



Standing Committee on Finance

12 February 2025

Thirty-sixth meeting of the Standing Committee on Finance
18–19 February 2025
Bonn, Germany

Background paper on draft guidance to the Operating Entities of the Financial Mechanism

Expected actions by the Standing Committee on Finance

The Standing Committee on Finance will be invited to:

- a) Appoint co-facilitators for the work;
- b) Agree on an approach for preparing draft guidance to the operating entities in 2025.

I. Possible actions for consideration by the Standing Committee on Finance

1. The Standing Committee on Finance (SCF) may wish to agree on an approach for preparing draft guidance to the operating entities of the Financial Mechanism. In doing so, the SCF may wish to consider a draft workplan proposed by the co-facilitators, as illustrated in paragraphs 18–21.

II. Mandates

Mandate

2. The Conference of the Parties (COP) decided that the SCF shall assist the COP in exercising its functions with respect to the Financial Mechanism of the Convention including through providing draft guidance for the operating entities of the Financial Mechanism of the Convention to the COP, with a view to improving the consistency and practicality of such guidance, taking into account the annual reports of the operating entities, as well as submissions from Parties.¹ Furthermore, COP 21 decided that the SCF shall serve the Paris Agreement in line with its functions and responsibilities established under the COP.² This decision was confirmed at the Conference of the Parties serving as the Meeting of the Parties to the Paris Agreement (CMA) at its 1.3 session.³

Outcomes of COP 29 and CMA 6 relevant to the draft guidance

3. At COP 29, Parties recalled concerns about the working modalities of the SCF for preparing the draft guidance for the operating entities in accordance with its mandate, and the request to Parties and other constituted bodies under the Convention and the Paris Agreement to provide elements for the draft guidance well in advance of future sessions of the COP and the CMA to enable the Committee to fulfil its mandate in this regard.⁴

¹ Decision 2/CP.17, paragraph 121(c).

² Decision 1/CP.21, paragraph 63.

³ Decision 3/CMA.1, paragraph 6.

⁴ Decision 2/CP.29, paragraph 20.

4. Furthermore, COP 29 and CMA 6 requested the SCF to take into consideration the views and recommendations on elements of guidance submitted by Parties, when preparing its draft guidance for the Fund for Responding to Loss and Damage (FRLD).⁵

5. Moreover, the COP decided to modify the arrangements between the COP and the Green Climate Fund (GCF) and the memorandum of understanding (MoU) between the COP and the Global Environment Facility (GEF), as outlined in the respective COP 29 decisions, for consideration and approval by the respective governing body before COP 30 (November 2025), thereby making the revised arrangements/MoU effective upon the governing body's approval, and ensuring that the subsequent guidance from the COP and the CMA is provided to the GCF and the GEF annually until COP 31 and CMA 8 (November 2026), and biennially thereafter, and also at sessions held in the year immediately preceding the initiation of discussions on new replenishments.⁶

III. Background information

6. This section illustrates:

(a) The SCF's current working modalities for preparing draft guidance, covering both inter-sessional and in-meeting processes

(b) Outcomes of the SCF work on draft guidance in 2023 and 2024, including information on the submissions the SCF received in these two years;

(c) For information, important dates in 2025 pertinent to preparing the draft guidance.

7. The SCF prepares draft guidance to the operating entities of the Financial Mechanism, based on submissions from Parties, SCF members and other constituted bodies. Annually, preparation of the draft guidance starts inter-sessionally around mid-August, when the advance versions of the annual reports of GCF and the GEF become available. Based on the inter-sessional preparatory work, the SCF finalizes the work on the draft guidance at its final meeting of the year.

Inter-sessional working modalities

8. Once the annual reports of the GCF and the GEF become available, the SCF publishes the reports on its website and issues a call for submissions from Parties, SCF members and other constituted bodies. A submission template is uploaded alongside the annual reports, providing guidance on how to present rationale and reference for proposed draft guidance.⁷

9. The SCF sets a submission deadline based on the timing of its final meeting of the year and the time needed for co-facilitators to compile and analyse submissions before the meeting.⁸ In the past two years, submitters were given approximately two weeks to prepare their submissions.⁹ Furthermore, the SCF encourages the submitters to consider the following criteria in preparing their submissions:

(a) Draft guidance should align with the mandates of the operating entities of the Financial Mechanism;

⁵ Decision 5/CP.29, paras. 18–19 and Decision 11/CMA.6, paras. 18–19.

