

Annex C: Informal Reflections Note on Informal Work Undertaken on the Seventh Review of the Financial Mechanism

Introduction

1. Based on the joint Presidencies' Plan for Informal Intersessional work on Climate Finance Matters¹, the COP 25 Presidency and the Incoming COP 26 Presidency held an informal facilitated multilateral exchange of views on the Seventh Review of the Financial Mechanism (FM) on 5 - 6 August 2021.² These informal sessions were intended to provide an informal space for Parties, with the support of the Presidencies, to share views on general expectations for the Seventh Review of the FM, including possible Guidelines, timing, and any other matters Parties wished to raise.
2. Following the informal multilateral exchange of views, the Presidencies then invited Parties to provide informal written inputs on the Review. The purpose of these was 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.³ Written inputs from the nine Parties that provided them have been compiled by the UNFCCC secretariat and can be found on the UNFCCC website⁴.
3. This paper provides reflections, under the authority of the Presidencies, of views expressed by Parties in these engagements. The paper should be read as a non-exhaustive summary, created to provide balance and highlight the key issues on which we feel Parties will need to continue to engage as we approach Glasgow. As with all work under the joint Presidencies informal work plan, this is an informal product with no formal status which we hope Parties will find useful as a reference point when they begin their formal discussions in Glasgow.

Decisions on the initiation and conclusion of the Review

4. We heard broad agreement amongst Parties involved in the informal exchange of views and provision of written inputs that the Seventh Review of the FM should be initiated, and the Guidelines adopted, at COP26 in 2021 and conclude at COP27 in 2022. Some Parties expressed the need to ensure the Review ends in 2022 so it can return to being conducted on its standard timeline, following the delay to COP26. It was noted that the Review process is well established and does not need substantial alteration.

Guidelines for the Review

¹ Joint Presidencies Plan for Informal Intersessional work on Climate Finance: Matters: <https://unfccc.int/sites/default/files/resource/2021-06-29%20Presidencies%20Plan%20for%20Informal%20Intersessional%20Work%20on%20Climate%20Finance%20Matters.pdf>.

² The Information Note for the Informal Multilateral Exchange of Views is at this link: https://unfccc.int/sites/default/files/resource/Information%20Note%20FM%20and%20SCF%20Review%20multilateral%20exchange_0.pdf. The Background Note for the Informal Multilateral Exchange of Views on the Seventh Review of the Financial Mechanism, including the guiding questions for the session, is at this link: https://unfccc.int/sites/default/files/resource/Background%20Note%20to%20Parties%20FM%20Review_0.pdf.

³ The invitation from COP25 and COP26 Presidencies to Parties provide written inputs is at this link: <https://unfccc.int/sites/default/files/resource/2021-08-17%20FM%20Review%20Invitation%20for%20Informal%20Written%20Inputs.pdf>.

⁴ <https://unfccc.int/process-and-meetings/bodies/supreme-bodies/conference-of-the-parties-cop/presidency-consultations-and-other-presidency-meetings/informal-consultations-by-the-cop-25-presidency-and-the-cop-26-incoming-presidency>

5. We also heard broad agreement amongst Parties that the updated Guidelines used for the Sixth Review of the FM, as found in the Annex to Decision 12/CP.22, provide a good basis for discussion and for the Review. Parties noted a range of views on possible updates that may be required.
6. Some Parties noted the need for minimal technical updates to the Guidelines, including that this will be the Seventh Review of the FM.
7. There were a range of views regarding the role of the CMA in the Review. Some Parties were of the view that the Guidelines should be updated to reflect relevant decisions under the Paris Agreement, and to reflect that the FM now serves the CMA and the COP. Some Parties noted that the Guidelines should be updated to ensure that the outcomes of the Review are relevant to both the COP and the CMA, to ensure that both governing bodies can agree on the outcomes of the Review if required. One Party expressed the view that the Review must be guided by Article 11 of the Convention and that it should not be conducted under the CMA and that, in view of this, there is no need to update the Guidelines.
8. In terms of substantive changes to the Criteria section of the Guidelines, one Party suggested that they should be amended to also assess the FM's effectiveness. This assessment would need to take into account the quantum of resources provided to developing countries, in relation to the urgency of climate action and scale of resources needed to achieve the Paris Agreement's long-term goals. Another Party suggested updating the Objectives section of the Guidelines to consider the quantified financing needs of developing countries against actual finance provided by developed country Parties.

