

Background note: Seventh Review of the Financial Mechanism

Context

The COP, as per its Decision 3/CP.4, reviews the Financial Mechanism (FM) every four years. The outcomes inform the replenishment discussions of the operating entities of the Financial Mechanism.

The review focuses on the effectiveness of the two operating entities (GCF and GEF) but also takes into account other channels such as bilateral, regional and other multilateral channels, as per Article 11.5 of the Convention.

COP23 decided to initiate the Seventh Review at its twenty-sixth session (November 2020)¹ in accordance with the updated guidelines for the Review (contained in the Annex to Decision 12/CP.22), or as these guidelines may be subsequently amended.

The COP requested the SCF to provide expert input to the Seventh Review in 2021 with a view to the review being completed by COP at its twenty-seventh session (November 2021).²

Furthermore, the COP decided to assess the implementation of the GEF's capacity-building initiative for transparency in the context of the Seventh Review of the FM, as per Decision 1/CP.21, paras 87-89.

With the postponement of COP26 in 2020, the Review could not be initiated in November 2020. It is now due to be formally initiated at COP26 in November 2021. Previous reviews have been conducted along agreed timelines, and this is the first review being conducted where the operating entities of the Financial Mechanism serve both the COP and the Paris Agreement.

Objective

The objective of this informal facilitated multilateral exchange of views is to provide an informal space for Parties, with the support of the Presidencies, to exchange views on general expectations for the Seventh Review of the FM, including possible guidelines, timing, and any other matters Parties may wish to raise.

Proposed discussion questions

With a view to adopting the guidelines for the Seventh Review of the Financial Mechanism (FM) at COP26:

- What are your general expectations for the Seventh Review of the Financial Mechanism, including with regards to the overall approach and the possible outcomes of the Seventh Review?
- In relation to possible guidelines for the Seventh Review, and taking the updated guidelines used for the Sixth Review of the FM as a starting point (as set out in the Annex to Decision 12/CP.22) do Parties think these guidelines need to be updated with respect to their:
 - objectives;
 - the sources of information;
 - criteria?
- What, if any, role is there for the CMA as part of this process, given that the review is mandated only by the COP but the Financial Mechanism now also serves both the COP and the CMA?
- The Presidencies have indicated that following this informal multilateral exchange of views they will request Parties to provide informal inputs in writing to further elaborate their views on the Seventh Review of the Financial Mechanism. In addition to this, is there a need for any further informal work ahead of COP26 specifically to support the development of the guidelines?

¹ Decision 11/CP.23, paragraph 4

² The SCF provided its expert input into the fifth and sixth reviews by preparing a technical paper, which contains extensive data and evidence collected by the SCF, with recommendations to serve as a basis for the review by the COP.