
**Compilation of informal written inputs received from
Parties on the Seventh Review of the Financial Mechanism**

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* This submission is supported by Chile, Colombia, Costa Rica, Honduras, Guatemala, Panama, Paraguay And Peru.

Written Input of the Environmental Integrity Group (EIG) on the 7th Review of the Financial Mechanism

This informal written input is provided on behalf of the EIG comprising of Georgia, Liechtenstein, Mexico, Monaco, the Republic of Korea and Switzerland.

- *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 Glasgow?*

The Review should assess the effectiveness and efficiency of the operating entities of the Financial Mechanism of the Convention and the Paris Agreement and its operating entities. It should pay particular attention to the coherence and complementarity of the operating entities with each other and other channels relevant for providing support for the implementation of the Paris Agreement and the Convention in developing country Parties to the Convention and the Paris Agreement.

The guidelines should be written in such a way that the outcomes of the Review are relevant for the COP and the CMA and that, based on the outcomes of the 7th Review of the FM, both governing bodies can agree on recommendations for the improvement of the Financial Mechanism, if necessary.

- *What specific updates should be made to the guidelines in order to be able to adopt them and initiate the Seventh Review at COP 26? We encourage Parties to make reference to the guidelines in providing their responses to this question, and to be precise in noting any textual updates that would be needed in order for their substantive priorities to be addressed.*

The guidelines should be technically updated and they should reflect the fact that by now the Paris Agreement has entered into force and the Financial Mechanism is the Financial Mechanism of the Convention as well as the Paris Agreement.

Please find the EIG's detailed comments / amendments to the existing ToR in the annex to this document.

- *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 guidelines should be written in such a way that the concerns of the Parties of the Convention and the Paris Agreement are addressed, that the outcomes of the Review are relevant for the COP and the CMA and that, based on the outcomes of the 7th Review of the FM, both governing bodies can, if necessary, take necessary actions for the improvement of the Financial Mechanism.

Updated guidelines for the ~~sixth~~ **seventh** review of the Financial Mechanism

A. Objectives

1. In accordance with Article 11, paragraph 4, of the Convention **and Article 9, paragraph 8 of the Paris Agreement**, the objectives of the ~~sixth~~ **seventh** review of the Financial Mechanism will be as follows:

- (a) To review the Financial Mechanism and take appropriate measures regarding:
 - (i) Its conformity with the provisions of Article 11 of the Convention **and Article 9 of the Paris Agreement** and the guidance provided by the Conference of the Parties (COP) **and the CMA**;
 - (ii) The effectiveness of the activities it funds in implementing the Convention;
 - (iii) Its effectiveness in providing financial resources ~~on a grant or concessional basis, including for the transfer of technology,~~ for the implementation of the Convention's objective **and the Paris Agreement's objective** on the basis of the guidance provided by the COP **and the CMA**;
 - (iv) Its effectiveness in providing resources to developing country Parties under Article 4, paragraph 3, of the Convention **and under Article 9, paragraphs 1, 2 and 3, of the Paris Agreement**;
 - (v) The effectiveness of access modalities for developing countries;
- (b) To examine consistency and complementarity between the operating entities of the Financial Mechanism, and between the operating entities of the Financial Mechanism and other sources of investment and financial flows, including:
 - (i) Examining relevant sources, channels and means of financing, ~~as indicated in Article 11, paragraph 5, of the Convention,~~ that would assist developing country Parties to contribute to the achievement of the objective of the Convention **and the Paris Agreement**, in particular innovative means of financing, ~~such as for the development of endogenous technologies in developing countries~~;
 - (ii) Examining the role of the Financial Mechanism in scaling up the level of resources;
 - (iii) Assessing enabling environments for catalysing investment in, and the transfer of, environmentally sound technologies that mitigate greenhouse gas emissions, and for enhancing resilience to climate change.

