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CONFERENCE OF THE PARTIES
TO THE CONVENTION ON
BIOLOGICAL DIVERSITY
First meeting
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MEMORANDUM OF UNDERSTANDING BETWEEN THE CONFERENCE OF THE PARTIES
TO THE CONVENTION ON BIOLOGICAL DIVERSITY AND THE
INSTITUTIONAL STRUCTURE OPERATING THE FINANCIAL
MECHANISM UNDER THE CONVENTION
[ON AN INTERIM BASIS]

Note by the Secretariat

The attached document is circulated to the participants at the first meeting of the Conference of the Parties to the Convention on Biological Diversity at the request of Algeria, on behalf of the Group of 77 and China.

*Final Document
Chairman of the*

MEMORANDUM OF UNDERSTANDING BETWEEN THE
CONFERENCE OF THE PARTIES TO THE CONVENTION

ON
BIOLOGICAL DIVERSITY

AND

THE INSTITUTIONAL STRUCTURE OPERATING THE FINANCIAL
MECHANISM UNDER THE CONVENTION
[ON AN INTERIM BASIS]

Submitted by Algeria on behalf of G77 and c.l.

1. Preamble

The Conference of the Parties,

Having decided at its first meeting that the operation of the financial mechanism on an interim basis, in accordance with Article 39 of the Convention on Biological Diversity will be entrusted to the Global Environment Facility,

~~Recognizing the characteristics of the financial~~ **Recalling the provisions of Article 21, paragraph 1, on the essential elements of a mechanism for the provision of financial resources for the purposes of this Convention outlined in Article 21, paragraph 1 of the implementation of the Convention and the need for it to conclude arrangements with the institutional structure entrusted with its operation, in order to give effect to the provisions of Article 21, paragraph 1, of the Convention,**

Having consulted with the Global Environment Facility, the institutional structure operating the financial mechanism under the Convention (on an interim basis) ~~and taken into account the relevant aspects of its governance as reflected in its constituent instrument,~~

The Conference of the Parties to the Convention on Biological Diversity and the Global Environment Facility agree to conclude the present Memorandum of Understanding.

2. Purpose

The purpose of the present Memorandum of Understanding is to govern the operational relations between the Conference of the Parties and **the Global Environment Facility** in order to give effect to the provisions of Article 21, paragraph 1, **and in accordance with Article 39** of the Convention.

3. Communication

3.1 The Conference of the Parties shall determine the policy, strategy, program priorities and eligibility criteria relating to the access to and utilization of financial resources **including monitoring and evaluation on a regular basis of such utilisation.** ~~The decisions of the Conference of the Parties on these issues shall guide the institutional structure in the operation of the financial mechanism under the Convention.~~ **The financial mechanism to be operated by the Global Environment Facility on an interim basis shall function under the authority and guidance of and be accountable to the Conference of the Parties.** For this purpose, the Conference of the Parties shall, after its first meeting and its subsequent meetings where necessary, communicate its decisions on the following matters:

(a) Policy and strategy;

(b) Programme priorities;

~~(c) Eligibility criteria; including an updated list of Parties to the Convention, a list of least developed countries and a list of small island developing countries;~~

(c) bis Ways and means for monitoring and evaluating the utilisation of financial resources;

(d) An indicative list of incremental costs;

(e) A list of developed country Parties and other Parties which voluntarily assume the obligations of developed country Parties;

(d) The amount of resources needed;

(g) Any other matter relating to the financial mechanism of the Convention.

3.2 **The Global Environment Facility** shall also communicate to the Conference of the Parties all relevant information, including detailed indications on the projects in the area of biological diversity funded outside of the framework of the financial mechanism of the Convention.

3 bis Compliance

The Global Environment Facility will ensure that the decisions under paragraph 3.1 above are fully implemented.

4. Reporting

~~4.1 The Conference of the Parties shall receive and review at each of its meetings a report from {name of institutional structure}~~ **The Global Environment Facility shall prepare and submit to the Conference of the Parties through the Convention Secretariat a semi-annual report on the operation of the mechanism.**

4.2 The report should include specific information to indicate how the policy, strategy, programme priorities and eligibility criteria determined by the Conference of the Parties, as well as any other decision communicated, have **been complied with by the Global Environment Facility reflected in its operational strategy for, and funded activities under, the financial mechanism of the Convention.**

4.3 The report should provide information on the following:

(a) A list of projects submitted for funding by eligible Parties;

(b) A list of projects funded for any reporting period;

(c) The status of projects under consideration;

(c) bis A list of projects which have not been approved for funding and the reasons therefor;

(d) The funds committed and disbursed.

4.3 bis The report should also include information on the amount of resources made available during the reporting period as compared to the need for adequacy, predictability and timely flow of funds as referred to in Article 20, paragraph 2, of the Convention.

4.4 The report should also indicate:

(a) The program of future activities in the area of biological diversity;

(b) The amount of financial resources **necessary** available to support these activities.

4.5 The Global Environment Facility shall also provide information on other matters as may be required by the Conference of the Parties in the discharge of its functions under Article 21, paragraphs 1 and 2 ~~{and under Article 39}~~.

5. Monitoring and evaluation

5.1 The Conference of the Parties may raise any matter arising from the report received with the ~~governing body of the~~ **Council of the Global Environment Facility.**

~~5.2 The Conference of the Parties may require reconsideration by the [name of institutional structure], if moved to do so by any Contracting Party, of any funding decision taken. The [name of institutional structure] shall reconsider any funding decision if requested to do so by the Conference of the Parties.~~

5.2 The Conference of the Parties shall monitor and evaluate funding decisions taken by the Global Environment Facility and communicate its ensuing decisions to the Global Environment Facility for implementation.

5.3 As provided for in Article 21, paragraph 3, the Conference of the Parties shall periodically review the effectiveness of the financial mechanism and **communicate to the Global Environment Facility any decision adopted as a result of such review aimed at improving the effectiveness of the mechanism.**

6. Joint determination of the aggregate funding requirements

The Conference of the Parties will determine the amount of resources needed for the implementation of the Convention. In order to facilitate the need for predictability, adequacy and timely flow of funding, the Conference of the Parties and the **Global Environment Facility** shall jointly determine the aggregate funding requirements for the purpose of the Convention ~~in the following manner: the joint determination of aggregate funding requirements to be based on the sum total of the agreed full incremental costs incurred by developing country Parties in implementing measures which fulfill their obligations under the Convention and to benefit from its provisions, taking into account the cost estimates contained in their respective national strategies, plans or programmes developed in accordance with the provisions of the Convention.~~

~~*[procedure as identified by the Conference of the Parties at its first meeting].*~~

7. Reciprocal representation

Representatives of the **Global Environment Facility** shall be invited to attend meetings of the Conference of the Parties. Representatives of the Convention shall be invited to attend meetings of the **Global Environment Facility**.

8. Cooperation

The Secretariat of the Convention and **Global Environment Facility Secretariat** shall communicate and cooperate with each other and meet on a regular basis to facilitate the effective operation of the financial mechanism.

9. Amendments

Any amendments to the present Memorandum of Understanding shall be mutually agreed upon by the Conference of the Parties and the **Global Environment Facility**.

10. Interpretation

If differences arise in the interpretation of the present Memorandum of Understanding, the Conference of the Parties and the **Council of the Global Environment Facility** shall reach a mutually agreed solution.

11. Entry into force

The present Memorandum of Understanding shall enter into force [~~according to the procedure agreed between the two entities~~] upon signature, and to remain in force until otherwise decided by the Conference of the Parties.

.....
[on behalf of the Conference
of the Parties]

.....
[on behalf of the institutional
structure]