



## Standing Committee on Finance

21 September 2020

Twenty-second meeting of the Standing Committee on Finance  
Virtual, 28–30 September 2020

### Background paper on the draft guidance to the operating entities of the Financial Mechanism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

- (a) To provide guidance on the timeline of activities to prepare draft guidance to the operating entities of the Financial Mechanism;
- (b) To exchange views on the form of the draft guidance it will submit to COP 26 and CMA 3.

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

1. The SCF may wish to provide guidance on the co-facilitators' proposed timeline of activities to prepare the draft guidance, noting the timing of annual reports of the operating entities in 2020 and 2021 (see section III).
2. The SCF also may wish to exchange views on the form of the draft guidance it will submit to COP 26 and CMA 3, noting the three forms of draft guidance the Committee prepared in the previous years (see section IV).

## II. Mandate

#### *Mandates relating to the preparation of draft guidance for consideration by the COP and the CMA*

3. The COP mandated the SCF to provide to the COP draft guidance for the operating entities of the Financial Mechanism of the Convention, with a view to improving their consistency and practicality of such guidance, taking into account the annual reports of the operating entities, as well as submissions from Parties.<sup>1</sup> Furthermore, the SCF prepares draft guidance for consideration by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) in accordance with the following mandates:

(a) The CMA shall provide guidance to the entities entrusted with the operation of the Financial Mechanism of the Convention on the policies, programme priorities and eligibility criteria related to the Agreement for transmission by the COP;<sup>2</sup>

(b) The SCF shall serve the Paris Agreement in line with its functions and responsibilities established under the COP.<sup>3</sup>

4. The SCF at its twentieth meeting agreed to take the following approach to prepare the draft guidance for the consideration by the COP and the CMA:<sup>4</sup>

<sup>1</sup> Decision 2/CP.17, paragraph 121(c).

<sup>2</sup> Decision 1/CMA.3, paragraph 9.

<sup>3</sup> Decision 1/CP.21, paragraph 63 and decision 1/CMA.3, paragraph 6.

<sup>4</sup> Document SCF/2019/20/9, paragraphs 28 and 29.

(a) A common set of draft guidance should be prepared for consideration both by the COP and the CMA;

(b) Should there be draft guidance that would need to be specifically considered by the CMA, this draft guidance should be clearly identified through a distinct heading within the common set of draft guidance.

*Mandates relating to receiving submissions from Parties and other constituted bodies*

5. At its twenty-third session, the COP encouraged Parties and other constituted bodies under the Convention to continue to provide submissions for the preparation of draft decisions on guidance to the operating entities of the Financial Mechanism, based on the reports of the operating entities, in a timely manner to the Standing Committee on Finance.<sup>5</sup> Furthermore, at its twenty-fifth session, the COP looked forward to the inputs that may be provided by the Executive Committee of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts to the work of the SCF for its consideration in preparing elements of draft guidance for the operating entities.<sup>6</sup>

### III. Co-facilitators' proposed timeline of activities

*Timing of the annual reports of the operating entities in 2020 and 2021*

6. The operating entities of the Financial Mechanism are mandated to submit their reports to the COP annually.<sup>7</sup> In 2020, the annual report of the Green Climate Fund (GCF) is expected to be available around the first week of December, and for the Global Environment Facility (GEF), around the first week of October. In 2021, the annual reports are expected to be available by mid-August but exact dates are to be confirmed in due course.

*Co-facilitators' proposed timeline of activities*

7. The co-facilitators propose to the SCF that it takes a two-step approach to prepare the draft guidance to be considered by COP 26 and CMA 3.

8. As the first step, the SCF will invite Parties and other constituted bodies to provide inputs to the draft guidance, once the annual reports of the operating entities are available in 2020.<sup>8</sup> The inputs received will be posted on the SCF website.

9. Based on the inputs received, the secretariat will compile the inputs, thematically group the elements of inputs and check for any possible repetitiveness and redundancies of the inputs. This compilation will be circulated to the SCF members and posted on the SCF website.

10. This compilation will not constitute draft guidance, but it will serve as an interim step towards preparing the draft guidance, which will be finalized by the SCF in 2021. Furthermore, this exercise will be useful to have an initial exchange of views on the draft guidance, based on the latest information provided by the operating entities in 2020.

