

Invitation from the COP 25 Presidency and the Incoming COP 26 Presidency for Informal Written Inputs on the Seventh Review of the Financial Mechanism

Introduction

1. The COP, as per its Decision 3/CP.4, reviews the Financial Mechanism (FM) every four years. COP 23 decided to initiate the Seventh Review at its twenty-sixth session (November 2020) in accordance with the updated guidelines for the Review (contained in the Annex to Decision 12/CP.22), or as these guidelines may be subsequently amended. It requested the SCF to provide expert input to the Seventh Review in 2021 with a view to the review being completed by COP at its twenty-seventh session (November 2021). Furthermore, the COP decided to assess the implementation of the GEF's capacity-building initiative for transparency in the context of the Seventh Review of the FM, as per Decision 1/CP.21, paras 87-89.
2. With the postponement of COP 26 in 2020, the Review could not be initiated in November 2020. It is now due to be formally initiated at COP 26 in November 2021. Previous reviews have been conducted along agreed timelines, and this is the first review being conducted where the operating entities of the Financial Mechanism serve both the COP and the Paris Agreement.
3. In the joint Presidencies Plan for Informal Intersessional work on Climate Finance Matters, the COP 25 Presidency and incoming COP 26 Presidency set out our approach for taking forward informal work on specific mandated climate finance issues under the responsibility of the Governing Bodies. As set out in the work plan, we facilitated an initial informal multilateral exchange of views between Parties on the Seventh Review of the Financial Mechanism in order to facilitate engagement and support informal technical progress on these negotiating items in advance of COP26. Part one of this exchange was held on Thursday 5 August, with part two being held on Friday 6 August.
4. We would like to thank Parties for their constructive engagement in these sessions. They offered a valuable opportunity to understand Parties' general expectations for the Review, including possible guidelines, timing, and other matters Parties wished to raise.

Informal written inputs

5. COP 23 decided to initiate the Seventh Review of the Financial Mechanism at its twenty-sixth session in accordance with the updated guidelines (contained in the annex to decision 12/CP.22), or as these guidelines may be subsequently amended. In this regard, the Presidencies would like to invite Parties to provide informal written inputs on the guidelines for the Seventh Review of the Financial Mechanism.
6. The purpose of these written inputs is to allow Parties to provide detail in writing on the points they raised during the multilateral exchange of views sessions, as well as any reflections or additional detail following the sessions, according to Parties' preferences; to respond to points raised by other Parties; and to give Parties that were not able to participate in the informal exchange of views sessions an opportunity to provide inputs. Written inputs can be guided by the following questions:

- a. What are your general expectations for the Seventh Review of the Financial Mechanism, including with regards to the overall approach and the possible outcomes of the Seventh Review in Glasgow?
 - b. What specific updates should be made to the guidelines in order to be able to adopt them and initiate the Seventh Review at COP 26? We encourage Parties to make reference to the guidelines in providing their responses to this question, and to be precise in noting any textual updates that would be needed in order for their substantive priorities to be addressed.
 - c. What, if any, role is there for the CMA as part of this process, given that the review is mandated only by the COP but the Financial Mechanism now also serves both the COP and the CMA?
7. Please send your informal written inputs by **Sunday 19 September 2021** to the incoming UK COP 26 Presidency team at COP26-Moi@cabinetoffice.gov.uk and copying the UNFCCC secretariat climate finance team at climatefinance@unfccc.int). These should be provided as a pdf document and attached to an email with the subject line: '[Insert Party name]: 7th Review of the FM written input'.
8. Informal written inputs received will be made available on the Presidencies page of the UNFCCC website. The Presidencies will compile all informal inputs after the 19 September deadline and circulate them to all Parties for information. Inputs will also be used to inform any further informal intersessional work undertaken by the Presidencies or incoming COP 26 Presidency. Parties also have the option, at their own discretion, of uploading their written input to the UNFCCC Submission Portal.

Annex 1

Summary of the informal multilateral exchange of views on the Seventh Review of the Financial Mechanism 5-6 August 2021

In the informal multilateral exchange on the Seventh Review of the Financial Mechanism, we heard convergence that:

- The review should be initiated and the guidelines adopted at COP 26, with the review then concluding at COP 27 in 2022.
- The updated guidelines for the Sixth Review (contained in the Annex to Decision 12/CP.22) provided a good basis for the discussion about the guidelines for the Seventh review.
- In Glasgow there should be a request to the SCF to provide technical input into this Review and for Parties to provide submissions to the SCF in 2022.

We also noted several points on which further work by Parties will likely be required, including *inter alia*:

- The role, if any, of the CMA in the review;
- What updates, if any, would be required to the guidelines from the Sixth Review, in order to respond to a number of substantive aspects raised by Parties;
- What possible sources of information would need to be considered in the Review.