B. Sources of information

2. The review shall draw upon, inter alia, the following sources of information:
- (a) Information provided by Parties on their experiences regarding financial support provided and received in accordance with COP **and CMA** decisions;
 - (b) Annual guidance provided by the COP to the operating entities of the Financial Mechanism with regard to the conformity of their activities with the guidance provided by the COP;
 - (c) The annual reports of the Standing Committee on Finance (SCF) to the COP **and the CMA** on its activities and relevant technical information produced by the committee such as the biennial assessments and overview of climate finance flows and outcomes of the SCF forums;
 - (d) The annual reports of the Global Environment Facility (GEF) to the COP **and the CMA** on its activities as an operating entity of the Financial Mechanism, including the information on the Least Developed Countries Fund and the Special Climate Change Fund, and other relevant GEF policy and information documents;
 - (e) The reports from the GEF Independent Evaluation Office;
 - (f) The annual reports of the Board of the Green Climate Fund (GCF) to the COP **and the CMA** on its activities as an operating entity of the Financial Mechanism and other relevant GCF policy and information documents;
(fbis) The reports from the GCF Independent Evaluation Unit;
 - (g) The reports of the Adaptation Fund Board to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol **and the CMA** and the outcomes of the reviews of the Adaptation Fund;
 - (h) The outcomes and reports of the United Nations processes, relevant bilateral and multilateral funding institutions and other intergovernmental and non-governmental organizations dealing with climate financing;
 - (i) Relevant reports on private-sector financing and investment for climate change activities;

-
- (j) Technical papers and reports prepared by the secretariat at the request of the COP **and the CMA** which are relevant to the implementation **of Article 2, paragraph 1, letter c and 9 of the Paris Agreement and Article 4, paragraph 3 and 4 of the Convention**, including the financial needs of developing country Parties under the Convention;
- (k) Information contained in the national communications, of Parties to the Convention, technology needs assessments, **BURs, BRs, NDCs, Adaptation Communications** and national adaptation programmes of action;
- (l) The reports of the in-session workshops on long-term finance **and the reports of the in-session workshops on information to be provided by Parties in accordance with Article 9, paragraph 5 of the PA;**
- (m) The biennial submissions from developed country Parties on their updated strategies and approaches for scaling up climate finance from 2014 to 2020, including any available information on quantitative and qualitative elements of a pathway, **and the biennial communications by Parties provided in accordance with article 9, paragraph 5 of the PA;**
- (n) The reports of the Least Developed Countries Expert Group and the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention.

C. Criteria

3. The effectiveness of the Financial Mechanism will be assessed taking into account the following:
- (a) The transparency of the decision-making processes of the operating entities of the Financial Mechanism;
 - (b) The level of stakeholder involvement;
 - (c) The extent to which the Financial Mechanism is contributing to **inclusive approaches, in particular** gendersensitive approaches, **including women and youth;**
 - (d) The adequacy and predictability, accessibility and timeliness and rate of disbursement of funds for activities in developing country Parties, including projects in the pipeline;
 - (e) The responsiveness, efficiency and performance of the cycle for project/programme approval procedures, **including readiness programs**, of the operating entities of the Financial Mechanism;
 - (f) The amount of resources provided to developing country Parties, including financing for technical assistance and investment projects, and the mechanisms for country allocation, as well as the results and impacts achieved by the resources provided;
 - (g) The amount of finance leveraged, and modalities and ratios of co-financing and the use of financial instruments where applicable;
 - (h) The extent to which the resources provided are contributing to achieving the objective of the Convention;
 - (i) The sustainability of funded programmes, projects and operations in developing country Parties;
 - (j) The extent to which the Financial Mechanism is contributing to the country ownership of programmes and projects



