

Distr.
LIMITED

A/AC.237/L.20/Add.2
17 February 1994

ENGLISH ONLY

INTERGOVERNMENTAL NEGOTIATING COMMITTEE
FOR A FRAMEWORK CONVENTION ON CLIMATE CHANGE
Ninth Session
Geneva, 7-18 February 1994
Agenda item 7

ADOPTION OF THE REPORT OF THE COMMITTEE
ON ITS NINTH SESSION HELD AT GENEVA

Draft report

Rapporteur: Maciej SADOWSKI (Poland)

Addendum

MATTERS RELATING TO ARRANGEMENTS FOR THE FINANCIAL
MECHANISM AND FOR TECHNICAL AND FINANCIAL SUPPORT TO
DEVELOPING COUNTRY PARTIES

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

Conclusions of Working Group II

1. Proceedings

1. Working Group II considered sub-item 3 (a) (Implementation of Article 11 (Financial Mechanism) paras. 1-4) at its 1st to 14th meetings, from 7 to 17 February. It dealt with matters relating to the implementation of the provisions of Article 11 of the Convention, and had before it the following documents related to the sub-item:

(a) Note by the interim secretariat on the implementation of Article 11 (Financial Mechanism) paras.1-4 (A/AC.237/50);

GE.94-60417

(b) Note by the interim secretariat on approaches to the determination of agreed full incremental costs

(A/AC.237/50/Add.1);

(c) Note by the interim secretariat on the outcome of the participants' meetings of the Global Environment Facility (GEF) (A/AC.237/50/Add.2).

2. At the 2nd meeting, on 7 February, the Administrator of the Global Environment Facility (GEF) made a statement and responded to questions raised by the representatives in the Working Group.

3. Statements were made under this sub-item by representatives of 42 states, including one speaking on behalf of the Group of 77 and China, one on behalf of the European Economic Community and its member States, and one speaking on behalf of countries with economies in transition.

4. At the 7th meeting, on 10 February, statements were made by the observers for two non-governmental organizations.

5. Having discussed proposals by the Co-Chairmen, Working Group II, at its 14th meeting, on 17 February, recommended for adoption by the Committee, draft conclusions on the sub-item.

2. Conclusions

6. On the recommendation of Working Group II, the Committee at its ___th meeting on ___ February, agreed upon the following conclusions on sub-item 3(a):

7. In the framework of the preparation for the first session of the Conference of the Parties, where arrangements to implement the provisions of Article 11, paragraphs 1-4 of the Convention, shall be made, the Committee held its discussions on matters relating to the implementation of Article 11.

8. The Committee decided to focus its work on the implementation of Article 11 (Financial Mechanism) and considered in particular, (a) policies, eligibility criteria and programme priorities, (b) modalities for the functioning of operational linkages between the Conference of the Parties and the operating entity or entities of the financial mechanism, and (c) approaches to the determination of agreed full incremental costs, and (d) institutional matters.

9. With regard to paragraphs 8-13 it is understood that the work of the Committee is a continuing process and that the Committee will return to them at the tenth session of the Committee in order to build on agreements reached.

10. The Committee reiterated its conclusion reached at the eighth session which states that "The Conference of the Parties, the supreme body of the Convention, pursuant to Article 7, will, pursuant to Article 11, decide on policies, eligibility criteria, and programme priorities 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 Articles 4 and 11, keeping in mind Articles 2 (objective), 3 (principles) and 7 (COP)" (see document A/AC.237/41, paragraph 84(i)).

11. The Committee reiterated its conclusion reached at the eighth session that:

(a) "eligibility criteria will apply to countries and to activities and will be applied in accordance with Article 11.1, 11.2 and 11.3":

(b) "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" (see document A/AC.237/41, paragraph 84(ii));

and further agreed that:

(c) Regarding eligibility of activities,

(i) Those activities related to obligations under Article 12.1 to communicate information for which the "agreed full costs" are to be met, are eligible for funding; and

(ii) Measures covered by Article 4.1 are eligible for funding through the financial mechanism in accordance with Article 4.3. Such measures should be agreed between the developing country Party and the international entity or entities referred to in Article 11.1, in accordance with Article 4.3.

(iii) In addition to the above, such measures would be eligible for financial support under Article 11.5.

12. (a) The Committee reiterated its conclusion reached at the eighth session which states that "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 commitments 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." (see document A/AC.237/41, paragraph 84(iii)).

(b) The Committee further requested the interim secretariat to gather information from Governments and relevant international agencies on specific near-term priorities and needs of developing countries indicated in paragraph (a) above, taking into account Articles 4.1 and 12.1 and to report to the next session of the Committee.

(c) Regarding communication of information activities referred to in Article 12.1, it was concluded that the process of their implementation in the context of Article 12.5 should be initiated. A first step in this regard would be the elaboration of the format and content of such communication and the identification of the needs of the developing country Parties with respect to capacity building activities needed to enable them fulfil their obligations under Article 12.1. In this connection, the Committee took note of the intention of the Group of 77 and China to convene a meeting of experts from developing countries on the occasion of the tenth session, and to inform the Committee of the results of that meeting at that session.

