

Submission by the Philippines, Malaysia, Thailand, Saudi Arabia, India, China, Sri Lanka, Egypt, Sudan, Iraq, Iran, El Salvador, Nicaragua, Democratic Republic of Congo, Ecuador, the Maldives, and Venezuela.

DRAFT DECISION ON ARRANGEMENTS BETWEEN THE CONFERENCE OF THE PARTIES AND THE GREEN CLIMATE FUND

The Conference of the Parties

Recalling its decision 1/CP.16, paragraph 102, establishing the Green Climate Fund,

Further recalling its decision 3/CP.17, paragraph 3, designating the Green Climate Fund as an operating entity of the financial mechanism of the Convention, in accordance with Article 11 of the Convention, and paragraph 4, that the Green Climate fund will be guided by the principles and provisions of the Convention

Reaffirming Article 11, paragraph 1 of the Convention, defining the financial mechanism for the provision of financial resources on a grant or concessional basis, including for the transfer of technology,

Also reaffirming Article 11, paragraph 2 of the Convention which stipulates that the financial mechanism shall have an equitable and balanced representation of all Parties within a transparent system of governance,

Underlining Article 11.3 of the Convention, stating that the arrangements to be agreed with the entity entrusted with the operation of the financial mechanism shall give effect to Article 11, paragraphs 1 and 2, and listing the elements to be included in these arrangements,

Decides on the following :

Objective of the arrangements

1. that the arrangements to be agreed with the Green Climate Fund shall give effect to the objective of ensuring that the Fund is accountable to and functions under the guidance of the Conference of the Parties to support projects, programmes, policies and other activities in developing countries using thematic funding windows;

Accountability to the COP

2. that in order to ensure accountability to the COP, the Board of the Fund shall :

- a) receive guidance from the COP, including on matters related to policies, programme priorities and eligibility criteria, and matters related thereto ;

- b) take appropriate action for the implementation of this guidance, and ensuring the conformity of this action with the guidance received;
- c) submit annual reports to the COP for its consideration and receive further guidance. Such annual reports shall report on the development and implementation of policies, programme priorities and eligibility criteria provided by the COP, including information on the extent to which COP guidance has been adhered to by the Board;
- d) include in its reports a synthesis of the different projects under implementation and a listing of the projects approved, as well as a financial report including accounting and evaluation of its activities, indicating the availability of resources ;
- e) also include in its reports all activities financed by the Fund, through its present and future thematic funding windows and its private sector facility, whether such activities are carried out by the Fund or any other entity or entities, and how these activities have applied the guidance provided by the COP;
- f) specifically indicate in its reports how the Board has undertaken to implement the balanced allocation of the fund's resources between adaptation and mitigation activities, bearing in mind decision 1/CP.16, paragraph 100 which provided that a significant share of new multilateral funding for adaptation should flow through the Fund ;
- g) include also information on the development and implementation of a process to collaborate with the Adaptation Committee and the Technology Committee, as well as other relevant bodies under the Convention, to define linkages between the Fund and these bodies, as appropriate ; and
- h) Submit , together with the annual reports of the Board to the COP, reports of the Fund's independent evaluation unit for purposes of further guidance and consideration, as well as for the purposes of the periodic reviews of the financial mechanism of the Convention.

3. In turn, the COP may bring to the attention of the Fund any other matter relevant to the operation of the financial mechanism of the Convention.

Further decides

4. that pursuant to Article 11, paragraph 3, (a) and (b) of the Convention, the Board shall :

- a) develop modalities to ensure that the funded projects to address climate change are in conformity with the policies,

programme priorities and eligibility criteria established by the COP ; and

- b) develop modalities by which a particular funding decision may be reconsidered in light of the guidance provided by the COP. In the event that any Party, eligible for funding under the guidance provided by the COP, considers that a decision of the Board regarding one of the specific projects does not comply with the guidance provided by the COP, the COP should analyse the observations presented and take decisions on the basis of compliance with such guidance. The COP may then request the Board for further clarification on this specific project decision and in due time further request for a reconsideration of that decision;

Determination of the funding necessary and available for the implementation of the Convention

5. that the arrangements shall give effect to the determination, in a predictable and identifiable manner of the amount of funding necessary and available for the implementation of the Convention, and the conditions under which that amount shall be periodically reviewed. To this end, the COP and the Board of the Fund shall jointly determine the aggregate funding requirements for the purpose of the Convention, in accordance with the following procedures :

- a) the COP will make an assessment of the amount of funds that are necessary to assist developing countries, in accordance with the guidance provided by the COP, in fulfilling their commitments under the Convention over the Fund's replenishment periods ;
- b) this assessment will be based on the following :
 - (i) the information communicated to the COP under Article 12 of the Convention and relevant COP decisions ;
 - (ii) national programmes formulated under Article 4.1 (b) of the Convention as well as relevant COP decisions, and progress made by Parties in the implementation of such national programmes ;
 - (iii) information communicated to the COP by the Fund on the number of eligible programmes and projects that were submitted to the Fund, the number that were approved for funding, and the number that were turned down owing to lack of resources ; and
 - (iv) other sources of funding available for the implementation of the Convention, as may be determined by the COP.
- c) in order to facilitate the determination in a predictable and identifiable manner of the amount of funding necessary and available for the implementation of the Convention and its relevant decisions,

the COP will communicate to the operating entity relevant information, as part of its guidance, on :

- (i) policy on the degree of concessionality of funding for countries or particular categories of countries ;and
 - (ii) methodology and modalities for the determination of « agreed full costs » and « agreed full incremental costs ».
- d) the Board will, in its regular report to COP, indicate how it has responded during the replenishment period to the COP's previous assessment referred to in paragraph 5, above, inform the COP on the conclusion of its replenishment negotiations, and indicate the amount of new and additional funding made available during this period. The COP may, in its action on the Fund's reports, consider the adequacy of resources available for the implementation of the Convention.
- e) The reiteration of this process on the occasion of each replenishment period will present the opportunity for the COP to review the amount of funding necessary and available for the implementation of the Convention in accordance with article 11.3 (d).

6. *Also decides* to commission an independent assessment of the overall performance of the Fund, including the performance of the Board of the Fund, at intervals that would coincide with the regular reviews of the financial mechanism and take appropriate measures, in accordance with Article 11, paragraph 4 of the Convention.

7. *Reaffirms* the role of the Standing Committee of the Convention as provided for paragraph 112 of Decision 1/CP.16, which established its mandate on assisting the COP in exercising its functions with respect to the financial mechanism of the Convention, in terms of improving coherence and coordination in the delivery of climate change financing, rationalization of the financial mechanism, mobilization of financial resources, and the measurement, reporting and verification of support provided to developing country Parties,

8. *Requests* the Standing Committee of the Convention, taking fully into account this decision, to develop the arrangements to be concluded between the COP and the Fund, in consultation with the Board of the Fund, in time for the consideration and adoption of the COP at its 19th session.

9. *Further requests* the Standing Committee to report regularly to the COP on the progress in the development of these arrangements and its consultations with the Board of the Fund, to be concluded at the 19th session of the Conference of the Parties.

