

[Article 22

**[[ADMINISTRATIVE] [INDEPENDENT FUNDING] MECHANISM FOR  
FINANCIAL RESOURCES AND TECHNOLOGY TRANSFER]**

**[INTERNATIONAL CLIMATE FUND]**

**OPTION 1**

**Establishment**

[1. An [administrative] [independent funding] mechanism for [the administration] of the financial resources and the transfer of [safe and sound] technology, with a democratic and transparent system of governance, [and equitable participation by developed and developing countries] is hereby [established] [designated under the auspices of ..... ].

[Possible Alternative Text

A financial mechanism is hereby established. The financial mechanism shall operate under the authority of the Conference of the Parties who shall decide on its overall policies. The Executive Committee of the Parties shall, with the consent of the Conference of the Parties, develop and monitor the implementation of the specific operational policies for the purpose of achieving the objectives of the financial mechanism.]

[Possible Additional Text

The financial mechanism shall include a Climate Fund which shall be administered as a Trust Fund by the Global Environment Facility of IBRD/UNDP/UNEP. The Climate Fund shall meet on a grant or concessional basis the agreed incremental costs of developing countries referred to in Article . . . .]

**Functions**

2. [The [administrative] mechanism for financial resources and [safe] technology transfer shall:

[(a) Pursuant to the operational guidelines and policy direction of the Conference of the Parties, be responsible for the administration of funds, including those funds related to the promotion of [preferential and non-commercial] transfer of [safe] technology,

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provided by the Parties for the fulfilment of the obligations of the Convention;]

- (b) Be accountable to the Conference of the Parties for its allocation of the funds and for ensuring that the funding priorities and criteria established by the Conference of the Parties are adhered to in its financial activities;
- (c) Receive and collect assessed [funds] [contributions] from the Parties to the Convention;
- (d) Be responsible for receiving voluntary contributions, either financial or in kind (technology) provided by Parties, in accordance with criteria set out by the Conference of the Parties;

[Possible Alternative to (c) and (d)]

Receive and collect assessed and voluntary contributions, both financial and material, including technology, from Parties and other donors, in accordance with criteria set out by the Conference of the Parties;]

- (e) Establish appropriate accounting procedures to ensure that all [assessments and] [assessed and voluntary] contributions made to fulfil the obligations of the Convention are properly recorded and credited;
- (f) Be responsible for facilitating the identification and selection of projects for assisting Parties to [meet] [implement] their obligations [jointly] under this Convention, based on criteria and priorities established by the Conference of the Parties;
- [(g) Coordinate funding for such projects, including proposals involving transfer of [safe] technology [on preferential and non-commercial terms to developing countries] and endogenous capacity building, and, where possible, seek to match projects with available funds and [safe] technology to ensure [as defined by this Convention] maximum efficiency and cost effectiveness [at the national level];]
- (h) Finance its operations from a fund, separate from its programme resources, established specifically to cover its administrative expenses;
- (i) Establish internal procedures to evaluate and assess the effectiveness of its programmes drawing on outside expertise as required and reporting on such evaluations and assessments in a timely fashion to the Conference of the Parties;

- (j) Provide annual reports to the Conference of the Parties on its operations and, as required, information to the subsidiary bodies of the Convention of the Parties, in order that they can fulfil their mandates;
- [(k) Administer the [joint implementation] [cooperative system of exchange] of [emissions commitments] [commitments on emissions [of greenhouse gases] and enhancement of all sinks] according to the terms of the Conventions;]]

Possible Additional Sub-Paragraphs

- [( ) Administer operations required of it by Protocols to this Convention, and any other matters agreed on by the Conference of the Parties;]
- [( ) Explore ways and means to employ financial resources to promote the flexibilization of Intellectual Property Rights with a view to promoting the transfer of sound technology to developing countries.]

**OPTION 2 ( Alternative A )**

1. The Parties hereby designate the Global Environment Facility as the mechanism for the provision of financial resources, including financial resources for technology cooperation, related to the implementation of this Convention.

2. The Parties, acting through the Conference of the Parties, may suggest to the Global Environment Facility general guidelines and specific proposals for funding.

3. Further, interested Parties may meet, on an ad hoc basis, to consider whether any Party is interested in assisting another Party in the implementation of a proposed project it has identified in its national report. Parties may, as appropriate, invite representatives of multilateral financial institutions to such meetings for the purposes of providing them with an opportunity to consider projects for inclusion in their development assistance portfolios.]

**OPTION 2 (Alternative B)**

1. The Parties hereby designate the Global Environment Facility (GEF) as the mechanism for the provision of financial resources to assist developing countries to meet the agreed incremental costs of implementing their obligations under the Convention.

