

21 September 1998

ENGLISH ONLY

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

CONFERENCE OF THE PARTIES\*

Fourth session

Buenos Aires, 2-12 November 1998

Item 4 (b) of the provisional agenda

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

**FINANCIAL MECHANISM**

**Comments by Parties on the financial mechanism**

**Note by the secretariat**

1. At its eighth session, the Subsidiary Body for Implementation (SBI) took note of the views expressed by Parties on the review of the financial mechanism and the provision of additional guidance to the Global Environment Facility as contained in documents FCCC/SBI/1998/MISC.4 and Add.1. It invited Parties to submit to the secretariat further views or comments, if any, on these matters by 15 August 1998, and requested the secretariat to compile and make available such views and comments at the ninth session of the SBI.

2. Five such submissions have been received.\*\* In accordance with the procedure for miscellaneous documents, these submissions are attached and reproduced in the language in which they were received and without formal editing.

---

\* Including the ninth session of the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation.

\*\* 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 texts as submitted.

## CONTENTS

| <b>Paper No.</b> |  | <b>Page</b> |
|------------------|--|-------------|
| 1.               | <b>THE VIEWS AND COMMENTS OF GEORGIA ON THE REVIEW OF THE FINANCIAL MECHANISM AND THE PROVISION OF ADDITIONAL GUIDANCE TO THE GLOBAL ENVIRONMENT FACILITY (FCCC/SBI/1998/6, para. 31 (c))</b><br>Georgia | 3           |
| 2.               | <b>COMMENTS OF THE PHILIPPINES ON THE REVIEW OF THE FINANCIAL MECHANISM AS A FOLLOW-UP TO THE SESSIONS OF THE SUBSIDIARY BODIES OF THE FCCC, BONN, 2-12 JUNE 1998</b><br>Philippines                     | 5           |
| 3.               | <b>COMMENTS TO ITEMS 4a) AND 4b) “FINANCIAL MECHANISM: a) REVIEW OF PROCESS, MENTIONED IN THE DECISION 9/CP.1; b) GUIDELINES FOR GEF”</b><br>Republic of Uzbekistan                                      | 7           |
| 4.               | <b>VIEWS ON THE REVIEW OF THE FINANCIAL MECHANISM</b><br>South Africa  | 8           |
| 5.               | <b>FINANCIAL MECHANISM REVIEW PROCESS REFERRED TO IN DECISION 9/CP.1 GUIDANCE TO THE GLOBAL ENVIRONMENT FACILITY</b><br>Switzerland  | 9           |

PAPER NO. 1: GEORGIA

**Views and comments on the review of the financial mechanism and the provision of additional guidance to the Global Environment Facility (FCCC/SBI/1998/6, para. 31 (c))**

In accordance with Article 12, paragraph 5 “Parties that are least developed countries may make their initial communication at their discretion”, but it should not mean that all National Communications from the least developed countries regardless of the level of their preparation, get the identical assessment from the Secretariat of the Convention. We suggest that it will be more fruitful and flexible if the UNFCCC Secretariat gives some merits to the National Communications which reflect all main items of the Guidelines and are implemented on the high level which provides the perfect basis for further development of enabling activities, capacity building and elaboration environmentally friendly projects.

We agree with the position of the GEF that we should make difference between the quality of fulfillment the projects with the equally financial support. Recognizing that due to the objective reasons several non-Annex I Parties are not able to prepare their communications on the appropriate level, we offer to the UNFCCC Secretariat to give recommendations to the GEF to reflect in differentiated financial support the quality of fulfillment of specific national communications and to support in a preferential manner the eligible Parties, national communication of which fully meet the demands of the Convention.

In the developing countries and countries in transition, the preparation of National Communications under the financial support of the GEF creates perfect basis for the fulfillment of commitments to the UNFCCC. In particular, the elaboration of the Climate Action Plan makes important share to the program of sustainable development of national economy.

But if the assistance of the GEF will be suspended at the end of the first National Communication, it will mean the loss of gained achievements. Developing countries need the continuation of systematic GEF assistance to provide the sustainable development to their economies through the implementation of environmentally friendly projects and transfer of ecologically sound technologies from the developed countries. This would be realized by the execution of various specific projects under the support of the GEF and that seems to us the best way for the implementation of the UNFCCC requirements in future.

