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SUBSIDIARY BODY FOR IMPLEMENTATION
Twenty-seventh session
Bali, 3–11 December 2007

Agenda item 5 (a)
Financial mechanism of the Convention
Fourth review of the financial mechanism

Fourth review of the financial mechanism

Draft conclusions proposed by the Chair

Addendum

Recommendation of the Subsidiary Body for Implementation

The Subsidiary Body for Implementation, at its twenty-seventh session, decided to recommend the following draft decision for adoption by the Conference of the Parties at its thirteenth session.

Draft decision -/CP.13

Fourth review of the financial mechanism

The Conference of the Parties,

Recalling decisions 3/CP.4 and 2/CP.12,

Noting the technical paper on the review of the experience of international funds, multilateral financial institutions and other sources of funding relevant to the current and future investment and financial needs of developing countries,¹

¹ FCCC/TP/2007/4.

Noting further the report on the assessment of the funding necessary to assist developing countries, in accordance with the guidance provided by the Conference of the Parties, in meeting their commitments under the Convention over the next Global Environment Facility replenishment cycle, taking into account paragraph 1 (a)–(d) of the annex to the memorandum of understanding between the Conference of the Parties and the Global Environment Facility Council (decision 12/CP.3),²

Noting the report on analysis of existing and potential investment and financial flows relevant to the development of an effective and appropriate international response to climate change,³

Keeping in mind the report on the dialogue on long-term cooperative action to address climate change by enhancing implementation of the Convention, note by the co-facilitators,⁴

Noting the reform agenda of the Global Environment Facility initiated by the recommendations for the fourth replenishment period,

1. *Decides* to adopt the additional guidelines for the review of the financial mechanism, as contained in the annex;

2. *Invites* Parties to submit to the secretariat, by 21 March 2008, for consideration by the Subsidiary Body for Implementation at its twenty-eighth session, their views on the following:

- (a) The technical paper on the review of the experience of international funds, multilateral financial institutions and other sources of funding relevant to the current and future investment and financial needs of developing countries;⁵
- (b) The report prepared by the secretariat, in collaboration with the Global Environment Facility secretariat, on the assessment of the funding necessary to assist developing countries, in accordance with the guidance provided by the Conference of the Parties, in meeting their commitments under the Convention over the next Global Environment Facility replenishment cycle, taking into account paragraph 1 (a)–(d) of the annex to the memorandum of understanding between the Conference of the Parties and the Global Environment Facility Council (decision 12/CP.3);⁶
- (c) The report on the analysis of existing and potential investment and financial flows relevant to the development of an effective and appropriate international response to climate change;⁷
- (d) Options for scaling up the international financial response to climate change, based on national experiences and on available relevant documents;

3. *Requests* the secretariat to compile the views submitted by Parties referred to in paragraph 2 above and prepare a synthesis report for consideration by the Subsidiary Body for Implementation at its twenty-eighth session;

² FCCC/SBI/2007/21.

³ Available at:

<http://unfccc.int/files/cooperation_and_support/financial_mechanism/financial_mechanism_gef/application/pdf/dialogue_working_paper_8.pdf>.

⁴ FCCC/CP/2007/4, paragraphs 49–55.

⁵ FCCC/TP/2007/4.

⁶ FCCC/SBI/2007/21.

⁷ Dialogue working paper 8. 2007. Dialogue on long-term cooperative action to address climate change by enhancing implementation of the Convention, fourth workshop. Available at:

<http://unfccc.int/files/cooperation_and_support/financial_mechanism/financial_mechanism_gef/application/pdf/dialogue_working_paper_8.pdf>.

4. *Requests* the Subsidiary Body for Implementation to consider the submissions by Parties referred to in paragraph 2 above and recommend a draft decision for adoption by the Conference of the Parties at its fourteenth session on the assessment of the funding necessary to assist developing countries, in accordance with the guidance provided by the Conference of the Parties, in fulfilling their commitments under the Convention over the next Global Environment Facility replenishment cycle, taking into account paragraph 1 (a)–(d) of the annex to the memorandum of understanding between the Conference of the Parties and the Global Environment Facility Council (decision 12/CP.3), for consideration by the Global Environment Facility in its negotiations of the fifth replenishment of the Global Environment Facility;

5. *Requests* the Subsidiary Body for Implementation to continue consideration of the fourth review of the financial mechanism, on the basis of the guidelines contained in the annex and in the annex to decision 3/CP.4, with a view to recommending, in accordance with decision 2/CP.12, a draft decision on the review for adoption by the Conference of the Parties no later than at its fifteenth session.

ANNEX

Additional guidelines for the review of the financial mechanism

A. Objectives

1. In accordance with Article 11 of the Convention, an additional objective of the review is to examine how to facilitate consistency in financing activities and how to improve the complementarity of the financial mechanism with other sources of investment and financial flows, including:
 - (a) Examining relevant sources and means of financing, as indicated in Article 11, paragraph 5 of the Convention, that would assist developing countries to contribute to the achievement of the objective of the Convention, in particular innovative means of financing, such as for the development of endogenous technologies in developing countries;
 - (b) Examining the role of the financial mechanism in scaling up the level of resources;
 - (c) Assessing enabling environments for catalysing investment in, and the transfer of, sustainable technologies that mitigate greenhouse gas emissions, and for enhancing resilience to climate change.

B. Methodology

2. The review shall draw upon the following additional sources of information:
 - (a) Technical papers and reports prepared by the secretariat upon the request of the Conference of the Parties, which are relevant to the financial needs of developing countries under the Convention;
 - (b) Information contained in the national communications of Parties to the Convention, technology needs assessments and national adaptation programmes of action;
 - (c) All relevant information provided by other intergovernmental and non-governmental organizations, including in particular the Assessment Reports of the Intergovernmental Panel on Climate Change, as well as information on enabling environments for catalysing investment in, and the transfer of, sustainable technologies that mitigate greenhouse gas emissions and for enhancing resilience to climate change;
 - (d) Relevant information available on private-sector financing and investment for climate change activities.
