



## Background paper on the provision of draft guidance to the operating entities of the financial mechanism

### I. Background

1. The COP, in decision 9/CP.18, requested the SCF to provide to the COP at each of its sessions, beginning in 2013, draft guidance to the GEF, based on the annual report of the GEF to the COP and the views submitted by Parties. Additionally, in decision 6/CP.18, Parties decided to provide initial guidance to the GCF at COP 19. The COP requested the GEF and the GCF to make their annual reports to the COP available as early as possible, and no later than 14 and 12 weeks prior to a session of the COP respectively. COP 18 invited Parties to submit to the secretariat annually, and no later than 10 weeks prior to the subsequent session of the COP, their views and recommendations in writing on the elements to be taken into account in developing guidance to the operating entities of the financial mechanism of the Convention.

2. The SCF may wish to consider recommending to the COP draft guidance to the GEF, as well as of the initial guidance to be provided to the GCF at COP 19 based on inputs provided by SCF members with regards to the draft guidance to the operating entities, as contained in SCF/2013/5/8 and reports of the operating entities.

### II. Process of provision of guidance to the GEF

#### 1. Process of provision of guidance to the GEF

3. COP 1 provided the initial guidance to the GEF relating to policies, programme priorities and eligibility criteria as provided for in Article 11 of the Convention.<sup>1</sup> in, The Memorandum of Understanding (MoU) between the COP and the Council of the GEF as contained in decision 12/CP.2 includes provisions relating to the determination and communication of guidance from the COP, conformity with COP guidance and report from the GEF to the COP.

4. With regard to provision of guidance to the GEF, the MoU stipulates that:

- The COP decides on policies, programme priorities and eligibility criteria related to the Convention for the financial mechanism which shall function under the guidance of and be accountable to the COP;
- The COP will, after each of its sessions, communicate to the Council of the GEF any policy guidance approved by the COP concerning the financial mechanism;
- The GEF should include, in its annual reports, specific information on how it has applied the guidance and decisions of the COP in its work related to the Convention;
- The Council of the GEF may seek guidance from the COP on any matter it considers relevant to the operation of the financial mechanism of the Convention.

5. In accordance with these provisions, the COP has been providing the guidance to the GEF at each session based on the annual reports prepared by the GEF containing information on how it responds to the guidance from the COP and on information and views from Parties on their experiences with the GEF which they submit and/or articulate at the SBI plenary and contact group discussions. Following each COP, the secretariat communicates to the GEF secretariat a compilation of COP decisions as well as the conclusions and recommendations by SBI and SBSTA that are relevant to the GEF.

6. Based on the communication above, the GEF provides its response at its next annual report to the COP on how the guidance was addressed. The information provided by the GEF and analysed by respective thematic bodies under the Convention such as, for example, the Least Developed Countries Expert Group (LEG), Consultative Group of Experts on non-Annex I national communications and Technology Executive Committee, serves as basis when making recommendations to the COP on additional guidance to the GEF.

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<sup>1</sup> Decision 11/CP.1.



### III. Draft guidance to the GEF

#### 1. Past guidance

##### (a) Elements of past guidance

7. An overview of elements addressed in past guidance to the GEF is provided in annex I to this document. The SCF may find this a useful reference in identifying which areas and issues have been covered by past guidance. In general, COP guidance distinguishes between guidance to the GEF as the operating entity of the financial mechanism, and the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF). The reports of the GEF to the COP contain separate sections on the LDCF and the SCCF.

##### (b) Conformity with past guidance

8. As annex I shows, most of the COP guidance to the GEF relates to the implementation of its decisions. A detailed comparison between COP guidance and the GEF's response is contained in the following document prepared by the GEF: "United Nations Framework Convention on Climate Change: Conference of the Parties Guidance and GEF Responses 1995 – 2011".<sup>2</sup> Since this document only covers information up until 2011, the SCF may find the 2012 and 2013 reports of the GEF useful reference of the GEF's responses to the guidance provided at COPs 17 and 18.