Aims of the Review

9. Parties broadly agreed on the importance of the Review as a means to evaluate the FM's performance. Additionally, Parties noted that the Review should assess the effectiveness, efficiency, inclusiveness and transparency of the Operating Entities (OEs) of the FM. This extends to the OEs' coherence and complementarity with each other and with other channels outside the FM that are relevant to providing support for the implementation of the Paris Agreement and the Convention. Various Parties expressed that the Review should also consider the extent to which the FM is responding to the COP's guidance and supporting the Articles of the Paris Agreement.
10. Some Parties suggested that the following additional substantive elements could be considered as part of the Review; while others did not share the view that these elements were necessary. These include, *inter alia*:
 - a. Assessment of the performance of the Capacity Building Initiative for Transparency (CBIT) as mandated (Decision 1/CP.21, paras 87-89);
 - b. Accessibility of the FM and its OEs; timelines and rate of disbursement of funds; and the FM's progress in responding to the Paris Agreement to ensure access through simplified approval procedures and enhanced readiness support;
 - c. The way in which the Review should inform replenishment discussions for the OEs;
 - d. The predictability, adequacy and accessibility of resources provided to and by the FM, including the mobilisation of new and additional resources;
 - e. Consideration of the FM's ability to respond to the needs and priorities of developing countries;
 - f. The role of the FM in providing financial resources to developing countries on a grant or highly concessional basis;
 - g. The role of the FM in meeting the USD 100bn climate finance mobilisation goal by developed countries;

- h. The extent to which the FM is contributing to inclusive approaches, in particular gender-sensitive approaches;
 - i. The way in which the FM is related to Long-Term Climate Finance, the Needs Determination Report and the new collective quantified goal. One Party raised that these links are vital to support developing countries' recovery from climate-induced disasters, with some parties noting the relevance of loss & damage and support to address it;
 - j. The functions, frequency and substance of COP guidance to the FM;
 - k. The balance between finance for mitigation and adaptation;
 - l. The sources, channels and means of financing, including operational policies and capacity building frameworks to support these.
11. In response to many of these proposals, we also heard from Parties that the above elements were either within scope of the existing guidelines or were not necessary to fulfil the objectives of the Review.

Sources of information

12. In addition to the sources of information set out in the previous Guidelines for the Review, Parties noted that the Standing Committee on Finance (SCF) should be requested to provide technical input into the Review and that Parties and observer organisations should be invited to provide submissions to inform the Review in early 2022, including from Parties of the Paris Agreement. One Party recommended that submissions should relate to the FM's governance; responsiveness to COP and CMA guidance and alignment with the UNFCCC's aims and the Paris Agreement's long-term goals; mobilization and delivery of financial resources; and consistency and complementarity with other sources of investment and financial flows.
13. In addition to the information sources set out in the updated Guidelines for the Sixth Review of the FM, Parties also suggested the following:
- Developed country Parties' biennial communications on indicative quantitative and qualitative information related to Article 9, paragraphs 1 and 3, of the Paris Agreement, as applicable, including, as available, projected levels of public financial resources to be provided to developing country Parties, and the reports of the related in-session workshops;
 - The SCF's Needs Determination Report;
 - Reports from the GCF's Independent Evaluation Unit;
 - Information provided by developing country Parties on their experiences of financial support provided and received, including through individual country surveys.

Role of the CMA

14. Parties have expressed a range of views about the role of the CMA in the Review, given that the Review is being conducted under the COP but the Financial Mechanism serves both the COP and the CMA. The views of Parties include the following:
- That the Seventh Review of the FM should take place in the context that the Paris Agreement has now entered into force and the FM serves both the COP and the CMA. One Party noted that the Review pertains to Article 4 and 11 of the Convention and to Article 9 of the Paris Agreement, which represents a continuation of developed countries' obligations to provide financial resources as under the Convention.
 - Some Parties suggested a joint session of the COP and the CMA for this agenda item, to avoid overlap in decision making. One Party noted that the COP and the CMA should take a joint decision on the outcomes of the Review. Others noted that there could be CMA involvement in the Review,

such as a joint COP/CMA session to consider the Review, but that the mandate remains under the COP.

- One Party noted that the CMA could take a role in the Review whereby it can learn from the issues related to Finance under the Convention, although it should not have a formal role at the current time.
- One Party noted that the Review should be conducted by the COP as mandated while another Party noted that there should be no role for the CMA in conducting nor in providing input into the Review.
- One Party suggested that the Secretariat and the Presidency could provide clarity on the CMA's involvement in the Review.

Further informal work

15. At the Informal Multilateral Exchange of Views sessions, Parties noted that they do not see the need for further informal work on this agenda item. In light of this, the Presidencies do not plan to carry out further informal work on this item before the start of COP 26 but encourage Parties to engage directly to better understand each other's positions, and to work to find common ground Parties are encouraged to make use of this reflections note in doing so.