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**FINANCIAL MATTERS RELATING TO PARTIES NOT INCLUDED IN
ANNEX I TO THE CONVENTION**

FINANCIAL MECHANISM: THE SPECIAL CLIMATE CHANGE FUND

**Summary of views from Parties on activities, programmes and measures of
the Special Climate Change Fund**

Note by the secretariat

Summary

The Conference of the Parties, at its eighth session, invited Parties to submit views on a further definition of the prioritized activities, programmes and measures to be funded by the Special Climate Change Fund in the four areas enumerated in paragraph 2 of decision 7/CP.7, that are complementary to those funded by the resources allocated to the climate change focal area of the Global Environment Facility and bilateral and multilateral funding. It further requested the Expert Group on Technology Transfer and the Least Developed Countries Expert Group (LEG) to submit views, relevant to their mandates, on the activities, programmes and measures referred to in paragraph 2 of decision 7/CP.7. This note summarizes the views submitted by Parties under the following headings: operational guidance; activities, programmes and measures – adaptation; transfer of technologies; energy, transport, industry, agriculture, forestry and waste management; activities to assist developing country Parties in diversifying their economies; and requests for further work by the UNFCCC secretariat. It also summarizes the views submitted by the LEG.

I. INTRODUCTION

A. Mandate

1. The Conference of the Parties (COP), by its decision 7/CP.8, requested Parties to submit views on a further definition of the prioritized activities, programmes and measures to be funded by the Special Climate Change Fund (SCCF) in four areas enumerated in paragraph 2 of decision 7/CP.7 that are complementary to those funded by the resources allocated to the climate change focal area of the Global Environment Facility (GEF) and bilateral and multilateral funding. The areas are: (a) adaptation, in accordance with paragraph 8 of decision 5/CP.7; (b) transfer of technologies, in accordance with decision 4/CP.7; (c) energy, transport, industry, agriculture, forestry and waste management; and (d) activities to assist developing country Parties referred to under Article 4, paragraph 8 (h), in diversifying their economies, in accordance with decision 5/CP.7. By the same decision, the COP requested the Expert Group on Technology Transfer (EGTT) and the Least Developed Countries Expert Group (LEG), to submit to the secretariat, as soon as possible, views, relevant to their mandates, on activities, programmes and measures referred to in paragraph 2 of decision 7/CP.7.

2. By the same decision, the COP also requested the secretariat to prepare, for the consideration of the Subsidiary Body for Implementation (SBI), at its eighteenth session, a report summarizing and analysing the views contained in the above submissions.

B. Scope of the note

3. This document provides a summary and analysis of the views submitted by Canada, Colombia, Ecuador, Greece (on behalf of the European Community and its member States, and of Bulgaria, Cyprus, Czech Republic, Latvia, Poland, Slovakia and Slovenia (hereinafter referred to as the European Community and seven acceding States)), Japan, Samoa (on behalf of the Alliance of Small Island States (AOSIS)), Saudi Arabia, Uruguay, and Uzbekistan. These submissions are contained in document FCCC/SBI/2003/MISC.1. A total of 67 Parties expressed their views in these submissions. The secretariat also received a submission from the Least Developed Countries Expert Group; this is contained in document FCCC/SBI/2003/INF.12.

C. Possible action by the Subsidiary Body for Implementation

4. The SBI may wish to deliberate on the information contained in this document with a view to recommending a draft decision on the Special Climate Change Fund for adoption by the COP, at its ninth session, in order to enable the GEF to administer the fund to support the implementation of the UNFCCC. The SBI may also wish to consider inviting Parties to provide further views on the subject matter. These views may address, inter alia, the issue of policies, programme priorities and eligibility criteria¹ related to the SCCF.

II. SUMMARY OF VIEWS OF PARTIES

A. General

5. The submissions from the 67 Parties indicated that the operation of the SCCF is important in supporting implementation of activities, programmes and measures that are not currently funded by resources from existing funds (e.g. GEF Trust Fund). Parties suggested a variety of priorities for the types of activities, programmes and measures that could be funded by the SCCF; most Parties emphasized adaptation activities, programmes and measures, whereas others emphasized that the

¹ Eligibility criteria shall apply to countries and to funded activities.

activities, programmes and measures for funding should also include transfer of technology, poverty reduction and sustainable development strategies. The European Community and seven acceding States noted with satisfaction the practical arrangements established by the GEF Council for the operation of the Fund.

