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INTERGOVERNMENTAL NEGOTIATING COMMITTEE
FOR A FRAMEWORK CONVENTION ON CLIMATE CHANGE
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Agenda Item 9

ADOPTION OF THE REPORT OF THE COMMITTEE
OF ITS EIGHTH SESSION

Draft report

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Addendum

Chapter __ : IMPLEMENTATION OF ARTICLE 11 (FINANCIAL MECHANISM) PARAS. 1-4

Conclusions of Working Group II

1. In the framework of the preparation of the first session of the Conference of the Parties (COP), where arrangements to implement the provisions of Article 11 paragraphs 1, 2, 3, and 4 of the Convention, shall be made, the Committee held its discussions on matters relating to the implementation of Articles 11 and 21.3. The discussion took place in the light of the information and analysis provided by the officers of Working Group II and the interim secretariat (A/AC.237/37, A/AC.237/37/Add.1, A/AC.237/37/Add.2, A/AC.237/37/Add.3 and A/AC.237/37/Add.4). The Chairman of the GEF also made a presentation to the Committee.
2. The Committee decided to focus its work on the implementation of Article 11 (Financial Mechanism) and considered, in particular, (a) policies, programme priorities and eligibility criteria, (b) modalities for the functioning of operational linkages between the Conference of the Parties and the operating entity 1 / of the financial mechanism (c) approaches to the determination of agreed full incremental costs; and (d) elements relevant to the assessment of funding needs.

Policies, eligibility criteria and programme priorities

3. General agreement was reached on the following:

- (a) The COP, the supreme body of the Convention pursuant to Article 7, will, pursuant to Article 11, decide on policies, programme priorities and eligibility criteria related to the Convention for the financial mechanism which shall function under the guidance of and be accountable to the COP. Such policies, programme priorities and eligibility criteria will be in conformity with the relevant provisions of Article 4 and 11, keeping in mind Article 2 on the objective, Article 3 on the principles and Article 7 on the COP.
- (b) Eligibility criteria will apply to countries and to activities and will be applied in accordance with Article 11 paragraphs 1, 2 and 3. Regarding eligibility of countries, only countries that are Parties to the Convention would be eligible to receive funding upon entry into force of the Convention. In this context, only developing country Parties would be eligible to receive funding through the financial mechanism in accordance with Article 4.3.
- (c) Priority should be given to the funding of agreed full costs (or agreed full incremental costs, as appropriate,) incurred by developing country Parties in complying with their obligations under Article 12.1 and other relevant obligations under the Convention. In the initial period emphasis should be placed on enabling activities undertaken by developing country Parties, such as planning, endogenous capacity-building including institutional strengthening, training, research and education that will facilitate implementation, in accordance with the Convention, of effective response measures.

4. After a long discussion, Working Group II considered that to implement the provisions contained in the Convention further work would be needed on policy guidance regarding scope of the financial mechanism (relevant elements of Articles 4.1, 4.3, 4.4, 4.5, 4.8, 11.1, 11.5), other eligibility criteria than those agreed in paragraph 3(b) above, and other programme priorities than those agreed in paragraph 3(c) above.

Modalities for the functioning of operational linkages between the Conference of the Parties and the operating entity of the financial mechanism

5. Having reviewed document A/AC.237/37/Add.3 on "Modalities for the functioning of operational linkages between the COP and the operating entity of the financial mechanism," Working Group II reached the following preliminary conclusions:

- (a) The COP, the supreme body of the Convention, and the entity or entities entrusted with the operation of the financial mechanism shall agree upon arrangements to give effect to the provisions of paragraphs 1 and 2 of Article 11 through the operational linkages which are discussed below.

