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**Conference of the Parties of the Stockholm
Convention on Persistent Organic Pollutants
Third meeting**

Dakar, 30 April–4 May 2007

Item 5 (h) of the provisional agenda*

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

**Draft terms of reference for the second 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.”

* UNEP/POPS/COP.3/1.

** Stockholm Convention, Article 13 paragraph 8; Reports of the Conference of the Parties on the work of its first meeting (UNEP/POPS/COP.1/31), annex I, decision SC-1/10 and on the work of its second meeting (UNEP/POPS/COP.2/30), annex I, decision SC-2/10.

3. At its second meeting, the Conference of the Parties in decision SC-2/10 on financial resources and mechanism welcomed the report on the first review of the financial mechanism and noted its recommendations, the relevant ones of which were included in decisions SC-2/10 and SC-2/11.
4. In its decision SC-2/10, the Conference of the Parties requested the Secretariat to prepare, on the basis of the terms of reference for the first review of the financial mechanism contained in the annex to the decision, 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.
5. In that same decision, the Conference decided to undertake 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 and guidance to the Council of the Global Environment Facility and to invite it to take into account such recommendations and guidance during the Global Environment Facility's fifth replenishment, in 2009.
6. The Conference also decided that the second review of the financial mechanism should include:
 - (a) An assessment of the Global Environment Facility principles of incremental cost and global benefits as they pertain to activities relating to persistent organic pollutants in order to facilitate fulfilment of obligations under the Convention, along with lessons learned from the evaluation reports on the activities of the Global Environment Facility;
 - (b) An assessment of the adequacy, sustainability and predictability of the funding.
7. In response to the request mentioned in paragraph 4 above, the Secretariat developed 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. The draft terms of reference are set forth in the annex to the present note.

Possible action by the Conference of the Parties

8. The Conference of the Parties may wish:
 - (a) To consider the information provided above and the draft terms of reference for the second review of the financial mechanism;
 - (b) To adopt, with any amendments, the terms of reference for the second review of the financial mechanism;
 - (c) To request the Secretariat to compile information relevant to the second review of the financial mechanism and submit it to the Conference of the Parties for consideration at its fourth meeting.

Annex

Draft terms of reference for the second 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, on an interim basis, with the operations of the financial mechanism.

Methodology

2. The review will cover the activities of the financial mechanism for the period from July 2005 to October 2008, with special emphasis on those activities which have been concluded during the same period.

3. The review shall draw, among other things, 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 guidance¹ 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;²
- (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;
- (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) Reports submitted by Parties pursuant to Article 15 of the Convention;
- (g) 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 30 November 2008.

¹ Pursuant to paragraph 7 of Article 13, the Conference of the Parties at its first meeting adopted the guidance to the financial mechanism by its decision SC-1/9.

² 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).

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 30 November 2008.
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 a draft report on the review of the financial mechanism ;
 - (c) Submit the draft report on the review of the financial mechanism to the Conference of the Parties for consideration at its fourth meeting.

Report

8. 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) An assessment of the Global Environment Facility principles of incremental cost and global environmental benefits as they pertain to activities relating to persistent organic pollutants in order to facilitate fulfilment of obligations under the Convention, along with lessons learned from the evaluation reports on the activities of the Global Environment Facility;
 - (d) An assessment of the adequacy, sustainability and predictability of the funding provided by the financial mechanism to implement the objectives of Convention;
 - (e) Recommendations and guidance to improve the effectiveness of the financial mechanism in meeting the objectives of the Convention;
 - (f) Performance criteria.
9. The Secretariat shall submit the above-mentioned report to the Conference of the Parties for consideration at its fourth 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, among other things:
- (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 operation of the financial mechanism, to the resolutions adopted on 22 May 2001 by the Conference of Plenipotentiaries relating to interim financial arrangements;³
 - (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.

³ Final Act of the Conference of Plenipotentiaries on the Stockholm Convention on Persistent Organic Pollutants (UNEP/POPS/CONF/4), appendix I.