, regional, and private sector entities. To date, there is a clear mode of supporting accreditation of subnational, national, and regional entities, through the readiness program. There is no clarity on how the GCF is supporting accreditation of private sector entities.
	Initial Proposal Approval Process	Request the Green Climate Fund to review its initial proposal approval process and take steps to improve its functionality for all stakeholders.	The Board will take its first couple rounds of funding decisions at B.11 (November 2015) and B.12 (early 2016). That provides an opportunity to learn lessons about which elements of the initial proposal approval process are working well or not, and revise them accordingly.
	Risk Management Framework	Request the Green Climate Fund to prioritize development of its initial risk management framework in its efforts to further refine its institutional policies in 2016.	Any institution funding projects and programs cannot function properly without a fully formed risk management framework. While it is possible to take some early funding decisions in the absence of a full risk management framework, the risks to the GCF grow with the number of funding decisions it takes.

Guidance to the GCF: Submission from Africa SCF Member

Addendum to the Report	<ol style="list-style-type: none"> 1. It is my understand that the Board would need to report on the outcomes of its eleventh meeting, particularly in relation to the approval of proposals, the Secretariat’s report on the allocation of resources in respect to the resource allocation decision, and matters related to the selection of the permanent Trustee, in accordance with arrangements between the COP and the Fund. 2. The Board should also respond more in more details as to how it has followed the guidance provided by the COP, as well as a full report on how the GCF has followed the guidance of the COP contained in Decision 7/CP.20, in particular on the implementation of paragraph 38 of the Governing Instrument and the
-------------------------------	--

	resources allocated for technology development and transfer and capacity-building, with clarity on the expeditious operationalization of the mitigation and adaptation funding windows.
Initial Resource Mobilization Process	<ol style="list-style-type: none"> 3. Takes note and welcomes those contributors with fully executed contribution agreement/arrangements. 4. Urges those Parties that made pledged under the Initial Resource Mobilization process, who have not yet executed contribution agreement/arrangements to do so as a matter of high priority and no later than the end of 2015. 5. Urges the Board to develop a clear pathway to ensure the goal of triggering the first formal replenishment process no later than June 2017, in line with the ongoing process to convert pledges into fully executed contribution agreements as soon as possible. 6. Urges the Board to make public the procedures Parties and affected individual should follow in order to seek redress while the Internal Redress Mechanism is being operationalized.
Board Work Plan	<ol style="list-style-type: none"> 7. Expresses concern that the Board was unable to adopt a work plan for 2015, and urges the Board to ensure it adopts a work plan for 2016 providing a clear outline for the work ahead at its eleventh meeting, for the endorsement of the COP at its twenty-first session.
Strategic Plan of the Fund	<ol style="list-style-type: none"> 8. Welcomes the decision of the Board to develop a strategic plan for the Board, and urge the Board to adopt this plan as soon as possible and report to the COP on its implementation at its twenty-second session.
Pilot Programmes	<ol style="list-style-type: none"> 9. Welcomes the Board's approval of three pilot programmes (Modalities that Further Enhance Direct Access, MSMEs, and Private Sector Leverage) with a value of US\$ 900 million (Decision B.10/). 10. Urges the Board to ensure maximum transparency and fairness, while ensuring a country driven approach, in the selection of pilot programmes and operational entities. The COP should also underscore the complementarity between the pilots and other proposals supported by the Fund. 11. Requests the Board to report to the COP on the implementation and status of the pilot programmes at its twenty-second session.
Initial Approval Process	<ol style="list-style-type: none"> 12. Urges the Board to identify and complete the essential components to support the programming of the GCF's resources in line with Board decisions, including a timetable for their implementation.
Coherence and Coordination	<ol style="list-style-type: none"> 13. Urges the Board to ensure it moves swiftly to implement the provisions of the Governing Instrument, in particular paragraphs 33 and 34. 14. Urges the SCF and the Board, via the Co-Chairs or representatives designated by the Board, to coordinate and jointly address elements of paragraph 34 in accordance with their respective mandates. 15. Urges the Board to consider options for appropriate arrangements between the Fund and other financing entities, with a focus on the Adaptation Fund; 16. Urges the Board to interact with the technical and expert Bodies of Convention, the NDAs/FPs, in its consideration of options for the development of mechanisms to promote coherence in programming at the national level in accordance with paragraph 34 of the Governing Instrument.
Appointment of Board Officials	<ol style="list-style-type: none"> 17. Takes note of the initiation of the process to appoint the Heads of the Independent Evaluation Unit, Internal Redress Mechanism and Integrity Unit and urges the Board to a) ensure adequate developing country representation in the appointment of their heads and b) to operationalize the Units no later than the third meeting in 2016.
Readiness and Preparatory Support	<ol style="list-style-type: none"> 18. Urges the Board, in accordance with Decision B.06/06, paragraph (a) (v) and Decision B.08 , to ensure that sufficient and resources are allocated to support developing countries to access and programme Fund resources.
Country Ownership	<ol style="list-style-type: none"> 19. Welcomes the Board's decision on country ownership (Decision B.10/10) and in this regard urges the Board to expedite support to help developing countries prepare or strengthen country climate change strategies and plans, such as low-emission development strategies or plans, nationally appropriate mitigation actions (NAMAs), national adaptation plans of action (NAPAs), national adaptation plans (NAPs), in-country institutional strengthening, and other related activities in accordance with the Governing Instrument.
Non-objection Procedure	<ol style="list-style-type: none"> 20. The COP should express concern regarding the implementation of the no-objection procedure, including matters related to transparency and the public disclosure of the no-objection letters, in particular paragraph 10 of Annex

