



**UNITED
NATIONS**



**Framework Convention
on Climate Change**

Distr.
LIMITED

FCCC/SBI/2009/L.15/Rev.1
10 June 2009

Original: ENGLISH

SUBSIDIARY BODY FOR IMPLEMENTATION

Thirtieth session

Bonn, 1–10 June 2009

Agenda item 5 (a)

Financial issues

Fourth Review of the financial mechanism

Fourth review of the financial mechanism

Revised draft conclusions

1. The Subsidiary Body for Implementation (SBI) decided to continue its consideration of issues under this agenda item at its thirty-first session on the basis of the draft text contained in the annex, with a view to recommending a draft decision for adoption by the Conference of the Parties at its fifteenth session.
2. The SBI invited Parties to make submissions to the secretariat, by 28 September 2009, on the operation of funds under the Global Environment Facility as an operating entity of the financial mechanism, as well as the Special Climate Change Fund and the Least Developed Countries Fund, to inform the fourth review of the financial mechanism, for compilation into a miscellaneous document for consideration by the SBI at its thirty-first session.

Annex

[ENGLISH ONLY]

**Text for a draft decision for consideration by the Subsidiary Body
for Implementation at its thirty-first session**

Draft decision [-/CP.15]

Fourth review of the financial mechanism

[The Conference of the Parties,

Recalling Article 4, paragraphs 3, 4, 5, 8, and 9, of the Convention and taking fully into account Article 11 of the Convention, in particular its sub-paragraph 1,

Recalling also its decisions 11/CP.1, 12/CP.2, 3/CP.4, 6/CP.13, and 3/CP.14,

Pursuant to Article 7.2 (h) of the Convention,

[Noting that multilateral and bilateral agencies have scaled up financial resources related to the implementation of the Convention,]

Noting the Annual Reports of the Global Environment Facility to the COP,

[Noting the Fourth Overall Performance Study of the Global Environment Facility interim report, [and particularly its paragraphs 4, [5] and 6]]

Further taking into account the mid-term review of the Resource Allocation Framework,

[Taking note of the [assessment of the status of the implementation] [review] of the Special Climate Change Fund,]

[Gravely concerned over the huge gaps of financing [needed by developing] [provided by developed] countries, in particular for adaptation, and the amount made available through an operating entity of the financial mechanism of the Convention, the Global Environment Facility,]

[Conscious of the need to scale up the level of [public] [and private] financing for the implementation of the climate change convention [based on past and present experience as well as on relevant literature on future financial and investment needs],]

[Recognizing] *[Seriously aware]* that most of the financing for activities under the Convention are done through financial institutions outside of the framework of the financial mechanism of the Convention,

[Taking into account the continued difficulties faced by developing countries with the financing through the Global Environment Facility, in particular due to the requirement for co-financing, the application of the concept of incremental costs, and the Resource Allocation Framework,]

Noting [with serious concern the continued problems faced by developing countries due to] [concerns from a number of Parties regarding] the functioning of the Implementing Agencies of the Global Environment Facility,

[*Noting* the need to increase [the amount of resources for] capacity building [, [and] institutional strengthening [[and] [to enhance] enabling environments[for catalyzing investment in, and the transfer of, sustainable technologies that mitigate greenhouse gas emissions, and for enhancing resilience to climate change]] in developing countries,]

1. [*Takes note* of the OPS4 interim report findings that:

- i) GEF support continues to be in line with guidance from the Convention
- ii) GEF support has been crucial in enabling countries to integrate climate change into their national development agenda
- iii) GEF support has helped developing countries to introduce policies to address climate change and reduce and avoid GHG emissions
- iv) GEF's move towards country level programming has increased country ownership to some extent, but the current resource allocation modalities need improvement
- v) there is scope to further simplify and streamline the procedures, particularly the project identification phase and improve timeliness throughout the project cycle;
- vi) GEF needs a knowledge management strategy to improve learning and sharing best practice;
- vii) GEF has played an important role in scaling up resources to address climate change,]

