



**FRAMEWORK CONVENTION ON CLIMATE CHANGE - Secretariat**  
**CONVENTION - CADRE SUR LES CHANGEMENTS CLIMATIQUES - Secrétariat**

Date: 8 October 2004  
Ref: LGE/md  
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Dear Patricia,

I would like to thank the GEF secretariat for having given us the opportunity to participate in the recent Workshop on the Resource Allocation Framework.

In response to Mr. Len Good's invitation for comments following the workshop in Paris, I am sending you some notes focusing on the issues of consistency with the conventions, eligibility, indicators for climate change, and availability of data. I thought that these notes could be useful background information as you undertake the difficult task of producing the next version of the RAF document for the Council in November.

**I. Consistency with the conventions:**

I do not want to advance any judgment on whether the RAF, as it is now being proposed, is consistent with the conventions. This is really the role of the Parties to the Convention to judge. I also understand that this is "work in progress" and the present proposals may still evolve.

I would like instead to point to some important Articles of the Convention, decisions of the COP, and the GEF Instrument of Establishment that you may want to take into consideration as you review issues of consistency.

As a minimum, (there may be others), one should take the following into consideration:

Article 11 of the Convention: This Article defines the financial mechanism and provides that it "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 the Convention". It also provides (Article 11.3 (a)) that the Conference of the Parties and the financial mechanism shall agree on arrangements including "modalities to ensure that the funded projects to address climate change are in conformity with the policies, programme priorities and eligibility criteria established by the Conference of the Parties". This Article is later reflected in paragraph 6 of the Instrument of the Establishment of the Restructured GEF.

The framework established in Article 11 of the Convention is incorporated in the Memorandum of Understanding between the COP and the Council of the GEF and later reflected in paragraphs 6 and 9 (a) of the Instrument of Establishment.

Paragraph 26 of the GEF Instrument of Establishment and paragraph 4 of the Memorandum of Understanding between the COP and Council of the GEF state that the Council should ensure the effective operation of the GEF as a source of funding activities under the conventions. It also mentions that the use of the resources for purposes of such conventions shall be in conformity with the policies, programme priorities and eligibility criteria decided by the Conference of the Parties.

**II. Issues of eligibility:**

Paragraph 9 of the Instrument of Establishment talks about eligibility criteria and differentiates between those that fall with the GEF when it functions as an operating entity of the financial mechanism and when it functions outside of it.

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- Those eligible under the financial mechanism are those referred to by the Convention and decisions of the Conference of the Parties as “developing countries” and “non Annex I countries or Parties”. The Convention and the COP guidance uses these terms interchangeably. Although there is clarity as to what constitutes a non-Annex I Country or Party, there is no definition as to what constitutes a developing country. This may pose a problem not so much for the eligibility of recipients under the financial mechanism but it does pose a problem for the list of recipients in the category below – those recipients outside the financial mechanism.
- Those outside the financial mechanism have their eligibility established by whether they are recipient countries with the World Bank and UNDP and this list includes a number of Annex I countries under the UNFCCC. Annex I countries are not eligible financial mechanism recipients under the Convention.

### III. Relationship and Cooperation with the conventions:

Paragraphs 26 and 27 of the Instrument of Establishment and decision 11/CP.1 of the COP address the relationships with the conventions. Paragraph 26 takes a broader view and talks about the “purposes of the Convention”. Paragraph 27 takes a narrower view and talks about the financial mechanism only. Decision 11/CP.1, paragraph 2 a, talks about the expected performance of GEF outside of the financial mechanism. In addition to setting performance priorities and eligibility criteria, the decision provides in paragraph 2 (a) that “Consistency should be sought and maintained between the 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.”

All of these seem to imply that even when acting outside of the financial mechanism, the GEF has the responsibility to support the broader purposes of the conventions or at least not to take any action that would go against the purpose and the spirit of the conventions.

