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FOR A FRAMEWORK CONVENTION ON CLIMATE CHANGE  
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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

Submissions from Parties or other member States on the specific near-term  
priorities and needs of developing countries, adaptation and  
issues related to the financial mechanism

Note by the interim secretariat

Addendum

Subsequent to the completion of document A/AC.237/Misc.38, the interim secretariat has received two submissions from Germany (on behalf of the European Community and its member States). These submissions are attached to the present addendum in the language in which they were received.

A/AC.237/MISC.38/Add.1  
GE.94-63258

**PAPER NO. 1: GERMANY**  
(On behalf of the European Community and its member States)

**ADAPTATION**

**I. INTRODUCTION**

1. The Framework Convention on Climate Change says that developing countries will take a variety of adaptation measures, and that the developed countries will provide finance for such measures. This note looks at the options for implementing these provisions, and at some of the issues involved. Finally, it suggests a possible approach to adaptation under the Convention.
2. Many of the same issues arise in the context of the implementation of the provisions of the Convention on research, climate monitoring, and public education. These other provisions are not discussed in this note.

**II. ADAPTATION IN THE CONVENTION**

3. The adaptation measures which developing country parties are required to take include those in Article 4.1:
  - 4.1(b) "Formulate, implement, publish and regularly update national, and where appropriate regional programmes containing ... measures to facilitate adequate adaptation to climate change."
  - 4.1(e) "Cooperate in preparing for adaptation to the impacts of climate change; develop and elaborate appropriate and integrated plans for coastal zone management, water resources and agriculture, and for the protection and rehabilitation of areas, particularly in Africa, affected by drought and desertification, as well as floods."
4. These adaptation measures are covered by Article 12.1, under which each Party shall communicate to the Conference of the Parties (COP) a general description of steps taken or envisaged to implement the Convention, including steps to facilitate adequate adaptation (4.1b), and to cooperate in preparing for adaptation (4.1e).
5. In addition, developing countries may take other adaptation measures, not required by Article 4.1 (but for which finance is envisaged in Article 4.4).

6. The finance for adaptation to be provided by Annex II parties is described in Article 4.3 and 4.4:

- Article 4.3 says that the developed country parties will provide new and additional finance to meet the agreed full incremental costs for developing countries of measures covered by Article 4.1 - including Articles 4.1(b) and 4.1(e). (Such measures must be agreed with the financial entity mentioned in Article 11.) It also says that the developed countries will provide new and additional finance to meet the agreed full costs of communicating information under Article 12.1.
- Article 4.4 says that the developed countries will assist particularly vulnerable countries with the costs of adaptation.

### III. CHANNELS FOR FINANCE

7. The Convention does not stipulate how the finance mentioned in Article 4.3 or 4.4 must be provided. It describes in Article 11 a number of alternative channels for assistance:

- (i) the financial mechanism described in Article 11, paragraphs 1 to 4.
- (ii) bilateral, regional and other multilateral channels mentioned in Article 11.5.

8. The financial mechanism contains a number of important features, described in Article 11, including:

- It will provide financial resources on a grant or concessional basis;
- Its operations will be entrusted to an existing international entity or entities;
- Its policies, programme priorities and eligibility criteria related to the Convention will be decided by the COP;
- It will agree with the COP on a number of arrangements described in Article 11.3 - for example, arrangements for the provision of reports to the COP on its funding operations;
- It must have an equitable and balanced representation of all Parties within a transparent system of governance;

9. The other channels of finance mentioned in Article 11.5 are not required by the Convention to have the features of the financial mechanism. In particular, they are not required to reach any agreement with the COP on operational modalities, and the COP will not decide on their policies, programme priorities or eligibility criteria.