⁶ Decision 3/CP.29, para 18 and decision 4/CP.29, para 16.

⁷ See https://unfccc.int/sites/default/files/resource/Draft%20guidance%20template_0.docx.

⁸ In numerous cases, the COP has set a submission deadline for draft guidance submissions, typically 12 weeks before the next COP, for consideration by the SCF. However, this deadline often did not align with the SCF's draft guidance preparation timeline due to several factors, including the varying availability of GCF and GEF annual reports and the scheduling of SCF meetings.

⁹ In 2023 and 2024, submitters were given fifteen and nine calendar days to provide the submissions, respectively.

(b) Draft guidance should not focus on ongoing work being undertaken by the operating entities;

(c) Draft guidance should not be contradictory and duplicative to previous guidance given to the operating entities.

Information on the submissions received in 2023 and 2024

10. Over the years, the number of submissions received, as well as their timing and distribution, differed annually. The breakdown of submissions for 2023 and 2024, including their deadlines and origin, is outlined below.

11. In 2023, a total of 12 submissions were received:

(a) Two submissions were received within the deadline and five were submitted past the deadline but before the meeting. Five submissions were received during the meeting.

(b) Five submissions came from constituted bodies, and the rest were submitted by Parties (four from developed countries, and three from developing countries)

12. In 2024, the SCF again received 12 submissions, but the timing of submissions differed from the previous year:

(a) Seven submissions were received within the deadline, while four were submitted past the deadline but before the meeting. One submission was received during the meeting.

(b) Three submissions came from constituted bodies, while the rest were submitted by Parties (five from developed countries and four from developing countries).

13. One submission was received from a member of the SCF during the two-year period.¹⁰

In-session working modalities and outcomes of work in 2023 and 2024

14. At the final SCF meeting of the year, the co-facilitators presented two compilations of submissions received, namely, the GCF and the GEF, and sought a mandate from the SCF to prepare a streamlined draft text. Where possible, the co-facilitators synthesized common substantive elements from the submissions for the Committee's consideration. In presenting the streamlined draft text, the co-facilitators also included feedback from the secretariats of the GCF and the GEF explaining why certain draft guidance elements would not be feasible to implement.

15. At the final meeting of the year in 2023 and 2024, after reviewing the compiled and synthesized draft text, the SCF agreed to submit to the COP and the CMA compilations of submissions, instead of a streamlined draft text. This was due to the following reasons:¹¹

(a) In 2023, members expressed reservations that the co-facilitators' work was based on submissions from only a limited number of Parties. They also raised concerns about the lack of sufficient time to conduct the work properly, as many submissions were received late – either close to or during the meeting. In this context, members emphasized the need for timely submissions.

(b) In 2024, the co-facilitators synthesized common substantive elements, where possible, and presented their proposal to the SCF but there was no agreement on it among the SCF. Due to time constraints during the meeting, the SCF prioritized finalizing its technical reports. As a result, the Committee agreed to submit a compilation of submissions to COP

¹⁰ Ms. Diann Black-Layne provided a submission at SCF 35.

¹¹ These are based on the meeting reports of SCF 32 and SCF 35 and as well as webcast recordings. See SCF/2023/32/13, paragraphs 40–41 and SCF/2024/35/10, paragraphs 33–34.

29 and CMA 6, along with information and clarifications received from the secretariats of the operating entities regarding certain proposed draft guidance elements.

For information: dates in 2025 pertinent to preparing for the draft guidance

16. The SCF may wish to take note of the following dates that are pertinent to preparing the draft guidance to the operating entities in 2025.

- (a) Deadline for Party submissions, as set by the COP:
 - (i) The COP invited Parties to provide their submissions on the draft guidance to the GCF and the GEF 16 weeks prior to the COP, which is 10 July 2025;
 - (ii) The COP and the CMA invited Parties to provide their submissions on the draft guidance to the FRLD 10 weeks prior to the COP, which is 1 September 2025.
- (b) Expected availability of annual reports of the operating entities:
 - (i) Annual reports of the GCF and the GEF are expected to be available mid-August.
 - (ii) Timing of the annual report of the FRLD is to be confirmed. The first annual report of the FRLD submitted last year was published on 31 October 2024.

