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UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

CONFERENCE OF THE PARTIES

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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**

**Comments by Parties on the financial mechanism**

**Note by the secretariat**

1. In addition to the submissions already received and contained in document FCCC/CP/1998/MISC.3, one additional submission has been received.
2. In accordance with the procedure for miscellaneous documents, the attached submission is reproduced in the language in which it was received and without formal editing.\*

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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.

SUBMISSION BY INDONESIA  
(on behalf of the Group of 77 and China)

**Proposal No. 1**

**DRAFT DECISION OF THE GROUP OF 77 AND CHINA ON ADDITIONAL GUIDANCE TO THE FINANCIAL MECHANISM**

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

*Recalling further* that the Global Environment Facility, as stated in its Operational Principles for Development and Implementation of its Work Programme, 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;

*Recognizing* the need to provide clear guidance for the effective implementation of the Convention;

*Expressing* grave concern over the continued difficulties encountered by developing countries in complying fully with their obligations due to constraints in the availability and dispersal process of financial resources on a grant and concessional basis, including for the transfer of technology;

*Expressing further* continued concern over problems arising from the project cycle, the application of the concept of incremental costs, and the availability of resources through the Implementing Agencies;

*Noting* the need to examine and address the impacts of the implementation of response measures, in particular for those countries listed in Article 4.8 of the Convention;

Decides to adopt the following additional guidance to the GEF as an interim operating entity of the financial mechanism. In this regard, the GEF shall provide the necessary financial resources to:

a) proposed projects to implement the adaptation response measures under Article 4.1 of the Convention; and to move to the funding for implementation of such adaptation measures and activities envisaged in Stages II and III as stated in Decision 11/CP.1, paragraph 1 (d) (iv);

b) respond to the need for improving existing, and setting up technology information centres as stated in paragraph 2(b) of Decision 9/CP.3, through the establishment of dedicated, specialised information systems, comprising of enhanced national and regional centres that would, *inter alia*, facilitate national/regional access to the information provided by international centres, and strengthen national/regional capacities to work with these centres for the dissemination of information, information services, and transfer of environmentally-sound technologies and know-how in support of the Convention;

c) in accordance with Article 5 of the Convention, enhance the strengthening of observational networks and research to reduce scientific uncertainties relating to the causes, effects, magnitude, and timing of climate change, including capacity to determine the economic and social consequences of various response strategies;

d) meet the agreed full costs of the preparations of subsequent national communications of non-Annex I countries, taking into account that, as stated in paragraph 1(d) of Decision 11/CP.2, the preparation of national communications is a continuing process, and in accordance with Article 4.3 of the Convention;

e) assist non-annex I Parties in the 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) in implementation of Article 6 of the Convention, and in accordance with Decision 11/CP.1 paragraph 1 (b) (iii) under programme priorities, improve national public awareness and education on climate change and response measures, in cooperation with other relevant UN agencies where necessary;

g) implement the relevant conclusions of the workshops and other meetings for non-annex I Parties, as contained in Section IV of FCCC/SBI/1998/INF.3, for the electronic availability, translation, reproduction and dissemination of initial national communications from non-Annex I Parties;

h) support capacity-building for:

(i) the assessment of technology needs to fulfill 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) client-oriented country-driven activities and projects to enable non-Annex I Parties to design, evaluate and manage these projects; and

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

i) provide also technical support for the formulation of projects directed at minimizing the adverse effects and impacts of climate change, in particular for those countries listed in Article 4.8;

j) promote and finance transfer of technology on a grant and concessional basis, in accordance with Chapter 34 of Agenda 21.

Requests the GEF , for the improvement of its activities and performance, to :

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

(ii) further simplify and expedite procedure for approval and implementation, including disbursement for GEF-funded projects; and

(iii) make the process for the determination of incremental costs more transparent and its application more acceptable;

Requests the GEF to take the necessary steps to ensure that its Implementing Agencies are performing their obligations in accordance with the decisions adopted by the Conference of the Parties, and within the context of the principles of the Convention, following national priorities and objectives, including as a first priority the use of national experts in all aspects of the project development and implementation, whenever possible, and to establish guidelines to determine the different roles and the activities of its three Implementing Agencies;

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.

**Proposal No. 2**

**G-77 AND CHINA DRAFT DECISION ON THE REVIEW OF THE FINANCIAL MECHANISM**

*The Conference of the Parties,*

*Recalling* its decisions 9/CP.1, 11/CP.2 and 11/CP.3,

*Recalling also* the review process undertaken by the Subsidiary Body of Implementation in accordance with Decision 11/CP.2,

*Taking note* of the report on the study of the Global Environment Facility's overall performance,

*Decides* that the restructured GEF shall be an entity entrusted, on an interim basis, with the operation of the financial mechanism referred to in Article 11 of the Convention.

*Decides also*, in accordance with Article 11.4 of the Convention, to regularly review the financial mechanism every two years, on the basis of the criteria and guidelines contained in the Annex to this decision, as well as further guidelines to be developed on actions to improve the effectiveness of the financial mechanism.

## **Annex II**

### **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.

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