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**United Nations  
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**Conference of the Parties of the Stockholm  
Convention on Persistent Organic Pollutants  
First meeting**  
Punta del Este, 2–6 May 2005  
Item 6 (h) of the provisional agenda\*

**Matters for consideration or action by the Conference  
of the Parties: financial resources, mechanisms and related  
financial arrangements**

**Draft terms of reference for the review of the financial mechanism\*\***

**Note by the Secretariat**

1. Paragraph 8 of Article 13 of the Stockholm Convention on Persistent Organic Pollutants reads as follows:

“The Conference of the Parties shall review, not later than its second meeting and thereafter on a regular basis, the effectiveness of the mechanism established under this Article, its ability to address the changing needs of the developing country Parties and Parties with economies in transition, the criteria and guidance referred to in paragraph 7, the level of funding as well as the effectiveness of the performance of the institutional entities entrusted to operate the financial mechanism. It shall, based on such review, take appropriate action, if necessary, to improve the effectiveness of the mechanism, including by means of recommendations and guidance on measures to ensure adequate and sustainable funding to meet the needs of the Parties.”

2. At its seventh session, the Intergovernmental Negotiating Committee for an Internationally Legally Binding Instrument for Implementing International Action on Certain Persistent Organic Pollutants, in its decision INC-7/9 on the financial mechanism, noted the elements of the terms of reference for the review of the financial mechanism, pursuant to paragraph 8 of Article 13 of the Convention, set forth in paragraph 3 of document UNEP/POPS/INC.7/24, as amended by the Committee.

3. In that same decision, the Committee requested Governments and observers to provide additional comments on the aforementioned elements to the Secretariat by 31 December 2003.

\* UNEP/POPS/COP.1/1.

\*\* Stockholm Convention, Article 13 paragraph 8; Report of the Intergovernmental Negotiating Committee on the work of its seventh session (UNEP/POPS/INC.7/28), annex I, decision INC-7/9.

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4. In response to the request mentioned in paragraph 3 above, the Secretariat has received 12 submissions of comments from Governments. The submissions have been reproduced in the annex to background document UNEP/POPS/COP.1/INF/19.
5. In its decision INC-7/9, the Committee also requested the Secretariat, in consultation with the Secretariat of the Global Environment Facility, taking into account the comments received in response to the request mentioned in paragraph 3 above, to develop draft terms of reference for the review of the financial mechanism for consideration and possible decision by the Conference of the Parties at its first meeting.
6. In response to the request referred to in paragraph 5 above, the Secretariat, in consultation with the Secretariat of the Global Environment Facility, has prepared for the consideration of the Conference of the Parties, at its first meeting, draft terms of reference for the review of the financial mechanism. The draft terms of reference are set forth in the annex to the present note and have not been formally edited.

### **Possible action by the Conference of the Parties**

7. The Conference of the Parties may wish to:
  - (a) Consider the information provided above and the draft terms of reference for the review of the financial mechanism;
  - (b) Adopt, with any amendments, the terms of reference for the review of the financial mechanism;
  - (c) Request the Secretariat to compile information relevant to the review and submit it to the second meeting of the Conference of the Parties for its consideration.

## Annex

### Draft terms of reference for the review of the financial mechanism

#### *Objective*

1. Pursuant to paragraph 8 of Article 13 of the Convention, the Conference of the Parties will review the effectiveness of the financial mechanism established under Article 13 of the Stockholm Convention in supporting implementation of the Convention, with a view to take appropriate action, if necessary, to improve the effectiveness of the financial mechanism, including by means of recommendations and guidance to ensure adequate and sustainable funding. For this purpose the review will include an analysis of:

- (a) The mechanism's ability to address the changing needs of developing-country Parties and Parties with economies in transition;
- (b) The criteria and the guidance referred to in paragraph 7 of Article 13 of the Convention, including the mechanism's ability to incorporate policy guidance from the Conference of the Parties;
- (c) The level of funding;
- (d) The effectiveness of the performance of the institutional entities entrusted to operate the financial mechanism, including, pursuant to Article 14 of the Convention, the effectiveness of the performance of the Global Environment Facility, in its capacity, as principal entity entrusted with the operations of the Financial Mechanism, on an interim basis.

