



Standing Committee on Finance

11 June 2025

Thirty-seventh meeting of the Standing Committee on Finance
11–13 June 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Background paper on draft guidance to the operating entities of the Financial Mechanism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 may wish to consider the outcomes of the informal consultations undertaken by the co-facilitators during the intersessional period.

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

1. The Standing Committee on Finance (SCF) may wish to consider the outcomes of the informal consultations with Parties undertaken by the co-facilitators during the intersessional period. Specifically, the SCF may wish to consider the following points raised by Parties:

(a) **General expectation** on the guidance to the operating entities (OEs), as contained in Section III.A;

(b) Suggestions on **enhancing the inclusiveness and transparency of the draft guidance**, to ensure it serves as a credible basis for negotiations at the Conference of the Parties (COP), as contained in Section III.B. Points raised by Parties include the extent to which submissions should be consolidated or streamlined, and the appropriate format of the draft guidance;

(c) Suggestions for **improving the process and sequencing of draft guidance preparation**, as contained in Section III.C. Points raised by Parties include: initiating early preparation by the SCF; facilitating enhanced coordination (i.e., between finance negotiators and adaptation, loss and damage, technology and transparency negotiators), when preparing submissions on the draft guidance and; aligning the timing of the last meetings of the SCF and the Boards of the OEs, to the extent possible.

2. Furthermore, the SCF may wish to take note of:

(a) **Initial views expressed by Parties on the substance of the draft guidance**, noting that these are preliminary, given that the Boards of the respective OEs are undertaking work and their annual reports are not yet available. These are contained in Section III.D;

(b) **Possible additional activities on draft guidance** that could assist Parties and other constituted bodies in preparing their submissions on the draft guidance and to have a more informed guidance discussions at the COP, and potential resource implications. These are contained in Section III.E.

II. Background

Recapitulation of SCF 36 outcomes

3. At SCF 36, the Committee agreed on a set of activities to support the preparation of the 2025 draft guidance, including:

(a) Informal consultations with Parties during the intersessional period leading up to SCF 37, aimed to gather views on Parties' general expectations regarding the draft guidance, including its format and potential substantive elements;

(b) Engagement with the operating entities to explore opportunities for aligning the timelines of their annual reports with the SCF's workplan for preparing the draft guidance;

(c) Engagement with other constituted bodies, including the Adaptation Committee (AC), Technology Executive Committee (TEC), and Executive Committee of the Warsaw International Mechanism for Loss and Damage (ExCom), to share the outcomes SCF 36 and offer guidance on the preparation of their respective submissions on the draft guidance.

Proceedings of the inter-sessional consultations

4. In late April and early May, the co-facilitators engaged with the secretariats of the Green Climate Fund (GCF) and the Global Environment Facility (GEF) and discussed potential alignment of their reporting timeline with the work of the SCF on the draft guidance. In addition, the co-facilitators attended virtually meetings of the AC, TEC and ExCom to share the outcomes of SCF 36 and provided guidance on preparing submissions on the draft guidance.

5. In May and early June 2025, the co-facilitators held informal consultations with Parties and groups of Parties¹ to seek their views on (i) how draft guidance can improve clarity, coherence, and usability of guidance to the OEs and (ii) their initial views on the substance of the 2025 draft guidance. A common set of guiding questions was used across all calls to ensure fairness and comparability. The questions were as following:

I. Parties' expectations on how draft guidance can improve clarity, coherence, and usability of guidance to the operating entities

(a) What are your Party's/group's general expectations for the draft guidance to be prepared in 2025?

(b) How can the SCF improve the clarity, coherence, and usability of the draft guidance for the operating entities?

(c) Which kind of guidance do you think the OEs need at this stage, considering that all the past guidance is still valid?

II. Parties' initial views on the substance of the draft guidance

(d) What concrete outcomes or improvements does your Party/group expect from the GCF, GEF, or FRLD, and what guidance elements would support those outcomes?

6. A synthesis of the outcomes of the informal consultations with Parties can be found in Section III below.

¹ The following groups of Parties and Party were invited: African Group of Negotiators, the Alliance of Small Island States, the Arab Group, the Association of Independent Latin American and Caribbean States, the Eastern European Group, the Environmental Integrity Group, the European Union, the Group of 77 and China, Grupo SUR, the Least Developed Countries Group, the Like-minded Developing Countries, Türkiye, and the Umbrella Group.