INFORMAL WRITTEN INPUT BY SLOVENIA AND THE EUROPEAN COMMISSION ON BEHALF OF THE EUROPEAN UNION AND ITS MEMBER STATES

Seventh review of the Financial Mechanism

16 September 2021

- The European Union and its Member States welcome the opportunity to share views on the 7th review of the Financial Mechanism to be initiated at COP26. The European Union and its Member States acknowledge the important role of the Financial Mechanism in contributing to the goals set by the Convention and the Paris Agreement.
- The review of the Financial Mechanism follows a well-established process that does not need to be altered substantially. The EU and its Member States are of the view that the updated guidelines from the 6th review of the Financial Mechanism as annexed to 12/CP.22 serve as a good basis to initiate the 7th review of the Financial Mechanism.
- The EU and its Member States are of the view that certain elements of the guidelines should be updated, including to reflect that the Financial Mechanism now also serves the Paris Agreement.
- The following elements should, inter alia, be amended in the guidelines as per 12/CP.22:
 - Under A) Objectives
 - a i) its conformity with the provisions of Article 11 of the Convention *and the Paris agreement* and the guidance provided by the Conference of the Parties (COP) *and the CMA*
 - a ii) The effectiveness of the activities it funds in implementing the Convention *and the Paris agreement*
 - a iii) Its effectiveness in providing financial resources on a grant or concessional basis including for the transfer of technology, for the implementation of the *Paris agreement and Convention's objectives* on the basis of the guidance provided by the COP *and the CMA*
 - a iv) Its effectiveness in providing resources to developing country Parties under Article 4, paragraph 3, of the Convention *and Article 9 of the Paris agreement.*
 - b i) Examining relevant sources, channels and means of financing, as indicated in Article 11, paragraph 5, of the Convention, that would assist developing country Parties to contribute to the achievement of the objective of the Convention *and the Paris agreement*, in particular innovate means of financing, such as the development of endogenous technologies in developing countries, *This should include relevant operational policies and capacity building frameworks aimed at supporting these innovative means of financing.*
 - Under B) Sources of Information
 - 2b) Annual guidance provided by the COP *and the CMA* to the operating entities of the Financial Mechanism with regard to the conformity of their activities with the guidance provided by the COP *and the CMA.*

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- 2g) The reports of the Adaptation Fund Board to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol *and to the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement* and the outcomes of the reviews of the Adaptation Fund;
 - Under C) Criteria
 - a) The transparency, *effectiveness, efficiency and inclusiveness* of the decision-making processes of the operating entities of the Financial Mechanism
 - b) the extent to which the Financial Mechanism is contributing to gender *responsive* approaches;
 - f) the amount of resources provided to developing country Parties, including for technical assistance and investment projects, and the mechanism for country allocation, as well as results and impacts achieved by the resources provided *in light of the long term objectives of the Convention and the Paris agreement*
 - The amount of finance leveraged, and modalities and ratios of co-financing and the *diverse* use of financial instruments where applicable
 - h) the extent to which the resources provided are contributing to achieving the objective of the Convention *and the long-term goals in Article 2 of the Paris agreement*
 - The draft decision should invite inputs from parties to the COP *and the CMA*, observers and other interested international organizations, stakeholders and non-governmental organizations involved in the activities of the operating entities of the Financial Mechanism
 - The EU and its Member States are of the view that both the COP and the CMA should take a joint decision on the outcomes of the 7th review of the Financial Mechanism

Informal Written Inputs on the Seventh Review of the Financial Mechanism

Submission by the Philippines

17 September 2021

1. *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 Glasgow?*

The Philippines expects a qualitative and substantive improvement in the Seventh Review of the Financial Mechanism of the Climate Change Convention. By now, the developing country Parties have had more than their fair share of experiences to be able to pin down the chronic and persistent hurdles to delivery of financial support guaranteed under the UNFCCC and its Paris Agreement.

Specifically, the review should focus on two (2) important aspects:

- 1) the incremental improvement in financial support provided by Annex 1 country Parties, as indicated by an increase in the funding provided commensurate to the needs of developing countries; and
- 2) the manner of delivery of the financial support through all agreed vis-à-vis actual channels and the chronic hurdles faced by accessing countries.

On the first aspect, the review should be able to surface the actual amounts versus what has been promised, i.e. 100B USD per year starting 2020 through 2025. Let this baseline not be a moving target, only to be changed as time moves on.

To address the actual costs of climate actions, focus should be on the incremental needs of developing countries to deliver on their respective nationally determined contributions for mitigation and the chronic incremental and increasing loss and damage from climate change impacts, including the costs of establishing a national anticipatory adaptation capacity, such as additional knowledge and competencies, enabling policy conditions and responsive adaptation-centric risk management systems; incremental adaptation infrastructure costs, and costs of sectoral transformation of management approaches, among others.

