

8 March 2006

ENGLISH ONLY

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

SUBSIDIARY BODY FOR IMPLEMENTATION

Twenty-fourth session

Bonn, 18–26 May 2006

Item 5 (a) of the provisional agenda

Financial mechanism (Convention)

Third review of the financial mechanism

Experiences on the effectiveness of the financial mechanism

Submissions from intergovernmental organizations

1. The Subsidiary Body for Implementation, at its twenty-first session (FCCC/SBI/2004/19, para. 53), solicited information from Parties and intergovernmental organizations on their experiences on the effectiveness of the financial mechanism; this information will be considered in the context of the third review of the financial mechanism and in accordance with the criteria set out in the guidelines annexed to decision 3/CP.4.
2. The secretariat has received three submissions from intergovernmental organizations. In accordance with the procedure for miscellaneous documents, these submissions are attached and reproduced* in the language in which they were received and without formal editing. Submissions from Parties are contained in document FCCC/SBI/2006/MISC.9.

* These submissions have been electronically imported in order to make them available on electronic systems, including the World Wide Web. The secretariat has made every effort to ensure the correct reproduction of the texts as submitted.

CONTENTS

	<i>Page</i>
1. AFRICAN DEVELOPMENT BANK (Submission received 28 February 2006)	3
2. UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (Submission received 13 February 2006)	4
3. UNITED NATIONS INSTITUTE FOR TRAINING AND RESEARCH (Submission received 21 February 2006)	7

PAPER NO. 1: AFRICAN DEVELOPMENT BANK

15 February 2006

SUBJECT: Review of the financial mechanism of the Convention

We refer to your letter dated 23 January 2006 on the above subject requesting for information from the African Development Bank (the Bank) on its experience with the financial mechanism of the Convention, the Global Environment Facility (GEF).

The Bank recognizes the high value of the partnership with GEF as this provides substantive opportunities to blend Bank lending for development projects (baseline financing) with grant and concessionary financing from GEF resources to protect the global environment. The Bank also recognizes that this unique partnership is anchored on the realization that the drive for global sustainability has to be rooted in strong links between environment and development - as a clean environment is essential for both sustainable development and poverty reduction.

You may be aware that the Bank since November 2003 together with a number of other multilateral development banks and UN specialized agencies has become a GEF executing agency with direct access to GEF full project resources. Direct access to GEF project resources enables the Bank to (i) identify, prepare, appraise, and implement GEF projects on behalf of GEF; (ii) submit full project proposals for GEF financing directly to GEF without going through an implementing agency; and (iii) receive project grants directly from GEF and be directly accountable for their use.

However, the new set of arrangements¹ that will govern the Bank's direct access to GEF project resources was approved by the Board of Directors of the Bank only in January 2005. In consideration of this, we are of the view that it would be too early for the Bank to provide you with any assessment of its experience with GEF.

For your information the Bank is currently in the process of developing a pipeline of Bank projects for GEF co-financing in 2006 and is expected to submit a number of proposals by end of this year. In this context, the Bank will be in a position to provide adequate inputs on its experience with GEF by the time the next review of the financial mechanism will take place in 2010.

We trust you will find this information useful for your purpose.

¹ These arrangements have been formalized in a Memorandum of Understanding (MOU) between the Bank and the GEF Secretariat and a Financial Procedures Agreements (FPA) between the Bank and the World Bank (as the GEF trustee). The MOU establishes the basis on which the Bank may submit proposals to the Secretariat and covers the use of GEF resources in line with GEF operational policies and criteria while the FPA establishes the financial procedures that apply to the commitment and transfer of funds to the Bank for proposals that are approved by the GEF Council or CEO, as appropriate.

PAPER NO. 2: UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

**UNIDO's Submission for the Third Review of the Financial
Mechanism of the Climate Convention**

Background on UNIDO

UNIDO is the UN specialized agency mandated to assist its Member States towards reaching their targets for increased and sustainable industrial development. UNIDO has been assisting non-Annex I countries to develop relevant capacity under the Climate Convention and the Kyoto Protocol, especially the Clean Development Mechanism, to enable them to take part in activities and projects conducive to reductions of GHG emissions in the industry and energy sectors. Parties to the UNFCCC have recognized that UNIDO is a major contributor to climate-relevant industrial and technology issues and that the Organization is in a good position to assist on both mitigation and adaptation. In addition to technical assistance, UNIDO maintains a global forum function ranging from general industry-related studies and publications to issue- and technology-specific seminars, conferences and experts' forums.

