



**Standing Committee on Finance**  
**Twenty-third meeting of the Standing Committee on Finance**  
**Virtual, 16–17 December 2020**

08 December 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**Background paper on the draft guidance to the operating entities  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 (SCF) will be invited:

- a) To exchange views on the approach in preparing the draft guidance to the operating entities of the Financial Mechanism;
- b) To agree on the timeline of activities to prepare the draft guidance.

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

1. The SCF may wish to exchange views on the approach in preparing the draft guidance it will submit to the Conference of the Parties at its twenty-sixth session (COP 26) and Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its third session (CMA 3), noting the various formats of the draft guidance the Committee has undertaken in the previous years (see annex).
2. The co-facilitators propose to have an initial exchange of views on this matter during this meeting, with a view to continuing the discussion at the next meeting.
3. The SCF may also wish to agree on the activities and timeline to prepare the draft guidance, noting the updated timing of annual reports of the operating entities in 2021 (see paragraphs 5 to 8).

**II. Background**

*Outcomes of the previous meeting*

4. The SCF at its twenty-second meeting agreed:
  - (a) To share with Parties and the Constituted Bodies the annual reports of the Green Climate Fund (GCF) and Global Environment Facility (GEF) in 2020, once they become available;
  - (b) To remind Parties the invitation by the COP to provide submissions no later than 10 weeks prior to the COP 26 to the secretariat on their views and recommendations on elements to be taken into account in developing the guidance;
  - (c) To highlight to Parties and the Constituted Bodies that:
    - (i) No guidance will be provided to the operating entities in 2020, as there is no COP;
    - (ii) The submissions from Parties can be provided in 2020 and/or 2021;
    - (iii) The SCF will compile submissions prior to its first meeting in 2021;
    - (iv) The Committee plans to discuss further at the aforementioned meeting on how it will prepare the draft guidance.

*Updated timeline of the annual reports of the Operating Entities in 2020*

5. The operating entities of the Financial Mechanism are mandated to submit their reports to the COP annually.<sup>1</sup>
6. The annual report of the GCF in 2020 is expected to be available in December 2020, if the GCF Board approves the report that reflects the comments received from its members on the draft report at its twenty-seventh meeting.
7. The timeline for the GEF report in 2020 remains the same: the annual report was published on 23 October 2020;<sup>2</sup> an addendum of the GEF report is expected in December 2020.
8. In 2021, the annual reports are expected to be available by mid-August with exact dates to be confirmed.

**III. Co-facilitators' proposed approach and timeline of activities**

9. The co-facilitators believe that it is important for the SCF to agree on the approach for preparing the draft guidance latest by the first meeting of the SCF in 2021 so that by the second meeting of the SCF in 2021, the Committee can initiate a substantive discussion on its preparation.
10. It is also important for the Committee to have a shared understanding on whether the draft decision text agreed by the Committee will be used as a basis for negotiations where Parties may introduce new proposals.
11. The Committee may also need a shared understanding on the format and process for preparing the draft guidance. The format may include a complete draft decision text ready for adoption based on the reports and the submissions, with or without appendices, textual options or brackets. Conversely, it may also just be a compilation of submissions received, for further consideration by the COP. Noting the Committee is requested by the COP to improve the consistency and practicality of the draft guidance taking into account the annual reports of the operating entities as well as submissions from Parties.<sup>3</sup>
12. In considering the format of the draft guidance, the SCF may also wish to consider:
  - (a) How to account for submissions that do not reflect or cover recent agreements, decisions or discussions of the governing bodies of the GCF and GEF?
  - (b) How to ensure concise guidance from all submissions, without cherry-picking or omitting any inputs?
  - (c) How to deal with submissions received after the SCF meeting or during the COP?
  - (d) How to consider submissions that require further clarification by the submitter?
13. In considering the process for preparation of the draft guidance, the SCF may wish to deliberate on enhancing the role of the co-facilitators in order to advance preparations on a between-meeting basis. Previously, the SCF has considered the submissions at its last meeting prior to the COP and mandated the co-facilitators to produce a draft text during the meeting based on views expressed. A different approach may be considered for 2021, whereby co-facilitators lead the preparations during the year as per an agreed timeline of activities.
14. Preparations may be advanced by either (i) producing an outline containing elements of the submissions, or (ii) a complete draft COP decision for consideration by the Committee. This would ensure that co-facilitators have enough time during the year to organize submissions and views of members and allow the Committee to utilize its meeting time efficiently for decision-making.
15. Based on the above proposal, an indicative timeline of activities for preparing the draft guidance in 2021 is provided below:

<sup>1</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>2</sup> [https://unfccc.int/sites/default/files/resource/cp2020\\_04\\_adv.pdf](https://unfccc.int/sites/default/files/resource/cp2020_04_adv.pdf).