17. Dates of the meetings of the governing bodies of the operating entities in 2025 can be found in the annex, for additional information.

IV. Co-facilitators' proposed draft workplan

18. Based on the above timelines and under the business-as-usual scenario with current working modalities, there may be continued challenges in preparing the draft guidance in 2025;

- (a) Due to proximity between issuance of annual reports of the GCF and the GEF (mid-August) and SCF 38 (10–12 September 2025), submitters may have limited time to prepare their submissions, which could potentially lead to either low number of or late submissions;
- (b) Tight deadlines for the inter-sessional work to be undertaken by the co-facilitators before SCF 38 may restrict opportunities for analysis of submissions and potential engagement with the submitters;
- (c) Consideration of the draft guidance being limited to the final meeting of the year may leave no buffer time for further discussions or clarifications with submitters.

19. The co-facilitators propose the following draft workplan to prepare the draft guidance to the operating entities in 2025 and enhance the working modalities of the SCF.

- (a) Objective: The SCF will aim to produce a concise draft guidance text that will serve as a practical basis for Parties' negotiations at the COP and the CMA.
- (b) To achieve this objective, the SCF will work towards, inter alia:
 - (i) Better distribution of workload across the SCF meetings to secure time for the SCF members and the co-facilitators to conduct their work more effectively and also allow more time for the submitters to prepare their submissions;
 - (ii) Strengthen the role of the SCF in terms of providing submissions and leading the discussions based on the members' own knowledge and expertise on the mandates and work of the operating entities, thereby enabling to Committee to conduct the work independent of the number of submissions it received;

(iii) Strengthen the working relationships with Parties, other constituted bodies and the operating entities.

20. Activities: In above context, the SCF may wish to conduct the following activities in 2025:

(a) Initiate its substantive work on the draft guidance at SCF 37 (11–13 June 2025), with the goal of agreeing on a zero-draft draft guidance text;

(b) Invite SCF members, Parties and other constituted bodies to provide submissions ahead of each of the remaining SCF meetings in 2025:

(i) First round of submissions by 15 April 2025, to ensure the co-facilitators' preparatory work can start ahead of SCF 37;

(ii) Second round of submissions by 25 August 2025. This second round of submissions will provide an opportunity to submitters to provide any additional inputs on the draft guidance prior to SCF 38 (10–12 September 2025), based on annual reports of the operating entities that would be available by then;

(c) The co-facilitators will prepare a pre-final draft guidance for consideration at SCF 38, based on the zero-draft prepared at SCF 37 and taking into account the second round of submissions received;

(d) The Committee will review the pre-final draft guidance and conclude its work at SCF 38.

21. Outreach activities: The SCF may wish to conduct the following outreach activities:

(a) Send out a message to Parties after conclusion of SCF 36 to present its 2025 workplan on the draft guidance and invite for their submissions as outlined in paragraph 21(b);

(b) Attend meetings of other constituted bodies (such as the AC, TEC, and ExCom) to share the workplan, build working relationships and provide guidance on submission preparation;

(c) Engage with the co-chairs of the governing bodies of the operating entities, to share the workplan and discuss possibilities of aligning timeline of their annual report with the timeline of the SCF to prepare the draft guidance;

(d) Hold informal consultations with submitters, as needed, to clarify proposed draft guidance and improve understanding of the rationale.

Annex

Dates of the meetings of the governing bodies of the operating entities in 2025

A. Green Climate Fund

1. 41st meeting of the Board: 17–20 February 2025;
2. 42nd meeting of the Board: 30 June–3 July 2025;
3. 43rd meeting of the Board: 27 –30 October 2025;

B. Global Environment Facility:

4. First meeting for the GEF-9 replenishment: May 2025 (tbc);
5. 69th meeting of the Council: 2–6 June 2025;
6. Second meeting for the GEF-9 replenishment: tbc;
7. 70th meeting of the Council: 15–19 December 2025;

C. Fund for Responding to Loss and Damage:

8. Fifth meeting of the Board: 8–10 April 2025;
 9. Sixth meeting of the Board: 9–11 July 2025;
 10. Seventh meeting of the Board: 8–10 October 2025.
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