

SUBMISSION BY LITHUANIA AND EUROPEAN COMMISSION ON BEHALF OF THE EUROPEAN UNION AND ITS MEMBERS STATES

This submission is supported by Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, Montenegro and Serbia.

Vilnius, 10 September 2013

Subject: Guidance to the operating entities of the financial mechanism of the Convention

The European Union and its Member States welcome the opportunity to provide comments on the agenda item on Guidance to the Operating Entities of the Financial Mechanism. Since, at this moment in time, only the Global Environment Facility (GEF) report to the COP is available, and the Standing Committee on Finance (SCF) has deliberated on this matter during its 5th meeting in late August, the EU and its Members States will limit its submission to general remarks.

1. The EU reiterates and underlines that the scope of the guidance should in accordance with art. 11 para 3 of the Convention and art. 6 a of the Governing Instrument be confined to matters related to policies, programme priorities, eligibility criteria and matters related thereto. The EU recognizes that we are in a phase of gradual transition regarding the scope and procedures for providing guidance to the operating entities of the Financial Mechanism (FM). While preparing new guidance the following aspects should be taken into consideration:

- Firstly, the guidance will from now on cover both operating entities, the GEF and the Green Climate Fund (GCF).
- Secondly, the draft guidance will be prepared by the Standing Committee on Finance for consideration by COP19. Finalization of the 5th review takes place at the COP20.
- Thirdly, issues related to how to improve the guidance to the FM will be discussed as a part of the 5th review of the Financial Mechanism, which is to be implemented during next year and finalized by COP 20.
- And fourthly, the fact that the two operating entities are in different stages of their development, should naturally be reflected in what type of guidance is justified in each of the cases.

2. In the case of GEF emphasis should be placed on the fact that the first report on 5th overall performance study of the GEF (OPS 5) is available and that the final report is to be completed by December 2013, and that this year's guidance will be provided in the midst of the 6th replenishment negotiations of the GEF.

3. In the case of the GCF it should be recognized that it is still in its initial stages of being operationalized, that the GCF Board should finalize the operationalization of the fund, and that therefore the guidance should be limited to initial recommendations and proposals from the COP.

Global Environment Facility

4. During the past couple of years the EU has, in its previous submissions on this matter, emphasized the positive impact of the successful conclusion in May 2010 of the GEF-5 replenishment negotiations as well as the accompanying programmatic and institutional reforms have had on its capability to respond to the growing demands for enhanced support to developing countries in meeting their commitments under the Convention.

5. This observation is now broadly confirmed by the first report of the OPS 5 study of the GEF Evaluation Office. The OPS 5 report generally concludes that the overall level of the GEF responsiveness to the Convention guidance is high at both the strategic and portfolio levels. It also concludes that the GEF support at the country level is well aligned with national priorities, shows progress toward impact at the local level, and enables countries to meet their obligations to the Conventions.

6. Preliminary information on the conclusions included in the GEF annual report to COP 19 confirms the general observation presented above and provides detailed information on recent progress in various activity areas and in responding to the Convention guidance.

7. While leaving details aside in this connection, the EU emphasizes the importance of an in-depth study and review of the findings and information included in the OPS 5 report, the GEF annual report to the COP when preparing further guidance to the GEF. These documents are essential inputs that particularly the Standing Committee of Finance can use while drafting guidance to the operating entities and working on the 5th review of the financial mechanism.

8. The EU underlines that, while continuing to avoid micromanagement of the GEF, the starting point for providing further guidance to the GEF should be an appeal to the Parties of the GEF-6 replenishment negotiations to fully accommodate the fulfillment of all obligations to the UNFCCC in the upcoming replenishment decision.

Green Climate Fund

9. The EU emphasizes that the GCF and its Board is still in the midst of its work to operationalize the fund on the basis of its Governing Instrument as approved by COP 17 in Durban. The progress achieved in this work, including the decisions taken at the fifth meeting of the Board to be held in Paris from 8 to 10 October 2013 will be reflected in the report of the GCF Board to COP 19. It is the view of the EU that we should await this report, and particularly on the results of the ongoing efforts to develop the business model of the GCF, before deciding on guidance to the fund.

10. The initial guidance to the operating entity of the FM, i.e. the GEF, as contained in COP decision 11/CP.1, includes some general principles and guidelines that de facto also apply to the GCF by virtue of the Governing Instrument of the GCF and decisions 3/CP.17 and 6/CP.18. This is for the time being sufficient as a guideline for concluding the operationalization of the GCF.



11. The EU also wishes to point out, that reforming and developing the procedures for providing guidance to the operating entities is an integral part of the forthcoming 5th review of the Financial Mechanism. We should not prejudge the outcome of that review in a separate decision on new initial guidance to the other operating entity. Instead, it would be appropriate to leave it to the 5th review to consider the need for new general guidance covering both operating entities of the FM. This could also cover aspects such as the need to develop proposals regarding the division of labor between the two entities.