

Submission by Nepal on behalf of the Least Developed Countries Group on views and recommendations on elements in the development of the further guidelines for the fifth review of the financial mechanism

Nepal, on behalf of the Least Developed Countries Group (LDC Group), welcomes the invitation by the Standing Committee to submit views and recommendations on elements in the development of the further guidelines for the fifth review of the financial mechanism.

The LDC Group recognizes the Article 11 of the Convention regarding the requirements of the Convention's financial mechanism. According to Article 11 of the Convention, the financial mechanism *shall function under the guidance of and be accountable to the Conference of the Parties, which shall decide on its policies, programme priorities and eligibility criteria related to this Convention*. The LDC Group believes that the fifth review should focus on institutions such as the Global Environment Facility (GEF), the Adaptation Fund and the Green Climate Fund (GCF) in regards to the following:

- Their adherence to guidance and accountability to the COP on policies and programme priorities, including eligibility criteria;
- Their effective disbursement of grants and concessional financial resources to meet the needs of developing countries; and
- The channels used to provide these resources.

Article 11 also states that *the financial mechanism shall have an equitable and balanced representation of all Parties within a transparent system of governance*. Thus, the elements of the financial mechanism employed to equitably balanced representation of all Parties should be reviewed, as well as and the means by which it sought to maintain a transparent system of governance.

The LDC Group emphasizes an undertaking of a meaningful review of Article 11's point that *developed country Parties may also provide and developing country Parties avail themselves of, financial resources related to the implementation of the Convention through bilateral, regional and other multilateral channels*. The review should assess the effectiveness of the methodologies employed to meet the needs of developing countries under the Fast Start Finance period. Elements should include: establishing the amount of finance that has been disbursed thus far; the channels through which Fast Start Finance flowed; analyzing the choice of beneficiaries; reviewing the types of projects supported; and synthesizing the lessons learned.

The LDC Group recommends that the fifth review should assess the effectiveness of the financial mechanism in providing direct access to developing countries and that in this regard lessons

learnt from the Adaptation Fund including the results of its initial review should provide an important input.

With regard to the work of the GCF, the LDC Group believes that the financial mechanism's fifth review should consider the GCF's thematic windows; transparency; balanced allocation of resources for adaptation and mitigation; resources to be grant-based; and those that will be made available through direct access.

Furthermore, the LDC Group is of the view that the review should assess how the financial mechanism was successful in mobilizing new and additional, predictable funding for the implementation of the objectives of the convention. In terms of the long-term finance under the Convention the following questions should also be addressed: How will long-term finance ensure adequacy and sustainability? What is the share of the public versus private and other innovative sources in long-term finance? What should be the length of period for the review of long-term finance considering its scale and needs based on the findings of science?

The LDC Group welcomes the work undertaken by the Standing Committee on the review of the financial mechanism and looks forward to the consideration of the Group's views and recommendations in the development of further guidelines for the fifth review of the financial mechanism.