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UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

SUBSIDIARY BODY FOR IMPLEMENTATION

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Agenda item 5 (b)

FINANCIAL MECHANISM

FUNDING UNDER THE CONVENTION

Position paper submitted by the Group of 77 and China*

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POSITION OF G-77 & CHINA ON FUNDING UNDER THE CONVENTION

The UNFCCC is based upon few key pillars that include the principle of common but differentiated responsibilities and respective capabilities of the Parties, with developed country Parties taking the lead, as well as access to financial and technological resources for developing country Parties. The explicit requirement in the UNFCCC concerning the developed country Parties to ‘take the lead’ is the very soul of the Convention in attaining the goals of combating climate change and the adverse effects thereof.

The relevant provisions of the UNFCCC, especially Articles 4 and 11, as well as the relevant decisions 11 and 15 of COP 1 and decisions 7 of COP 7 need to be taken into account as regards funding under the Convention.

Furthermore, decision 7 of COP 7 is explicit on the need for “new and additional” financial contributions to the climate change focal area of the GEF, as well as that “predictable and adequate level of funding shall be made available to Parties not included in Annex I”.

It is our view that the time-bound and effective implementation of relevant decisions of the Conference of the Parties on funding including decision 7 of COP 7 is essential to take the Convention process forward by a concrete step on the part of the developed country Parties to take an effective lead in this direction.

We consider that the following steps are essential to realizing the aspirations of the developing country Parties and their confidence in the Convention process:

STEPS

- i) Provide specific guidance to GEF for effective operationalization of the recently established funds and greater effectiveness of the existing funds.
- ii) Ensure automaticity and enhance contributions to the recently established funds to address vulnerability and adaptation.
- iii) Ensure that the project cycle is streamlined, make project identification country-driven, and the procedures simple and transparent.
- iv) Ensure that there is a quantum jump in the GEF trust funds, which have been stagnating at US \$ 2-3 billion per cycle, in respect of the climate change focal area.
- v) Provide guidance to GEF for funding projects involving technologies with large potential for replication in non-Annex I countries, including adaptation technologies.
- vi) Ensure that GEF funding is not tied implicitly or explicitly to particular co-financing sources, including implementing agencies.
- vii) Establish norms for funding adaptation projects as distinct from GHG abatement projects.
- viii) Ensure adequate funding for effective implementation of capacity building needs.

In order to ensure that the Convention process in this respect is expedited and for effective compliance of the above mentioned decisions of the COP, we are of the view that there is need for setting up an ‘Expert Group on Funding’ (EGF) under the Convention. The EGF could be established by virtue of decision of the COP and may comprise 10 members with equal participation of expert nominated by Annex I and non-Annex I countries. These experts, apart from usual conditions related to conflict of interest, should be independent of GEF as well as the implementing agencies. The Terms of Reference of the EFG would relate to the above Steps.

Since the funding under the Convention is a cross-cutting issue, the developing country concerns on other relevant agenda items concerning financial mechanism, must be duly reflected and incorporated in the final decisions of the Conference of the Parties.