##### (c) Lessons learned from past guidance to the GEF

9. In light of the sixth replenishment of the GEF, the GEF Evaluation Office has conducted several studies at the strategic as well as the portfolio level on the responsiveness of the GEF to the guidance provided by the respective Conventions including UNFCCC.

10. The Fourth Overall Performance Study (OPS4) highlighted a number of findings on the general nature of Convention guidance that make the operationalization of guidance by the GEF challenging. Features of Convention guidance highlighted by OPS4 include:

- The accumulative nature of guidance deriving from the fact that new guidance seldom replaces older guidance, creating a steadily increasing set of requirements and requests for the GEF to be responded to;
- The repetitiveness of some Convention guidance, which is issued unchanged or with very minor changes in several decisions from one COP to the other, adding to the accumulation of irrelevant or obsolete items of guidance;
- The ambiguity of guidance formulation deriving from the nature of many COP decisions as a negotiated political compromise that deliberately leaves room for interpretation, which in turn complicates operationalization by the GEF;
- The lack of prioritization of requests to the GEF, which makes a strategic approach to the GEF response to COP guidance difficult.

11. The OPS5 review of Convention guidance finds that these characteristics continue to apply in many cases and that the way in which guidance is formulated has not fundamentally changed. On the other hand, Conventions have put in place several processes to streamline guidance to the GEF, consolidate obsolete and repetitive guidance, and to provide additional prioritization of requests to the GEF.

12. As far as the UNFCCC goes, it issues a large amount of guidance to the GEF<sup>3</sup> reflecting in parts the general characteristics of Convention guidance: accumulative, repetitive and ambiguous. With regards to the GEF Focal Area on climate change mitigation, COP guidance focuses on issues relating to GEF support for national obligations under the Convention as well as on capacity development and knowledge creation. Additionally, the UNFCCC guidance mainly addresses activities tackled through the modality of Enabling Activities such as National Reporting and Technology Needs Assessments, and hardly addresses other areas of GEF programming. The few items of guidance relating to GEF programming are only formulated as suggestions for consideration.

<sup>2</sup> Available at: <http://www.thegef.org/gef/pubs/united-nations-framework-convention-climate-change-conference-parties-guidance-and-gef-response>.

<sup>3</sup> See also annex I for an overview of past elements and the amount of guidance provided to the GEF.



13. In developing new draft guidance to be provided by COP 19, the SCF may wish to take into account the elements referred to above.

## 2. Draft guidance for COP 19

### (a) Outline of the GEF report

14. This year's report of the GEF<sup>4</sup> covers a wide range of issues. Part I of the report includes detailed information on the GEF's response to COP 18 guidance and SBI 37 conclusions, in particular on GEF reports to the COP, mitigation, adaptation, technology transfer, national communications, capacity-building, and support on Article 6 of the Convention. Part II of the report refers to GEF achievements in areas such as mitigation, adaptation, technology transfer, enabling activities and capacity building, as well as results-based management.

15. Furthermore, the report encompasses information on GEF initiatives undertaken during the reporting period, including: information on the sixth replenishment negotiations; GEF 2020, which is a process to develop a long-term strategy for the GEF; synergies across GEF focal areas and trust funds; as well as private sector engagement. The report also contains detailed information on the operations of the LDCF and SCCF.

### (b) Summary of OPS5 documents

16. In light of the sixth replenishment of the GEF, various documents have been produced by the GEF Evaluation Office under the umbrella of OPS5. The SCF may find the key messages of some of those documents useful inputs for their deliberations on the provision of draft guidance to the operating entities.<sup>5</sup> A summary of the documents available in advance of the fifth meeting of the SCF is contained in annex II to this document.

### (c) Process of and prospects for GEF 6

17. Resources for the GEF Trust Fund are replenished every four years when countries that wish to contribute to the GEF Trust Fund, the so-called "replenishment participants", pledge resources through a process called the "GEF Replenishment".