2. What specific updates should be made to the guidelines in order to be able to adopt them and initiate the Seventh Review at COP 26?

- **Objectives**

Include the following objectives:

- 1) Determination of the quantified incremental financing needs of developing countries and supply actually provided by developed country Parties, directly correlating cost items on both demand and supply sides (i.e. cost items reported should match)
- 2) Identification and recommendations on operational actions that can be implemented to address the qualitative chronic access problems of developing country Parties to financial resources promised under the Convention and the Paris Agreement.

- **The sources of information**

The sources of information should include:

1. Information provided by Parties on their experiences regarding financial support provided and received in accordance with COP decisions, INCLUDING THROUGH INDIVIDUAL COUNTRY SURVEYS;
2. Information provided by designated operating entities and agreed channels (bilateral and other multilateral institutions such as the UN, banks, and CSOs);

Information from the Private sector may also be included but these are too varied and disparate for inclusion into any aggregation process. Hence, information from this sector should be separate and analyzed separately.

- **Criteria**

Criteria could include:

1. Reported cost items should match on both the demand and supply sides. Cost items should be the generally agreed items eligible for financial support, i.e. financing for: a) technology transfer, development and diffusion; b.) capacity building such as developing/enhancing the required policy environment, systems and institutional arrangement changes; c.) investment costs in sectoral transformation and resilience building.
2. Sources should be those mutually agreed by the countries themselves, designated operating entities and agreed channels.
3. Analysis should include the implications of the qualitative related issues such as access-related concerns and volume of resources, among others.

3. 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?

As the oversight body for the implementation of the Paris Agreement, the CMA, having been directly apprised of the concerns of the Parties of the Paris Agreement on the

financing issue, should take careful note of the evolution of the Convention Parties' concerns on finance. It should learn from the chronic pitfalls of the Finance issue handling under the Convention and be anticipatory. It should start to review the modalities and operations of, for example, the Operating Entities with the objective of not only improving transactions for cost efficiency but effectiveness in addressing concerns of developing countries, especially on access procedures.

LDCs Written Inputs on the Seventh Review of the Financial Mechanism

1. 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 Glasgow?

LDCs expect the Seventh Review of the Financial Mechanism to cover:

- The effectiveness of the Financial Mechanism in providing financial resources on a grant or concessional basis- LDCs want to highlight that for LDCs grant based public finance is a priority particularly for adaptation projects;
 - Role of the Financial Mechanism in scaling up the level of resources;
 - To what extent Developed country Parties have provided new and additional finance and the adequacy and predictability in the flow of funds while providing resources to developing country Parties under Article 4.3 of the Convention;
 - Accessibility of the Financial Mechanisms and its operating entities, timelines and rate of disbursement of funds. In relation to this to what extent have the FM responded to the request in the Paris Agreement to aim to ensure efficient access to financial resources through simplified approval procedures and enhanced readiness support for developing country Parties in particular LDCs and SIDS.
 - To what extent the Financial Mechanism respond/is addressing the needs of developing countries;
 - To what extent the Financial Mechanism respond to annual COP guidance given to them;
 - As the Financial Mechanism of the Convention, including its operating entities, shall serve as the financial mechanism of the Paris Agreement- to what extent are these institutions supporting all the articles of the PA- including support for loss and damage.
2. What specific updates should be made to the guidelines in order to be able to adopt them and initiate the Seventh Review at COP 26? We encourage Parties to make reference to the guidelines in providing their responses to this question, and to be precise in noting any textual updates that would be needed in order for their substantive priorities to be addressed.