10. At INC9, the Committee agreed that there was a need to explore all sources of possible funding for adaptation activities, especially under Article 11.5; the COP should aim at influencing the use of resources outside the financial mechanism to meet the broad objectives of the Convention. Delegations noted the possibility of informal links between the COP and entities outside the financial mechanism:

- the COP could establish a flexible working relationship with regional and other multilateral agencies, including a system for monitoring and reporting on their activities related to climate change. Such a relationship could in due course include other elements such as policy dialogue and coordination of activities;
- such informal links between the COP and agencies outside the financial mechanism would not be subject to the formal requirements of Article 11.3.

### Options

11. There are two general options for the COP, which the COP may revise subsequently in the light of experience:

- (i) the COP may decide that, initially, the financial mechanism should finance some or all of the adaptation-related measures covered by Articles 12.1, 4.1(b), 4.1(e), and possibly Article 4.4. In this case, the COP would need to
  - (a) establish policies, programme priorities and eligibility criteria for the financing of the relevant adaptation measures (see paragraph 13 below), and
  - (b) to entrust the financing of those measures to one or more existing entities, in accordance with the requirements of Article 11.3 (see paragraphs 15 to 21 below).
- (ii) the COP may decide that, initially, the financial mechanism should not finance the adaptation-related measures covered by Articles 12.1, 4.1(b), 4.1(e), or 4.4. In this case, the developed country parties would have to provide the finance required by Articles 4.3 and 4.4 through the bilateral, regional and other multilateral channels mentioned in Article 11.5. The financial assistance provided would be reported to the COP by the Parties

(under Article 12); the COP may also establish informal links and other systems to monitor adaptation and its financing (see paragraph 10 above). But the COP would not need to establish policies, programme priorities or eligibility criteria for adaptation, and it would not need to entrust adaptation to any entity or entities operating the financial mechanism.

12. The text of the Convention is inconclusive as to which option would best fit the Convention. However, recognising that Article 4.4 is not covered by the specified requirements for financing in Article 4.3, a number of elements are proposed for a solution based on the first option (i). This proposal in Section VI below takes into account some considerations of (a) policy and programme priorities, and of (b) 'operating entities', as discussed in Sections IV and V below.

#### IV. POLICIES, PROGRAMME PRIORITIES AND ELIGIBILITY CRITERIA

13. At INC9, 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 that might be considered. However, if some adaptation measures are to be funded through the financial mechanism, then the COP will need to draw up policies, programme priorities and eligibility criteria for adaptation, on the basis of a number of considerations:

- (i) Is it practicable for the COP to establish policies and programme priorities in the area of adaptation, without the benefit of studies by the countries concerned or advice from such bodies as the IPCC?
- (ii) Under the Convention, 'adaptation' means adaptation to the impacts or the adverse effects of climate change; 'climate change' is defined by Article 1.2 as a change of climate that is attributed to human activity rather than to natural climate variability. Can these changes be identified in practice, in order to identify eligible adaptation measures?
- (iii) What priorities for adaptation can the COP establish at this stage? Can the adverse effects of climate change, and the countries who are vulnerable to those effects, be identified at this stage, in order to give priority to those countries? And what priorities among adaptation measures might the COP establish - would it be better for the countries concerned to discuss their own priorities directly with development agencies mentioned in Article 11.5?

14. Although it may not be possible yet to formulate policies, programme priorities or eligibility criteria for adaptation, the Convention recognises the precautionary principle and the COP should not exclude adaptation from the financial mechanism. On this basis, mitigation measures should have highest priority under the Convention, but some priority

may be given to studies and other preparatory activities, such as capacity-building, especially in the context of the formulation of national programmes to implement the Convention. A purely project-based approach should be avoided.

## V. OPERATING ENTITIES

15. If some adaptation measures are to be funded through the financial mechanism, then the COP will also need to entrust the financing of adaptation to an existing international entity or entities with the capacity and competence to implement those policies and priorities. The relevant existing international entities include the Global Environment Facility (GEF), the UN Environment Programme (UNEP), and development agencies including the World Bank, the UN Development Programme (UNDP), and the Regional Development Banks.