18. During the negotiating sessions which constitute the replenishment process, replenishment participants discuss and come to agreement on a set of policy reforms to be undertaken, a document to guide the programming of resources (the programming document), and a level of resources that the GEF will aim to provide to recipient countries during the replenishment period. As part of the replenishment process, replenishment participants review "Overall Performance Studies" (OPS) of the GEF, which are independent evaluations of the operations of the GEF during the previous replenishment period.

19. The first meeting of the negotiations for GEF-6 took place in Paris on 3–4 April 2013 and gathered a variety of participants, including representatives of donor countries, non-donor recipient countries and civil society. Identifying the unique value proposition of GEF as a champion of global commons in the evolving context was discussed in depth. Comments were provided on the focal area strategy proposals prepared by the GEF Secretariat. A fruitful exchange of views set the stage for revising and strengthening the documents in preparation for the next meeting to be held in September. Participants emphasized the GEF network and partnership as the key strength towards meeting the challenges of the future.

20. Towards finalizing the GEF-6, the future replenishment meetings are scheduled as follows: a second meeting will be held September 10–12; a third meeting December 10–12 2013; and a fourth meeting in February 2014.

### (d) Potential elements for draft guidance to the GEF

21. As the above shows, the GEF has developed various activities in response to the past guidance provided by the COP. On the other hand, there seems to be emerging elements such as GEF-6 and GEF 2020 on which the COP may consider to provide guidance on.

22. The SCF may want to consider the potential elements to be taken into account by the GEF in enhancing its projects and initiatives, bearing in mind the outcomes of existing evaluations such as OPS5. It may also want

<sup>4</sup> The official UNFCCC document is yet to be issued.

<sup>5</sup> All documents are to be found here: <http://www.thegef.org/gef/OPS5>.



to take into account issues with reference to the work of the GEF raised by relevant institutions such as the LEG, the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention (CGE), the Adaptation Committee and the Technology Executive Committee (TEC).

23. Other elements that could potentially be included in draft guidance to the GEF includes potentially: a) recommendations to the GEF on how it responds to COP guidance in order to improve conformity with COP guidance; b) a call on the thematic bodies under the Convention to analyse the reports by the GEF in order to assist the COP in providing targeted thematic guidance to the GEF; c) to include further guidance on overall guiding principles such as gender-sensitive approaches, etc.

## IV. Draft initial guidance to the GCF

### (a) Background

24. The COP established the GCF by its decision 1/CP.16, para. 102. In decision 3/CP.17, Parties decided to designate the GCF as an operating entity of the financial mechanism of the Convention, in accordance with Article 11 of the Convention, with arrangements to be concluded between the COP and the Fund at COP 18 to ensure that it is accountable to and functions under the guidance of the COP to support projects, programmes, policies and other activities in developing country Parties.

25. At COP 18, Parties decided to provide initial guidance to the GCF at COP 19. Furthermore, in decision 7/CP.18, the SCF and the GCF Board were requested to develop the arrangements between the COP and the GCF in accordance with the governing instrument of the GCF and Article 11, para. 3, for agreement by the Board and subsequent agreement by COP 19.

26. In this regard, the SCF may wish to recommend draft initial guidance to the GCF for consideration at COP19.

### (b) Elements of initial guidance on policies, programme priorities and eligibility criteria to the operating entity or entities of the financial mechanism

27. For this exercise, the SCF may find it useful to take into consideration the initial guidance on policies, programme priorities and eligibility criteria to the operating entity or entities of the financial mechanism, as provided in decision 11/CP.1. Elements of this decision are contained in annex III to this document.

### (c) Elements contained in decision 3/CP.17

28. Decision 3/CP.17, including the governing instrument therein contained, already encompasses many elements that guides both, the setting up, as well as the operation of the GCF and its Board. Areas, that those elements address, include: *objectives and guiding principles; operational modalities*, such as complementary and coherence, eligibility, funding windows and fund structure, access modalities and accreditation, allocation, programming and approval processes, and financial instruments; *financial instruments; monitoring; evaluation; fiduciary standards; environmental and social safeguards*; etc.

