DRAFT TEXT
on

Matters relating to the Standing Committee on Finance
COP 26 agenda sub-item 8(e)
Seventh review of the Financial Mechanism

Version 07/11/2021 11:53

Seventh review of the Financial Mechanism

The Conference of the Parties,

Recalling decisions 3/CP.4, 2/CP.12, 6/CP.13, 2/CP.16, 8/CP.19, 9/CP.20, 1/CP.21, 12/CP.22 and 11/CP.23,

[*Recalling* Article 9, paragraph 8, of the Paris Agreement,]

[*Recognizing* that the review of the Financial Mechanism should inform the replenishment processes of the operating entities of the Financial Mechanism,]

1. *Decides* to adopt the guidelines for the seventh review of the Financial Mechanism contained in the annex;

2. *Option 1: Requests* the Standing Committee on Finance to provide, in its report to the Conference of the Parties at its twenty-seventh session (November 2022), expert input to the seventh review of the Financial Mechanism with a view to the review being finalized by the Conference of the Parties at that session;

   Option 2: Requests the Standing Committee on Finance to provide, in its report to the Conference of the Parties at its twenty-seventh session (November 2022) and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fourth session (November 2022), expert input to the seventh review of the Financial Mechanism with a view to the review being finalized by the Conference of the Parties and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at those sessions;

   Option 3: Requests the Standing Committee on Finance to provide, in its report to the Conference of the Parties at its twenty-seventh session (November 2022), expert input to the seventh review of the Financial Mechanism with a view to the review being finalized by the Conference of the Parties at that session;

   3 bis. Invites the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fourth session to consider the expert input of the Standing Committee on Finance as referred to in paragraph [x] above with a view to including input of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement to the seventh review of the Financial Mechanism in the conclusions of the Conference of the Parties at its twenty-seventh session;

3. *Invites* Parties [to the Convention], observers and interested international organizations, stakeholders and non-governmental organizations involved in the activities of the operating entities of the Financial Mechanism to submit, by 31 March 2022, their views on the seventh review of the Financial Mechanism on the basis of the guidelines contained in the annex, for consideration by the Standing Committee on Finance in preparing its expert input to the review.[1]

[1] Parties should submit their views via the submission portal at https://www4.unfccc.int/sites/submissionsstaging/Pages/Home.aspx. Observers and other stakeholders should email their submissions to standingcommittee@unfccc.int.

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Annex

Updated guidelines for the seventh review of the Financial Mechanism

A. Objectives

1. [In accordance with] [Taking into account] Article 11, paragraph 4, of the Convention [and Article 9, paragraph 8 of the Paris Agreement], the objectives of the seventh review of the Financial Mechanism will be as follows:

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

(i) Option 1: Its conformity with the provisions of Article 11 of the Convention [and Article 9 of the Paris Agreement] and the guidance provided [by the Conference of the Parties (COP), [including guidance transmitted by the COP from ~~and~~] the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA);

Option 2: The conformity with its mandate and the guidance provided;

(ii) The effectiveness of the activities it funds in [supporting developing countries to implement their obligations under][implementing] the Convention and [its] the Paris Agreement;

(iii) Option 1: Its effectiveness in providing financial resources on a grant or concessional basis, including for the transfer of technology;

Option 2: Its effectiveness in providing financial resources on a grant or concessional basis, including for the transfer of technology for the implementation of the Convention and the Paris Agreement;

Option 3: Its effectiveness in providing financial resources on a grant or concessional basis for supporting actions towards the achievement of the objective of the Convention and the goals of the Paris Agreement on the basis of the guidance provided by the COP and the CMA;

(iv) Its effectiveness in providing resources to developing country Parties [under Article 4, paragraph 3, of the Convention and under Article 9 of the Paris Agreement];

(v) The effectiveness of access modalities for developing country Parties, [including in the context of Article 9, paragraph 9 of the Paris Agreement] [and in that regard an assessment of capacity building initiatives by the Financial Mechanism];

(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 [finance] [investment and financial flows], including:

