



**UNITED
NATIONS**



**Framework Convention
on Climate Change**

Distr.
LIMITED

FCCC/SBI/2006/L.4
23 May 2006

Original: ENGLISH

SUBSIDIARY BODY FOR IMPLEMENTATION

**Twenty-fourth session
Bonn, 18–26 May 2006**

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

Third review of the financial mechanism

Draft conclusions proposed by the Chair

1. The Subsidiary Body for Implementation (SBI) took note of the submissions from Parties (FCCC/SBI/2006/MISC.9), submissions from intergovernmental organizations (FCCC/SBI/2006/MISC.3) and a synthesis report on the financial mechanism of the Convention prepared by the secretariat (FCCC/SBI/2006/7).
2. The SBI made progress in its consideration of the third review of the financial mechanism and prepared a draft text, based on a compilation of views expressed and text submitted by Parties at SBI 24 (see annex).
3. The SBI agreed to continue deliberating on this matter at its twenty-fifth session (November 2006), on the basis of the text referred to above, with a view to finalizing its recommendation on the third review of the financial mechanism for consideration by the Conference of the Parties at its twelfth session (November 2006).

Annex

Review of the financial mechanism

[The Conference of the Parties,

Recalling Article 4, paragraph 3, and Article 11, paragraph 4, of the Convention,

Recalling also its decisions 11/CP.2, 12/CP.2, 13/CP.2, 11/CP.3, 12/CP.3, 3/CP.4, 5/CP.8 and 9/CP.10,

Noting the report prepared by the secretariat on the experience of international funds and multilateral financial institutions relevant to the investment needs of developing countries in meeting their commitments under the Convention (FCCC/SBI/2005/INF.7), including on financial flows from private sector sources,

Noting also the synthesis report on the financial mechanism prepared by the secretariat (FCCC/SBI/2006/7), the report of the Global Environment Facility to the Conference of the Parties at its eleventh session, and the Third Overall Performance Study of the Global Environment Facility,

Noting the report on the assessment of funding necessary to assist developing countries in fulfilling their commitments under the Convention prepared in the context of the memorandum of understanding between the Conference of the Parties and the Council of the Global Environment Facility, including on other sources of funding available, inter alia, through bilateral and other multilateral channels and private capital flows, prepared by the secretariat (FCCC/SBI/2004/18, chapter V),

Welcoming the outcomes of the Third Global Environment Facility Assembly and associated meetings held in Cape Town, South Africa, from 27 August to 1 September 2006,

Noting with appreciation the conclusion of the fourth replenishment of the Global Environment Facility,

Noting that adaptation is a key concern for Parties to the Convention,

Bearing in mind that, in the light of common but differentiated responsibilities, adaptation is the main concern of developing countries under the Convention,

Being concerned that, so far, the largest share of the climate change resources of the Global Environment Facility has been assigned to long-term mitigation projects,

Being concerned that, so far, the largest share of the climate change resources of the Global Environment Facility has been assigned to long-term mitigation projects, in accordance with the Convention and guidance by the Conference of the Parties,

Noting the report of the Global Environment Facility to the Conference of the Parties at its twelfth session, including the response of the Global Environment Facility to the requests contained in decision 5/CP.11, paragraph 1, on additional guidance to an operating entity of the financial mechanism,

Noting further that the Global Environment Facility has effectively performed its role as an entity operating the financial mechanism of the Convention,

1. *Requests* the Global Environment Facility:
 - (a) To provide, in accordance with Article 11, paragraph 3 (b), of the Convention, information on the modalities for the reconsideration of projects, on the number of projects that were not approved and the reasons for their non-approval;
 - (b) To take into account the results of the high-level political discussions on the opportunities and challenges of the Global Environment Facility in its role as an operating entity of the financial mechanism of the Convention that took place at the Third Global Environment Facility Assembly and associated meetings held in Cape Town, South Africa, from 27 August to 1 September 2006;
 - (c) To allocate a larger share of funding resources to adaptation activities in accordance with the guidance provided by the Conference of the Parties;
 - (d) To strengthen work on awareness-raising on Global Environment Facility programmes and procedures in order to assist developing countries to access Global Environment Facility funds;
2. *Further requests* the Global Environment Facility to recognize and respond to the challenges faced by the small island developing States and the least developed countries in accessing Global Environment Facility funding highlighted in the Third Overall Performance Study of the Global Environment Facility (pages 126–131);
3. *Requests* the Global Environment Facility to report to the Conference of the Parties at its thirteenth session (December 2007) on:
 - (a) Its response to the recommendations of the Third Overall Performance Study of the Global Environment Facility;
 - (b) How it has taken into consideration the recommendations of the third review of the financial mechanism;
 - (c) Its response to the findings of the report on project cycle management by the Global Environment Facility Evaluation Office;
 - (d) Efforts to catalyse private sector investments that address climate change;
4. *Invites* the Global Environment Facility:
 - (a) To review the overall strategic coherence of, and revise, as necessary, its climate focal area operational programmes;
 - (b) To review and improve the quantitative and qualitative indicators for its performance in the climate focal area;
 - (c) To clarify the interface between Global Environment Facility activities and carbon financing, as part of the development of its strategy for engaging the private sector;
5. *Decides*, in undertaking the review of the financial mechanism:
 - (a) To determine how the Global Environment Facility effectively responds to adaptation needs of developing countries;
 - (b) To examine how the Global Environment Facility implements the annex to the memorandum of understanding between the Conference of the Parties and the Council of

the Global Environment Facility relating to the determination of funding necessary and available for the implementation of the Convention (decision 12/CP.3);

- (c) To include in the review of the financial mechanism a review of all implementing agencies and executing agencies involved in the climate change focal area of the Global Environment Facility, such review to cover improvement and simplification of procedures, as well as administrative and other charges imposed by these agencies;
- (d) To examine the role of private sector investments in the transfer of technology and other activities that support the implementation of the Convention;

6. *Urges* Parties that are donors to the Global Environment Facility to contribute to the Global Environment Facility in order to achieve a timely and substantial fourth replenishment, with a view to ensuring adequate and predictable resources necessary for advancing the implementation of the Convention;

7. *Requests* the Subsidiary Body for Implementation to initiate the fourth review of the financial mechanism at its twenty-xxx session in accordance with the criteria contained in the guidelines annexed to decision 3/CP.4, or as they may be subsequently amended, and to take appropriate measures and report on the outcome to the Conference of the Parties at its xxx session.]