**Annex I: Overview of elements contained in past guidance to the GEF<sup>6</sup>**

Theme/COP	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	TOTAL
<b>I. GENERAL</b>																			
General	1	3		1								1							6
LDCF general						1	1												2
SCCF general						2	1												3
AF general							1												1
Funding principles (general)	7	3					3	1					1			2			17
CCA funding principles	1			1															2
LDCF – Funding principles								4	1		7								12
SCCF – Funding principles									2			1							3
Eligibility Criteria	1																		1
<b>II. PROGRAMMING</b>																			
Funding priorities (general)	1													1		1	1		4
Research and systematic observation				1			7		1	1									10
Education, training and public awareness				1			5	2	1	3		1	2			2		1	18
National communications		3		2	2		1	1	1	2	1	2	5	4		4			28
National communications follow-up							1				1		1	2		1			6
National programs & planning	3			1			2									1	1	1	9
Capacity Development	1	1		1			3	1	1	6		3		1			1		19
Technology transfer and TNAs				1			1	1				3	5	3					14
Response measure impacts										2									2
Carbon Capture and Storage											1								1
LULUCF												1							1
Energy efficiency												1							1
Biennial update report																	3	2	5
Technology Mechanism																	2		2
Green Climate Fund																	1		1
CCA funding priorities (general)	1					2						1				1			5
CCA preparation activities (stage II)							3												3
CCA disaster preparedness							3												3
LDCF – Funding priorities (general)						1	2				1				1				5

<sup>6</sup> This table is based on a table contained in OPS5 Technical Document #4: Relevance of the GEF to the Conventions, p. 9-11.



Theme/COP	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	TOTAL
LDCF - National Adaptation Programs of Action (NAPAs)								3	1				2		2			1	9
LDCF - LDC work program													1					3	4
LDCF - National Adaptation Plans (NAPs)																	3	1	4
SCCF – Funding priorities (general)					1	2													3
SCCF - Adaptation overall (SCCF-A)									2										2
SCCF - Health							1		1										2
SCCF - Disaster management							2		2										4
SCCF - Technology transfer (SCCF-B)									2										2
SCCF - National Adaptation Plans (NAPs)																		2	2
SCCF - Sectors (SCCF-C)												5							5
SCCF - Sectors (SCCF-C)												5							5

**III. POLICIES AND PROCEDURES**

Reporting & provision of additional information	1	4		1			3	4	1	4	2	3	3			2	2	5	38
LDCF reporting								1	1	1			1			1		1	6
SCCF reporting									1			1							2
Resource mobilization										1		1	1	1					5
SCCF Resource mobilization									1			1							3
LDCF Resource mobilization														1				3	4
Resource allocation												1		1		1			3
Resource approval and disbursement		1		3			5	2				1				4			17
SCCF Resource approval and disbursement									1										1
LDCF Resource approval and disbursement														1					1
LDCF access																		2	2
Implementation of COP guidance								1				1				1		3	6
Incremental costs	1							1					1						3
Geographical consideration												2		1					3
Knowledge management													1			1			2
Dialogue with COP secretariat		1																	1
Dialogue with GEF agencies				1			2						1	3				1	8
Dialogue with countries													1	1					2



## Annex II - Summary of OPS5 documents

### 1. First report: Cumulative evidence on the challenging pathways to impact 2013:

OPS5 reporting will consist of this first report which was also provided to the first replenishment meeting in April 2013, and a final report to the third replenishment meeting. Key conclusions of this first document include: 1) global environmental trends continue to spiral downward; 2) global environmental problems continue to be underfunded; 3) compared to the international benchmark norm of 75%, more than 80% of GEF projects completed during GEF-4 and GEF-5 achieved outcome ratings of moderately satisfactory or higher; 4) more than 70% of completed projects show positive environmental impacts, mostly at the local scale; 5) the approaches supported by the GEF have resulted in the reduction of environmental stress at the local scale; GEF support is also contributing to legal, regulatory and institutional changes at higher scales, but improvements in environmental status at these scales requires a much broader adoption of the promoted approaches and technologies; 6) the overall level of GEF responsiveness to Convention guidance is high at both, the strategic and portfolio levels; 7) GEF support at the country level is well aligned with national priorities, shows progress toward impact at the local level, and enables countries to meet their obligations to the Conventions; 8) GEF support to countries rates well on indicators for meeting the Paris Declaration and outperforms bilateral and multilateral donors on alignment with national priorities; 9) evidence from several evaluation streams points to the emergence of multifocal area projects and programs as a strong new modality of the GEF; this poses challenges for the formulation of strategies for GEF-6; and 10) impact and country-level evidence show that there is scope for improving progress toward impact by incorporating broader adoption strategies in project and program design.