Based on this perhaps, the question to be posed is not so much whether the RAF is consistent with the conventions but whether its outcome supports the broader purposes of the conventions.

- Does the new allocation system frustrate the efforts of Parties to address their obligations under the conventions?
- Does the new allocation system establish a new system of eligibility when it goes in the direction of an *ex ante* allocation system based on criteria that have not been explicitly expressed by Parties to the Convention?

### IV. Indicators on Climate Change:

While data on fossil fuel combustion and cement production may be the most readily available, these sectors are not the most important for a large majority of non-Annex I countries. To assess the overall potential of a given country to deliver global benefits, other sectors, including agriculture and land use, would have to be also considered.

One other option would be to establish a set of indicators that would give preference to mitigation potential rather than to past emissions, as the proposed system seems to do. If the intention is to focus on energy emissions, for example, it would be important to look beyond total emission numbers only. Linking these emission numbers to electricity production, which will result in an indicator for carbon intensity of electricity production, may provide more insight into potential mitigation opportunities. Country A with lower total energy emissions than Country B, could have significantly higher carbon intensity of electricity production than Country B. If this is indeed the case, Country A could be more likely to deliver cost-effective emissions reduction opportunities in the power sector.

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Also, as we have mentioned before, the absence of adaptation in the present system will most likely present problems to our Parties. As you know, Parties are increasing their attention to the issue of adaptation. There is also guidance to the GEF that expresses their interest for the GEF to fund adaptation within the Trust Fund. We are aware that one of the problems here, as for most other sectors, is the absence of reliable data, including on vulnerability, in most developing countries. There is the intention to build these over time within the context of the process of preparation of the second national communications. This task has already started and is well under way.

#### **V. Data availability:**

Non-Annex I Parties reported GHG inventories mainly according to the UNFCCC guidelines, which state that inventory data should be provided for 1994. Alternatively, non-Annex I Parties may provide such data for the year 1990. For the second national communications, the year 2000 will be used. Over 80 Parties have indicated their intention to begin the preparation of their second national communications this year. Negotiations are still on-going as to when these national communications will need to be submitted. Through its support to the Consultative Group of Experts on the Preparation of National Communications from Parties not included in Annex I to the Convention (CGE), and in response to the increasing interest of Parties to improve the reliability of their inventory data, the UNFCCC secretariat is providing significant support to Parties with resources provided by Annex II Parties for this purpose.

As of today, 118 Parties have submitted their initial national communications and three have already submitted their second. All but one of these Parties have provided national GHG inventory data. The large majority (83) have provided GHG inventory data for only one year (mainly 1994) and twelve have provided GHG inventory data for 1990 and 1994. Eighteen have provided data for more than two years and twelve have provided data for four years or more.

Approximately one hundred Parties have provided GHG inventory data for CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O. Twenty Parties have provided GHG inventory data for HFCs, PFCs or SF<sub>6</sub>.

The availability and completeness of data can be checked via the online GHG inventories database and the various Compilation and Synthesis reports published by the UNFCCC secretariat (especially the tables on "Completeness of reporting according to Table II of the UNFCCC guidelines") which provides a comprehensive overview of this issue.

The completeness of reporting for the various sectors is uneven. Not all sub-sectors are systematically reported by Parties.

For LUCF, out of 99 inventories compiled so far, we have the following: 81 Parties reported on CO<sub>2</sub>, 57 on CH<sub>4</sub>, and 57 on N<sub>2</sub>O. Although this is a difficult part of the inventory, these relatively high reporting rates indicate the interest and capacity that already exist in countries to collect and process this type of data.

Lastly, the data provided by Parties on GHG emissions are the only official data within the Convention process.

#### **VI. Some conclusions:**

Judging from the discussions at the workshop, and given that it appears that there are still a number of difficult and complex issues outstanding, it appears that there may be some need for much additional work and research on some of these issues. We stand ready to be of assistance to you if necessary.

Yours sincerely,

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