B. Operational guidance

6. Parties stated that activities, programmes and measures to be funded should be country-driven, cost-effective, and integrated into national sustainable development strategies, and should be complementary to activities funded by the GEF and other existing funds. One Party proposed that any guidance to the GEF should consider the international community's commitments to poverty reduction, sustainable development objectives and good governance, making particular reference to the Millennium Declaration, the Monterrey Consensus and the World Summit on Sustainable Development (WSSD) Implementation Plan, as useful frameworks for consideration when defining the scope of activities to be funded from the SCCF.

7. The European Community and seven acceding States identified the SCCF as a funding opportunity for non-Annex I Parties which are not eligible for funding to address their adaptation needs through existing funds, such as the Least Developed Countries (LDC) Fund. AOSIS is of the view that activities set forth in decision 5/CP.7 should receive support through both the SCCF and the Adaptation Fund. The European Community and seven acceding States and AOSIS further emphasized the need to take into consideration guidance provided to the GEF on the other Funds, such as the GEF Trust Fund, the LDC Fund and the Kyoto Protocol Adaptation Fund, in developing further guidance for the operation of the SCCF. Two Parties suggested that guidance to the GEF should take account of experience gained from the operation of the LDC Fund.

8. One Party suggested that the prioritizing of activities, programmes and measures for funding in each of the four areas listed in paragraph 1 above should be based on a yet to be determined formula (e.g. by percentage allocations), with more emphasis on adaptation. Another Party proposed that resources should be allocated equally for each of the four areas, and further suggested that a list of one or two concrete activities, programmes and measures should be identified for each of the areas.

C. Activities, programmes and measures – adaptation

9. Of the total of 67 Parties who submitted their views, 62 Parties prioritized adaptation activities, programmes and measures. One Party further stated that priority should be given to those activities, programmes and measures, such as conservation projects in fragile ecosystems and research and development activities in agriculture, that are not being funded by the existing funds established under the Convention.

10. AOSIS suggested that in prioritizing adaptation activities, those activities should be included that would assess and reduce vulnerabilities, which would also build on the work already done on adaptation including through national adaptation programmes of action (NAPAs) and relevant GEF activities. AOSIS also suggested that all Parties should cooperate in preparing for adaptation to the impacts of climate change, and made a particular reference to the activities outlined in the WSSD chapter on sustainable development of small island developing States, indicating that such activities could be addressed through the SCCF. With respect to the needs identified in national communications, NAPAs and other relevant reports, AOSIS further suggested that funds should be made available for activities that assess local needs and concerns arising from adverse effects of climate change, identify priorities for adaptation that support and strengthen sustainable development programmes, institutions and networks for enhancing adaptive skills and knowledge, and support mechanisms for leveraging additional funds for long-term investment in, and mainstreaming of, adaptation.

11. The European Community and seven acceding States proposed that priority within the Fund should be given to adaptation, in accordance with paragraph 8 of decision 5/CP.7, and to transfer of technologies, in accordance with decision 4/CP.7. They also emphasized the staged approach for adaptation to ensure that it followed an assessment and evaluation process. They noted that Stage I adaptation activities and analyses of vulnerability were under way in many countries; many of these were not yet complete, and therefore a focus should be on further planning of adaptation and capacity-building activities, and funding of activities, programmes and measures should be based on results of national communications and NAPAs, as appropriate.

D. Transfer of technologies

12. Parties stated that funding for transfer of technologies should focus on country-driven assessment and capacity-building activities. In determining the priority of work in technology transfer, one Party is of the view that forthcoming reports, such as the GEF report on lessons learned in this area, UNFCCC secretariat technical papers, and advice from the EGTT and LEG, should be taken into account. One Party supported the need to implement paragraph 26 of decision 5/CP.7 on funding relating to technology transfer.

13. Another Party stated that activities relating to Article 4.5, of the Convention, which focused on technology information systems and assessment of technology needed, did little for the actual development of environmentally sound technologies (ESTs). What was useful was information on activities aimed at removing existing barriers to technology transfer such as high-priced technology and institutional weaknesses which impeded technology change, and on country-driven activities, including demonstrative projects on available emission reduction technology options. Such projects would help identify the cost and feasibility of implementation along with qualification and training requirements for operation.

14. One Party submitted a comprehensive list of capacity-building needs in the development and transfer of technology that included the evaluation of specific needs relating to ESTs and know-how for mitigation and adaptation to climate change; enhancing awareness of public and private institutions; identification of barriers at each stage of technology transfer; and transmitting results of needs assessments for consideration by the Subsidiary Body for Scientific and Technological Advice. Other suggested activities relating to development actions and adoption of measures to enhance the implementation of Article 4.5 of the Convention included the development of a portfolio of EST projects that could facilitate the transfer of technologies and know-how; the integration of technology transfer objectives into national policies; and improvement of knowledge about energy efficiency and utilization of renewable energy technologies (RETs). With respect to RETs, one Party suggested the need to focus on actions that, for cost-effectiveness reasons, were not currently attractive under the Convention or Kyoto Protocol mechanisms.