### The GEF

16. The GEF was designated as the operating entity on an interim basis, until the first meeting of the COP (March 1995). The GEF has been replenished and restructured to meet the requirements of the financial mechanism:

- to provide funds on a grant or concessional basis;
- to have an equitable and balanced representation of all Parties within a transparent system of governance;
- to operate in accordance with the modalities described in Article 11.3, and
- to implement the policies, programme priorities and eligibility criteria decided by the COP.

17. The Instrument for the establishment of the restructured GEF (March 31, 1994) says that the GEF will meet

(para. 2) the agreed incremental costs of measures to achieve agreed global environmental benefits in ... climate change; and (para. 6) the agreed full costs of activities under Article 12.1 of the Convention.

18. The GEF was established to achieve global environmental benefits. In climate change, the main focus of the GEF will be on measures to promote the objective of the Convention (Article 2) to prevent dangerous anthropogenic interference with the climate system. In the context of adaptation,

- (i) adaptation is a national and regional developmental issue, and adaptation measures are not normally 'measures to achieve global environmental benefits in climate change' (although some adaptation measures, such as the protection of coastal zone forests, may incidentally provide global environmental benefits -eg.,

by absorbing CO<sub>2</sub>). However, capacity-building in developing countries can ensure broader participation in the follow-up activities of the Convention, and can help developing countries to fulfil their commitments under the Convention. In addition,

(ii) insofar as adaptation measures are covered by Article 12.1 of the Convention (see para 4 above), the GEF will be able meet the full costs of such measures.

#### The Multilateral and Regional Development Agencies

19. Since adaptation is a national and regional developmental issue, the multilateral and regional development agencies will have a comparative advantage in implementing adaptation measures. They are already engaged in activities related to adaptation, such as coastal zone management, water resources and agriculture, and control and management of land degradation and floods.

20. At INC9, a number of delegations noted some issues relevant to the involvement of the multilateral and regional development agencies in the financial mechanism, including:

(i) can the agencies provide grant or concessional assistance required from the financial mechanism, or can they only lend at non-concessional rates?

(ii) can the agencies meet the requirement that the financial mechanism should have a balanced and equitable representation of all Parties within its system of governance?

(iii) would the agencies be willing and able to reach an agreement with the COP on the modalities required by Article 11.3, including reporting, reconsideration of funding decisions, and determination of the amount of funding necessary and available?

21. These issues may mean that the GEF is the only existing international entity that can meet all the requirements of the financial mechanism at this stage. However, delegations also noted the possibility of informal links with the regional and multilateral development agencies (see paragraph 10 above) to support the objectives of the Convention. Such informal links would not be subject to the requirements of Article 11, paragraphs 1-4.

## VI. ADAPTATION: ELEMENTS FOR A SOLUTION

22. The objective of the Convention, as stated in Article 2, is to prevent dangerous anthropogenic interference with the climate system. If this objective is achieved, it may prevent the need for a major effort on adaptation.

23. The COP will need to take decisions concerning the financial mechanism at its first session, and to review those arrangements within four years. It will be possible for the COP to adjust the arrangements for adaptation in the light of later experience.

24. The decisions of the COP will not affect the financial obligations stated in the Convention, and

**(i) the Annex II Parties should confirm that they will provide finance for adaptation required by Article 4.3 and Article 4.4.**

25. A clear assessment of the extent of climate change, as defined by the Convention, and its likely adverse effects, is not currently available. However, on a precautionary approach it is possible, and consistent with the Convention, to envisage a number of stages in the process of adaptation:

**Stage 1:** studies of the possible impacts of climate change, to identify vulnerable areas and policy options for adaptation, and appropriate capacity-building.

If evidence of climate change and its adverse effects begins to emerge, then further steps may be necessary:

**Stage 2:** (in vulnerable countries or regions identified at Stage 1) measures, including further capacity-building, may be taken to prepare for adaptation; Article 4.1(e) envisages that parties will cooperate in this.

**Stage 3:** measures may be taken to facilitate adequate adaptation, and other adaptation measures may be implemented, as envisaged by Articles 4.1(b) and 4.4.