(i) Examining relevant sources, channels and means of financing [as indicated in Article 11, paragraph 5, of the Convention and Article 9, paragraph 3 of the Paris Agreement] that would assist developing country Parties in contributing to the achievement of the objective of the Convention and the [goals of the] Paris Agreement, [in particular innovative means of financing, such as for the development of endogenous technologies in developing countries];

(ii) [Examining relevant operational policies and capacity-building frameworks, [such as capacity-building initiative for transparency] aimed at supporting innovative means of financing as referred to in para 1(b)(i) above];

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

(iv) Assessing enabling environments for catalysing investment in, and the transfer, [development and deployment] [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 experience regarding financial support provided and received in accordance with COP and CMA decisions;

(b) Annual guidance provided [by the COP [and the CMA] to the operating entities of the Financial Mechanism [with regard to the conformity of their activities with the guidance provided by the COP [and the CMA];

(c) The annual reports of the Standing Committee on Finance (SCF) [to the COP and the CMA] on its activities and relevant technical information provided by the SCF, such as the biennial assessments and overview of climate finance flows, [and information on the needs and priorities of developing country Parties, [including those presented] in the first report on the determination of the needs of developing country Parties] related to implementing the Convention and the Paris Agreement and outcomes of the SCF forums;

(d) The annual reports of the Global Environment Facility (GEF) [to the COP [and the CMA] on its activities as an operating entity of the Financial Mechanism, including information on the Least Developed Countries Fund and the Special Climate Change Fund, and other relevant GEF policy and information documents;

(e) Reports from the GEF Independent Evaluation Office;

(f) The annual reports of the Board of the Green Climate Fund (GCF) [to the COP [and the CMA] on its activities as an operating entity of the Financial Mechanism and other relevant GCF policy and information documents;

(g) Reports from the Independent Evaluation Unit of the GCF;

(h) 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 CMA] and the outcomes of the reviews of the Adaptation Fund;

(i) 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;

(j) Relevant reports on private sector financing and investment in climate change activities;

(k) Technical papers and reports prepared by the secretariat at the request of the COP and the CMA which are relevant to the financial needs of developing country Parties to the Convention and the Paris Agreement;

(l) Information contained in the national communications of Parties to the Convention, technology needs assessments, biennial reports, biennial update reports, nationally determined contributions, adaptation communications and national adaptation programmes of action;

(m) Reports on in-session workshops on long-term finance;

(n) 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 [and the biennial communications by Parties provided in accordance with Article 9, paragraph 5, of the Paris Agreement];

(o) Option 1: 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.

Option 2: Reports of the constituted bodies serving the Convention and the Paris Agreement.

C. Criteria

3. The effectiveness of the Financial Mechanism will be assessed taking into account the following:

(a) The transparency, efficiency and inclusiveness 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 inclusive and gender-responsive approaches [to addressing climate change];

(d) [The extent to which the Financial Mechanism is contributing [to the aim of [Article 9, paragraph 4, of the Paris Agreement] [to] achieving a balance between adaptation and mitigation, as appropriate];

(e) The adequacy and predictability, accessibility and timeliness and rate of disbursement of funds for activities in developing country Parties, including projects in the pipeline, taking into account country priorities,[and their feedbacks thereof] [as well as capacity constraints];[and the accessibility of developing countries to the Financial Mechanisms]

(f) The responsiveness, efficiency and performance of the cycle for project/programme approval procedures including readiness programs of the operating entities of the Financial Mechanism;

(g) The amount of resources provided to developing country Parties, including financing for technical assistance and investment projects, and the mechanisms for country allocation, [for the GEF] as well as the results and impacts achieved by the resources provided, [in light of the objective of the Convention and [the goals of] the Paris Agreement];

(h) The amount of finance leveraged, and the modalities and ratios of co-financing [for the GEF] and the [diverse] use of financial instruments, where applicable;

(i) The extent to which resources provided are contributing to achieving the objective of the Convention and the goals of the Paris Agreement;

(j) The sustainability of funded programmes, projects and operations in developing country Parties;

(k) The extent to which the Financial Mechanism is contributing to the country ownership of programmes and projects.