Recommendation of this document is that the GEF secretariat should be requested to develop strategies for GEF-6 that would strengthen efforts toward broader adoption and would focus on more programmatic multifocal area approaches, within the guidance of the Conventions.

### 2. OPS5 Technical Document #1: The GEF Portfolio:

This document contains information on the utilization of trust funds administered by the GEF, the number of projects by focal area, GEF funding by focal area, as well as by modality, and the GEF funding share by agency and by region. It comes to the conclusion that, inter alia: the share of multi-focal area in GEF funding has been increasingly steady; full size projects continue to be the main modality of the GEF and continue to account for an overwhelming majority of GEF funding, albeit the GEF council's decision in 2012 to increase the funding limits for medium-sized projects to USD 2 million; there was an increase to 25 % in the share of agencies, such as ADB, IADB, etc., with the share of the World Bank stabilizing on GEF-4 levels, and a marginal decline of UNDP's and UNEP's share; and that the share of Asia continued to grow, similar to Latin America and Inter-regional/Global projects, whereas the share of Africa decreased.

### 3. OPS5 Technical Document #2: Impact of the GEF:

This document looks into progress made towards: impact at project completion, looking into impacts, broader adoptions, and contributions; the GEF's catalytic role and its implications for impact; project-level progress towards impact over the long-term; and system-scale impacts over the long-term, in all areas giving detailed information on both, the approach taken in order to assess those impacts, as well as results from the assessment undertaken.

### 4. OPS5 Technical Document #3: Implementation of GEF Focal Area Strategies and Trends in focal Area Achievements:

This technical paper includes an analysis of the GEF Portfolio during GEF-5 (of projects post Project Identification Form (PIF) approval), as well as information on GEF agencies perspectives on GEF-5 strategy implementation, implementation of GEF-5 and LDCF/SCCF strategies at project level, as well as a GEF strategy mapping. More refined information on some of those issues, especially the latter, will be further refined in the final report of OPS5.

### 5. OPS5 Technical Document #4: Relevance of the GEF to the Conventions:

This document looks into the relevance of the GEF to the various Conventions, including the UNFCCC.



Overall, as outlined above, it comes to the conclusion that guidance provided by the Conventions is accumulative in nature, repetitive, ambiguous, and lacks prioritization. Nonetheless, the technical document indicates that efforts have been made to tackle the aforementioned issues.

According to the document, guidance provided can be categorized as follows: a) guidance on overarching principles, strategic directions, and eligibility criteria; b) guidance on GEF processes, including resource mobilization, allocation and project cycle procedures; and c) guidance on priorities for GEF programming and activities to be supported, including both, guidance on support for countries to fulfil their obligations under the Conventions, as well as guidance on activities operationalized under GEF Focal Area objectives and financed through full-size projects and medium-size projects. In terms of UNFCCC guidance, the document notes that there has been a slight downward trend in the amount of guidance provided.

With regards to GEF compliance with guidance, the document comes to the conclusion that GEF-5 Strategies closely reflect Convention guidance with few exceptions and are shaped by requests received from the Conventions. At the same time, it identifies issues that might aggravate operationalization and realization of guidance received: limited flexibility between GEF replenishment periods, one example for this refers to the GEF guidance on the biennial update reports; Convention requests outside the existing GEF mandate; limited country demand or donor support, referring, e.g. to the lack and selectiveness of donor support to the SCCF; and funding modalities for Enabling Activities, as resources in this context are usually provided by cooperating with a GEF Agency, which poses a problem as the amount of funding for these activities is often too small to be effectively managed through a GEF Agency, or by direct access by the country, which represent a long, complicated and challenging procedure many recipient countries are not equipped for or willing to undergo, or by umbrella projects set up by GEF Agencies that bundle recipient requests for resources (an evaluation of Enabling Activities is on-going).