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), LDCs propose some sections of the guidelines be updated with respect to their:

- **Objectives:** *The effectiveness of the activities it funds in implementing the Convention and the Paris Agreement;*
- **Source of information:** *to include 9.5 reports submitted by developed country Parties, the Needs determination report being prepared by the SCF;*

-
- **Criteria:** *the extent to which the Financial Mechanism respond to annual COP guidance given to them.*

3. 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 review should be conducted by the COP as mandated.*

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UGANDA'S SUBMISSION TO THE SEVENTH REVIEW OF THE FINANCIAL MECHANISM

Introduction

Uganda welcomes the opportunity to provide informal written inputs on the seventh review of the Financial Mechanism, applauds the efforts of the incoming COP 25 Presidency and the incoming COP 26 Presidency and the United Nations Framework Convention on Climate Change (UNFCCC) Secretariat in moving the climate change agenda forward in addition to putting in place efforts to foster effective reflection of Parties views to facilitate the negotiation process.

In the same spirit, Uganda wishes to make its informal written submission (and associates her responses to those of the LDC) on more than one of the questions as expressed in the call to inputs on the Seventh Review of the Financial Mechanism as follows:

1. 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 Glasgow?

Response

The Seventh Review of the Financial Mechanism should cover:

- The effectiveness of the Financial Mechanism in providing financial resources on a grant or concessional basis- In lieu of the above there is strong need to highlight grant based public finance is a priority particularly for adaptation projects;
- The level and scale of financial resources remains arbitrary. In this case Uganda is desirous of ensuring the role of the Financial Mechanism in scaling up the level of resources in support of climate resilience;
- Equally significant is the extent to which Developed Country Parties have provided new and additional finance and the adequacy and predictability in the flow of funds while providing resources to developing country Parties under Article 4.3 of the Convention;
- Accessibility of the Financial Mechanisms and its operating entities, timelines and rate of disbursement of funds. In relation to this to what extent have the FM responded to the request in the Paris Agreement to aim to ensure efficient access to financial resources through simplified approval procedures and enhanced readiness support for developing country Parties in particular LDCs and SIDS.
- To what extent does the Financial Mechanism respond/is addressing the needs of developing countries; based on needs assessments, NDCs and NAPs
- To what extent does the Financial Mechanism respond to annual COP guidance given to them;
- As the Financial Mechanism of the Convention, including its operating entities, shall serve as the financial mechanism of the Paris Agreement- to what extent are these institutions supporting all the articles of the PA- including support for loss and damage.
- To redefine the sources and modalities of financial flows that is adequate and fair finance for adaptation and loss and damage is particularly urgent.
- To create linkages between LTF, Needs Determination Report, PA, the new collective goal, loss & damage

finance that Uganda needs for recovery from climate induced disasters.

2. What specific updates should be made to the guidelines in order to be able to adopt them and initiate the Seventh Review at COP 26? We encourage Parties to make reference to the guidelines in providing their responses to this question, and to be precise in noting any textual updates that would be needed in order for their substantive priorities to be addressed.

Response

In this regard the updated guidelines used for the Sixth Review of the FM must be taken as a starting point (as set out in the Annex to Decision 12/CP.22), Practical element that can be considered include but not limited to:

- Objectives: The effectiveness of the activities it funds in implementing the Convention and the Paris Agreement;
- Source of information: to include 9.5 reports submitted by developed country Parties, the Needs determination report being prepared by the SCF;

3. 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?

Response

- Considering limitations in numbers as a delegation, having a joint session of the CMA and COP for this particular item could help address the gap, in part it becomes extremely challenging to have separate sessions for CMA and COP especially for

AGN views on the FM review

In relation to both the **seventh review of the financial mechanism** (7FMR) the AGN notes that the financial mechanism is constituted under the Convention and merely serves the Paris Agreement. Likewise, the objective of the Paris Agreement is to enhance the implementation of the Convention. Therefore, it is the COP that a) initiates the 7FMR by adopting the ToR and timeframes; b) request the SCF to undertake a technical review and to submit this review to the COP for consideration; and c) concludes the 7FMR. Thus, there is no provision for a review to be undertaken by the CMA, nor is there a provision for the CMA to make an input to the COP's consideration. The 7FMR must be guided, in particular, by Article 11 of the Convention, in particular the provision in Art 11.3 (a)-(d). The COP should also invite Parties submissions, which may include submissions from Parties of the Paris Agreement. The AGN expectation for the 7FMR is that the review will assess the effectiveness of the FM in delivering on its objectives under Art.11 of the Convention.