Accreditation	21. Takes note of the progress made in accrediting entities to the Fund, and urges the Board to prioritize the accreditation of public and local private sector entities, ¹⁵ and maintain a fair and equal balance among public, private and international accredited entities.
Comprehensive Information Disclosure Policy	22. Takes note of the delay in completing the Comprehensive Information Disclosure Policy and urge the board to move from an interim to a permanent policy as soon as possible.
Expertise under the Convention	23. Takes note of the Board decision B.10/09, urges the Board and the SCF to develop appropriate mechanisms to support the Fund in drawing upon appropriate expert and technical advice, including from thematic bodies.
Selection of the Trustee	24. Urges the Board to complete the process to appoint the permanent Trustee no later than early 2017.

Input to COP guidance to GCF

From Japan

Input	Rationale
Welcomes that the Green Climate Fund fully operationalized by achieving the 50 percent threshold required for allocating its resources for projects and programmes.	The COP should acknowledge that GCF started its operation.
Also welcomes the Board of the Green Climate Fund started to take decision on projects and programmes at the eleventh meeting of the Board. (P)	The COP should acknowledge that GCF is now fully operational after the Board of GCF adopts projects at its eleventh meeting in 2-5 November.
Recalling decision 7/CP.20 paragraph 15, requests the Board of the Green Climate Fund, when reviewing its programs and structure, to make use of the information and lessons learned through engagement with other relevant bodies under the Convention, and other relevant international institutions.	For development and implementation of GCF's policies, procedures and programme priorities, the elements of decision 7/CP.20 paragraph 15 should be referred to in the decision of the twenty-first session of the COP as well.
Recalling decision1/CP.18 paragraph 62, requests the Board of the Green Climate Fund to report to the COP on the linkages between the Technology Mechanism and the financial mechanism of the Convention.	Regarding decision1/CP.18 para 62, taking into account the fact that the COP has already started its discussions on the linkage between the Technology Mechanism and the financial mechanism of the Convention, input from the Board of GCF to the COP on the linkage between the Technology Mechanism and the financial mechanism should be useful.

¹⁵ In Decision B.08/03, paragraph (b), the Board noted Annex II: *Assessment of institutions accredited by other relevant funds and their potential for fast-track accreditation*, which stated that the Board may wish to consider, in the context of the Policies and Procedures for the Initial Allocation of the Fund's Resources, the possibility of establishing and assigning allocation targets for public and private entities, particularly in the context of direct access.

Annex II – Annotated suggestions for elements of draft guidance to the operating entities of the Financial Mechanism received from the Adaptation Committee

Adaptation Committee inputs based on the reports of the GEF and GCF to COP 21

#	AC Guidance	Sources of information	Rationale
1	Urges developed country Parties to mobilize financial support for the national adaptation plan process through contributions to the LDCF and SCCF in addition to bilateral support and urges the GEF to continue to explore additional sources of contributions for the LDCF and SCCF	GEF report to COP 21, paras 94 and 105	The current lack of funding in the LDCF and SCCF impedes the momentum that countries had gained for fully implementing their NAPA priorities and conducting the process to formulate and implement NAPs (also mentioned in the report on the 27 th meeting of the LEG, paras 66-68).
2	Encourages the GEF to continue its efforts to simplify access to the LDCF and SCCF	GEF report to COP 21, table p. 17 (GEF response to request from FCCC/SBI/2014/21, para 71)	In light of the situation described above, once resources are made available again and to minimize the consequences of the delay incurred, countries would need to be able to access funding in an expedited manner.
3	Invites the GCF to consider supporting the advancement of the implementation of national adaptation programmes of action, and to clearly communicate how it will do so	GCF report to COP 21, pp. 18 and 21 (response to COP request contained in decision 4/CP.20, para 4 and its annex, para 5 b)) and p.27 (response to COP request contained in decision 9/CP.20, annex, para 51)	The report re-states that the “Fund will support developing countries in pursuing project-based programmatic approaches in accordance with climate change strategies and plans, such as [...]NAPAs”. However, the GCF is yet to provide clarifications on how it intends to do so.

