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INTERGOVERNMENTAL NEGOTIATING COMMITTEE FOR AN
INTERNATIONAL LEGALLY BINDING INSTRUMENT
FOR IMPLEMENTING INTERNATIONAL ACTION ON
CERTAIN PERSISTENT ORGANIC POLLUTANTS

Seventh session
Geneva, 14-18 July 2003
Item 5 of the provisional agenda*

Preparations for the Conference of the Parties

GUIDANCE TO THE FINANCIAL MECHANISM**

Note by the secretariat

1. Paragraph 6 of article 13 of the Stockholm Convention on Persistent Organic Pollutants establishes a financial mechanism for the provision of adequate and sustainable financial resources to developing country Parties and Parties with economies in transition on a grant or concessional basis to assist in their implementation of the Convention. The mechanism is to function under the authority, as appropriate, and guidance of, and be accountable to the Conference of the Parties for the purposes of the Convention. As stipulated in paragraph 7 of article 13:

“the Conference of the Parties shall at its first meeting adopt appropriate guidance to be provided to the mechanism and shall agree with the entity or entities participating in the financial mechanism upon arrangements to give effect thereto. The guidance shall address, inter alia:

- (a) The determination of the policy, strategy and programme priorities, as well as clear and detailed criteria and guidelines regarding eligibility for access to and utilization of financial resources including monitoring and evaluation on a regular basis of such utilization;
- (b) The provision by the entity or entities of regular reports to the Conference of the Parties on adequacy and sustainability of funding for activities relevant to the implementation of this Convention;

* UNEP/POPS/INC.7/1.

** Stockholm Convention, article 13, paragraph 7; Conference of Plenipotentiaries on the Stockholm Convention, resolution 1, paragraph 4 (in document UNEP/POPS/CONF/4, appendix I); report of the Intergovernmental Negotiating Committee on its sixth session (UNEP/POPS/INC.6/22), annex I, decision INC-6/13.

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(c) The promotion of multiple-source funding approaches, mechanisms and arrangements;

(d) The modalities for the determination in a predictable and identifiable manner of the amount of funding necessary and available for the implementation of this Convention, keeping in mind that the phasing out of persistent organic pollutants might require sustained funding, and the conditions under which that amount shall be periodically reviewed; and

(e) The modalities for the provision to interested Parties of assistance with needs assessment, information on available sources of funds and on funding patterns in order to facilitate coordination among them.”

2. At its sixth session, the Intergovernmental Negotiating Committee, in its decision INC-6/13, invited Governments to provide to the secretariat by 30 November 2002 their views on elements that might be included in such guidance and requested the secretariat to submit a report on possible elements of such guidance to the Committee for its further consideration at its seventh session. Comments were received from four countries. A compilation of the views received may be found in background document UNEP/POPS/INC.7/INF/16.

3. While the comments supported the need for specific policies, approaches, guidelines and criteria for projects, there were few specific comments on elements that might be included in guidance. One comment pointed to the need for an independent, flexible and quickly responsive approval mechanism to support projects under the Stockholm Convention, and for the guidelines to include: fields to be supported; rules (or procedures) for project application, review and approval; cost definition, classification and eligibility; and reporting, supervising and implementing arrangements.

4. Comments were also sought from the secretariats of the United Nation Framework Convention on Climate Change and the Convention on Biological Diversity. The secretariat of the Convention on Biological Diversity referred to decisions of the Convention’s Conference of the Parties. These decisions refer to: policy and strategy; eligibility criteria; programme priorities; and monitoring and evaluation of the utilization of financial resources.

5. Although at its first session the Conference of the Parties will adopt guidance to the financial mechanism of the Stockholm Convention, there will be a significant interim period during which the financial mechanism will operate on an interim basis. The Global Environment Facility (GEF), as the principal entity entrusted with the interim operation of the financial mechanism, has responded to the resolutions of the Conference of Plenipotentiaries of the Stockholm Convention and has begun funding projects in support. To date the focus has been primarily on the development of the national implementation plans called for in article 7 of the Convention. Given, however, the designation of persistent organic pollutants (POPs) as a new focal area by the GEF Assembly at its third meeting in Beijing in October 2002 and the anticipated \$250 million for the next triennium, the Committee may wish to consider whether interim guidance, particularly on eligibility, priorities, and calculation of costs, should be provided regarding:

(a) Eligibility: although article 13, paragraph 6, defines the financial mechanism as being for “the provision of adequate and sustainable financial resources to developing country Parties and Parties with economies in transition on a grant or concessional basis to assist in their implementation of the Convention...”, it does not identify any specific countries that might be eligible. Without specific guidance, the eligibility of some countries might remain uncertain. Where there has been such uncertainty in relation to the financial mechanisms of other multilateral environmental agreements in which it is a participant, GEF has relied on its own eligibility criterion, namely, that a country shall be an eligible recipient of GEF grants if it is eligible to borrow from the World Bank (International Bank for Reconstruction and Development or International Development Association) or if it is an eligible recipient of United Nations Development Programme (UNDP) technical assistance through its country Indicative Planning Figure (see paragraph 9 (b) of the Instrument for the Establishment of the Restructured Global Environment Facility);

(b) **Priorities:** GEF has indicated that enabling activities, especially the development of national implementation plans, are the immediate priority. As countries complete their national implementation plans, they will be seeking financial resources to implement their plans to reduce releases of POPs and their dependence on specific exemptions. The financial mechanism will need guidance on priorities in order to be responsive to country needs identified in the national implementation plans, to maintain countries' momentum in implementation and to achieve the strategic goals of the Convention. Currently, in its business plan for fiscal years 2004-2006 (see document GEF/C.21/9), GEF identifies the following strategic priorities for POPs:

- (i) Targeted capacity-building for the development of national implementation plans, capacity-building for least developed countries, awareness-raising, and dissemination of best practices;
- (ii) Implementation of policy and regulatory reforms and investments to support investments that emerge from national implementation plans or other priority-setting exercises;
- (iii) Demonstration and promotion of innovative and cost effective technologies and practices for the disposal of products, the phase-out of PCBs and the development of alternatives to DDT.

In this business plan GEF recognizes that, since the Convention has not yet entered into force and there is limited experience in its implementation, these strategic priorities may need to be revised in the future on the basis of further experience gained in implementing projects and on the basis of guidance from the Convention;

(c) **Calculation of costs:** paragraph 2 of article 13 states: "The developed country Parties shall provide new and additional financial resources to enable developing country Parties and Parties with economies in transition to meet the agreed full incremental costs of implementing measures which fulfil their obligations under this Convention as agreed between a recipient Party and an entity participating in the mechanism described in paragraph 6". Paragraph 6 of article 13, in defining the financial mechanism, refers to "adequate and sustainable financial resources...on a grant or concessional basis...".

Possible action by the Committee

6. The Committee may wish to consider:

- (a) Establishing a process for developing draft guidance to the financial mechanism for consideration by the Conference of the Parties at its first session; and
- (b) Providing guidance to GEF in the interim on issues of eligibility, priorities and the calculation of costs.