There was also a request, supported by a number of Parties, for the Presidencies to look into the matter of the CMA's role in the review with the Secretariat, and provide an update ahead of discussions in Glasgow.

Annex 2

Decision 12/CP.22, annex

Updated guidelines for the sixth review of the Financial Mechanism

A. Objectives

1. In accordance with Article 11, paragraph 4, of the Convention, the objectives of the sixth review of the Financial Mechanism will be as follows:

(a) To review the Financial Mechanism and take appropriate measures regarding:

(i) Its conformity with the provisions of Article 11 of the Convention and the guidance provided by the Conference of the Parties (COP);

(ii) The effectiveness of the activities it funds in implementing the Convention;

(iii) Its effectiveness in providing financial resources on a grant or concessional basis, including for the transfer of technology, for the implementation of the Convention's objective on the basis of the guidance provided by the COP;

(iv) Its effectiveness in providing resources to developing country Parties under Article 4, paragraph 3, of the Convention;

(v) The effectiveness of access modalities for developing countries;

(b) To examine consistency and complementarity between the operating entities of the Financial Mechanism, and between the operating entities of the Financial Mechanism and other sources of investment and financial flows, including:

(i) Examining relevant sources, channels and means of financing, as indicated in Article 11, paragraph 5, of the Convention, that would assist developing country Parties to contribute to the achievement of the objective of the Convention, in particular innovative means of financing, such as for the development of endogenous technologies in developing countries;

(ii) Examining the role of the Financial Mechanism in scaling up the level of resources;

(iii) Assessing enabling environments for catalysing investment in, and the transfer of, environmentally sound technologies that mitigate greenhouse gas emissions, and for enhancing resilience to climate change.

B. Sources of information

2. The review shall draw upon, inter alia, the following sources of information:

- (a) Information provided by Parties on their experiences regarding financial support provided and received in accordance with COP decisions;
- (b) Annual guidance provided by the COP to the operating entities of the Financial Mechanism with regard to the conformity of their activities with the guidance provided by the COP;
- (c) The annual reports of the Standing Committee on Finance (SCF) to the COP on its activities and relevant technical information produced by the committee such as the biennial assessments and overview of climate finance flows and outcomes of the SCF forums;
- (d) The annual reports of the Global Environment Facility (GEF) to the COP on its activities as an operating entity of the Financial Mechanism, including the information on the Least Developed Countries Fund and the Special Climate Change Fund, and other relevant GEF policy and information documents;
- (e) The reports from the GEF Independent Evaluation Office;
- (f) The annual reports of the Board of the Green Climate Fund (GCF) to the COP on its activities as an operating entity of the Financial Mechanism and other relevant GCF policy and information documents;
- (g) The reports of the Adaptation Fund Board to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and the outcomes of the reviews of the Adaptation Fund;
- (h) The outcomes and reports of the United Nations processes, relevant bilateral and multilateral funding institutions and other intergovernmental and non-governmental organizations dealing with climate financing;
- (i) Relevant reports on private-sector financing and investment for climate change activities;
- (j) Technical papers and reports prepared by the secretariat at the request of the COP which are relevant to the financial needs of developing country Parties under the Convention;
- (k) Information contained in the national communications of Parties to the Convention, technology needs assessments and national adaptation programmes of action;
- (l) The reports of the in-session workshops on long-term finance;
- (m) The biennial submissions from developed country Parties on their updated strategies and approaches for scaling up climate finance from 2014 to 2020, including any available information on quantitative and qualitative elements of a pathway;
- (n) The reports of the Least Developed Countries Expert Group and the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention.

C. Criteria

- 3. The effectiveness of the Financial Mechanism will be assessed taking into account the following:
 - (a) The transparency of the decision-making processes of the operating entities of the Financial Mechanism;

- (b) The level of stakeholder involvement;
- (c) The extent to which the Financial Mechanism is contributing to gender-sensitive approaches;
- (d) The adequacy and predictability, accessibility and timeliness and rate of disbursement of funds for activities in developing country Parties, including projects in the pipeline;
- (e) The responsiveness, efficiency and performance of the cycle for project/programme approval procedures of the operating entities of the Financial Mechanism;
- (f) The amount of resources provided to developing country Parties, including financing for technical assistance and investment projects, and the mechanisms for country allocation, as well as the results and impacts achieved by the resources provided;
- (g) The amount of finance leveraged, and modalities and ratios of co-financing and the use of financial instruments where applicable;
- (h) The extent to which the resources provided are contributing to achieving the objective of the Convention;
- (i) The sustainability of funded programmes, projects and operations in developing country Parties;
- (j) The extent to which the Financial Mechanism is contributing to the country ownership of programmes and projects.

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