UNIDO is presently an Executing Agency for the GEF. The expanded opportunities status has initially been granted to UNIDO only for the POPs focal area.

Scope of the Review

UNIDO welcomes the present review and submits these inputs with a view to improving the efficiency and effectiveness of the GEF and its responsiveness to both recipients and donors. It follows the outline for Criteria used for previous reviews and contained under page 10 of FCCC/CP/1998/16/Add.1:

A) Transparency of decision-making process

Although some improvements have been achieved in this respect, our opinion is that too much restricted information still exists about GEF programmes and projects of the CC focal area, in particular concerning approval criteria or decision-making processes, which remain privy to Implementing Agencies (IAs) and hence compromise transparency in front of both recipient countries and Executing Agencies (EAs). Also, the involvement of specialized EAs like UNIDO in GEF-funded projects is not publicly visible to the level it deserves given the role we actually undertake in said projects. This bias works very often to the disadvantage of GEF's Member States, which do not often have a clear picture of the roles and responsibilities of IAs and EAs along the GEF project cycle.

Transparency could be improved by means such an annual forum for regularly coordinating planning processes, reviewing country strategies and pipelines, and identifying potentially fruitful priorities and criteria to the decision-making process, to which experienced GEF partners like UNIDO should also be invited.

B) Adequacy, Predictability and Timely Disbursement of Funds

It is our experience that this is an aspect subject to improvement and which reflects negatively in the overall efficiency of GEF-funded CC operations. UNIDO had projects that accumulated more than one year of delay due only to late disbursements of GEF funds to UNIDO by the IA. Also, IAs often take very long to clear project proposals prepared by EAs like UNIDO, if at all, and this creates uncertainty and frustrations, not only internally but also with our counterparts in the participating countries. In our opinion, direct access to GEF funding by EAs such as UNIDO which are very active in the development of individual project proposals - although in some cases just do not attract

favorable interest by the IAs - would be an appropriate way to improve said timeliness and streamline operations.

In this regard, it is once more hoped that the present review may lead to a simplification of the GEF implementation cycle for CC, leading to higher levels of involvement and assumption by relevant EAs like UNIDO of lead responsibilities and functions, particularly for those GEF CC activities and Funds kept restricted by the IAs. This might mean, among other measures, the granting of the status of expanded opportunities and direct access to modalities like PDF-A, PDF-B, MSP and Full Projects facilities in the Climate Change (CC) focal area. Said direct access to GEF funding opportunities in the area of Climate Change should include an own pipeline of projects to implement / execute, directly submitted by UNIDO to the GEF Secretariat for approval. Said pipeline could be specific for particular Operational Programmes or fields of knowledge (e.g. industrial energy efficiency, rural decentralized renewables-based electrification for productive uses, etc.).

C) Responsiveness and Efficiency of the GEF project cycle and expedited procedures, as they relate to Climate Change

The present situation, in which IAs may decide to either filter out or endlessly delay EA-generated project proposals or even take the concepts up as their own is unfair and counterproductive, not just to UNIDO but also to GEF's beneficiaries and donors. Granting UNIDO direct access for submission of projects will facilitate a fair treatment to the much time and effort that an EA like UNIDO puts in the development of project proposals and to all those Member States that worked cooperatively with us thereto. It would further improve:

- a) accountability of the EA's operational activities; transparency on the roles and responsibilities of the GEF Secretariat, the IAs and the EAs; capacity of the GEF to address evolving strategic operational needs, including in new and emerging areas, to respond to country-and Convention-driven priorities;
- b) diversity of knowledge, approaches and perspectives from which the GEF can draw for innovative projects;
- c) objectivity and effectiveness of Monitoring & Evaluation; and
- d) leverage of additional financial and technical resources and co-financing for GEF's projects.

Also, UNIDO sees inappropriate that EAs carrying on the heavy technical responsibilities involved with the throughput of the GEF are prevented to contribute in fields such as policy and programming, training, monitoring and evaluation, outreach or communications, to name just a few. UNIDO most definitely has the technical and managerial capacity not just to produce projects for the GEF and meet the needs of its Business Plan for the CC focal area, but also to cooperate in relevant GEF committees and panels.

