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Item 4 (a) (i) of the agenda

FINANCIAL AND TECHNICAL COOPERATION

FINANCIAL MECHANISM : GUIDANCE TO THE GLOBAL ENVIRONMENT
FACILITY

Arrangements between the Conference of the Parties and the
operating entity or entities of the financial mechanism

Draft decision submitted by the Group of 77 and China

The Conference of the Parties,

Recalling Article 11.3 of the United Nations Framework Convention on Climate
Change,

Recalling also Articles 12.5, 4.3 and 4.7 of the Convention,

Bearing in mind decision 10/CP.1 of the first session of the Conference of the
Parties and its conclusions reached at its second session,

Noting the Report of the Global Environment Facility to the second session of the
Conference of the Parties (FCCC/CP/1996/8),

Expressing deep concern over the difficulties encountered by developing country Parties in receiving the necessary financial assistance from the Global Environment Facility due to, inter alia, the GEF operational policies on eligibility criteria, disbursement, project cycle and approval, the application of its concept of incremental costs, and guidelines which impose considerable administrative and financial costs on developing country Parties,

Expressing also serious concern over the difficulties encountered by Parties not included in Annex I of the Convention in seeking funds from the GEF, as the interim operating entity of the financial mechanism of the Convention, for the preparations of their initial national communications,

Decides that the Global Environment Facility, as the interim operating entity of the financial mechanism of the Convention,

1. In the initial period, should finance its strategies on enabling activities which facilitate endogenous capacity-building, and data collection and archiving, consistent with the policy guidance, programme priorities and eligibility criteria provided to it by the Conference of the Parties as contained in decision 11/CP.1 of the first session of the Conference of the Parties,

2. In providing the financial resources needed by developing country Parties to meet the agreed full incremental costs in implementing measures covered by Article 4.1 of the Convention, should take steps to facilitate this provision of financial resources, including through the enhancement of the transparency and the simplification of the application of its concept of incremental costs,

3. Should, together with its implementing agencies, expedite the approval and the disbursement of financial resources to meet the agreed full costs incurred by developing country Parties in complying with their obligations under Article 12.1 of the Convention, in accordance with Article 4.3, in particular the initial and subsequent preparations of national communications of non-annex I Parties. In this regard, the guidelines and format adopted by the Conference of the Parties at its second session on the preparation of initial national communications by non-annex I Parties, contained in decision ___/CP.2, shall form the only basis for funding of communications from non-annex I Parties under Article 12.1;

4. Should consider country-specific needs, but could also consider approaches which may be used for several countries with similar needs, upon request, and taking into account that the preparation of national communications is a continuing process,

5. *Decides* that the GEF, in funding the preparation of national communications, should refrain from imposing upon recipient countries the financing of other obligations contained in the Convention,

6. Decides also that the GEF should only finance the implementation of commitments on non-annex I countries in an integrated manner upon request by recipient countries; and

7. Requests GEF as the interim operating entity of the financial mechanism, to report to the Conference of the Parties at its third session.
