



CONFERENCE OF THE PARTIES
Fourth session
Buenos Aires, 2-13 November 1998
Agenda item 4 (b)

**REVIEW OF THE IMPLEMENTATION OF COMMITMENTS
AND OF OTHER PROVISIONS OF THE CONVENTION**

FINANCIAL MECHANISM

The Subsidiary Body for Implementation (SBI), at its ninth session, decided to forward to the COP Plenary for further consideration the following two draft decisions prepared by the Chairman of the SBI:

1. Additional guidance to the operating entity of the financial mechanism

[The Conference of the Parties,

Recalling its decisions 11/CP.1; 10/CP.2; 11/CP.2; and 12/CP.2,

Recalling further that the Global Environment Facility (GEF), as stated in its Operational Principles for Development and Implementation of its Work Program, will maintain sufficient flexibility to respond to changing circumstances, including evolving guidance of the Conference of the Parties and experience gained from monitoring and evaluation activities,

Welcoming the New Delhi Statement of the First GEF Assembly and the Report of the Second Replenishment of the GEF Trust Fund, completed in March 1998, [and the provision of new and additional funds for addressing climate change],

Noting the continued concerns and difficulties encountered by developing country Parties with the availability and disbursement of financial resources, including for the transfer of technology, over problems arising from the GEF's project cycle, the application of the concept

of incremental costs, and the availability of resources through the GEF's Implementing/Executing Agencies,

Noting also the current and ongoing efforts of the GEF to address these concerns, *inter alia*, by streamlining its project cycle, increasing support for country-level coordination, strengthening its monitoring and evaluation programme, ensuring that its activities are country-driven and consistent with national priorities and objectives, further developing its resource allocation strategy to maximize the effectiveness of its climate change activities and making the process of determining incremental costs more transparent and pragmatic,

Noting further the need to examine and address climate change impacts and minimize the adverse impacts, in particular for the Parties identified in Article 4.8 of the Convention,

1. Decides that in accordance with Articles 4.3 and 11.1 of the Convention, the GEF should provide funding to developing country Parties to:

[(a) Implement adaptation response measures under Article 4.1 of the Convention for adaptation activities envisaged in paragraph 1(d)(ii) of decision 11/CP.1 (Stage II activities) in particularly vulnerable countries and regions identified in Stage I activities, and especially in countries vulnerable to climate-related natural disasters, taking into account their preparatory adaptation planning frameworks in priority sectors, and in the context of their national communications;]

(b) Enable them, in light of their social and economic conditions and taking into account state-of-the-art environmentally sound technologies, to identify and submit to the COP their prioritized technology needs, especially as concerns some key technologies needed in particular sectors of their national economies conducive to addressing climate change and minimize its adverse effects;

(c) Build capacity for participation in systematic observation networks to reduce scientific uncertainties relating to the causes, effects, magnitude and timing of climate change, in accordance with Article 5 of the Convention;

[(d) Meet the agreed full costs of their efforts to maintain and enhance national capacity to prepare national communications and/or to begin preparations of second national communications, provided that initial communications have been completed in accordance with the provisions of decision 10/CP.2, submitted to the COP in accordance with Article 12.1 of the Convention, and be considered in accordance with decision - /CP.4¹, recognizing that second national communications would need to follow any amendments to the guidelines in decision 10/CP.2 that the COP may adopt in this regard;]

¹ Possible decision on consideration of initial national communications

(e) Assist them with studies leading to the preparation of national programmes to address climate change, compatible with national plans for sustainable development, in accordance with Article 4.1(b) of the Convention and paragraph 13 of the annex to decision 10/CP.2;

(f) Assist in developing, strengthening and/or improving national activities for public awareness and education on climate change and response measures, in full accordance with Article 6 of the Convention, decision 11/CP.1, paragraph 1(b) (iii), and taking into account, where appropriate, relevant GEF Operational Programs;

(g) Support capacity-building for:

(i) The assessment of technology needs to fulfil the commitments of developing countries under the Convention, the identification of sources and suppliers of these technologies, and the determination of modalities for the acquisition and absorption thereof;

(ii) Country-driven activities and projects to enable non-Annex I Parties to design, evaluate and manage these projects;

(iii) Strengthening the capacity of non-Annex I Parties to host projects, including from project formulation and development to their implementation;

[(iv) Facilitating national/regional access to the information provided by international centres and networks, and strengthen national/regional capacities to work with those centres for the dissemination of information, information services, and transfer of environmentally-sound technologies and know-how in support of the Convention;]

2. *Requests* the GEF to continue to provide, and developing country Parties to avail themselves of, funding to translate, reproduce, disseminate and make available their initial national communications electronically;

3. *Encourages* the GEF to:

(a) Further streamline its project cycle with a view to making project preparation simpler, less prescriptive, more transparent and country-driven;

(b) Further simplify and expedite its procedures for the approval and implementation of GEF-funded projects, including disbursements for such projects;

(c) Make the process for the determination of incremental costs more transparent, and its application more pragmatic;

4. *Request* that the GEF to ensure that its Implementing/Executing Agencies are made aware of Convention provisions and decisions adopted by the COP in the performance of their GEF obligations and are encouraged, as a first priority, whenever possible, to use national experts/consultants in all aspects of project development and implementation.

5. *Further requests* the GEF to include in its report to the Conference of the Parties the specific steps it has undertaken to implement the provisions of this decision.]

2. Review of the financial mechanism

[The Conference of the Parties,

Recalling its decision 9/CP.1, 11/CP.2, 11/CP.3 and 12/CP.2,

Taking note of the report on the study of the overall performance of the restructured Global Environment Facility (GEF),

- [1. *Decides* that the restructured GEF shall be an entity entrusted with the operation of the financial mechanism referred to in Article 11 of the Convention;]
2. *Decides also*, in accordance with Article 11.4 of the Convention, to review the financial mechanism every four years, on the basis of the indicative list of criteria and guidelines contained in the annex to this decision or as such list may subsequently be amended, and to take appropriate measures.

Annex

GUIDELINES FOR THE REVIEW OF THE FINANCIAL MECHANISM

A. Objectives

1. In accordance with paragraph 4, Article 11 of the Convention, the objectives will be to review the financial mechanism and take appropriate measures regarding:

- (a) Its conformity with the provisions of Article 11 of the Convention;
- (b) Its conformity with the guidance of the COP;
- (c) The effectiveness of the activities it funds in implementing the Convention;
- (d) Its effectiveness in providing financial resources on a grant or concessional basis, including for the transfer of technology, for the implementation of the Convention's objective on the basis of the guidance provided by the COP;
- (e) Its effectiveness in providing resources to developing country Parties under Article 4.3.

B. Methodology

2. The review shall draw upon the following sources of information:

- (a) Information provided by the Parties on their experiences regarding the financial mechanism;
- (b) Annual reviews by the COP on the conformity of the activities of the financial mechanism with the guidance of the COP;
- (c) The GEF annual report to the COP on its activities as the operating entity of the financial mechanism, the annual reports of the GEF and other relevant GEF policy and information documents;
- (d) Reports from the GEF monitoring and evaluation programme;
- (e) Reports from the United Nations Commission on Sustainable Development and relevant bilateral and multilateral funding institutions;
- (f) Relevant information provided by other inter-governmental organizations and non-governmental organizations.

C. Criteria

3. The effectiveness of the financial mechanism will be assessed taking into account the following:
- (a) The transparency of decision-making processes;
 - (b) The adequacy, predictability and timely disbursement of funds for activities in developing country Parties;
 - (c) The responsiveness and efficiency of the GEF project cycle and expedited procedures, including its operational strategy, as they relate to climate change;
 - (d) The amount of resources provided to developing country Parties, including financing for technical assistance and investment projects;
 - (e) The amount of finance leveraged;
 - (f) The sustainability of funded projects.]
