

Decision 12/CP.22

Sixth 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 and 1/CP.21,

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 sixth review of the Financial Mechanism contained in the annex;
2. *Requests* the Standing Committee on Finance to provide, in its report to the twenty-third session of the Conference of the Parties (November 2017), expert input to the sixth review of the Financial Mechanism, with a view to the review being finalized by the Conference of the Parties at its twenty-third session;
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 30 April 2017, their views on the sixth 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.¹

¹ Parties should submit their views via the submission portal at <<http://www.unfccc.int/5900>>. Observers and other stakeholders should e-mail their submissions to <secretariat@unfccc.int>.

Annex

Updated guidelines for the sixth review of the Financial Mechanism

A. Objectives

1. In accordance with Article 11, paragraph 4, of the Convention, the objectives of the sixth 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;

(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 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;

(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 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;

(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 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;
- (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.

*10th plenary meeting
18 November 2016*