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UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

SUBSIDIARY BODY FOR IMPLEMENTATION

Seventh session

Bonn, 20 - 29 October 1997

Item 4 of the provisional agenda

**FINANCIAL MECHANISM**

**REVIEW PROCESS REFERRED TO IN DECISION 9/CP.1**

**Compilation of submissions by Parties**

**Note by the secretariat**

1. At its first session, the Conference of the Parties (COP) agreed to review the financial mechanism within four years of COP 1, and take appropriate measures, including a determination of the definitive status of the Global Environment Facility (GEF) in the context of the Convention (FCCC/CP/1995/7/Add.1). As requested by decision 11/CP.2, the Subsidiary Body for Implementation (SBI), at its fifth session, began to undertake the review of the financial mechanism and invited Parties to submit views on their experience with the financial mechanism (FCCC/CP/1996/1996/15/Add.1).
2. At its sixth session, the SBI considered a first compilation of views submitted by Parties (FCCC/SBI/1997/MISC.3 and Add.1), a synthesis report prepared by the secretariat (FCCC/1997/SBI/8) as well as the Proposed Chairman's Draft (FCCC/SBI/1997/16, appendix III) for a decision by the COP. It decided to defer further consideration of the review of the financial mechanism to its seventh session, urged all Parties to submit their views on the financial mechanism in accordance with the guidelines for its review no later than 15 September 1997, and requested the secretariat to prepare a miscellaneous compilation of these views for consideration at its seventh session (FCCC/SBI/1997/16, para. 22).
3. Two such submissions\* have been received. In accordance with the procedure for miscellaneous documents, these submissions are attached and reproduced in the languages in which they were received and without formal editing.

FCCC/SBI/1997/MISC.9

GE.97-

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\* In order to make these submissions available on electronic systems, including the World Wide Web, these contributions have been electronically scanned and/or retyped. The secretariat has made every effort to ensure the correct reproduction of the texts as submitted.

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SUBMISSION NO. 1: AUSTRALIA

**AUSTRALIAN COMMENT ON GEF REVIEW**

Australia considers that the GEF has made considerable progress as the entity operating the financial mechanism of the Convention on an interim basis since its replenishment and restructuring in 1994. The governance arrangements for the GEF agreed in 1994 have resulted in the facility operating in an open and transparent manner. These arrangements have introduced equity and balanced representation into all GEF operations. Appropriate modalities for ensuring GEF funded projects conform with COP guidance and for GEF reporting to COP are now in place. The MOU text agreed between the GEF and the Convention, including the MOU's provisions for determining the funding necessary for implementation of the Convention, is particularly important for consolidating the formal relationship between the Convention and the GEF.

Australia considers that the GEF operational strategy and relevant GEF decisions encompass the guidance and priorities identified by COP. The GEF council considers that the strategy must be a dynamic document that is periodically revised to take account of new guidance from the COP.

The acceleration in 1996-97 in the level of programming of GEF climate change projects, including the significant level of leveraged funds associated with these projects, attests to the positive response of the GEF to COP's priorities and guidance. Australia is particularly pleased with the streamlined procedures for project planning, for national communications and for enabling activities which the GEF council has agreed in order to overcome the bottlenecks that previously slowed the development and approval of some GEF activities.

Australia endorses the flexible approach taken by the GEF in respect of incremental costs. However, we would not wish the principle of incremental costs to be dissipated in practice by excessive flexibility in its implementation. Australia is pleased with progress on developing the GEF's monitoring and evaluation framework. It is a good start which needs to be built on and fine-tuned. Full implementation of the monitoring and evaluation system will progressively allow parties to track the effectiveness and sustainability of GEF field operations.

While the GEF's achievements have been significant, still more needs to be done to consolidate and build on the past successes. Australia will continue to work with our partners in COP and in the GEF to achieve these ends. In order to continue to move forward successfully, the GEF needs certainty and stability. Australia considers that this certainty and stability can be achieved by designating the GEF to operate the Convention's financial mechanism on a permanent basis at COP 3.

SUBMISSION NO. 2: REPUBLIC OF UZBEKISTAN

**FINANCIAL MECHANISM**

1.1 In the course of reviewing the financial mechanism following the decision 9CP.1 it is necessary to take into full account 4-year experience of administration realised on the temporary basis by GEF basing on Article 21.3 of Convention. The experience of co-operation with GEF allows to conclude that the policy, program priorities and criteria for COP selection are fully taken into account.

1.2 The activities in the development of measures for rationalisation of the project cycle and project documentation, reduction of period needed for processing of GEF projects being realised through the World Bank will facilitate the increase of general effect of financial mechanism. In further process of financial mechanism improvement it is necessary to define the deadlines for the projects expertise and due payments through UNDP and UNEP offices.

1.3 GEF or any other body which is responsible for the financial mechanism management should promote the effective implementation and timely support of permanent process of preparation and updating of national communications.

1.4 It is expedient to preserve clauses of Article 11 of Convention.

1.5 With the whole experience gained and organisational progress GEF is really ready to be the body of financial mechanism of Convention management.

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