III. Outcomes of the informal consultations with Parties

A. General expectations on the guidance to the operating entities

7. Parties welcomed the informal consultations as a step toward improving the quality and inclusiveness of the draft guidance process. They shared overarching expectations on the guidance to the OEs, including:

(a) Guidance should be strategic, high-level, actionable, and forward-looking, while remaining concise and not overly complex;

(b) Guidance should be addressed to the Boards of the OEs, not their secretariats, in accordance with the legal arrangements between the COP and the OEs. Otherwise, this could incur potential micromanaging of the OEs and its secretariat by the COP, overstepping the Board's accountability;

(c) Guidance should remain responsive to the evolving needs of developing countries and the persistent challenges they face in accessing climate finance;

(d) Guidance should not reinterpret or alter the intent of the governing instruments or arrangements between the COP and the OEs;

(e) Many Parties underscored that guidance should not be repetitive. Similarly, if the Boards are already considering previous guidance, the COP should avoid issuing additional guidance on the same matter. Previous guidance should remain valid unless these are explicitly time-bound or already superseded by new guidance. However, some Parties also noted that reiteration of past guidance is sometimes necessary, when it has not been adequately taken up or implemented.

B. Suggestions on enhancing inclusiveness and transparency of the draft guidance

8. In this context, Parties stated that the role of the SCF is to assist Parties to meet their expectation on the guidance, and emphasized that the objective of the SCF should be to prepare draft guidance that is inclusive and transparent, and that can serve as a credible and accepted basis for negotiations at the COP.

9. **Many Parties called for the SCF to act primarily as a *compiler and organizer of Party submissions, rather than a negotiator*.** Party inputs could be clustered thematically and presented in a way that preserves their core messages without overediting or consolidating differing views. Inputs should not be altered in a way that changes their substantive meaning or intent, and outputs should inform but not constrain negotiations at COP.

10. As a guiding principle, the draft guidance should not represent a finalized negotiation text. Parties emphasized the importance of retaining flexibility to preserve their positions during COP negotiations.

11. **This led to discussions on the format of the draft guidance**, where two main options were suggested:

(a) Firstly, compiling only the key elements of draft guidance by theme, avoiding the development of full draft decisions. This option was seen as a practical way to present the substance of Party inputs without prejudging or locking in negotiation outcomes;

(b) Alternatively, presenting the draft guidance in a thematically clustered draft decision format. This format could make it easier for Parties to visualize how their inputs might evolve into actual COP decisions. In this approach, minimal streamlining would be applied to reflect areas of convergence and options and/or square brackets could be used to

indicate differing positions. This method was seen by some as providing a clear negotiation-ready structure, while still maintaining flexibility for Parties.

12. In both cases, Parties stressed the need to avoid synthesizing or reconciling differing inputs in a way that would limit room for negotiation or misrepresent Party positions.

13. Furthermore, there was broad support for attaching a short explanatory note to the draft guidance to clarify the rationale behind its preparation and provide any additional information, as necessary.

C. Suggestions on enhancing the process and sequencing of preparing the draft guidance

14. Parties shared their views and suggestions also on the **process of preparing the draft guidance**. Many Parties emphasized the importance of maintaining a Party-driven, inclusive, and transparent drafting process, particularly to ensure that the views of Parties not represented in the SCF are accurately captured. Where submissions are unclear or appear similar, the SCF should reach out to the relevant Parties for clarification before attempting to merge or streamline inputs.

15. Parties also shared views on improving the **timeliness and sequencing of preparing the draft guidance**. On timeliness, many stressed the need for timely access to OEs' reports to enable meaningful contributions. In response, the SCF co-facilitators shared the outcomes of the calls with the OEs, who shared the following indicative timelines:

(a) GCF: Following the 42nd Board meeting (30 June–3 July), the report would take 2–3 weeks to finalize and be available earliest by late July-early August;

(b) GEF: After its 69th Council (2–6 June), the report is expected to be finalized and circulated for adoption by early August.

(c) Fund for Responding to Loss and Damage (FRLD): The Board is expected to consider its draft report at its sixth meeting (9–11 July), with the final version expected in late-July to early-August.

16. Under these circumstances, many Parties highlighted the compressed timeline for preparing and reviewing the draft guidance in 2025. The SCF, Parties, and other constituted bodies will have only a few weeks to analyse OEs' reports, submit their inputs, and allow the co-facilitators to prepare a preliminary draft guidance text for SCF 38 (10–12 September).

17. **Parties highlighted a recurring sequencing challenge.** The SCF's final meeting in a year typically precedes the final Board meetings of the OEs. The timing of SCF meetings is determined by its workload and the annual COP dates which in turn determine the UN documents deadline for submission of reports for consideration by the COP and the CMA. A recurring challenge is that the draft guidance prepared by the SCF before the last meeting of an OE, becomes partially outdated by the time it is considered at the COP.

18. As potential ways to overcome this challenge, some Parties suggested that the COP could encourage OE Boards to meet earlier than the final SCF meeting of the year, while others noted that this structural issue lies outside the SCF's control. As a workaround, some Parties suggested including an annotation or disclaimer in the draft guidance, clarifying its temporal limitations and advising Parties to consult OE addenda for the most up-to-date developments.