Accordingly, Art 11 defines and sets the different modalities describing what the FM should do and be, including that it "shall function under the guidance of and be accountable to the Conference of the Parties ... which shall decide on its policies, programme priorities and eligibility criteria related to this Convention". We do not see the need to update the ToR as used in the 6FMR.

Japan's Informal Inputs to the Seventh Review of the FM

① general expectation for the Seventh Review of the FM

- ✓ This is the first Review of the FM since the start of implementation of the Paris Agreement. The review should be an opportunity to verify if the FM function properly, with respect to the objectives of the Convention and the Paris Agreement and if the FM address adequately the expectations by the Parties on the FM.
- ✓ It's also a good occasion to check if the relevant policies and organization within the GEF and GCF are well established and their governance functions well.
- ✓ We have another agenda item called "Guidance to the OEFMs, GEF and GCF", so the distinction between the item and the review of the FM should be made properly, and the guidelines should make clear that the review mainly covers organizational and structural aspects, not operational aspect, which is to be dealt in the draft guidance negotiations.
- ✓ Special attention should be made through this review on the functions, frequency and substance of the COP guidance to the FM, as an important tool of communication between the COP and the FM.

② specific updates to the guidelines of the Seventh Review

- ✓ We agree the schedule in which the Parties revise the previous guidelines for the Seventh Review at COP26 and conduct the Review over the year with a view to conclude it at COP27.
- ✓ The guidelines used in the sixth review were only applied in terms of the Convention. Since the FM now serve both the Convention and the Paris Agreement, the guidelines for the Seventh Review should be revised accordingly.
- ✓ The functions, frequency and substance of the COP guidance to the FM should be included in the Review and consequently the guidelines should be revised accordingly.
- ✓ The review should address if the relevant policies in origination and implementation of funding proposals and resource management are well established. And the Review should also address if the necessary criteria, such as ESS, Fiduciary standards, and gender are well established and respected by the partner entities which carry out the project with the resources of the Financial Mechanism.
- ✓ The review should address if the decision-making body such as the GCF Board or GEF Council, the independent accountability mechanism such as IIU, IRM and IEU of the GCF, and the Secretariat function properly with respect to the functions of the FM. For the purpose, the guidelines should be revised properly.

③ role for the CMA as part of this review process

Since COP 25, FM serve the Paris Agreement, and the COP guidance to the GEF and GCF were discussed and adopted both under the COP and CMA. Therefore, it is necessary that this review should be conducted both under the COP and CMA. It is also necessary to develop the working modalities so as to avoid the overlap of deliberation on the same issues.

Indonesia Informal Written Inputs on the Seventh Review of the Financial Mechanism

Regarding the general expectations of the 7th Review of the Financial Mechanism, Indonesia expects that this review will pay more attention to the needs of the developing countries, including considering the First Report On The Determination Of The Needs Of Developing Country Parties that will be issued by SCF.

On the guidelines, Indonesia views that in the criteria section, several points can be added:

- The balance between adaptation and mitigation.
- Contributions to achieve the goal of the Paris Agreement, specifically as stated in Article 2.1 - to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty.
- The extent to which the resources provided are based on the needs of developing country Parties.

SUBMISSION BY PERU ON BEHALF OF THE AILAC GROUP OF COUNTRIES COMPOSED BY CHILE, COLOMBIA, COSTA RICA, HONDURAS, GUATEMALA, PANAMA, PARAGUAY AND PERU