#### *Methodology*

2. The review will cover the activities of the financial mechanism for the period of entry into force of the Convention (17 May 2004) to July 2005,<sup>1</sup> with special emphasis on those activities which have been concluded during the same period.

3. The review shall draw, inter alia, on the following sources of information:

- (a) Information provided by the Parties on their experiences gained through activities funded by the financial mechanism;
- (b) Periodic reviews by the Conference of the Parties on the conformity of the activities of the financial mechanism with the guidance<sup>2</sup> provided to it;
- (c) Reports submitted to the Conference of the Parties by the entity or entities entrusted with the operation of the financial mechanism;<sup>3</sup>
- (d) Other reports provided by the entity or entities entrusted with the operation of the financial mechanism, inter alia, the reports of the Global Environment Facility's independent monitoring and evaluation unit;

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<sup>1</sup> Should the Conference of the Parties decide to undertake the review of the financial mechanism at its second meeting, as mandated in paragraph 8 of Article 13 of the Convention, there is a need to allocate sufficient time for compilation and preparation of the official documentation to be submitted by the Secretariat in advance of second meeting of the Conference of the Parties, in accordance with United Nations rules and standards.

<sup>2</sup> Pursuant to paragraph 7 of Article 13, the Conference of the Parties shall at its first meeting adopt the guidance to the financial mechanism. Subsequently, should the Conference of the Parties decide to undertake the review of the financial mechanism at its second meeting, pursuant to paragraph 8 of Article 13, it is possible that that information might not be available in time for the review.

<sup>3</sup> See paragraph 14 and 15 of the draft memorandum of understanding between the Council of the Global Environment Facility and Conference of the Parties of the Stockholm Convention (UNEP/POPS/COP.1/19).

- (e) Reports and information provided by other relevant entities providing multilateral, regional and bilateral financial and technical assistance pursuant to paragraph 6 of Article 13 of the Convention;
  - (f) Relevant information provided by intergovernmental organizations and non-governmental organizations.
4. Entities entrusted with the operation of the financial mechanism are requested to provide to the Secretariat relevant information for this review in a timely manner.
5. Parties are encouraged to submit to the Secretariat the relevant information pursuant to paragraph 3 (a) above, as soon as possible but not later than 31 July 2005.<sup>1</sup>
6. Intergovernmental organizations and non-governmental organizations are requested to provide to the Secretariat relevant information pursuant to the objectives of the present review, as soon as possible but no later than 31 July 2005.<sup>1</sup>
7. In keeping with these terms of reference, the Secretariat shall:
- (a) Make adequate arrangements to ensure that the effectiveness review is undertaken in an independent and transparent manner;
  - (b) Hire a consultant to prepare the draft report on the review of the financial mechanism ;
  - (c) Submit a draft report on the review of the financial mechanism to the second meeting of the Conference of the Parties for its consideration.

*Report*

8. The report of the review shall include, inter alia, the following elements:
- (a) An overview of elements (a) to (d) of paragraph 1 above;
  - (b) An analysis of lessons learned from the activities funded by the financial mechanism during the period covered by the review;
  - (c) Recommendations and guidance to improve the effectiveness of the financial mechanism in meeting the objectives of the Convention;
  - (d) Performance criteria.
9. The Secretariat shall submit the aforementioned report for the consideration of the Conference of the Parties at its second meeting. The report shall be deemed an official document of the Conference of the Parties.

*Performance criteria*

10. The effectiveness of the financial mechanism shall be assessed taking into account, inter alia:
- (a) The responsiveness of the mechanism and the entities entrusted with its operation to guidance from the Conference of the Parties;
  - (b) The responsiveness of the Global Environment Facility, in its capacity on an interim basis as principal entity entrusted with the operations of the financial mechanism, to the resolutions adopted by the Conference of Plenipotentiaries;
  - (c) The transparency of the project approval process;
  - (d) Procedures for accessing funds which are simple, flexible and expeditious;

- (e) The adequacy and sustainability of the resources;
  - (f) Country ownership of activities funded by the financial mechanism;
  - (g) The level of stakeholder involvement;
  - (h) Any other significant issues raised by the Parties.
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