UNIDO, whose direct access is limited to POPs despite their capacity and expertise in other areas, find it contradictory to be constrained from doing some types of projects directly that they nevertheless are doing under the control of an IA. A thorough review of the roles and division of responsibilities and fees between IAs and selected EAs would help bring transparency to the details of project work and optimise UNIDO participation in GEF-funded Technical Cooperation.

The on-going efforts to clarify and simplify the project cycle and project documentation should continue. In fact, the greatest need is to reduce the complexities and simplify the relationships between IAs and EA, granting to more EAs direct access to GEF project planning and implementation funds without involving the IAs in the process beyond due diligence or reviews.

D) Amount of Resources provided to developing country Parties, including financing for technical assistance and investment projects.

The application of the new GEF Resource Allocation Framework (RAF) to the CC focal area, in particular given its Multi-Donor character and the co-financing requirements it involves, might well result in less technical decisions concerning project approvals, and in a more difficult access to GEF funding for LDCs and SIDS.

E) Amount of finance leveraged

Financial resources seem to be increasingly constrained relative to the demand for GEF funding. Apart of additional efforts to increase the total amount of funds available, coordination, clear and transparent criteria for approval/prioritization and streamlining of operations are critical elements to better use the financial resources available within the GEF CC focal area programme.

F) Sustainability of funded projects

Sustainability is a major issue with GEF and in general with Technical Cooperation activities. In our role as EA we have seen cases where we think that further interventions by the GEF would have been positive to ensure sustainability of the project. Both present and proposed practices and criteria for approvals and exclusions result however in difficulties to persevere in interventions, even in those which require some additional support in order to overcome particular or unexpected barriers to its sustainability.

PAPER NO. 3: UNITED NATIONS INSTITUTE FOR TRAINING AND RESEARCH

GEF

Title of the activity/project(s)	HUMAN AND INSTITUTIONAL CAPACITY DEVELOPMENT TO ADDRESS CLIMATE CHANGE ISSUES IN LDCS
Time frame	2001 (Extended to 2005)
Budget	Amount of GEF allocation: US\$ US\$ 903,960
Contact information	Richard Hosier richard.hosier@undp.org
Implementing agency(ies)	UNDP
Executing/partner agency(ies)	UNITAR annie.roncerel@unitar.org
Regions and/or countries involved	<p>Africa: Angola, Benin, Burkina Faso, Burundi, Cape Verde, Central African Republic, Chad, Comoros, Congo (Republic Democratic), Djibouti, Eritrea, Ethiopia, Gambia, Guinea, Guinea Bissau, Equatorial Guinea, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Sao Tome-and-Principe, Senegal, Sierra Leone, Sudan, Togo, Uganda, United Republic of Tanzania, Zambia</p> <p>Asia: Bangladesh, Bhutan, Cambodia, Maldives, Myanmar, Nepal, Lao People's Democratic Republic, Yemen</p> <p>Pacific: Kiribati, Samoa, Solomon Island, Tuvalu, Vanuatu</p> <p>Caribbean: Haiti</p>
Description	<p>In the context of the CoP6 part 2 and CoP7 negotiations on the LDC Fund, a common agreement to provide urgent support to these countries was made to</p> <p>1) Strengthen UNFCCC Focal Points through Technical Assistance and Training in particular to equip and train with ICTs UNFCCC focal points of all LDCs that have ratified the Convention.</p> <p>2) To this extend, the MSP also included support for a Workshop organized by the UNFCCC in the Maldives in October for two additional days funded by GEF through UNITAR. This allowed in particular the participation of the national GEF Political Focal Points to this meeting in addition to the UNFCCC Climate Change Focal Points.</p>
Intended outputs/outcomes	<ul style="list-style-type: none"> o Direct payment of a grant to each UNFCCC Focal Points office for the selected ICT equipment and training (including Internet) o Improved communication between the UNFCCC Secretariat, GEF and UNFCCC Focal Points via a web based platform. o Improved understanding of LDCs needs and GEF interventions.
Availability of information on the project Links to web page	<p>Project documents www.undp.org/cc/ www.gefonline.org Report of activity www.napa-pana.org (including quotes and statistics).</p>

