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## **ADVANCE VERSION**

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

**SUBSIDIARY BODY FOR IMPLEMENTATION**

**Thirty-first session**

**Copenhagen, 7–18 December 2009\***

**Item 5 (a) of the provisional agenda**

**Financial mechanism of the Convention**

**Fourth review of the financial mechanism**

### **The operation of funds under the Global Environment Facility as an operating entity of the financial mechanism, as well as the Special Climate Change Fund and the Least Developed Countries Fund**

#### **Submissions from Parties**

1. The Subsidiary Body for Implementation, at its thirtieth session, invited Parties to submit, by 28 September 2009, their views on the operation of funds under the Global Environment Facility as an operating entity of the financial mechanism, as well as the Special Climate Change Fund and the Least Developed Countries Fund, to inform the fourth review of the financial mechanism, for compilation into a miscellaneous document for consideration by the SBI at its thirty-first session (FCCC/SBI/2009/8, para. 28).
2. The secretariat received one such submission on 23 September 2009. In accordance with the procedure for miscellaneous documents, this submission is attached and reproduced\*\* in the language in which it was received and without formal editing.

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\* Exact dates within the sessional period are subject to confirmation.

\*\* This submission has been electronically imported in order to make it available on electronic systems, including the Word Wide Web. The secretariat has made every effort to ensure the correct reproduction of the text as submitted.

## **SUBMISSION BY SWEDEN ON BEHALF OF THE EUROPEAN COMMUNITY AND ITS MEMBER STATES**

**This submission is supported by Albania, Croatia, the Former Yugoslav Republic of Macedonia, Montenegro and Serbia**

Stockholm, September 23, 2009

**Subject:** The Fourth Review of the Financial Mechanism. – Response to the SBI request at its thirtieth session to parties to make submissions to the secretariat on the operation of funds under the Global Environment Facility as an operating entity of the financial mechanism as well as the Special Climate Change Fund and the Least Developed Countries Fund to inform the fourth review of the financial mechanism for consideration by the SBI at its thirty-first session.

### **Introduction**

The European Community and its Member States welcome this opportunity to further share information on its views on the operation of the financial mechanism of the convention as a contribution to the fourth review of the financial mechanism with an aim to make it even more effective and efficient in future.

### **Main Objective**

Securing the optimal role of the Global Environment Facility (GEF) as the financial mechanism of the UNFCCC, as a key part of the financial architecture to be agreed at Copenhagen, by learning from past and current experience and looking forward and improving its mechanisms to reinforce its effectiveness and efficiency.

### **Context**

EU Member States have pledged over 900 million USD to the GEF Trust Fund under the fourth replenishment (2006-2010), and a total of 162,4 million USD to the LDCF, and 88,3 million USD to the SCCF. The EU is thus the greatest supporter of the funds established under the UNFCCC. Therefore the EU has a great interest in seeing that these funds are delivered efficiently, effectively and equitably to deliver real and measureable results for the global environment in terms of emissions reductions. Adaptation to climate change is a global challenge and of particular importance for the poorest and most vulnerable developing countries, particularly in light of the forecasts for the substantial associated costs. The EU has therefore prioritised support to developing countries, particularly LDCs, small island developing states (SIDS) and African countries at risk of floods, drought and desertification, in their ongoing adaptation efforts. The SCCF and LDCF are important channels for adaptation, next to the bilateral assistance provided by the European Community and its Member States. The EU welcomes the opportunity provided by the Fourth Review of the Financial Mechanism, including the LDCF and the SCCF to inform discussions during the fifth replenishment of the GEF Trust Fund as well as in the boards of the LDCF and the SCCF.

### **Results**

The EU recognises the results achieved by the GEF and the impacts of its action to date, as demonstrated by the Interim Report of the Fourth Overall Performance Study of the GEF (OPS4, Interim Report). The Interim Report concludes that GEF support continues to be in line with guidance from the Convention and that 60% of projects show impact at project termination. Analysis of results, achievements and

progress towards impact show beyond a doubt that the GEF is fully able to deliver once projects are approved and implemented. Other key findings are that GEF support has been crucial in putting climate change on the national agenda of many developing countries and that GEF support has enabled countries to reduce and avoid GHG emissions and transform markets. Countries have used GEF support to introduce new policies and to develop the requisite environmental legislation and regulatory frameworks. GEF support has grown relative to that of other donors on environmental issues.

### **Reform**

The EU is committed to working towards an adequate and successful GEF 5 replenishment, taking into account OPS-4 and other evaluations, as well as advice from countries as to how the GEF can improve its effectiveness and efficiency so that it can continue to play a key role in the future. OPS4 indicates that the new programmatic approaches in the GEF have been successful in providing access to GEF 4 funding to countries. It also indicates that the RAF has increased country ownership in countries with an individual allocation and has had a neutral or detrimental effect on countries with a group allocation. However, reform processes have not yet lead to sufficient improvements at the country level and there is a need to step up the pace of reforms. While GEF has taken steps to simplify and streamline its procedures, it needs to continue to do so. GEF has taken steps to speed up the project cycle. GEF could publish information on project progress to increase the transparency in the project identification phase.

### **Next Steps**

The EU wishes the GEF to play a key role in the future international financial architecture for climate change. The EU believes that the efficiency of the architecture to be agreed in Copenhagen would be hindered by a proliferation of new instruments. In this regard improvement of the GEF's mechanisms, notably through reforms, will be essential to reinforce its effectiveness and efficiency, and contribute to achieving an adequate and successful replenishment. Areas the EU would like to engage with developing country Parties on is speeding up access and disbursement of funds as well as improving predictability.

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