



Standing Committee on Finance

14 May 2021

Twenty-fourth meeting of the Standing Committee on Finance
Virtual, 19–20 May 2021

Background paper on the draft guidance to the operating entities of the Financial Mechanism

Expected actions by the Standing Committee on Finance¹

The Standing Committee on Finance will be invited to agree on the approach and the timeline to prepare the draft guidance to the operating entities of the Financial Mechanism.

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

1. The Standing Committee on Finance (SCF) may wish to consider and agree on the format of and process for developing the draft guidance and a workplan to prepare the draft guidance to the operating entities of the Financial Mechanism.

II. Background

2. At SCF 23, the Committee agreed to continue discussions on the format of and process for developing the draft guidance at SCF 24 and requested the co-facilitators to prepare a workplan with options for advancing the preparations of the draft guidance to be submitted to the Conference of the Parties (COP).

3. During the intersessional period, the secretariat issued a notification to Parties² on 16 April 2021, on behalf of the SCF co-chairs, inviting Parties to provide submissions on their views and recommendations on the elements to be considered in developing the draft guidance. The notification was also sent to the Adaptation Committee (AC), the Technology Executive Committee (TEC) and the Executive Committee of the Warsaw International Mechanism for Loss and Damage inviting them to provide inputs to the draft guidance to the operating entities. The 2020 reports of the Green Climate Fund (GCF) and the Global Environment Facility (GEF) are available on the UNFCCC website,³ and the 2021 annual reports are expected to be available in mid-August 2021.

¹ Note that as of 14 May 2021, no submissions were received from Parties and other constituted bodies on their views and recommendations on the elements to be taken into account in developing the draft guidance.

² https://unfccc.int/sites/default/files/resource/letter_to_parties_scf_guidance_fm.pdf.

³ The 2020 annual report of the GCF to the COP is available at: https://unfccc.int/sites/default/files/resource/cp2020_05E.pdf. The 2020 annual report of the GEF to the COP is available at: https://unfccc.int/sites/default/files/resource/cp2020_01E.pdf; https://unfccc.int/sites/default/files/resource/cp2020_01a01.pdf.

III. Format of and process for developing the draft guidance

A. Format of developing the draft guidance

4. Since 2013, the SCF has prepared its draft guidance in slightly different formats, as summarized in annex I. Notably, between COP 21 and COP 24, the Committee submitted the draft guidance as a draft decision text with appendices whereby the appendices contained inputs or matters on which the SCF did not conclude its discussions. Therefore, the Committee has largely been able to negotiate on the elements of the draft guidance. In order to meaningfully assist Parties and alleviate the volume of work owing to time and other constraints at COP 26 and Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its third session (CMA 3), the SCF can aim to deliver a draft guidance similar to the format submitted at COP 24.

B. Process for developing the draft guidance

5. As per previous practice, the secretariat would compile the submissions as they are received into a tabular format and share with SCF members. The compilation would include:

(a) Grouping together common textual elements and assessing the inputs received against the agreed criteria⁴ to ensure consistency and practicality.

(b) Elements of draft guidance that would need to be considered specifically by the CMA shall be identified with a distinct heading.

6. Past practice at meetings of the SCF has allowed for exchanges with Party observers during the consideration of the draft guidance. Recent meetings of the SCF have been held virtually over limited duration. Should the virtual mode prevail, the meeting time would not be sufficient for facilitating observer engagement. In lieu of this, informal working session(s) would be organized with submitters, open to all SCF members, with the aim to clarify on inputs that may lack clarity or be based on outdated information. The working sessions can be held virtually either with individual submitters (e.g., to clarify on certain inputs they provided), with all submitters (e.g., to facilitate an open exchange of views) or in any other format deemed appropriate.

IV. Co-facilitators' proposed work plan

7. The co-facilitators propose that the SCF comes to an agreement on the format of draft guidance it will submit to COP 26 and CMA 3 (based on the information contained in section III.A), as well as on the process for developing the draft guidance (based on the information contained in section III.B).

8. Based on the agreement, the co-facilitators aim to submit a preliminary draft guidance for consideration by the SCF at its last meeting in 2021, i.e., SCF 26. In approaching the work plan, principles of transparency and inclusivity would be applied, including by informing Parties and other constituted bodies on the agreement made by the SCF on the approach it will take in preparing the draft guidance.