2. The Conference of the Parties shall establish appropriate arrangements with the GEF under which the latter will fulfil this role. These arrangements shall include:

- (a) Modalities by which the GEF shall take account of the general guidelines and priorities for funding established by the Conference of the Parties;
- (b) The receipt, management and disbursement by the GEF of contributions provided under Article [.....];
- (c) The receipt by the GEF of requests from developing country parties for funding for projects, including proposals involving transfer of technology and indigenous capacity building;
- (d) The provision by the GEF of regular reports to the Conference of the Parties on its operations (including how they relate to other assistance provided to developing countries in the energy, forest and other sectors relevant to climate change) and, as required, information to the subsidiary bodies of the Conference of the Parties to assist them to fulfil their mandate.

3. The Conference of the Parties shall ensure that the GEF is kept fully and regularly informed of the policy framework and priorities it adopts, and particularly those that are relevant to the activities of the GEF in the field of climate change.

### OPTION 3

#### [Establishment

[1. An International Climate Fund is hereby established under the authority of the Conference of the Parties which shall decide on its overall policies and operations, in particular determining priorities, criteria and selection of projects.

2. The mechanism for financial resources and transfer of technology set up by the International Climate Fund, shall be administered as follows:

#### Functions related to financial resources

- (a) Meet on a grant basis the full incremental costs of measures taken by developing country Parties to address climate change; in accordance to criteria to be developed by the Conference of the Parties;
- (b) Be responsible for receiving assessed contributions as well as voluntary contributions, either financial or in kind provided by Parties, in accordance with criteria set out by Conference of the Parties;
- (c) Establish appropriate accounting procedures to ensure that all assessments and contributions made to fulfil the obligations of the Convention are properly recorded and credited;
- (d) Be responsible for facilitating the identification and selection of projects for supporting the efforts of Parties to meet their obligations under this Convention;
- (e) Finance the secretarial services of the Fund and related support costs;
- (f) Provide annual reports to the Conference of the Parties on its operations and, as required, information to the subsidiary bodies of the Convention of the Parties, in order that they can fulfil their mandates;
- (g) Provide, in general, funding for projects and activities organized under this Article and in accordance with the provisions set out by this Convention;

**Functions related to transfer of technology**

- (h) Pursuant to the operational guidelines and policy direction of the Conference of the Parties, coordinate the appropriate procedures and take the necessary steps to promote, facilitate and enable the transfer of environmentally safe and sound technology;
- (i) Provide funding to purchase requisite environmentally safe and sound technologies for implementation of measure developing country Parties may undertake in relation to the objectives of the Convention;
- (j) Promote and, finance when necessary, the exchange of and access to technological information required by the Parties of the Convention. The technological information should include inter alia, the environmentally sound and safe technologies including those that have been neglected or displaced, the technological options, trading conditions implementation costs and technological securities;
- (k) Coordinate ways and means to develop long-term technological partnerships between the holders of environmentally sound technology and potential users in contracting parties, particularly developing countries, taking into account their national objectives and policies;
- (l) Organize, when requested by a contracting party or group of contracting parties and on terms and conditions agreed by the requesting parties, international competitive bidding to purchase requisite technologies for transfer to the requesting parties;
- (m) Provide requested assistance to a contracting party or group of contracting parties to assess the offers presented in international competitive bidding, to enable the requesting parties to obtain the most favourable terms and conditions, including inter alia, in terms of price, transfer of know-how, high safety and environmental requirements, training, supply of spare parts, and maintenance; and
- (n) Establish procedures to support the development of endogenous capacity building in developing country Parties, including technologies under public domain, in accordance with their development plans, objectives and priorities of these countries, through, inter alia, the supply of necessary equipment, expertise and facilities for research and development, the training of scientific, technical, and managerial personnel.]

[Possible Additional Text Related to Objectives under Article 22 (Based on Misc.12)]

1. The Parties shall establish an international fund [specific to this Convention] to mobilize [new and] additional financial resources from developed country Parties and other Parties in a position to do so for developing country Parties in order to:

- (a) Implement commitments under the Convention;
- (b) Adapt to and mitigate the adverse effects of climate change in accordance with their national development plans, priorities and objectives.
- (c) Access to appropriate environmentally [safe and] sound "state-of-the-art" technologies;
- (d) Strengthen operative institutional capacities for dealing with climate change, including human resources development;
- (e) Promote research on emission control of the GHGs from existing activities especially in the energy, transport, agriculture and industrial sectors;
- (f) Conduct research and pilot projects on the ecologically sustainable enhancement of natural GHG sinks.]]

**[ARTICLE 23**

**INSURANCE**

The Parties shall establish separate supplementary financial mechanisms to assist developing countries, particularly least developed countries, vulnerable small island and low lying coastal developing countries [and developing countries with vulnerable mountain areas] [and countries suffering from desertification or drought] to prevent or mitigate the consequences of sea-level rise resulting from climate change, as specified in the Annex . . . (Insurance Mechanism).]