The document also highlights areas where GEF policies address Convention guidance with overarching significance that were not directly addressed at the GEF. In the case of UNFCCC, two examples are given in this respect, the decisions on gender, and the COP 16 decision on “safeguarding environmental integrity”.

According to this document, in response to outcomes of OPS4, there have been improvements in the reporting to the Conventions, including the expansion of information on co-financing data, as well as on assessments of project implementation, including also lessons that can be drawn from early project monitoring and other implementation projects.

6. *OPS5 Technical Document #5: Trends in Country-Level Achievements:*

Overall conclusion of this document is that GEF support at the country level: is well-aligned with national priorities; shows progress to impact at the local level; and enables countries to meet their obligations to the Conventions. Furthermore, it states that results of GEF support are positive at local level, but are not yet scaled up; institutional strengthening/building has been an area of success; country level evidence strongly conforms GEF relevance to national needs; GEF support through Enabling Activities is unique in helping countries addressing environmental concerns, especially for LDCs and SIDS; multi-focal area projects emerge increasingly as a clear trend in the GEF; the GEF is moving in the direction of strengthening national monitoring and evaluation capacity; and that land degradation is a strong national concern.

7. *OPS5 Technical Document #6: Meta-Evaluation on Country Ownership and Drivenness:*

This meta-evaluation comes to the following conclusions: 1) there is no official definition of or indicators for country drivenness and/or ownership, no framework is in place for country ownership contribution to results; 2) country drivenness is mainly associated with alignment with national priorities, coordination with policies and strategies, and development financing, and stakeholder involvement in project design and implementation; there is some overlap with Paris Declaration principles, particularly for alignment, but not for managing for results and mutual accountability; furthermore, the terms used by the GEF are not fully aligned with the internationally accepted terms used in the Paris Declaration; 3) country ownership/drivenness does not appear to be closely related to co-financing; 4) GEF activities are strongly aligned with national priorities in the majority of countries; 5) the GEF has contributed to the development of country operational strategies in the environment sectors; 6) strong country capacities for environmental management and monitoring engender ownership of GEF activities, albeit the analysis showing mixed results in this regard; 7) coordination of GEF assistance within countries is improving; however, challenges remain and are related to weaknesses in operational focal point positions, frequent changes in staff, which disrupts continuity and capacity, and conflicts between Ministries; 8) evidence





for the use of or avoidance of parallel structures (of project implementation units and project management units) is inconclusive; and 9) evidence that the RAF / STAR have improved predictability of GEF funding to countries is inconclusive.

The document calls for a more detailed desk review of terminal evaluations and terminal evaluation reviews to assess the following issues: the prevalence of use of parallel structures (PIU / PMUs) and situations in which they are helpful for implementation; the use of local procurement and country systems; and the involvement of civil society and the private sector.

8. *OPS5 Technical Document #7: Performance of the GEF:*

The following are the key findings of this document: utilization of programmable resources up to the mid-point of GEF-5 is close to the expected targets and is in line with expected materialization of donor commitments; outcome achievements of more than 80% of the completed projects were rated in the satisfactory range, GEF projects are on track to achieve the expected outcome achievement targets of their respective GEF-replenishment periods; for the completed projects of OPS-5 cohort that have been rated on quality of implementation and of execution, quality was rated in the satisfactory range for 83 and 84%, respectively; the level of materialized co-financing vis-à-vis expected co-financing reported for the OPS-5 cohort of completed projects is higher than that for the earlier cohorts; the level of compliance with the GEF requirements for monitoring and evaluation arrangements in projects at the point of endorsement has improved compared to earlier periods; the quality of impact measurement arrangements was assessed to be in the satisfactory range for 69% of proposals for full size projects; compared to earlier periods, during GEF-5 the agency fees provided by the GEF for implementation of its project portfolio have reduced; there are early indications that, compared to GEF-4, the time lag between PIF approval and CEO endorsement of full size projects has reduced significantly for the GEF-5 period (due to the relatively small number of observations so far on the GEF-5 period, this needs to be further verified).