Additional inputs of the Adaptation Committee on draft guidance to the GCF

- Invites the GCF to consider:
 - a. How it can support the development of adaptation proposals, drawing on lessons learned from the GEF’s Project Preparation Grant approach;
 - b. In its programmatic priorities, the Cancun Adaptation Framework, in particular the principles as contained in paragraph 12 and the activities contained in paragraph 14 of decision 1/CP.16.

Annex III –Annotated suggestions for elements of draft guidance to the operating entities of the Financial Mechanism received from the Technology Executive Committee

Annotated suggestions for elements of draft guidance to the Global Environment Facility

Note: The TEC's key messages and recommendations from the evaluation of the Poznan strategic programme on technology transfer have been included in an accompanying e-mail to the SCF for their information, as these will be considered by Parties under the SBI 43 agenda item on the Poznan strategic programme. Resulting decisions on this matter will be part of the omnibus decision on guidance to the GEF.

<i>Elements</i>	<i>Sub-elements</i>	<i>Sources of information for accountability</i>	<i>Proposed inputs and rationale</i>
Policies		Joint annual report of the TEC and the CTCN for 2015	Given the different criteria and evaluations of international climate finance and technology support, there is a need to enhance coherence between international institutions, in order to reduce the complexity of processes which developing countries have followed to request financing (TEC key message on finance 1(f))
		Joint annual report of the TEC and the CTCN for 2015	Invites the GEF to continue to provide financial support to developing country Parties to conduct or update their TNAs (TEC/CTCN joint key messages 1 (g))
		Joint annual report of the TEC and the CTCN for 2015	Underlines the need for financial resources for the implementation of the TNA results (TEC/CTCN joint key messages 1 (h))
Programme priorities		Joint annual report of the TEC and the CTCN for 2015	Encourage Parties, in a position to do so, and invite relevant organizations to enhance support for capacity building and for national champions in each stage of the technology project cycle for effective climate technology financing and technology transfer (TEC key message on finance 2(c))
Eligibility criteria			

Annotated suggestions for elements of draft guidance to the Green Climate Fund

Note: The TEC’s key messages and recommendations from the evaluation of the Poznan strategic programme on technology transfer have been included in an accompanying e-mail to the SCF for their information, as these will be considered by Parties under the SBI 43 agenda item on the Poznan strategic programme. Resulting decisions on this matter may be part of the guidance to the GCF.

<i>Elements</i>	<i>Sub-elements</i>	<i>Sources of information for accountability</i>	<i>Proposed inputs and rationale</i>
Policies		Joint annual report of the TEC and the CTCN for 2015	Given the different criteria and evaluations of international climate finance and technology support, there is a need to enhance coherence between international institutions, in order to reduce the complexity of processes which developing countries have followed to request financing (TEC key message on finance 1(f))
		Joint annual report of the TEC and the CTCN for 2015	Underlines the need for financial resources for the implementation of the TNA results (TEC/CTCN joint key messages 1 (h))
Programme priorities		Joint annual report of the TEC and the CTCN for 2015	Encourage Parties, in a position to do so, and invite relevant organizations to enhance support for capacity building and for national champions in each stage of the technology project cycle for effective climate technology financing and technology transfer (TEC key message on finance 2(c))
Eligibility criteria			

Key messages and recommendations of the TEC on the evaluation of the Poznan strategic programme

I. Key messages and recommendations

1. Drawing on the evaluation undertaken as described in this report, the TEC provides the following key messages and recommendations regarding the PSP with a view to enhancing the effectiveness of the Technology Mechanism.

A. Key messages

2. The TEC provides the following key messages:

(a) The TEC recognizes that technology transfer projects are not simple transactions. They are complex processes due to a combination of national and international factors. Changes in political conditions and support for projects can be a risk and in some cases lead to implementation delays and changes to project scope.

(b) The TEC further recognizes the challenges in engaging the private sector in UNFCCC climate technology efforts. Effective private sector engagement includes an understanding of their decision-making structures, needs and incentives by climate technology institutions. The TEC will continue its work on engaging the private sector in its future work programmes.

