



General Assembly

Distr.
GENERAL

A/AC.237/37/Add.4
14 July 1993

Original: ENGLISH

INTERGOVERNMENTAL NEGOTIATING COMMITTEE
FOR A FRAMEWORK CONVENTION ON CLIMATE CHANGE
Eighth session
Geneva, 16-27 August 1993
Item 3 (a) of the provisional agenda

IMPLEMENTATION OF ARTICLE II (FINANCIAL MECHANISM), PARAS. 1-4

Elements relevant to the assessment of funding needs

Note by the secretariat

Addendum

I. INTRODUCTION

A. Mandate

1. At its seventh session, the Committee requested the Executive Secretary, "under the guidance of the Bureau, to prepare a preliminary list of elements relevant to the assessment of the needs for funding from the GEF for activities related to the Convention in the three years 1994-1996 for consideration at its next session" (A/AC.237/31, para. 32(n)).

B. Background

2. The above request was made in the context of the Committee's conclusions at that session with regard to the determination of the amount of funding necessary and available through the financial mechanism for the implementation of the Convention (A/AC.237/31, para. 32(m)).
This matter is addressed in Article 11.3(d) of the Convention.

3. It may be useful, therefore, for the Committee to consider, in a preliminary manner, elements of general relevance to the determination of the amounts of funding necessary for the implementation of the Convention, in terms of Article 11.3(d). The present note includes such general considerations, that are also relevant to the assessment of funding needs in the period 1994-1996. Elements that are specific to that period are also advanced.

4. It should be borne in mind that deliberations on the replenishment of the Global Environment Facility (GEF) for its next phase of activity started at a meeting of GEF Participants, in Beijing, China, on 25 May 1993. The discussion at that meeting was supported by a document by the GEF secretariat on financing needs for the second phase of the Facility (GEF/RE.93/1, May 1993). The Chairman's summary of that meeting is reproduced, in English only, in document A/AC.237/37. This GEF replenishment process is scheduled to conclude at the GEF Participants' Meeting in December 1993.

5. The GEF is being replenished through a single process that will attempt to meet funding needs in the four focal areas of the GEF, namely, climate change, biological diversity, international waters and ozone depletion. One factor determining the availability of new funding will be the degree of confidence that the GEF will be retained as a means to finance activities under the conventions on climate change and biological diversity. The reconciliation of the aggregate needs in the four focal areas with the availability of funds from contributors, and the allocation of available funds among the four focal areas, will be key issues to be resolved in the replenishment process. The duration of the period for which new funding is being sought is also to be settled.

6. The Committee may wish to discuss the elements presented in this note, as well as other relevant factors, and to consider how it can best contribute to the determination of the funding necessary and available for the climate change portfolio of the GEF in its next phase of activity. This would be in accordance with the Committee's conclusion that the ongoing replenishment of the GEF should take full account of funding needs related to the Convention (A/AC.237/31, para. 32 (m)). The eighth session of the Committee would be its only opportunity to make a timely contribution to the current GEF replenishment process.

7. The Committee may also wish, in due course, to advise the Conference of the Parties (COP) on the manner in which it can best give effect to Article 11.3(d), as well as to Article 7.2(h) that requires the COP to seek to mobilize financial resources.

II. CONSIDERATIONS

A. Policy framework

8. A number of elements relevant to the determination of funding needs related to the Convention will be derived from the policy framework to be set by the COP, in accordance with Article 11.1.

9. In the first place, eligibility criteria will help to define the boundaries of demand for funding under the Convention. Such criteria will determine which countries or categories of countries will have access to funding through the financial mechanism. The number of eligible countries will be one indicator of demand.

10. Eligibility criteria will also determine which types of measures are to be funded through the financial mechanism. This question was addressed in the note submitted by the secretariat to the Committee at its seventh session (A/AC.237/26, section II.B). Key questions here relate to the eligibility of measures covered by the commitments contained in Article 4.4 and 4.5.

11. Secondly, the policies to be decided regarding the methodologies and modalities for determining "agreed full costs" and "agreed full incremental costs", in terms of Article 4.3, will have a major incidence on funding needs.

12. Another important policy question relates to the degree of concessionality of funding for particular categories of countries or activities.

13. Finally, programme priorities will influence the choice and sequence of activities to be funded and, thus, the content and timing of demand for funds.

14. All these are matters to be decided by the COP in due course. They are dealt with in a preliminary manner in the report presented to the Committee by the Officers of Working Group II, at the request of the Committee (see A/AC.237/31, para. 32(f), and A/AC.237/37/Add.1). The progress report by the secretariat on approaches to the determination of "agreed full incremental costs" will also be relevant (A/AC.237/31, para. 32(m), and A/AC.237/37/Add.2).

15. However, it is clear that decisions on these policy matters by the COP will not be forthcoming in time to contribute to action that is to be taken by the end of 1993 to replenish the GEF. The Committee may consider whether it could provide any input to the GEF replenishment process on these matters.

B. Other elements

16. For the time being, assessment of the amount of funding needed to implement the Convention can only be based on scenarios and rules of thumb. Moreover, the assessment of needs for financing through the financial mechanism would have to take account of the availability of funds for related purposes through bilateral and other channels.

17. One scenario would be to assume that the 130 or so developing countries that have signed or acceded to the Convention will become eligible for funding and need packages of support to undertake national studies, assemble data, strengthen institutional capacities, design projects, and compile, communicate and publish information required under Article 12. This support would be required in the period leading up to the first round of communications by developing country Parties, that is, three years after the entry into force of the Convention for those Parties. ^{1/} For the purpose of estimating funding needs, this may be taken to be the period up to the end of 1998. If a typical support package could be costed, it would be possible to estimate the amount of funding needed in that period for these initial enabling activities. It is likely that this amount will be rather modest in relation to the total funds available through the GEF, the more so once bilateral funding is taken into account.

18. Beyond this, the scope for funding measures that are consistent with the commitments of developing country Parties in Article 4.1 is as broad as the range of those commitments. The limiting factors would seem to be the capacities of countries and institutions to design and undertake projects, as well as the availability of funds. It is not easy to put figures on needs in this context.

19. However, Article 12.4 provides, in part, that "developing country Parties may, on a voluntary basis, propose projects for financing, including specific technologies, materials, equipment, techniques or practices that would be needed to implement such projects". These proposals may be accompanied by estimates of incremental costs, of effects on net emissions of greenhouse gases and of "consequent benefits". This means that the inflow of communications from developing countries under Article 12 should generate a portfolio of costed project proposals, that would be an important -- if not the major -- input to the future determination of strategy, priorities and needs for funding under the Convention.

20. Consideration will need to be given to the manner in which project proposals under Article 12.4 will be handled under the Convention.

Note

1/ It may be recalled that Article 12.5 provides that "parties that are least developed countries may make their initial communication at their discretion."