Seventh Review of the Financial Mechanism

1. Following the invitation by the COP25 Presidency and the COP26 incoming Presidency, the AILAC group of countries welcomes the opportunity to provide views on the seventh review of the Financial Mechanism, as per Decisions 3/CP.4, 1/CP.21, 12/CP.22 and 11/CP.23, and would like to express the following:
 - i. The seventh review should initiate at COP26 in Glasgow, with the adoption of updated guidelines, on the basis of the annex of Decision 12/CP.22, and with a view to the review being completed by COP27/CMA5, so to assess the performance of the Financial Mechanism in the last 4 years and inform the future replenishment processes of the operating entities of this Mechanism.
 - ii. As a result of the Glasgow Decision on this review, a call should be made to the Standing Committee on Finance to provide expert input to this Review in 2022, as well for submissions by Parties and observer organizations by April 2022 in relation to the Financial Mechanism's governance, responsiveness to COP and CMA guidance, mobilization and delivery of financial resources, in the context of the accomplishment of the USD 100 billion goal, consistency of the activities of the Financial Mechanism with the objective of the UNFCCC and the long-term goals of the Paris Agreement, and consistency and complementarity with other sources of investment and financial flows.
 - iii. This Seventh Review takes place with the Paris Agreement having entered into force and with the Financial Mechanism serving both the Convention and the Agreement. Hence, the scope of this Review pertains to Articles 4 and 11 of the Convention, as well as Article 9 of the Paris Agreement, underlining that the legal obligation of developed countries to provide financial resources to assist developing country Parties with respect to both mitigation and adaptation, is framed as a continuation of their existing obligations under the Convention. This is particularly relevant to the present moment in which it is necessary to assess the quantity, quality, composition and speed of delivery of the USD 100 billion mobilization goal from developed to developing countries, that had as a first milestone the past year 2020 and will continue up to 2025, but also having in sight the initiation of negotiations over a new goal on finance that shall serve as a catalyser of climate action throughout the developing world to enable the optimal implementation of the Agreement as a whole.
 - iv. Finally, and as mandated by decision 1/CP.21, paragraphs 87 and 89, this Review is to assess the performance of the Capacity Building Initiative for Transparency (CBIT), which is a mechanism created to facilitate the implementation of the enhanced transparency framework as per Article 13 of the Paris Agreement.

2. As per the Presidencies' request, on the basis of Decision 12/CP.22, and in order for this Review to respond to the new reality of the Financial Mechanism in which it serves the Paris Agreement in full force, we are signalling the main changes we would like to see reflected in the cover mirror decisions by the COP and the CMA, and guidelines to be adopted in Glasgow (in bold and gray background) below:

Decision x/CP.26 & Decision x/CMA.4 Seventh review of the Financial Mechanism

The Conference of the Parties,

Recalling decisions 3/CP.4, 2/CP.12, 6/CP.13, 2/CP.16, 8/CP.19, 9/CP.20, 1/CP.21, 12/CP.22 and 11/CP.23

Recognizing that the review of the Financial Mechanism should inform the replenishment processes of the operating entities of the Financial Mechanism,

1. *Decides* to adopt the updated guidelines for the seventh review of the Financial Mechanism contained in the annex;
2. *Requests* the Standing Committee on Finance to provide, in its report to the twenty-seventh session of the Conference of the Parties and to the fifth session of the Conference of the Parties serving as the Meeting of the Parties of the Paris Agreement (November 2022), expert input to the seventh review of the Financial Mechanism, with a view to the review being finalized by these sessions;
3. *Invites* Parties, observers and other interested international organizations, stakeholders and non-governmental organizations involved in the activities of the operating entities of the Financial Mechanism to submit, by April 2022, their views on the seventh review of the Financial Mechanism based on the guidelines contained in the annex, for consideration by the Standing Committee on Finance in preparing its expert input to the review.

Annex

Updated guidelines for the seventh review of the Financial Mechanism

A. Objectives

1. In accordance with Article 11, paragraph 4, of the Convention, the objectives of the seventh review of the Financial Mechanism will be as follows:

(a) To review the Financial Mechanism and take appropriate measures regarding:

(i) Its conformity with the provisions of Article 11 of the Convention and the guidance provided by the Conference of the Parties (COP);

(ii) The effectiveness of the activities it funds in implementing the Convention and the Paris Agreement;

(iii) Its effectiveness in providing financial resources on a grant or concessional basis, including for the transfer of technology, for the implementation of the Convention's objective and the Paris Agreement's long-term goals on the basis of the guidance provided by the COP;

(iv) Its effectiveness in providing resources to developing country Parties under Article 4, paragraph 3, of the Convention and Article 9, paragraph 1 of the Paris Agreement;