(c) The PSP has contributed to raising the profile of the important role that climate technology development and transfer plays in supporting countries to meet the ultimate objective of the Convention. It has also created opportunities for a range of institutions, including the GEF and the MDBs, to support climate technology development and transfer and mainstream these considerations in their programming strategies.

(d) The Technology Mechanism and the PSP are central to advancing global climate technology efforts. In addition, the TEC recognizes that the GCF will play an important role in the future.

(e) The PSP Climate Technology Transfer and Finance Centres have the potential to significantly impact at the regional level. With their significant regional network and expertise in development finance, the Climate Technology Transfer and Finance Centres can play an important role in technology project implementation. The continuity of these regional centre efforts when the GEF funding ends is an important issue for consideration, although several MDBs have raised additional donor finance for support to do more on climate investment.

(f) The complementary efforts of the PSP and the Technology Mechanism on TNAs have the potential to enhance the implementation of the TNA results. The CTCN has the potential to play a critical role in bridging the gap between the TNA process and project implementation. The TEC will complement these efforts by providing guidance on how the results of the TNAs, in particular the technology action plans, can be developed into projects that can be ultimately implemented.¹⁶

(g) As the operating entities of the Financial Mechanism primarily support specific projects, they have not been able to support the administrative functions of programs such as the CTCN or the PSP Climate Technology Transfer and Finance Centres.

(h) To achieve funding for specific projects from the operating entities of the Financial Mechanism, the CTCN will need to adhere with these entities' funding criteria, as occurred with the GEF CTCN project.

B. Recommendations

3. With a view to enhancing the effectiveness of the Technology Mechanism, the TEC makes the following recommendations:

¹⁶ In accordance with decision 17/CP.20.



- (a) The TEC encourages the GEF to enhance the catalysing of the up-scaling of the PSP's good practices, and the sharing of experiences and lessons learned between the PSP elements and with relevant stakeholders.
- (b) To enhance the sharing of PSP experiences, the TEC recommends that the GEF is invited to share the mid-term evaluations of the PSP Climate Technology Transfer and Finance Centres and the GEF-4 pilot projects with the TEC as soon as available. This will be shared with the aim of the TEC preparing a synthesis report of experiences and lessons learned from these activities for consideration by COP 23 through the SBI.
- (c) Institutional linkages between the PSP Climate Technology Transfer and Finance Centres and the CTCN could strengthen coordination, enhance information-sharing and create synergies that accelerate regional climate technology development and transfer. Such efforts could build on the informal systems that are already in place. The TEC recommends that the centres and the CTCN are encouraged to strengthen such linkages.
- (d) Countries can enhance coherence and effectiveness of national climate technology efforts by strengthening links between the different national entities. The TEC encourages countries to explore how they may strengthen links between their NDE, GEF focal point, regional centre focal point, GCF NDA or focal point, and other UNFCCC national focal points. The NDE should play a role in coordinating national technology efforts and engaging with the focal points for the operating entities of the Financial Mechanism.
- (e) The TEC recommends that the COP invite the GEF to structure its report on the PSP under the areas of: (i) regional and global climate technology activities; (ii) national climate technology activities; and (iii) TNAs. This is undertaken with the aim of enhancing the clarity of the GEF's reporting, to strengthen coherence and build synergies between the activities of the PSP and the Technology Mechanism.
- (f) The TEC recommends that the GEF report annually to the COP through the SBI on the progress made in carrying out its activities under the Poznan strategic programme, including its long-term implementation, instead of twice a year as per FCCC/SBI/2011/7, paragraph 137.

Annex IV - Categorization of guidance provided to the operating entities in terms of policies, programme priorities and eligibility criteria

Background

At COP 20, Parties endorsed the recommendations of the Standing Committee on Finance¹⁷ (SCF) with regard to the provision of guidance to the operating entities of the Financial Mechanism (hereafter operating entities), which proposed that, inter alia, the SCF conducts an analysis of past guidance provided in order to identify a set of core guidance to serve as basis for the provision of future guidance, with the view to reducing redundancies, incoherence and inconsistencies within the guidance provided.¹⁸ At its ninth meeting, the SCF requested the secretariat to compile and analyze all past guidance provided to the operating entities for its consideration. The secretariat prepared an initial compilation and synthesis of guidance provided to the GEF and the GCF, respectively. At its tenth meeting, the SCF requested the secretariat to further its work on the compilation and analysis of past guidance by, inter alia, identifying whether each piece of guidance provided to the operating entities falls under any of categories set out in the Convention, i.e. policies, programme priorities, and eligibility criteria.

In order to categorize past guidance, a clear understanding is needed of how specific pieces of guidance provided, i.e. specific provisions, could be distributed among the three areas of policies, programme priorities, and eligibility criteria. The section below outlines a proposed working definition for the three categories which will be applied when further analyzing past guidance provided.