<sup>3</sup> Decision 2.CP17, Paragraph 121(c).

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- (a) Agree on the approach for preparing the draft guidance at the first meeting of the SCF in 2021;
- (b) Once the 2020 annual reports are available, invite Parties and the Constituted Bodies to provide submissions either as:
- (i) *(Two steps)* An initial submission based on the 2020 reports, followed by a subsequent submission based on the 2021 reports, before the second SCF meeting in 2021; or
- (ii) *(One step)* A single submission based on both the 2020 and 2021 reports, before the second SCF meeting in 2021;
- (c) Based on the inputs, advance the preparation of the guidance either as:
- (i) *(Option 1)* An outline of the draft guidance is prepared by the co-facilitators. Parties and Constituted Bodies may be further invited to provide inputs on the outline by end of quarter one or two in 2021; or
- (ii) *(Option 2)* A draft text is prepared between meetings by the co-facilitators, for consideration at the second meeting in 2021, followed by additions from newer submissions received for consideration at the last SCF meeting in 2021.
16. At the last meeting of the SCF in 2021, resume the substantive discussions and finalize the draft guidance for COP 26.

## Annex

### Various approaches to the draft guidance the Committee has undertaken in previous years

Since the Committee was established in 2012, the SCF prepared the draft guidance to the COP/CMA using three approaches to format and process as summarized in the table below:

<i>Format</i>	<i>Approach</i>	<i>Session(s)</i>	<i>Reference</i>
<u>#1</u>	Compilation of all inputs in <b>tabular format</b> grouped by <b>themes</b> .	COP 19	<a href="#">FCCC/CP/2013/8, annex V and VI</a>
<u>#2</u>	Compilation of all inputs received in a <b>tabular format</b> grouped by <b>themes</b> and <b>sub-themes</b> , with sources of information and rationale.	COP 20  COP 25/ CMA 2	<a href="#">FCCC/CP/2014/5, annex V and VI</a>  <a href="#">FCCC/CP/2019/10/Add.2</a>
<u>#3</u>	<p><b>Draft decision text</b> and <b>appendices</b> with slight variances in approach as follows:</p> <p><u>COP 21:</u></p> <ul style="list-style-type: none"> <li>• A <b>compilation of submissions</b> and inputs was made</li> <li>• Where agreement a <b>technical refinement</b> was undertaken<sup>a</sup></li> <li>• <b>No negotiation</b> of the draft decision text</li> </ul> <p><u>COP 22:</u></p> <ul style="list-style-type: none"> <li>• The <b>GCF draft guidance text</b> contained <b>two appendices</b>: <ol style="list-style-type: none"> <li>1. Matters for <b>further discussion</b> by the Board (Board meeting prior to the COP) and;</li> <li>2. Matters of <b>incomplete discussion</b> by the SCF.</li> </ol> </li> <li>• The <b>GEF draft guidance text</b> contained <b>no appendix</b>.</li> </ul> <p><u>COP 23:</u></p> <ul style="list-style-type: none"> <li>• Both <b>draft guidance text</b> contained an <b>appendix</b> with the following: <ol style="list-style-type: none"> <li>1. Matters for <b>further discussion</b> by the Board (Eighteenth meeting);</li> <li>2. Matters <b>reflecting current operation</b> of the GCF/GEF;</li> <li>3. Matters of <b>incomplete discussion</b> by the SCF; and</li> <li>4. Matters <b>requiring further clarification</b> by the submitter.</li> </ol> </li> </ul> <p><u>COP 24:</u></p> <ul style="list-style-type: none"> <li>• Both draft guidance text had 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>	COP 21 – COP 24	<p><a href="#">FCCC/CP/2015/8, annex IV and V</a></p> <p><a href="#">FCCC/CP/2016/8, annex V and VI</a></p> <p><a href="#">FCCC/CP/2017/9, annex III and IV</a></p> <p><a href="#">FCCC/CP/2018/8, annex IV and V</a></p>

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