9. The co-facilitators propose that the last meeting of the SCF be scheduled taking into consideration the development the draft guidance, which is subject to the following events:

(a) Submission of the 2021 annual reports of the operating entities, which is expected to be mid-August 2021;

⁴ The SCF agreed to assess the proposed inputs from Parties and other constituted bodies to check whether the proposed inputs are: in line with the mandates of the operating entities; ongoing and being currently undertaken by the operating entities and; not contradictory or duplicative to the previous guidance.

(b) Submissions from Parties around the second deadline established by the SCF, i.e., 15 September 2021; and

(c) Meetings of relevant constituted bodies in the third quarter of 2021, at which their submissions are expected to be finalized.

10. The SCF may have a high workload at its last meeting in 2021, hence preparations on the draft guidance during the intersessional period prior to the meeting would be necessary for the SCF to conclude the draft guidance within the limited meeting time. With this view, it is proposed that the meeting be timed as late as possible after 15 September 2021. A timeline of proposed activities is contained in annex II.

Annex I

Format of draft guidance produced by the SCF

<i>Format</i>	<i>Session(s)</i>	<i>Description</i>	<i>Reference</i>
Negotiated draft guidance text with appendix	COP 21 to COP 24	<p>The SCF submitted the draft guidance in the form of draft decision text with appendices. There were slight differences across the years, as described below.</p> <p><u>COP 21:</u></p> <ul style="list-style-type: none"> The SCF report states that the Committee did not negotiate the draft decisions but technically refined the compilation of submissions and inputs received where there was agreement to do so. <p><u>COP 22:</u></p> <ul style="list-style-type: none"> In the draft guidance text on the GCF, there were two appendices: <ol style="list-style-type: none"> Matters that remained to be further discussed at the next Board meeting prior to the COP and; Areas where discussion was not completed during the SCF meeting. The draft guidance text on the GEF did not contain any appendix. <p><u>COP 23:</u></p> <ul style="list-style-type: none"> Each draft guidance text contained an appendix; the appendices contained the following: <ol style="list-style-type: none"> Matters that are scheduled to be considered by the GCF Board at its eighteenth meeting; Matters that reflect the current operations of the GCF/GEF; Matters on which the SCF did not conclude its discussions; Matters that require clarification from the proponent of the input. <p><u>COP 24:</u></p> <ul style="list-style-type: none"> Each draft guidance text was accompanied with the following heading: <i>“The Standing Committee on Finance (SCF), at its 19th meeting, strived to prepare draft guidance to the operating entities of the Financial Mechanism considering inputs from Parties, SCF members and observers attending the meeting, the AC and the TEC. This annex contains the agreed draft guidance to the GCF/GEF and the appendix contains inputs on which the SCF did not conclude its discussions”</i> 	<p>FCCC/CP/2015/8, annex IV and V</p> <p>FCCC/CP/2016/8, annex V and VI</p> <p>FCCC/CP/2017/9, annex III and IV</p> <p>FCCC/CP/2018/8, annex IV and V</p>
Compilation of inputs	COP 19 COP 20 COP 25/ CMA 2	<p>The SCF submitted a compilation of all inputs received in a tabular format. The inputs were grouped by themes.</p> <p>The SCF submitted a compilation of all inputs received in a tabular format. The inputs were grouped by themes and sub-themes. Sources of information and rationale of each input were included.</p>	<p>FCCC/CP/2013/8, annex V and VI</p> <p>FCCC/CP/2014/5, annex V and VI</p> <p>FCCC/CP/2019/10/Add.2</p>

Annex II

Indicative timeline of work in 2021

Activity	May	June	July	August	September	October
Deadline of submissions from Parties and other constituted bodies on their views and recommendations on elements to be taken into account in developing the guidance to the operating entities (based on the 2020 annual reports of the operating entities)	15 th					
The SCF agrees on its approach to prepare the draft guidance	SCF 24					
The outcomes of SCF 24 on the approach to prepare the draft guidance is communicated to Parties and other constituted bodies		X				
The 2021 annual reports of the operating entities are made available				Mid- to late-August		
Deadline of submissions from Parties and other constituted bodies on their views and recommendations on elements to be taken into account in developing the guidance to the operating entities (based on the 2021 annual reports of the operating entities)					15 th	
The co-facilitators prepare the compilation of the submissions and share with the SCF members					During the intersessional period between 15 September and SCF 26	
The SCF organizes informal working session(s) with submitters, open to all SCF members with the aim to streamline and technically refine the compilation.						
The co-facilitators present a preliminary draft guidance for consideration by the SCF at its last meeting in 2021					SCF 26 (tbc)	