### Stage 1.

26. The Conference of the Parties may entrust the immediate operations of the financial mechanism - mainly the control of emissions in an effort to prevent climate change - to the GEF. The main focus of the GEF in climate change will be on measures to achieve global environmental benefits (see paragraph 18 above). However, the COP should not exclude adaptation from the financial mechanism at this stage:



**(ii) The COP should entrust to the GEF the task of meeting the agreed full costs of activities required by Article 12. This would include meeting the agreed full costs of relevant adaptation activities undertaken in the context of the formulation of national programmes to implement the Convention; such activities may include studies of the possible impacts of climate change, identification of options for implementing the adaptation provisions (especially the obligations contained in Articles 4.1(b) and 4.1(e)) of the Convention, and relevant capacity-building.**

27. This is consistent with the GEF Instrument, and with the agreement at INC8 that the funding of activities covered by Article 12 will have priority and that, in the initial period, emphasis should be placed on enabling activities including planning, capacity building, training and research. However,

**(iii) The COP should consider whether to develop specific policies, programme priorities and eligibility criteria to be applied to Stage 1 adaptation activities required by Article 12.**

28. Assistance for adaptation should be provided by competent agencies on a continuous basis: starting with impact studies, moving on to preparation for adaptation, and finally implementing adaptation measures. The multilateral and regional development agencies should have the main role in supporting adaptation (see paragraph 19 above), especially during Stage 2 and Stage 3. Therefore,

**(iv) the GEF should use the expertise of appropriate regional and other multilateral development agencies to assist developing countries with the Stage 1 studies of possible impacts and adaptation options, and related capacity-building.**

29. In order to seek and maintain consistency in the area of adaptation between the financial mechanism and the operations of other agencies outside the financial mechanism,

**(v) the COP should establish informal links with regional and other multilateral development agencies mentioned in Article 11.5, including a system for monitoring and reporting on their activities related to climate change (including adaptation).**

30. The COP could designate the GEF as the focal point under the Convention for such informal links with regional and multilateral development agencies, and entrust to the GEF the relevant tasks of coordination, monitoring and reporting of their activities under Article 11.5. Alternatively, SUBIM could be the focal point.

Stage 2 and Stage 3.

31. The COP is required to review the financial mechanism within four years. The review by the COP should take into account the the studies conducted and options for adaptation identified during Stage 1, and any emerging evidence of climate change and its impacts.

32. If it is necessary to move into Stage 2 or Stage 3 of adaptation, the COP will need to decide whether these stages should be handled under the financial mechanism, and therefore the COP should

**(vi) consider, on the basis of advice from SUBIM (and from the Subsidiary Body for Scientific and Technical Advice on the scientific and technical issues raised by adaptation, which IPCC will address) and the information communicated by Parties under Article 12, whether to establish policies, programme priorities and eligibility criteria for Stage 2 and Stage 3 of adaptation.**

**(vii) consider, in consultation with the GEF and with appropriate regional and multilateral development agencies, whether to entrust the operations of the financial mechanism for Stage 2 and Stage 3 of adaptation to one or more existing international entities, in accordance with Article 11 paragraphs 1-4.**

**PAPER NO. 2: GERMANY**  
(On behalf of the European Community and its member States)

**RESEARCH**

**Background**

1. Article 4.1 (g) of the Convention requires Parties to

"Promote and cooperate in scientific, technological, technical, socio-economic and other research, systematic observation and development of data archives related to the climate system and intended to further the understanding and to reduce or eliminate the remaining uncertainties regarding the causes, effects, magnitude and timing of climate change and the economic and social consequences of various response strategies."

By virtue of Article 4.3, this is one of the obligations for which Annex II Parties are to provide financial resources

"...needed by developing country Parties to meet the agreed full incremental costs of implementing measures... and that are agreed between a developing country Party and the [operating entity of the financial mechanism]."

