RELATIONS WITH CONVENTIONS

INTRODUCTION

1. At its April 1996 meeting, the Council adopted the following decision concerning relations with the Convention on Biological Diversity and the UN Framework Convention on Climate Change:

"The Council emphasized the importance it attaches to strong collaborative relationships between the GEF and each of the two conventions for which the GEF serves as the financial mechanism. It recognized that it was important to nurture those relationships, and it requested the Secretariat to continue to strengthen them and to involve the convention secretariats, as appropriate, in GEF operational programming.

"The Council suggested that it would be useful for the GEF to organize a workshop during the third meeting of the Conference of the Parties to the Convention on Biological Diversity in order to better inform the parties to the Convention of the GEF and its activities."

2. This document reports on the actions taken to implement the decision of the Council as well as recent developments within the context of the two conventions of concern to the GEF.

A. Convention on Biological Diversity

Intersecretariat collaboration

3. Concerted efforts have been made to strengthen the collaboration between the GEF secretariat and the secretariat of the Convention on Biological Diversity. Shortly after the April Council meeting, senior staff of the GEF secretariat visited the Convention secretariat in Montreal to discuss issues of mutual concern and modalities for promoting cooperation between the two bodies. The GEF secretariat attended the official opening of the headquarters of the Convention secretariat in Montreal and the launching of the German contribution to the Clearing-house Mechanism. The GEF secretariat will also attend and address the second meeting of the Subsidiary Body on Scientific, Technical and Technological Advice. The Convention secretariat is represented in the task force that reviews enabling activities and in the GEFOP meetings. In addition, there have been regular informal contacts between the two secretariats, including between the Executive Secretary of the Convention and the CEO of the GEF.

4. The two secretariats also collaborated in a joint effort to inform recipient countries about the resources available for enabling activities, and they have initiated a collaborative effort to
explore ways to address the third objective of the Convention: i.e., "the joint and equitable sharing of the benefits arising out of the utilization of genetic resources."

**Informal meeting on relations between the Convention and the GEF**

5. An informal meeting of interested participants drawn from the Conference of the Parties of the Convention on Biological Diversity and the Council of the GEF was hosted by Germany in Frankfurt, July 2-4 1996, at the initiative of the two secretariats. The meeting was chaired by H.E. Ambassador Razali, Permanent Representative of Malaysia to the United Nations in New York and GEF Council Member. The purpose of the meeting was to identify the principal challenges in strengthening the relationship between the Convention on Biological Diversity and the GEF and to promote confidence through working together so that the two bodies could effectively contribute to meeting common goals. The meeting also contributed to continuing consultations on the draft Memorandum of Understanding between the Convention and the GEF. The Chairman's summary of the meeting and a list of attendees is annexed to this report (annex A).

**Preparations for workshop during the third meeting of the Conference of the Parties**

6. The Secretariat is undertaking preparations, with the assistance of the Governments of Argentina and Switzerland, and in consultation with the Convention secretariat, to organize a workshop during the third meeting of the Conference of the Parties to the Convention on Biological Diversity in order to better inform the parties to the Convention of the GEF and its activities. The GEF secretariat is also exploring opportunities for participants at the Conference to visit one or two GEF-financed projects. More information on the workshop and the project visits will be provided at the Council meeting.

**Clearing-house Mechanism**

7. Decision II/3 of the second meeting of the Conference of the Parties to the Convention on Biological Diversity requests the GEF to explore the modalities of providing support through the financial mechanism to developing country Parties for capacity-building in relation to the operation of the clearing-house mechanism and to report to the Conference of the Parties at its third meeting. The GEF secretariat has been consulting extensively with the Convention secretariat and other partners working on the clearing-house mechanism with a view to preparing the report requested by the Conference of the Parties. A meeting with the secretariat and other interested parties will be convened during the September meeting of the SBSTTA to discuss the report that is being prepared.

**Report to the third meeting of the Conference of the Parties**

8. The Conference of the Parties has requested the GEF to prepare for the Conference's consideration an annual report on its operations in support of the Convention. The Secretariat has prepared a draft report for consideration and approval of the Council at the present meeting (document GEF/C.8/10). Helpful comments were received from the Convention secretariat on an earlier draft and were taken into account in preparing the draft before the Council.
B. UN Framework Convention on Climate Change

Intersecretariat collaboration

9. Relationships between the GEF secretariat and the secretariat of the Framework Convention on Climate Change continue to be constructive and collaborative. There are regular contacts between the two secretariats on issues of common concern. The Convention secretariat is represented in the task force that reviews enabling activities and operational programs, and it participants in the GEFOP meetings. The GEF secretariat was represented at the second session of the Conference of the Parties and meetings of the Convention's subsidiary bodies in July 1996. The CEO/Chairman of the GEF addressed the opening plenary of the second session of the Conference of the Parties.

Second session of the Conference of the Parties

10. The second session of the Conference of the Parties to the UN Framework Convention on Climate Change was convened in Geneva, Switzerland from July 8-19, 1996. The Conference had before it the report of the Global Environment Facility on its activities in the climate change area that the Council approved by mail.

11. The following is a summary of the decisions of the Conference of the Parties relevant to the GEF as the interim operating entity of the financial mechanism of the Convention. A copy of the decisions referred to below is annexed to this document (Annex B).

Guidance to the Global Environment Facility

12. The Conference of the Parties approved new guidance to the GEF (Decision 11/CP.2). One principal matter addressed in the guidance concerns enabling activities, and in particular the funding of communications from non-Annex I Parties under Article 12.1 of the Convention. In this regard, the Conference of the Parties also adopted guidelines and a format for the preparation of initial national communications by non-Annex I Parties (Decision 10/CP.2). In the preamble to decision 11, concern was expressed over difficulties encountered by parties in receiving financial assistance from the GEF, and the decision requests the GEF to expedite the approval and disbursement of financial resources to meet the agreed full costs incurred by developing country parties in complying with their obligations under Article 12.1 of the Convention. The GEF is also requested to take steps to facilitate the provision of financial resources, including the enhancement of transparency and the flexible and pragmatic application of the concept of incremental costs.