### Annex III – Elements contained in decision 11/CP.1

*Activities undertaken under Article 11 of the Convention:* this includes e.g., that all funding decisions are to take into account Article 4.1, 4.7, 4.8, 4.9 and 4.10 of the Convention, as well as specific needs and special situations of LDCs, with funds allocated to their projects/programmes to be on a grant basis; additionally, projects funded should be country-driven and in conformity with, and supportive of, the national development priorities of each country; ensure that, with reference to activities involving transfer of technology, such technology is environmentally sound and adapted to suit local conditions; additionally, activities are to supportive of the national development priorities which contribute to a comprehensive national response to climate change, consistent with and supportive of the relevant provisions of internationally agreed programmes of action for sustainable development in line with the Rio Declaration and Agenda 21 and UNCED-related agreements, sustainable and lead to wider application, as well as cost-effective; the operating entities of the financial mechanism should strive to leverage other funds in support of the activities of developing country Parties to address climate change; and, last but not least, in mobilizing funds, the operating entities should provide all relevant information to developed country Parties and other Parties included in Annex II to the Convention, to assist them to take into full account the need for adequacy and predictability in the flow of funds, and should take full account of the arrangements agreed with the COP, which, inter alia, shall include determination in a predictable and identifiable manner of the amount of funding necessary and available for the implementation of the Convention, as provided for in Article 11.3(d) of the Convention;

*Programme priorities:* priority should be given to the funding of agreed full costs (or agreed full incremental costs, as appropriate) incurred by developing country Parties in complying with their obligations under Article 12.1 and other relevant commitments under the Convention; in the initial period, emphasis should be placed on enabling activities undertaken by developing country Parties, such as planning and endogenous capacity-building, including institutional strengthening, training, research and education, that will facilitate implementation, in accordance with the Convention, of effective response measures; activities aimed at strengthening research and technological capabilities for the implementation of the Convention in developing country Parties should be supported through international and intergovernmental efforts, including networking and the training of experts and, as appropriate, institutional development; additionally, emphasis should also be placed on improving national public awareness and education on climate change and response measures; furthermore, the operating entities should finance the formulation by developing country Parties of nationally determined programmes to address climate change issues which are in accordance with national development priorities, for which it should finance capacity-building and all other activities related to the formulation, management and regular updating of these programmes, which should, as far as possible, be comprehensive; the operating entities should also, in accordance with the policies, programme priorities and eligibility criteria as established by the COP, be available to assist, if so requested, in the implementation of the national programmes adopted by developing country Parties, by supporting agreed activities to mitigate climate change, as referred to in the Convention, in particular in Article 4.1, consistent with Article 4.3.

*Eligibility criteria:* only developing countries that are Parties to the Convention would be eligible to receive funding, in accordance with Article 4.3; activities related to obligations under Article 12.1 to communicate information for which the "agreed full costs" are to be met are eligible for funding, as well as measures covered by Article 4.1 in accordance with Article 4.3, with those measures to be agreed between the developing country Party and the international entities referred to in Article 11.1, in accordance with Article 4.3; in addition, such measures would be eligible for financial support under Article 11.5; regarding adaptation, the decision states that this will require short, medium and long term strategies which should be cost effective, take into account important socio-economic implications, and should be implemented on a stage-by-stage basis in developing countries, with the decision outlining the various stages in the short-, medium-, and long-term, as well as the funding that would be provided throughout those stages, making also use of the reviews of the financial mechanism in this regard; in relation to agreed full incremental costs, the decision highlights that various issues of incremental costs are complex and difficult and further discussion on the subject are therefore needed; furthermore, it states that the application of the concept of agreed full incremental costs should be flexible, pragmatic and on a case-by-case basis, with guidelines in this regard to be developed by the COP at a later stage on the basis of experience.