Recognizing the necessity of feasibility studies and importance of pilot and demonstration projects for investors, bearing in mind that grants are given only for additional (incremental) costs and taking into account all barriers on the way of implementation of clean technologies and in the process of technology transfer, we consider the preparation of National Communications and Feasibility Studies is waste of time, finance and labour without any further progress towards the real fulfillment of the UNFCCC demands.

Hence, we offer the GEF to recommend WB, EBRD and other financial institutions to allocate soft loans to local private sector for the implementation of pilot/demonstration projects basing upon the results of conducted feasibility studies.

PAPER NO. 2: PHILIPPINES

**Comments of the Philippines on the Review of the Financial Mechanism  
as a follow-up to the  
Sessions of the Subsidiary Bodies of the FCCC  
Bonn, 2-12 June 1998**

1. Further elaboration is necessary of elements for the Guidelines for the Review of the Financial Mechanism (contained in Annex II of Doc. FCCC/SBI/1997/6) to take account of further submissions made by countries on the review of the effectiveness of the financial mechanism and recent developments such as the First Global Environment Facility (GEF) Assembly meeting in New Delhi in April 1998, where an evaluation of the GEF activities was discussed. The Philippines finds that the methodology agreed upon for the guidelines for the review of the financial mechanism contained in Annex II of doc. No. FCCC/SBI/1997/6 is insufficient in order to conduct an informed and thorough review on which to base a definitive conclusion.

Moreover, the Convention in its Article 11.4 provides for a regular review of the financial mechanism, and further refinement of the elements for the guidelines for this review would be useful for this purpose.

2. The results of the GEF independent assessment as contained in the document entitled "Study of GEF's Overall Performance", among other things, suggested in para.344, p. 57 that "the GEF Secretariat, the Implementing Agencies, and the Convention Secretariats should undertake a comprehensive review of enabling activities before the end of 1998"...

The Philippines was informed that such a comprehensive review of enabling activities would take place in 1998 for biological diversity and in 1999 for climate change. In order to assist in this review process, therefore additional guidance must be provided to the GEF on the basis of countries' experiences with enabling activities, and that the COP, in particular non-Annex I countries which benefit from these enabling activities, be allowed the opportunity to express their views and recommendations.

3. It was also indicated that the GEF has allocated a substantial sum for workshops for national communications of non-Annex I countries. There is certainly a need for this, due mainly to the experiences of non-Annex I countries so far in the preparation of their initial national communications. These workshops are to be conducted together with, or entirely by the Implementing Agencies, in particular UNDP and UNEP. In the light of Philippine experience, and taken together with other developing countries' experiences as expressed in FCCC meetings, there is certainly a need to inform these Implementing Agencies thoroughly on the principles and objectives of the Convention, the context of the relevant decisions, and the exact role of Implementing Agencies as facilitators within the Convention process.

This too should be subject to additional guidance to the GEF. As the national communications of non-Annex I Parties are now being submitted or finalized, the need for this additional guidance is immediate.

4. The GEF assessment document recommends (para. 334, p. 56) that the GEF should prepare more detailed requests for guidance. The Philippines recommends instead that the COP should further clarify and expand on this guidance, based on the finding that this guidance so far has been “overly broad” in scope. Here again, additional and further guidance would be needed.

PAPER NO. 3: REPUBLIC OF UZBEKISTAN

**Comments**

to items 4a) and 4b) “Financial mechanism:

- a) review of process, mentioned in the decision 9/CP.1;
- b) guidelines for GEF”

The Republic of Uzbekistan supports with satisfaction the proposals of European Council and G-77 and China on the unambiguous support of GEF as a financial mechanism the Convention

The elaboration of additional guiding instructions for GEF within the framework of Convention and Kyoto Protocol must cover both political and programme priorities of its activity and the improvement of operative strategy of GEF. Ranking of the tasks of the Convention by the global character and urgent priorities for a number of developing countries could be a basis for the working out of the further work programs of GEF and guarantee their provision by financial resources.

At present Republic of Uzbekistan considers it possible to concentrate the efforts on solution of complex of the priority tasks with the guaranteed financing listed in the proposals of European Council. We consider that draft decision of EU on the review GEF and additional guiding instructions more consecutively and comprehensively presents the strategic tasks and can be assumed as a basis of the resolution of the forthcoming SBI session.