(v) The effectiveness of access modalities for developing countries;

(b) To examine consistency and complementarity between the operating entities of the Financial Mechanism, and between the operating entities of the Financial Mechanism and other sources of investment and financial flows, including:

(i) Examining relevant sources, channels and means of financing, as indicated in Article 11, paragraph 5, of the Convention, that would assist developing country Parties to contribute to the achievement of the objective of the Convention, in particular innovative means of financing, such as for the development of endogenous

technologies in developing countries;

(ii) Examining the role of the Financial Mechanism in scaling up the level of resources;

(iii) Assessing enabling environments for catalysing investment in, and the transfer of, environmentally sound technologies that mitigate greenhouse gas emissions, and for enhancing resilience to climate change.

B. Sources of information

2. The review shall draw upon, inter alia, the following sources of information:

(a) Information provided by Parties on their experiences regarding financial support provided and received in accordance with COP and CMA decisions;

(b) Annual guidance provided by the COP to the operating entities of the Financial Mechanism with regard to the conformity of their activities with the guidance provided by the COP;

(c) The annual reports of the Standing Committee on Finance (SCF) to the COP on its activities and relevant technical information produced by the committee such as the biennial assessments and overview of climate finance flows and outcomes of the SCF forums;

(d) The annual reports of the Global Environment Facility (GEF) to the COP on its activities as an operating entity of the Financial Mechanism, including the information on the Least Developed Countries Fund and the Special Climate Change Fund, and other relevant GEF policy and information documents;

(e) The reports from the GEF Independent Evaluation Office;

(f) The annual reports of the Board of the Green Climate Fund (GCF) to the COP on its activities as an operating entity of the Financial Mechanism and other relevant GCF policy and information documents;

(g) The reports of the Adaptation Fund Board to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and the outcomes of the reviews of the Adaptation Fund;

(h) The outcomes and reports of the United Nations processes, relevant bilateral and multilateral funding institutions and other intergovernmental and non-governmental organizations dealing with climate financing;

(i) Relevant reports on private-sector financing and investment for climate change activities;

(j) Technical papers and reports prepared by the secretariat at the request of the COP which are relevant to the financial needs of developing country Parties under the Convention;

(k) Information contained in the national communications of Parties to the Convention, technology needs assessments and national adaptation programmes of action;

(l) The reports of the in-session workshops on long-term finance;

(m) The biennial submissions from developed country Parties on their updated strategies and approaches for scaling up climate finance from 2014 to 2020, including any available information on quantitative and qualitative elements of a pathway, as well as firms biennial communications on ex ante information as per Article 9 paragraph 5 of the Paris Agreement provided by developed country Parties;

(n) The reports of the Least Developed Countries Expert Group and the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention.

B. Criteria

3. The effectiveness of the Financial Mechanism will be assessed taking into account the following:

(a) The transparency of the decision-making processes of the operating entities of the Financial Mechanism;

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- (b) The level of stakeholder involvement;
 - (c) The extent to which the Financial Mechanism is contributing to gender-sensitive approaches;
 - (d) The adequacy and predictability, accessibility and timeliness and rate of disbursement of funds for activities in developing country Parties, including projects in the pipeline;
 - (e) The responsiveness, efficiency and performance of the cycle for project/programme approval procedures of the operating entities of the Financial Mechanism;
 - (f) The amount of resources provided to developing country Parties, including financing for technical assistance and investment projects, and the mechanisms for country allocation, as well as the results and impacts achieved by the resources provided in relation to the urgency of climate action and the scale of resources needed to achieve the long-term goals of the Paris Agreement;
 - (g) The amount of finance leveraged, and modalities and ratios of co-financing and the use of financial instruments where applicable;
 - (h) The extent to which the resources provided are contributing to achieving the objective of the Convention;
 - (i) The sustainability of funded programmes, projects and operations in developing country Parties;
 - (j) The extent to which the Financial Mechanism is contributing to the country ownership of programmes and projects.

3. AILAC looks forward to constructive discussions over this issue in Glasgow.
