

**AD HOC WORKING GROUP ON LONG-TERM COOPERATIVE ACTION
UNDER THE CONVENTION**

Twelfth session

Tianjin, 4-9 October 2010

**Drafting group on enhanced action on finance,
technology and capacity-building**

08/10/2010 @ 21:00

Establishment of a new fund and a new body

Note by the co-facilitator¹

Elements for a draft decision

**Establishment of a new fund and a new body with reference to paragraphs 8,9,
10,11,12, and 14 of UNFCCC/AWGLCA/2010/14, Chapter III**

1. Key points/Principles
 - (a) new and additional, adequate, predictable and sustainable financial resources
 - (b) be under the guidance of and accountable to the COP
 - (c) efficient and effective operation
 - (d) direct access where fiduciary standards of the implementing/executing entities are guaranteed
 - (e) balanced allocation between mitigation and adaptation with priority for countries most vulnerable to the adverse impacts of climate change and unable to bear the costs
2. Option 1a: To/shall be establish (ed) the XX fund as an operating entity of the Convention
Option 1b: To/shall be establish (ed) the XX fund under the Convention with its Board as its operating entity of the Convention
Option 2: Will/To establish a new fund as an operating entity of the financial mechanism to support projects, programmes, policies and other activities related to mitigation, REDD+, adaptation, capacity building and technology development and transfer in developing country Parties using thematic funding windows in accordance with Article 4 of the Convention.
3. The modalities of the fund/the fund shall be established through the following process:
Option 1: The Standing Committee on Finance/ An Ad Hoc Committee of XX members with the necessary experience and skills with balanced and equitable representation selected by the COP shall recommend the operating modalities of the fund and the process for Board selection at COP 17.
Option 2: Party X/and Party Y will convene a series of meetings open to all Parties, led by finance ministries, to prepare a governing instrument and other documents needed to establish the fund and a process for Board selection/ to elect the Board, and to negotiate a memorandum of understanding with the COP
4. The design process shall make recommends relating to, *inter alia*:
 - (a) Rules of procedure
 - (b) Criteria for funding projects, programmes, policies and other activities

¹ This note draws on proposals submitted by Parties that are contained in document FCCC/AWGLCA/Misc.6/Add.1.

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- (c) Strategic priorities, policies and guidelines
 - (d) Balanced allocation of resources across all thematic areas
 - (e) Cooperation between the fund and thematic bodies
 - (f) Recipient country involvement to ensure country driven priorities
 - (g) Criteria for membership of the Board

5. The Option 1 group/ Option 2 Party X/and Party Y shall draw upon additional expertise when needed, including from financial institutions, *inter alia* the MDBs, the private sector and civil society, and will make use of experiences of other global funds.

6. The new fund will be governed by a Board comprising XX members and an equal number of alternates with relevant expertise reflecting balanced and equitable representation of all Parties/equal representation of net contributors and net recipients.

7. The operations of the fund shall be supported by a dedicated/contracted secretariat. The XX is invited to be the interim secretariat.

8. The fund shall have a trustee complying with criteria for sound financial management and internationally accepted fiduciary standards. The World Bank is invited to serve as the trustee of the fund, subject to periodic review/The trustee will be selected through an open competitive bidding process.

9. The Option 1 group/Option 2 Party X/Party Y shall regularly report on its progress to SBI 34 and present its final recommendations/draft MOU to the COP at its 17th session.

10. Option 1: A Standing Committee on Finance/ new body comprising XX members is established under the guidance of and accountable to the COP to assist it in exercising its functions with respect to the financial mechanism of the Convention. The Standing Committee on Finance/ new body shall:

Option 2: Existing institutions /bodies of the Convention shall be strengthened to perform, *inter alia*, the following functions:

List of functions from paragraph 14 of Chapter III of FCCC/AWGLCA/2010/14, plus paragraph 5 of the G77 and China submission dated October 7, 2010 entitled “Elements of a Draft Decision on the New Fund/Financial Mechanism.”

11. The establishment of the Fund and the Standing Committee shall be incorporated in a legally binding outcome in the future.