

Decision 3/CP.4

Review of the financial mechanism

The Conference of the Parties,

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

Taking note of the study of the overall performance of the restructured Global Environment Facility,¹

1. *Decides* that the restructured Global Environment Facility shall be an entity entrusted with the operation of the financial mechanism referred to in Article 11 of the United Nations Framework Convention on Climate Change;

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 guidelines as contained in the annex to this decision or as they may subsequently be amended, and to take appropriate measures.

*8th plenary meeting
14 November 1998*

¹ Gareth Porter, Raymond Cléménçon, Waafas Ofofu-Amaah and Michael Philips, *Study of GEF's Overall Performance*, Global Environment Facility, March 1998.

Annex

GUIDELINES FOR THE REVIEW OF THE FINANCIAL MECHANISM

A. Objectives

In accordance with Article 11.4 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 Conference of the Parties (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 of the Convention.

B. Methodology

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 annual report of the Global Environment Facility (GEF) 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 intergovernmental and non-governmental organizations.

C. Criteria

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.