Title of the activity/project(s)	Technical Assistance to LDCs according to UNFCCC DECISION 8/CP.8
Time frame	2003 (Extended 2004-2005)
Budget	Amount of GEF allocation: \$ 633,538 (3 workshops) - 211,126 (additional grant for the Francophone workshop)
Contact information	Richard Hosier richard.hosier@undp.org
Implementing agency(ies)	UNDP
Executing/partner agency(ies)	UNITAR annie.roncerel@unitar.org
Regions and/or countries involved	<ul style="list-style-type: none"> • Apia (Samoa) for SIDS LDCs in March 2003 for the following countries: Kiribati, Solomon Island, Tuvalu, Vanuatu and Samoa. • Addis Ababa (Ethiopia) for Anglophone LDCs in June 2003 for the following countries: Eritrea, Ethiopia, The Gambia, Lesotho, Liberia, Malawi, Mozambique, Sierra Leone, Uganda, United Republic of Tanzania, Zambia and Yemen. • Thimphu (Bhutan) for the Asian LDCs in September 2003 for the following countries: Afghanistan, Bangladesh, Bhutan, Cambodia, Lao People's Democratic Republic, Maldives, Myanmar and Nepal. • Ouagadougou (Burkina Faso) for Francophone LDCs. Originally planned for June 2003, it was held in October 2003 for the following countries: Angola, Benin, Burkina Faso, Burundi, Cape Verde, Central African Republic, Chad, Comoros, Republic Democratic of Congo, Central African Republic, Djibouti, Guinea, Guinea Bissau, Equatorial Guinea, Haiti, Mali, Madagascar, Mauritania, Niger, Sao Tome-and-Principe, Senegal, Sudan and Togo.
Description	<p>The UNDP/GEF funded projects were formulated in close consultation with the UNFCCC Sustainable Development Programme, and the chair of the LEG with aim to enhance national institutions' capacities and community involvement in managing NAPAs, outcomes that otherwise would not occur given the limited existing resources and institutional conditions in those LDCs.</p> <ul style="list-style-type: none"> • Workshop content and working methods were developed based on the needs expressed by LDC participants and the situation of the countries of each region, by the team mandated by the <i>Workshop Organizing Committee</i> to design and implement each workshop. • Specific support was provided through case studies that were developed before the workshop to address the problems specific to each LDC sub-region. These studies were used to discuss issues regarding integration into national plans and strategies, keeping in mind synergies among the three Rio Conventions. • Resources were provided to local/regional centers according

	<p>to LEG terms of reference. Specific tools to support NAPA implementation were developed, upon request of the LEG. Four Memoranda of Understanding (including respective transfer of funds) were made with each National Organising committee.</p> <ul style="list-style-type: none"> • UNEP and UNDP collaborated closely with the LEG for the organisation and the delivery of the four regional workshops. The two agencies sent representative to all workshops, including regional staff who could actively contribute to the substantive work of the workshops (vulnerability assessment, environmental economics and logical frameworks). • Professional facilitators provided support to group discussion during the four workshops and helped formulating a set of suggestions for further capacity building needs to carry out NAPA projects • Translation/Interpretation: The language of the workshops was English, except for the Francophone workshop in Burkina Faso where NAPA material was translated into in French. Simultaneous translation was available and all background training material were available in two languages.
<p>Intended outputs/outcomes</p>	<p>To achieve the above outputs, the UNDP/GEF Enabling Activity proposed to cover two complementary types of activities:</p> <ul style="list-style-type: none"> • Activity 1: Four NAPA training workshops for LDCs delegations were held (see final report UNDP/GEF GLO/03/35 and GLO/03/37 Technical Assistance to LDCs according to UNFCCC DECISION 8/CP.8) • Activity 2: Production of NAPA information, training and communication tools. UNITAR prepared a publication offering a set of examples and exercises to help with the preparation of NAPAs (“<i>National Adaptation Programme of Action, Selection of examples and exercises drawn from the regional NAPA preparation workshops</i>”) It was jointly developed with the LEG, national facilitators involved in the NAPA workshops and in cooperation with UNDP and UNEP. A French version, entitled “<i>Programmes d’Action Nationaux d’Adaptation, Une sélection d’exemples tirés des ateliers régionaux de préparation aux PANA</i>” was produced simultaneously. An Internet web based platform was produced in 2005 to help NAPA teams to exchange work.
<p>Availability of information on the project Links to web page</p>	<p>Project documents www.undp.org/cc/ www.gefonline.org See also Report of activity and all publications http://www.napa-pana.org</p>