11. As the second step, once the annual reports of the operating entities are available in 2021, the SCF will invite Parties and other constituted bodies to provide a subsequent round of inputs. The submitters of inputs can be encouraged to indicate as appropriate, whether their inputs are additional or superseding to the ones they have provided before. Afterwards, the secretariat will update the compilation referred in the paragraph 9 above, and based thereon, the co-facilitators will prepare the draft guidance for consideration and adoption by the SCF at its last meeting in 2021.

12. In terms of the form of the draft guidance to be prepared, the co-facilitators will continue to facilitate the discussion within the SCF and follow the form that the Committee will agree upon.

<sup>5</sup> Decision 8/CP.23, paragraph 9.

<sup>6</sup> Decision 11/CP.25, paragraph 13.

<sup>7</sup> See the GCF Governing Instrument, paragraph 6(c), contained in the annex of decision 3/CP.17, as well as the arrangements between the COP and the GCF, paragraph 11, contained in the annex of decision 5/CP.19. Also, see the memorandum of understanding between the COP and the Council of the GEF, paragraph 6, contained in the annex of decision 12/CP.2.

<sup>8</sup> A template will be prepared by the SCF. As an example of the template, see the inputs received previously from the Technology Executive Committee: <https://unfccc.int/sites/default/files/resource/TEC.pdf>.

#### IV. Various forms of draft guidance that the Committee has prepared in the previous years

13. Since the Committee was established in 2012, the SCF prepared the draft guidance in three types of forms. They are summarized in the table below.

14. Co-facilitators propose to have an initial exchange of views on this matter during SCF 22, with a view to continuing the discussion at the subsequent meeting, including during the SCF retreat that may be held in conjunction therewith. It would be important that the SCF comes to an agreement on the form of the draft guidance latest by the first meeting of the SCF in 2021, so that the Committee can focus on preparing the draft guidance at its second meeting in 2021.

	<i>Session(s)</i>	<i>Description</i>	<i>Reference</i>
<b><u>Form #1</u></b>	COP 19	The SCF submitted a compilation of all inputs received in a tabular format. The inputs were grouped by themes.	<a href="#">FCCC/CP/2013/8, annex V and VI</a>
<b><u>Form #2</u></b>	COP 20  COP 25/ CMA 2	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.	<a href="#">FCCC/CP/2014/5, annex V and VI</a>  <a href="#">FCCC/CP/2019/10/Add.2</a>
<b><u>Form #3</u></b>	COP 21 – COP 24	<p>The SCF submitted the draft guidance in the form of draft decision text with appendices. There are slight differences across the years, as described below.</p> <p><u>COP 21:</u></p> <ul style="list-style-type: none"> <li>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.<sup>a</sup></li> </ul> <p><u>COP 22:</u></p> <ul style="list-style-type: none"> <li>In the draft guidance text on the GCF, there were two appendices: <ol style="list-style-type: none"> <li>Matters that remained to be further discussed at the next Board meeting prior to the COP and;</li> <li>Areas where discussion was not completed during the SCF meeting.</li> </ol> </li> <li>The draft guidance text on the GEF did not contain any appendix.</li> </ul> <p><u>COP 23:</u></p> <ul style="list-style-type: none"> <li>Each draft guidance text contained an appendix; the appendices contained the following: <ol style="list-style-type: none"> <li>Matters that are scheduled to be considered by the GCF Board at its eighteenth meeting;</li> <li>Matters that reflect the current operations of the GCF/GEF;</li> <li>Matters on which the SCF did not conclude its discussions;</li> <li>Matters that require clarification from the proponent of the input.</li> </ol> </li> </ul> <p><u>COP 24:</u></p> <ul style="list-style-type: none"> <li>Each draft guidance text was accompanied with the following heading: “<i>The Standing Committee on Finance (SCF), at its 19<sup>th</sup> 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>”</li> </ul>	<a href="#">FCCC/CP/2015/8, annex IV and V</a>  <a href="#">FCCC/CP/2016/8, annex V and VI</a>  <a href="#">FCCC/CP/2017/9, annex III and IV</a>  <a href="#">FCCC/CP/2018/8, annex IV and V</a>

<sup>a</sup> FCCC/CP/2015/8, paragraph 23.