PAPER NO. 4: SOUTH AFRICA

**VIEWS ON THE REVIEW OF THE FINANCIAL MECHANISM**

A number of problems continue to be experienced with the operation of the Global Environmental Facility from the perspective of developing countries. These include:

- Three different bodies implementing GEF leads to confusion amongst countries;
- Too much money is lost to middlemen and the process is extremely complex;
- Countries cannot write their own proposals and therefore need the assistance of an outsider;
- The GEF believes that the solution to its problems lies with the private sector of the host country. However, such an international organisation could be seen to undermine the sovereignty of the host country, should it address the private sector directly.

In view of the problems being experienced, the establishment of GEF as the permanent financial mechanism is not supported. The GEF's status as **interim** financial mechanism should therefore be extended.

It is proposed that the review report prepared by the secretariat include suggestions as to how to overcome the problems currently being experienced.

In order to make the facility more accessible, the operational focus should be on facilitation rather than prescriptiveness. Greater confidence should be placed in the recipient country's understanding of its own requirements.

Consideration should be given to delegating greater responsibility to national focal points within a specific country. Once a national focal point has endorsed a project proposal, it could be subjected to a regional review panel to expedite the evaluation of projects.

Review panels should present a balance between donor and recipient countries.

Greater private sector involvement in such a mechanism will only be promoted if the bureaucracy is reduced.

Greater attention should be made to building capacity in developing countries to equip them to design, evaluate and manage projects themselves.



PAPER NO. 5: SWITZERLAND

**Subsidiary Body for Implementation (SBI)  
Ninth session, Buenos Aires**

**Financial mechanism**

**I. Review process referred to in decision 9/CP.1**

In response to the call at the eighth session of the Subsidiary Body for Implementation for comments concerning the financial mechanism of the Convention, Switzerland presents the following views.

1. Switzerland is in favor of designating the GEF as the operating entity of the Convention's financial mechanism referred to in Art. 11 of the Convention. The relationship between the GEF and the UNFCCC should cease to be an 'interim arrangement' as described in Art. 21.3. The COP should adopt a decision to this regard and make the status of the GEF as financial mechanism for the UNFCCC subject to review by the COP on a regular basis.

2. On the basis of its considerable experience as interim financial mechanism of both UNFCCC and CBD the GEF is best positioned and best qualified to take on the task of financial mechanism under Art. 11 of the Convention.

3. The independent 1998 'Study of GEF's Overall Performance' concludes that "...GEF has sought and strictly implemented the guidance of the conventions with due regard for GEF's own mandate and funding limitations." (Chapter IV.B., p. 57). In combination with other considerations and findings this provides a basis for adopting the proposed Draft Decision.

4. Switzerland continues to be in favor of integration at the level of operations and advocates therefore a firm mandate for the GEF as financial mechanism for the implementation of the Rio Conventions and associated Protocols.

5. As a consequence of the preceding remarks, Switzerland would like to propose the following draft decision to be adopted by COP 4 :

**Draft Decision for COP 4**

**The Global Environment Facility as Financial Mechanism of the FCCC**

*The Conference of the Parties,*

*Recalling* Articles 11.4 and 21.3 of the UNFCCC, as well as Decisions 9/CP.1, 12/CP.2 and 1/CP.3,

*Having considered* the Report by the Global Environment Facility (GEF) to the Eight Session of the UNFCCC Subsidiary Body for Implementation (FCCC/SBI/1998/Misc.1),

*Having considered* the 1998 independent 'Study of GEF's Overall Performance', in particular Chapter IV.B. (Cooperation Between GEF and the Conventions), and the Statement of the First GEF Assembly in New Delhi,

1. *Decides* that the restructured GEF shall, on a continuous basis, be the international entity entrusted with the operation of the financial mechanism referred to in Article 11 of the Convention;
2. *Decides*, based on Article 11.4 of the Convention, to review the status of the GEF as financial mechanism of the FCCC on a regular basis.

**II. Guidance to the Global Environment Facility**

6. Granting a more secure status to the GEF will consolidate the relationship between the UNFCCC and its financial mechanism. It will also create an institutional basis for the implementation of key provisions of the Kyoto Protocol. Using the GEF - as appropriate and feasible - for the implementation of provisions in the Kyoto Protocol would meet the need for adequacy and predictability in the flow of funds, as expressed in Art. 11 of the Kyoto Protocol, and would be based on appropriate burden-sharing among developed country Parties, as called for in the same Article.

7. Further guidance to the GEF should underline its role as financial mechanism in the context of the Kyoto Protocol and it should be consolidated into a single decision.

- - - - -