E. Energy, transport, industry, agriculture, forestry and waste management

15. Mitigation was referred to in submissions representing 44 Parties, including AOSIS. One Party noted that mitigation in the relevant sectors such as energy, transport, industry, agriculture, forestry and waste management was critical to poverty reduction, and that the ancillary benefits of mitigation (e.g. improved health due to better air quality from reduced air pollution) could produce considerable benefits at the local level. Another Party emphasized the need to prioritize mitigation activities that are not currently covered by the Convention or Kyoto Protocol mechanisms, such as the use of photovoltaic technology and energy solutions for off-grid rural areas.

16. AOSIS specifically indicated energy-related mitigation options as a priority, together with associated technology transfer and capacity-building needs. It suggested that the SCCF should assist in

funding the assessment of local energy needs and the identification of renewable energy options, making particular reference to the relevant provisions of the WSSD Implementation Plan.

F. Activities to assist developing country Parties in diversifying their economies

17. Two Parties addressed the area of diversifying economies. One Party proposed that in addition to activities identified in decision 5/CP.7, the SCCF should focus on actions to promote a “green fossil fuel market” and support activities aimed at furthering investigations on non-biological sequestration methods. It added that although much more needed to be done regarding the impacts of the implementation of response measures, more could be achieved for economic diversification through favourable bilateral commercial conditions and multilateral trade agreements. Another Party endorsed the implementation of the provisions relating to diversifying economies mentioned in decision 5/CP.7.

G. Requests for further work by the UNFCCC secretariat

18. One Party specifically requested the secretariat to prepare a document on past guidance to the GEF which would enable Parties to identify the areas that are not currently covered by the GEF climate change focal area for funding under the SCCF, in order to help ensure complementarity. Another Party proposed that a special group of experts be set up at the secretariat to develop a programme of activities, monitor the implementation of projects and ensure effective functioning of the SCCF.

III. SUMMARY OF VIEWS FROM THE LEAST DEVELOPED COUNTRIES EXPERT GROUP

19. The LEG noted that NAPAs represent a rigorous, country-driven and participatory process that answers the call for prompt funding action where sufficient information is available. The LEG considered that information contained in NAPAs could provide a sufficient basis to launch SCCF funding for adaptation activities. The LEG is of the view that it could continue to provide guidance to ensure that adaptation activities identified in NAPAs could represent a good starting point for early funding from the SCCF.

IV. ANALYSIS

20. Based on the views of 67 Parties and the LEG as contained in the submissions, the following conclusions can be drawn:

(a) The SCCF should fund activities, programmes and measures identified in national communications, in NAPAs or through the National Capacity Self-Assessment (NCSA) for Global Environmental Management, as well as technology needs assessments that are cost-effective, country-driven, and integrated with national development programmes, and which also contribute to poverty reduction and the achievement of sustainable development;

(b) There is a preference for the SCCF to address adaptation issues more than mitigation activities because the four existing operational programmes of the GEF all address mitigation issues. The SCCF should be used in a catalytic role to leverage other resources to promote the mainstreaming of adaptation to climate change and mitigation of the causes of climate change;

(c) To ensure complementarities, the SCCF should not be used to fund activities which are currently eligible for support within the four GEF Operational Programmes in the Climate Change focal area;²

² These programmes cover: (i) removal of barriers to energy efficiency and energy conservation; (ii) promoting the adoption of renewable energy by removing barriers and reducing implementation costs; (iii) reducing the long-term costs of low greenhouse gas emitting energy technologies; and (iv) promoting environmentally sustainable transport.

(d) Activities and programmes proposed for funding should include adaptation activities in accordance with decisions 5/CP.7, paragraph 7 (b), and technology transfer activities in accordance with decision 4/CP.7.

(e) Because paragraph 3 of decision 4/CP.7 requests the GEF to support the efforts of the Parties in implementing the programmes and measures identified in the framework annexed to decision 4/CP.7 through its climate change focal area and the Special Climate Change Fund, there is lack of clarity in the guidance to the GEF as to which activities are to be supported from the SCCF and which are to be funded from its Trust Fund. This lack of clarity does not help in ensuring complementarity of funding. The issue of ensuring complementarity could in part be approached by balancing the level of resource allocation among the four areas mentioned in paragraph 2 of decision 7/CP.7 and by identifying for funding one or two specific activities for each area, which are also complementary to the existing GEF-funded activities.