2. [*Further decides* to assess the adequacy and predictability of financing channelled through the Global Environment Facility as an operating entity of the financial mechanism of the Convention for the implementation of commitments under Article 4, paragraph 3 of the Convention,]

3. [*Requests* the Global Environment Facility to ensure a successful fifth Replenishment in order to assist that adequate and predictable funding is available,] [Calls upon developed country Parties and invites other Parties that make financial contributions to the Global Environment Facility to secure a successful fifth replenishment of the Global Environment Facility,] [Calls upon donors to the Global Environment Facility to ensure a successful fifth replenishment in order to assist in providing adequate and predictable funding,]

4. *Requests* the Global Environment Facility, as an operating entity of the financial mechanism, to ensure active participation of recipient partners in the replenishment process,

5. [*Request* the Global Environmental Facility to align its fifth replenishment cycle, as well as its climate change operational program with the investment and financial needs identified by Parties and by authorized studies and reports,]

6. [*Further requests* information from the GEF on the changes in the project management cycle, the number of projects funded, and the number of projects which were rejected, as well as the modalities by which a particular funding decision may be reconsidered, in the light of the guidance of the Conference of the Parties, in accordance with Article 11, paragraph 3 (b) of the Convention,]

7. [*Also requests* the Global Environment Facility to provide additional information to the Conference of the Parties on the reforms planned or being undertaken, in particular as concerns allocation of resources,]

8. *[Requests* the GEF Secretariat to present an option paper with recommendations to the GEF Council at its next meeting on reconsidering the requirement for co-financing, in particular for adaptation projects, to developing countries particularly in small island developing states (SIDS) and the least developed countries (LDCs) amongst them,]

9. *[Invites* bilateral, regional and other multilateral agencies to continue scaling up financial related to the implementation of the Convention,]

10. *[Calls upon* the Implementing Agencies of the GEF to comply with their role as implementing agencies, and to comply with the guidance provided by the Conference of the Parties on policies, programme priorities and eligibility criteria for funding,]

11. *[Decides* that the GEF has provided and should continue to provide support to developing countries in:

- i) supporting developing countries to meet their commitments under the Convention
- ii) strengthening national capacity building, including the development of policies and environmental legislation and regulatory frameworks
- iii) the application and diffusion, including transfer, of technologies, practices and processes for mitigation that control, reduce or prevent anthropogenic emissions
- iv) ensuring that its activities in all focal areas take into account low carbon development and adaptation needs
- v) developing synergies between the MEAs addressing the interaction between the components of the climate system,]

12. *[Decides* also that the GEF should continue to provide support for the implementation of adaptation activities, including the implementation of National Adaptation Plans of Action, through the LDCF and SCCF,]

13. *[Requests* the GEF to continue improvements in its modalities to improve the responsiveness, effectiveness and efficiency of its support, including:

- i) enhancing modalities which reinforce country ownership and improve the allocation of resources
- ii) further simplifying and improving its procedures, particularly in respect of activity identification, preparation and approval
- iii) ensuring that access to resources is expeditious and timely
- iv) enabling a programmatic approach, where appropriate
- v) ensuring consistency and complementarity with other financing activities
- vi) promoting private sector financing and investment for climate change activities
- vii) reinforcing its knowledge management approach to share best practice,]

14. *[Invites* the Global Environmental Facility to look into options for enhancing consistency and improving the complementarity with others sources and means of financing for climate change, as indicated in Article 11, paragraph 5 of the Convention,]

15. *[Decides* [to examine all options available, in particular through processes under the Convention] [to take into consideration the ongoing discussions on financing in the framework of the AWG-LCA] , to scale up the funding available for the implementation of obligations under Articles 4.3, 4.4 and 4.5 of the Convention,]

16. *[Decides* to provide further guidance on possible additional functions and modalities for the GEF, within its mandate, as defined through the AWG/LCA,]

17. *[Requests the GEF, in its regular report to the Conference of the Parties, to include information on the steps it has taken to implement the guidance provided in paragraphs 3, 4, 5, 6 and 7 above.]*