(d) The Committee decided to request that the secretariat prepare a document for the tenth session of the Committee summarizing the key elements of the format adopted for communication of information by Annex 1 Parties pursuant to Article 12.2. This document could be taken into account by the experts' meeting of the developing countries.

13. The Committee agreed that with respect to the following activities undertaken under Article 11:

(a) Within the framework of the financial mechanism:

(i) The entity or entities should in all funding decisions related to the financial mechanism take into account Articles 4.1, 4.7, 4.8, 4.9 and 4.10 of the Convention.

(ii) Projects funded through the financial mechanism should be country-driven and in conformity with, and supportive of, national development priorities of each country.

(iii) The operating entity or entities should ensure that with reference to activities involving transfer of technology such technology is

environmentally sound and adapted to suit local conditions.

(b) Outside the framework of the financial mechanism:

- (i) Consistency should be sought and maintained between activities, including those related to funding, relevant to climate change undertaken outside the framework of the financial mechanism and the policies, programme priorities and eligibility criteria for activities as relevant, established by the COP. The issue of monitoring such consistency by the COP will be further considered at the tenth session by the Committee including reporting modalities.
- (ii) The Secretariat is requested to prepare a report on this subject for the tenth session in order to assist the Committee in identifying ways and means to seek and maintain such consistency.

(c) With regard to the various issues of incremental costs, the Committee noted that they were complex and difficult and therefore further discussion on the subject was needed. Nevertheless with regard to the concept of agreed full incremental costs, the Committee concluded that its application should be flexible, pragmatic and on a case by case basis. Guidelines in this regard would be developed by the COP at a later stage on the basis of experience. The secretariat was requested to continue monitoring work carried out on this matter taking into account also views expressed by Governments and keep the Committee informed of progress achieved.

14. Annex 1 Parties undergoing the process of transition to a market economy not being eligible under the financial mechanism of the Convention will, pursuant to the Convention, be eligible for assistance measures outside the financial mechanism, in particular for those measures regarding the transfer of, or access to, environmentally sound technologies and know-how, in accordance with Article 4.5, and other measures to limit greenhouse gas emissions and increase their removal by sinks.

15. (a) On the possibility of designating additional operating entities for the financial mechanism, further study and consideration will be needed before any firm decision is made.

(b) The Committee concluded that a permanent and feasible system of monitoring the activities of regional and multilateral financial and other institutions relevant to climate change should be envisaged and in this regard the interim secretariat was requested to contact the appropriate institutions and present a report on their activities relevant to the ultimate objective of the Convention, including with respect to Article 4.1, to the Committee at its tenth session. On the basis of this report the Committee could further consider the issue of a permanent and feasible system for such monitoring at its tenth session.

(c) The Committee decided to defer to its tenth session the consideration of Article 11.3 (d) in conjunction with its chapeau.

16. (a) The Committee stressed the importance it attaches to the commitment of annex II Parties to assist the developing country Parties that are particularly vulnerable to the adverse effects of climate change in meeting the costs of adaptation to those adverse effects. With regard to Article 4.4, the Committee recognised the need for more information and analysis on the meaning of adaptation (including preparation for and facilitation of adaptation) and on the particular measures which might be considered. It was concluded that such information and analysis would contribute to a better understanding of the range of issues and funding decisions under Article 11 associated with adaptation. The Committee asked the Secretariat to seek further information from countries, international organizations and

relevant groups and to produce a synthesis document for the Committee's consideration at its tenth session.

(b) It was also agreed that there was a need to explore all sources of possible assistance for adaptation activities under the Convention especially under Article 11.5. The Conference of the Parties should aim at influencing the coordination, targeting and effective use of the considerable resources available from sources other than the financial mechanism and bring them to bear on the broad objectives of the Convention.

17. Delegations may wish to provide in written form any proposals they may have on issues related to the financial mechanism for consideration by the Committee at its tenth session. The Secretariat will compile in a document such contributions received by 30 May 1994. This document will be issued in the original language only.

18. The Committee noted that the legal opinion of the United Nations Office of Legal Affairs, requested by the Committee at its eighth session (A/AC.237/41, paragraph 88), had concluded that it was "not feasible to determine in general which arrangements should be considered as appropriate between the COP and the hypothetical operating entity". Anticipating the successful outcome of negotiations on the GEF instrument, the Committee decided to request that the United Nations Office of Legal Affairs offer further advice on the options for such arrangements based on the final GEF instrument, in time for the Committee's discussion at its tenth session.

19. The Committee decided to give further consideration at its tenth session to (a) the implementation of Article 11 (Financial Mechanism), (b) adoption of additional policies, eligibility criteria and programme priorities related to the Convention, (c) determination of "agreed full incremental costs", (d) modalities for the functioning of operational linkages between the Conference of the Parties and the operating entity or entities of the financial mechanism as well as to (e) institutional matters, including if appropriate, the question of maintenance of the interim arrangements referred to in Article 21 paragraph 3.