Proposed working definition of categories for past guidance provided

In accordance with Article 11, the Financial Mechanism of the Convention shall function under the guidance of and be accountable to the COP, which shall decide on its policies, programme priorities and eligibility criteria. By decision 11/CP.1, the COP provided initial guidance on policies, programme priorities and eligibility criteria to the operating entity or entities of the Financial Mechanism. The initial guidance on policies consisted of a set of overarching principles with regards to the operations of the entities, while the guidance on programme priorities outlined a series of activities to be prioritized by the entities. The guidance on eligibility criteria determined the eligible countries and type of activities to be funded by the operating entities (examples of the elements identified under each of the respective categories are contained in the appendix).

Based on the context set by decision 11/CP.1, it is proposed that the following working definition could be applied when categorizing pieces of guidance provided to the operating entities:

- The category of guidance on “policies” refers to pieces of guidance that provide the guiding principles to set the overall direction for actions to be taken by the operating entities in their respective role as operating entity of the Financial Mechanism of the Convention, and independent of the type of programme or activity implemented by the operating entity;
- The category of guidance on “programme priorities” refers to pieces of guidance provided to the operating entities with regard to prioritizing specific activities as they may evolve over time which the respective operating entities, in their role as operating entity of the Financial Mechanism of the Convention, need to prioritize, particularly in terms of funding decisions;
- The category of guidance on “eligibility criteria” refers to pieces of guidance provided to the operating entities identifying countries or activities eligible for funding from or support by the respective operating entity in their role as operating entity of the Financial Mechanism of the Convention.

¹⁷ Decision 6/CP.20, paragraph 19.

¹⁸ The recommendations by the SCF are contained in paragraph 10 of document FCCC/CP/2014/5, available at: <<http://unfccc.int/resource/docs/2014/cop20/eng/05.pdf>>.

Appendix: Examples of elements identified in decision 11/CP.1 with regard to policies, programme priorities, and eligibility criteria

<i>Policies</i>	<i>Programme priorities</i>	<i>Eligibility criteria</i>
<p>Overarching issues pertaining to:</p> <ul style="list-style-type: none"> • Consideration of Article 4.1, 4.7, 4.8, 4.9 and 4.10 of the Convention in all funding decisions related to the Financial Mechanism; • Specific needs and special situations of the least developed countries; • Country-drivenness and conformity with, and supportive of, the national development priorities of each country; • With reference to activities involving transfer of technology, ensure that, such technology is environmentally sound and adapted to suit local condition; • Activities funded to be supportive of the national development priorities contributing to a comprehensive national response to climate change; • Activities funded to be consistent with and supportive of the relevant provisions of internationally agreed programmes of action for sustainable development (...); • Activities funded to be sustainable and lead to wider application; • Activities funded to be cost-effective; • The operating entity or entities to strive to leverage other funds in support of the activities of developing country Parties to address climate change; 	<ul style="list-style-type: none"> • Priority should be given to the funding of agreed full costs (or agreed full incremental costs, as appropriate) incurred by developing country Parties in complying with their obligations under Article 12.1 and other relevant commitments under the Convention; • Emphasis should be placed on enabling activities undertaken by developing country Parties, such as planning and endogenous capacity-building, including institutional strengthening, training, research and education, that will facilitate implementation, in accordance with the Convention, of effective response measure; • Activities aimed at strengthening research and technological capabilities for the implementation of the Convention in developing country Parties should be supported through international and intergovernmental efforts; • Emphasis should also be placed on improving national public awareness and education on climate change and response measures; • The operating entity or entities should finance the formulation by developing country Parties of nationally determined programmes to address climate change issues which are in accordance with national development priorities; 	<ul style="list-style-type: none"> • Eligibility criteria shall apply to countries and to activities and shall be applied in accordance with Article 11.1, 11.2 and 11.3; • Regarding eligibility of countries, only countries that are Parties to the Convention would be eligible to receive funding upon entry into force of the Convention. In this context, only developing country Parties would be eligible to receive funding through the financial mechanism, in accordance with Article 4.3; • Regarding eligibility of activities: <ul style="list-style-type: none"> ○ Those activities related to obligations under Article 12.1 to communicate information for which the "agreed full costs" are to be met are eligible for funding; ○ Measures covered by Article 4.1 are eligible for funding through the financial mechanism in accordance with Article 4.3. Such measures should be agreed between the developing country Party and the international entity or entities referred to in Article 11.1, in accordance with Article 4.3; ○ In addition to the above, such measures would be eligible for financial support under Article 11.5