

Decision 11/CP.1

Initial guidance on policies, programme priorities and eligibility criteria to the operating entity or entities of the financial mechanism

The Conference of the Parties,

Recalling Article 11.1 of the United Nations Framework Convention on Climate Change,

Having considered recommendation 11 of the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change,

1. *Decides* to adopt the following initial guidance on policies, programme priorities and eligibility criteria to the operating entity or entities of the financial mechanism:

(a) Regarding activities undertaken under Article 11 of the Convention,

Within the framework of the financial mechanism:

- (i) The operating entity or entities should, in all funding decisions related to the financial mechanism, take into account Article 4.1, 4.7, 4.8, 4.9 and 4.10 of the Convention. In particular, in order to take full account of the specific needs and special situations of the least developed countries, funds allocated to their projects/programmes should be on a grant basis;
- (ii) Projects funded through the financial mechanism should be country-driven and in conformity with, and supportive of, the national development priorities of each country;
- (iii) The operating entity or entities should ensure that, with reference to activities involving transfer of technology, such technology is environmentally sound and adapted to suit local conditions;
- (iv) As far as possible, due consideration should be given to the following aspects concerning activities undertaken under the financial mechanism. Activities should be:
 - supportive of the national development priorities which contribute to a comprehensive national response to climate change;
 - consistent with and supportive of the relevant provisions of internationally agreed programmes of action for sustainable development in line with the Rio Declaration and Agenda 21 and UNCED-related agreements;

- sustainable and lead to wider application;
 - cost-effective;
- (v) The operating entity or entities of the financial mechanism should strive to leverage other funds in support of the activities of developing country Parties to address climate change;
- (vi) In mobilizing funds, the operating entity or entities should provide all relevant information to developed country Parties and other Parties included in Annex II to the Convention, to assist them to take into full account the need for adequacy and predictability in the flow of funds. The entity or entities entrusted with the operation of the financial mechanism should take full account of the arrangements agreed with the Conference of the Parties, which, inter alia, shall include determination in a predictable and identifiable manner of the amount of funding necessary and available for the implementation of the Convention, as provided for in Article 11.3(d) of the Convention.
- (b) Regarding programme priorities,
- (i) Priority should be given to the funding of agreed full costs (or agreed full incremental costs, as appropriate) incurred by developing country Parties in complying with their obligations under Article 12.1 and other relevant commitments under the Convention. In the initial period, emphasis should be placed on enabling activities undertaken by developing country Parties, such as planning and endogenous capacity-building, including institutional strengthening, training, research and education, that will facilitate implementation, in accordance with the Convention, of effective response measures;
- (ii) In this context, activities aimed at strengthening research and technological capabilities for the implementation of the Convention in developing country Parties should be supported through international and intergovernmental efforts. Such support would include networking and the training of experts and, as appropriate, institutional development;
- (iii) Emphasis should also be placed on improving national public awareness and education on climate change and response measures;
- (iv) The operating entity or entities should finance the formulation by developing country Parties of nationally determined programmes to address climate change issues which are in accordance with national development priorities. To facilitate the formulation of these programmes, it should finance capacity-building and all other activities related to the formulation, management and regular updating of these programmes, which should, as far as possible, be comprehensive;

- (v) The operating entity or entities should, in accordance with the policies, programme priorities and eligibility criteria as established by the Conference of the Parties, be available to assist, if so requested, in the implementation of the national programmes adopted by developing country Parties;
- (vi) In the implementation of these national programmes, the operating entity or entities should support agreed activities to mitigate climate change, as referred to in the Convention, in particular in Article 4.1, consistent with Article 4.3.
- (c) Regarding eligibility criteria,

Eligibility criteria shall apply to countries and to activities and shall be applied in accordance with Article 11.1, 11.2 and 11.3;

- (i) Regarding eligibility of countries, only countries that are Parties to the Convention would be eligible to receive funding upon entry into force of the Convention. In this context, only developing country Parties would be eligible to receive funding through the financial mechanism, in accordance with Article 4.3;
- (ii) Regarding eligibility of activities,
 - Those activities related to obligations under Article 12.1 to communicate information for which the "agreed full costs" are to be met are eligible for funding;
 - Measures covered by Article 4.1 are eligible for funding through the financial mechanism in accordance with Article 4.3. Such measures should be agreed between the developing country Party and the international entity or entities referred to in Article 11.1, in accordance with Article 4.3;
 - In addition to the above, such measures would be eligible for financial support under Article 11.5.