13. The Subsidiary Body for Implementation was requested at its fourth session to undertake the review process referred to in the decision designating the GEF, on an interim basis, as the international entity entrusted with the operation of the financial mechanism.

14. The GEF is requested to report to the Conference of the Parties at its third session on the implementation of the guidance, including experience gained in the application of the concept of agreed full incremental costs.
Proposed annex on the determination of funding necessary and available for the implementation of the Convention

15. At its first session, the Conference of the Parties requested the Convention secretariat, in consultation with the secretariat of the GEF, to prepare draft arrangements between the Conference of the Parties and the operating entity or entities of the financial mechanism for consideration by the Subsidiary Body for Implementation (SBI) at its first session and adoption by the Conference of the Parties at its second session. Accordingly, the SBI considered at its first session the draft Memorandum of Understanding that had been prepared by the two secretariats and approved by the GEF Council at its meeting in July 1995. The SBI decided to recommend that the Conference of the Parties adopt the draft MOU. The Conference of the Parties approved the MOU (Decision 12/CP.2).

16. The SBI also requested the secretariats of the Convention and the GEF to elaborate jointly the annex to the Memorandum of Understanding on procedures to facilitate the joint determination in a predictable and identifiable manner of the amount of funding necessary and available for the implementation of the Convention referred to in paragraph 9 of the Memorandum. The annex to the Memorandum of Understanding, elaborated jointly by the secretariats of the Convention and the GEF, was approved by the GEF Council at its meeting in April 1996 and submitted to the SBI for its review prior to adoption by the Conference of the Parties.

17. The SBI did not agree to refer the draft annex on the determination of funding to the Conference of the Parties for its adoption; rather, the SBI recommended, and the Conference agreed, that the SBI should consider the draft annex, together with an alternative text submitted by the G.77 and China, at its next session (Decision 13/CP.2). Parties were invited to submit additional comments on the matter to the secretariat of the Convention by September 30, 1996. The SBI is to report to the third session of the Conference of the Parties on their consideration of the annex.

Ministerial Declaration

18. The Ministers and other heads of delegations present at the second session of the Conference of the Parties approved a Ministerial Declaration. Paragraph 9 of the Declaration provides that the Ministers and other heads of delegations:

"Welcome the efforts of developing country parties to implement the Convention and thus to address climate change and its adverse impacts and, to this end, to make their initial national communications in accordance with guidelines adopted by the Conference of the Parties at its second session; and call on the GEF to provide expeditious and timely support to these parties and initiate work towards a full replenishment in 1997."

Initial follow-up to the decisions of the Conference of the Parties

19. Shortly after the second session of the Conference of the Parties, and in response to similar concerns raised at the informal meeting on biodiversity in Frankfurt, the CEO convened a senior
management meeting of the Implementing Agencies and Secretariat. During the meeting agreement was reached on a number of ways to streamline GEF internal working procedures and to further expedite GEF enabling activity approval and implementation. At the meeting there was general agreement on the need to ensure rapid preparation, approval and implementation of enabling activities. It was recognized that the approval of the Council in April of expedited procedures was an important step towards improving the process, but these were still quite recent. Nonetheless, it was agreed that even more could be done to facilitate early disbursement of funds at the country level. In particular, steps were agreed to:

(a) expedite task force review of project proposals,
(b) enable approval of enabling activities to occur on a rolling basis, as and when proposals are prepared,
(c) provide for up to 15% of the total budget activity to be available for start up work as soon as the CEO approves the project proposal.

It is expected that this agreement will further facilitate the processing of project proposals and lead to early implementation of activities and disbursement of project funds in developing countries.

20. These steps are consistent with the agreement reached at a meeting of GEF Heads of Agency in June 1996. At the meeting, the Chairman/CEO briefed the Heads of Agency on the status of programming of GEF financial resources, commitments and disbursements. It was noted that, while the quality of GEF projects has risen appreciably over time, and the ability to commit resources to projects is proceeding satisfactorily, disbursement of funds continue to be a problem. The President of the World Bank outlined the steps he is undertaking within the Bank to streamline its project cycle and documentation and indicated that he will ask Bank staff to explore ways to reduce in half the processing time of GEF projects within the Bank's control. The Heads of UNDP and UNEP indicated that their staff will also explore opportunities for speeding up processing and disbursement in their agencies even further.

21. Agreement has also been reached with the Implementing Agencies on using, for purposes of climate change enabling activities, the guidelines and format for the preparation of initial national communications by non-Annex I Parties as the basis for the preparation of national communications under GEF-financed enabling activities.

22. The GEF Council, like the Conventions, has recognized the need for a flexible application of the concept of incremental costs. The Secretariat and the Implementing Agencies are collaborating on ways to apply the approved incremental costs approach to specific focal areas and projects. As biodiversity projects have presented the most difficulties, efforts will focus on this focal area, recognizing that lessons learned will then be applied as appropriate to the other focal areas. The intention is to develop criteria for projects (training, capacity building, institutional strengthening or planning projects) that lend themselves to a rapid incremental cost assessment. Guidelines will be developed on how to carry out such assessments, and how to identify items that should be financed at full cost. For larger investment projects, such as those
that address root causes of biodiversity loss by building on a sustainable development activity in a way that also protects the diversity of biological resources, the incremental costs would need a fuller consideration. Paradigms for such analysis will be developed.

{Annexes to this document are available on request from the GEF Secretariat}