- (b) In line with Article 11.1 of the Convention, the COP will, after each of its sessions communicate to the governing body of the operating entity, relevant policy guidance for implementation and action by the governing body of the operating entity, which shall accordingly ensure the conformity of its work with the guidance of the COP. Guidance from the COP will address issues relating to policies, programme priorities and eligibility criteria, as well as possible relevant aspects of the activities of the operating entity that are related to the Convention.
- (c) The governing body of the operating entity has the responsibility of ensuring that funded projects related to the Convention are in conformity with the policies, eligibility criteria and programme priorities established by the COP. It will report regularly to the COP on its activities related to the Convention and the conformity of these activities with the guidance received from the COP.
- (d) Regular reports by the Chairman or secretariat of the operating entity to its governing body will be made available to the COP through the secretariat. Other official documentation of the operating entity should be made available to the COP through its secretariat.
- (e) In addition, the COP should receive and review at each of its sessions a report from the governing body of the operating entity which should include specific information on how it has applied the guidance and decisions of the COP in its work related to the Convention. This report should be of a substantive nature and incorporate: its programme of future activities in the areas covered by the Convention and an analysis on how the entity in its operations implemented the policies, programme priorities and eligibility criteria established by the COP related to the Convention, in particular a synthesis of the different projects under implementation and a listing of the projects approved in the areas covered by the Convention, as well as a financial report including accounting and evaluation of its activities in the implementation of the Convention, indicating the availability of resources.
- (f) In order to meet the requirements of its accountability to the COP, reports submitted by the governing body of the operating entity should cover all its activities carried out in implementing the Convention, whether decisions on such activities are made by the governing body of the operating entity or bodies operating under its auspices for the implementation of its programme. To this end it shall make such arrangements with such bodies as might be necessary regarding the disclosure of information .
- (g) The funding decision for specific projects should be agreed between the developing country Party concerned and the operating entity in conformity with policy guidance from the COP. However, if any interested Party considers that a decision regarding one of the specific projects does not comply with the policies, programme priorities and eligibility criteria established by the COP in the context of the Convention, the COP should analyze the observations presented and take decisions on the basis of its compliance with the policies, programme priorities and eligibility criteria. In case the COP considers that this specific project decision does not comply with the policies, programme priorities and eligibility criteria established by the COP, it may ask the governing body of the operating entity concerned, for further clarification on this specific project decision and in due time ask for a reconsideration of this specific project decision.

(h) The COP will periodically review and evaluate the effectiveness of all modalities established in accordance with Article 11.3. Such evaluations will be taken into account by the COP in its decisions, pursuant to Article 11.4, on the arrangements for the financial mechanism.

6. Working Group II decided that further discussion will be needed at the next session on Article 11.3(d) in conjunction with its chapeau.

7. The secretariat was requested by Working Group II to seek the opinion of the United Nations Office of Legal Affairs on appropriate arrangements which might be entered into between the COP and the operating entity.

Approaches to the determination of "agreed full incremental costs"

8. Considering the need for additional analysis of this issue, Working Group II requested the secretariat to prepare another document for consideration by the Committee at the ninth session of the INC, taking into account, inter alia, comments made by delegations at the present session. Documents on this subject provided to the secretariat prior to the ninth session of the Committee will be made available to delegations in the original language.

Elements relevant to the assessment of funding needs

9. After a preliminary discussion of document A/AC.237/37/Add.4, Working Group II decided that a substantive discussion should be deferred to the ninth session of the Committee.

Future work

10. The Committee resolved to give priority at its ninth session to the consideration by Working Group II of the implementation of Article 11 (financial mechanism) and to the adoption of such decisions on recommendations to the COP as might be necessary, in the context of the mandate of the COP, on guidance to the operating entity of the financial mechanism concerning its policies, programme priorities and eligibility criteria related to the Convention, and on the determination of "agreed full incremental costs".

11. The Committee requested its Chairman to convey the above conclusions to the forthcoming meeting of the Participants in the GEF at Washington, D.C. USA, (22-24 September 1993). It also deferred for further consideration during its ninth session the draft decision submitted by the G-77 and China at the VII session of the INC (A/AC.237/L.18, dated 19 March 1993), which is listed in the annex to this report.

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Note

1 / References made to "operating entity" are without prejudice to there being more than one such entity, as provided in the Convention.