(d) Regarding adaptation, the following policies, programme priorities and eligibility criteria should apply:

- (i) Adaptation to the adverse effects of climate change, as defined by the Convention, will require short, medium and long term strategies which should be cost effective, take into account important socio-economic implications, and should be implemented on a stage-by-stage basis in developing countries that are Parties to the Convention. In the short term, the following stage is envisaged:

- Stage I: Planning, which includes studies of possible impacts of climate change, to identify particularly vulnerable countries or regions and policy options for adaptation and appropriate capacity-building;
- (ii) In the medium and long term, the following stages are envisaged for the particularly vulnerable countries or regions identified in Stage I:
- Stage II: Measures, including further capacity-building, which may be taken to prepare for adaptation, as envisaged by Article 4.1(e);
 - Stage III: Measures to facilitate adequate adaptation, including insurance, and other adaptation measures as envisaged by Article 4.1(b) and 4.4;
- (iii) Based on the outputs of the Stage I studies, as well as other relevant scientific and technical studies, such as those of the Intergovernmental Panel on Climate Change (IPCC), and any emerging evidence of the adverse effects of climate change, the Conference of the Parties may decide that it has become necessary to implement the measures and activities envisaged in Stages II and III, consistent with the relevant conclusions of the Committee and with the provisions of the Convention;
- (iv) Funding for the implementation of such adaptation measures and activities would be provided as follows:
- For Stage I, the Conference of the Parties at its first session, shall entrust to the Global Environment Facility (GEF), the interim operating entity of the financial mechanism, the task of meeting the agreed full costs of the activities required by Article 12.1 of the Convention. This would include meeting the agreed full costs of relevant adaptation activities undertaken in the context of the formulation of national communications; such activities may include studies of the possible impacts of climate change, identification of options for implementing the adaptation provisions (especially the obligations contained in Article 4.1(b) and 4.1(e) of the Convention), and relevant capacity-building;
 - If it is decided in accordance with paragraph (iii) above, that it has become necessary to implement the measures envisaged in Stages II and III, the Parties included in Annex II to the Convention will provide funding to implement the adaptation measures envisaged in these stages in accordance with their commitments contained in Article 4.3 and 4.4 of the Convention;

- In its review of the financial mechanism of the Convention under Article 11.4, the Conference of the Parties, taking into account studies conducted and options for adaptation identified during Stage I, any emerging evidence of the adverse effects of climate change, as well as the relevant conclusions reached by the Committee and its own decisions on this issue, must decide on the channel or channels, under Article 11 of the Convention, to be used for the funding referred to in the preceding subparagraph, to implement the adaptation measures envisaged in Stages II and III.

- (e) Regarding agreed full incremental costs,

The various issues of incremental costs are complex and difficult and further discussion on the subject is therefore needed. The application of the concept of agreed full incremental costs should be flexible, pragmatic and on a case-by-case basis. Guidelines in this regard will be developed by the Conference of the Parties at a later stage on the basis of experience.

2. *Also decides* to take note of the following conclusions of the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change:

- (a) Outside the framework of the financial mechanism,

Consistency should be sought and maintained between activities (including those related to funding) relevant to climate change undertaken outside the framework of the financial mechanism and the policies, programme priorities and eligibility criteria for activities as relevant, established by the Conference of the Parties. Towards this end and in the context of Article 11.5 of the Convention, the secretariat should collect information from multilateral and regional financial institutions on activities undertaken in implementation of Article 4.1 and Article 12 of the Convention; this should not introduce new forms of conditionalities.

(b) On transfer of technology, the Committee took note of document A/AC.237/88 prepared by the interim secretariat. The Committee recognized the importance of this subject under the relevant articles of the Convention and concluded that discussions should continue at the Conference of the Parties and its subsidiary bodies with a view to identifying ways and means of operationalizing the transfer of technology under Article 4.5 of the Convention.

(c) The Committee took note of document A/AC.237/Misc.40, an approach paper by the Group of 77 and China on the format of communication of information by Parties not included in Annex I to the Convention.

*10th plenary meeting
7 April 1995*