19. **Parties further emphasized the need for better coordination between finance negotiators and other thematic negotiators** (e.g., adaptation, loss and damage, technology, transparency negotiators). They noted that guidance proposals from Parties and other constituted bodies are sometimes developed without adequate consultation with finance negotiators, leading to duplication, operational inconsistencies, or guidance that cannot be implemented by the OEs. This has increased the complexity and length of negotiations at the COP. Some pointed out the role that SCF members could play in this regard.

20. In this regard, the co-facilitators have inter-sessionally attended the meetings of the AC, TEC and ExCom to promote better alignment and encourage cross-stream consultation with the finance negotiation track and the OE secretariats, including through a closer engagement of the respective SCF focal points in the committees.

D. Initial views expressed by Parties on the substance of the draft guidance

21. Parties shared their initial views on substantive elements of the draft guidance, while noting that these are preliminary given ongoing Board processes and the pending release of OE reports.

22. On the GCF, Parties highlighted the following priorities:

(a) Enhanced access and disbursement mechanisms, including faster project timelines, improved use of the Simplified Approval Process, and expanded support through the Project Preparation Facility;

(b) A revised accreditation framework that maintains high standards while improving transparency and reducing delays;

(c) Strengthened readiness support, particularly for direct access entities;

(d) Greater regional balance and enhanced national-level engagement, especially with NDAs;

(e) Expanded use of grants, concessional loans, equity instruments, and local currency lending;

(f) Improved complementarity with other funds and alignment of programming.

23. On the GEF, Parties called for:

(a) Stronger alignment between COP guidance and GEF Council deliberations, for example, for the GEF to remain as a grant-based financing mechanism;

(b) More effective implementation of guidance related to adaptation planning, capacity-building, and technical support.

(c) Increased visibility of how the GEF is addressing country-driven priorities and integrating COP mandates into its programming.

24. On the FRLD, Parties stated that:

(a) Guidance should remain high-level and strategic given the fund's early stage of development, and the focus should be on political direction, access modalities, fair and needs-based allocation, and resource mobilization;

(b) Acknowledgement and feedback on the implementation of COP/CMA guidance to the FRLD;

(c) The fund should prioritize responsiveness to climate-related disasters and be positioned within the broader loss and damage finance landscape.

25. On the New Collective Quantified Goal decision to pursue efforts to at least triple annual outflows from the UNFCCC Funds from 2022 levels by 2030 at the latest, many Parties underscored the critical role of the operating entities in supporting its implementation through a combination of operational alignment, enhanced delivery mechanisms, and policy coherence. Specifically, Parties called for:

(a) Improvements in access modalities and accreditation processes to ensure that financial resources reach those most in need;

(b) Alignment of fund operations with the principles of the NCQG, including the provision of climate finance that is grant-based, concessional, responsive to country needs and circumstances;

(c) Concrete and transparent progress toward pursuing efforts to triple the annual financial outflows from the UNFCCC Funds — while recognizing the technical and institutional challenges this may entail, such as the need to scale private sector engagement and adjust risk appetite;

(d) Enhanced coherence and complementarity across the financial mechanism and related funds, with emphasis on improving coordination and minimizing overlap among the operating entities;

(e) Caution against the gradual shift toward non-concessional, MDB-style financing models that may undermine the purpose and added value of the UNFCCC financial mechanism, particularly in serving the most vulnerable countries;

26. Lastly, Parties noted that they will submit formal substantive inputs in writing, once the OE annual reports are available and the OE Board's outcomes become clearer over the coming months.

E. Potential additional supporting activities by the co-facilitators

27. Parties also suggested a number of additional activities that could enhance the SCF's role in supporting Parties' preparation of guidance:

(a) Most Parties supported **development of an online tool** that tracks the implementation status of past guidance, helping Parties—especially those not represented on the Boards—to understand the progress and gaps in OE responses. This could improve transparency and avoid unnecessary repetition of previously issued guidance. Co-facilitators noted that while development of such a tool could be explored by the secretariat, there could be resource implications;

(b) One group of Parties suggested **development of a compendium** consolidating all still-valid past guidance into a single reference document—drawing on the practice under the Convention on Biological Diversity, which compiles and synthesizes COP guidance to the GEF. This compendium would not simply list past guidance, but would organize it thematically and identify elements that have been consistently reiterated over the years. It would also flag guidance that has not yet been fully implemented or remains relevant, helping Parties track progress and avoid unnecessary repetition;

(c) Two group of Parties suggested **enhancing interaction between Parties and OE Boards beyond the annual reports**. For example, the SCF could convene an information session—potentially ahead of or during the COP—to facilitate direct exchange between Board members and Parties, improving mutual understanding of evolving priorities and accountability frameworks;

(d) Some Parties called for the SCF to provide clearer guidance or templates to assist Parties in preparing submissions on the draft guidance. This could help improve consistency, comparability, and usability of Party inputs.
