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**United Nations  
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**Conference of the Parties to the Stockholm Convention  
on Persistent Organic Pollutants**  
**Second meeting**  
Geneva, 1–5 May 2006  
Item 5 (h) of the provisional agenda\*

**Matters for consideration or action by the Conference of the Parties:**  
**Financial resources**

**First review of 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.
2. Paragraph 8 of Article 13 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 [of Article 13], 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.”
3. At its first meeting, the Conference of the Parties in its decision SC-1/10 adopted the terms of reference for the first review of the financial mechanism of the Convention. For ease of reference, the terms of reference are reproduced in the annex to the present note.

\* UNEP/POPS/COP.2/1.

\*\* Stockholm Convention, Articles 13 and 14; report of the Conference of the Parties of the Stockholm Convention on Persistent Organic Pollutants on the work of its first meeting (UNEP/POPS/COP.1/31), annex I, decision SC-1/10; Final Act of the Conference of Plenipotentiaries on the Stockholm Convention on Persistent Organic Pollutants (UNEP/POPS/CONF/4), appendix I, resolution 2.

4. Following up on the tasks assigned to it in paragraph 8 of the terms of reference, the Secretariat:
  - (a) Made arrangements to ensure that the effectiveness review is undertaken in an independent and transparent manner;
  - (b) Hired an independent evaluator to prepare a draft report on the review of the financial mechanism;
  - (c) Circulated, in the present note, the draft report to Parties and other Governments for comments before the second meeting of the Conference of the Parties.
5. In accordance with the terms of reference, the independent evaluator prepared the draft report on the review of the financial mechanism, which is set forth in document UNEP/POPS/COP.2/INF/9. As Article 14 of the Stockholm Convention states that the Global Environment Facility shall, on an interim basis, serve as the principal entity entrusted with the operations of the financial mechanism referred to in Article 13 and to date no other entities have been entrusted with operations of the mechanism, the draft report focuses primarily on the Global Environment Facility.
6. Pursuant to paragraph 4 of the terms of reference, the draft report covers the activities of the financial mechanism for the period since the Convention was opened for signature on 22 May 2001 to July 2005, with special emphasis on those activities which have been concluded during the same period.
7. Pursuant to paragraph 9 of the terms of reference, the draft report includes the required elements listed therein.
8. Section 4.5 of the draft report contains a summary of the main recommendations arising from the exercise.
9. The Secretariat welcomes any comments on the draft report and will compile any comments received before the start of the second meeting of the Conference of the Parties into an information document which will be made available at the meeting.

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

10. The Conference of the Parties may wish:
  - (a) To note the report on the first review of the financial mechanism;
  - (b) To request the Secretariat to transmit the report to the Global Environment Facility Council meeting to be held in June 2006;
  - (c) To invite the Council of the Global Environment Facility to submit the report to the Global Environment Facility at its third Assembly, to be held in August 2006, for its consideration and action as appropriate;
  - (d) To invite other relevant funding institutions to provide information on ways in which they can support the Convention,
  - (e) To request the Secretariat to prepare a report on the basis of the information to be provided pursuant to subparagraph (c) above, reviewing the availability of financial resources additional to those provided through the Global Environment Facility and ways and means of mobilizing and channelling those resources in support of the objectives of the Convention, as requested by the Conference of Plenipotentiaries in its resolution 2, for consideration by the Conference of the Parties at its third meeting;
  - (f) To request the Secretariat to prepare, on the basis of the terms of reference for the first review annexed to decision SC-1/10, draft terms of reference for the second review of the financial mechanism, for consideration and possible adoption by the Conference of the Parties at its third meeting;
  - (g) To consider undertaking the second review of the financial mechanism at the fourth meeting of the Conference of the Parties, scheduled to take place in 2009, in time to submit recommendations to be taken into account during the Global Environment Facility's fifth replenishment, in 2009 and subsequently by its fourth Assembly in 2010.

## Annex

### Annex to decision SC-1/10

#### Terms of reference for the first 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 taking appropriate action, if necessary, to improve the effectiveness of the financial mechanism, including by means of recommendations and guidance to ensure timely, 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

2. With regard to the above, the effectiveness of the performance of the Global Environment Facility, in its capacity as principal entity entrusted, on an interim basis, with the operations of the financial mechanism in accordance with Article 14 of the Convention, will be evaluated when undertaking this first review.

3. For the purpose of these terms of reference for this first review, the principal entity refers to the Global Environment Facility in accordance with Article 14 of the Convention.

##### Methodology

4. The review will cover the activities of the financial mechanism for the period since the Convention was open for signature (22 May 2001) to July 2005, with special emphasis on those activities which have been concluded during the same period.

5. The review shall draw, among others, on the following sources of information:

- (a) Information provided by the Parties and other Governments on their experiences gained through activities funded by the financial mechanism;
- (b) Reports submitted to the Conference of the Parties by the principal entity;
- (c) Other reports provided by the principal entity, among others, the reports of its independent monitoring and evaluation unit and the overall performance studies;
- (d) 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;
- (e) Relevant information provided by intergovernmental organizations and non-governmental organizations and other relevant stakeholders.

6. The principal entity is requested to provide to the Secretariat relevant information for this review in a timely manner.

7. Parties and other Governments, intergovernmental organizations, non-governmental organizations and other relevant stakeholders are encouraged to submit to the Secretariat the relevant information pursuant to paragraphs 5 (a) and (f) above, as soon as possible but not later than 31 July 2005.

8. 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 an independent evaluator to prepare a draft report on the review of the financial mechanism;
  - (c) Circulate the draft report among Parties and other Governments for comment before the second meeting of the Conference of the Parties;
  - (d) Submit the draft report to the Conference of the Parties for consideration at its second meeting. The report shall be deemed an official document of the Conference of the Parties.

**Report**

9. The report of the review shall include, among other things, 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) An assessment against the performance criteria listed in paragraph 10 below.

**Performance criteria**

10. The effectiveness of the financial mechanism shall be assessed taking into account, among other things:
- (a) The responsiveness of the principal entity to the resolutions adopted by the Conference of Plenipotentiaries and the decisions of the Intergovernmental Negotiating Committee on an International Legally Binding Instrument on Persistent Organic Pollutants and, to the extent possible, guidance from the Conference of the Parties adopted at its first meeting;
  - (b) The transparency and timeliness of the project approval process;
  - (c) Procedures for accessing funds which are simple, flexible and expeditious;
  - (d) The adequacy and sustainability of resources;
  - (e) Country ownership of activities funded by the financial mechanism;
  - (f) The level of stakeholder involvement;
  - (g) The findings and recommendations of the Global Environment Facility's Office of Monitoring and Evaluation and the Facility's Third Overall Performance Study;
  - (h) Any other significant issues raised by the Parties.