2. In addition, Article 5 requires Parties to

"Support and further develop, as appropriate, international and intergovernmental programmes and networks or organisations aimed at defining, conducting, assessing and financing research, data collection and systematic observation..."

and to support the strengthening of "capacities and capabilities" in this respect, especially in developing countries.

3. Hitherto these provisions have received very little attention in discussions within the INC. The context in which they are most likely to arise is in discussion of financial support under the Convention for developing countries.

### **Questions for consideration**

#### **What priority should be attached to research under the Convention?**

4. Research into the prediction of climate change and its likely impacts is still in its relative infancy. It is nonetheless crucial to the question of how far and how fast countries are prepared to take action under the Convention to deal with man-made climate change. The IPCC is charged with assembling and advising on the best scientific evidence available, but it does not itself undertake research.

5. The implementation of further research is therefore important to the development of the Convention. At present a great deal of relevant research is already being done, both at national level and internationally through a variety of multilateral organisations, including WMO, UNEP, the Intergovernmental Oceanographic Commission and the International Council of Scientific Unions. Among the major collaborative programmes already in operation are the International Geosphere Biosphere Programme, the Global Ocean Observing System, the Global Climate Observing System and the World Ocean Circulation Experiment, and the GEF's START programme, as well as a variety of other multilateral projects on climate observation and prediction.

6. The research that is already under way might be sufficient to satisfy the requirements of the Convention, and of Article 4.1(g) in particular. Whether current research is adequate, or whether there are gaps and shortfalls, is something that the IPCC and/or the Subsidiary Body on Science and Technology (SUBSTA) might be asked to address.

#### **Who should carry it out?**

7. During the negotiation of the Convention the EC took the view that it was important "to minimise duplication of effort in research and systematic observation by utilising, where possible, existing competent international and intergovernmental bodies". Existing international bodies, supplemented as appropriate by ad hoc co-operation between countries, appear to have sufficient capability to undertake the necessary programmes (given sufficient resources).

8. At the same time it is both inherently desirable, and a requirement of the Convention, that developing countries should be enabled to play a greater part in international co-operation on research. At present the great majority of research in this area is carried out in and by developed countries. Increasing the involvement of

developing countries will not only encourage capacity building, it will help to increase their faith in and commitment to the results of that research. Consideration should be given as to the best way of achieving this, possibly building on the GEF's START programme.

*Should support to developing countries come within the financial mechanism?*

9. As with other activities covered by Article 4.1, the Convention allows the COP to decide whether or not to include research under the arrangements for the financial mechanism referred to in Article 11.

10. If it is decided that research should come within the financial mechanism, then the COP would need to develop policies, programme priorities and eligibility criteria for research activities. Where necessary, the COP might develop policies and priorities concerning support for developing country participation in international research programmes, or support for increasing national research capacities in developing countries. The COP would also need to entrust the relevant operations to the GEF or to another operating entity such as WMO, UNEP or UNDP.

11. An alternative approach would be for the COP to decide that support for developing countries in this area could be funded through the "bilateral regional and other multilateral channels" referred to in Article 11.5, as at present. This may accord with the views of developing countries themselves, who might regard research as a relatively low priority for the financial mechanism. It may also help to ensure that research and support for developing countries' research capacity will be scientifically based and independent of political processes.

*What policies, programme priorities and eligibility criteria might be appropriate?*

12. As indicated above, if research projects or programmes were within the financial mechanism, then the COP would need to draw up policies, programme priorities and eligibility criteria. Among the issues that would need to be addressed are:

- how can research activities carried out under the Convention be harmonised with, and avoid duplication of other research programmes?
- which areas of research should be given priority, and can any gaps in existing research activity be identified?
- which areas of research require developing country participation, or would be of most relevance to developing countries?

- to what extent should the COP seek to establish detailed policies or priorities in this area, or to what extent could this be left for assessment on a case-by-case basis?
- should support be restricted to collaborative projects involving more than one country, and should there be criteria concerning capacity building in developing countries?
- how can the COP ensure that research and support for developing countries' research capacity will be scientifically based and independent of political processes?

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