

**CONVENTION ON
BIOLOGICAL
DIVERSITY**Distr.
GENERALUNEP/CBD/COP/7/17/Add.5
11 November 2003

ORIGINAL: ENGLISH

**CONFERENCE OF THE PARTIES TO THE
CONVENTION ON BIOLOGICAL DIVERSITY**

Seventh meeting

Kuala Lumpur, 9-20 and 27 February 2004

Item 20.1 of the provisional agenda*

FINANCIAL RESOURCES AND MECHANISM (ARTICLES 20 AND 21)*Arrangements for the third review of the effectiveness of the financial mechanism**Note by the Executive Secretary*

1. Paragraph 3 of Article 21 of the Convention provides that “the Conference of the Parties shall review the effectiveness of the mechanism established under this Article, including the criteria and guidelines referred to in paragraph 2 above, not less than two years after the entry into force of this Convention and thereafter on a regular basis, based on such review, it shall take appropriate action to improve the effectiveness of the mechanism if necessary”. In paragraph 2 of decision II/6, the Conference of the Parties decided to undertake the first review of the effectiveness of the financial mechanism at its fourth meeting in 1997 and a review every three years.

2. The first review of the financial mechanism was conducted in accordance with the guidelines for the review of the effectiveness of the financial mechanism contained in decision III/7. The Secretariat of the Convention was requested to compile the information for the review by developing a questionnaire, undertaking field visits and interviewing stakeholders, and to prepare and submit a synthesis review report under the guidance from five representatives of Parties. The Conference of the Parties concluded the first review at its fourth meeting and noted the inadequacy of the procedures for the review and the insufficient information provided.

3. The terms of reference for the second review of the effectiveness of the financial mechanism was adopted by the fifth meeting of the Conference of the Parties in decision V/12. In accordance with the terms of reference, the Executive Secretary contracted an experienced independent evaluator to undertake the review. The independent evaluator designed a questionnaire, and undertook desk-studies, interviews, field visits and collaboration with the Global Environment Facility (GEF) Secretariat, and presented his final report and executive summary to the Conference of the Parties at its sixth meeting.

4. In decision VI/17 (Financial mechanism under the Convention), the Conference of the Parties took note of the executive summary and the final report of the independent evaluator commissioned for purposes of the second review of the effectiveness of the financial mechanism, and requested the GEF to take into consideration the recommendations of the second review of the effectiveness of the financial mechanism. The Conference of the Parties further requested the Executive Secretary and the GEF to

* UNEP/CBD/COP/7/1.

explore possible synergies between the review processes of the Convention and the GEF, and make suggestions on the arrangements for the third review of the effectiveness of the financial mechanism.

5. At its twenty first meeting, in May 2003, the GEF Council reviewed the proposed monitoring and evaluation work plan for 2003-2006 (GEF/C.21/13), and accepted it as an interim plan to guide the work of the GEF Independent Monitoring and Evaluation Unit in FY04. The Council stressed that the third overall performance study of the GEF should be submitted to the Council at its first meeting in 2005. The Council also recommended that the secretariat of the conventions for which GEF operates the financial mechanism and the GEF secretariat discuss ways to link the GEF review of its overall performance with the work undertaken to review the effectiveness of the financial mechanism and that the Secretariats collaborate in sharing information and evaluation materials so that the work underlying the overall performance studies of the GEF could be taken into account in the conventions' reviews of the effectiveness of the financial mechanism. The Council also suggested that it would be useful for the Conventions to share lessons and information on their reviews of the financial mechanism so as to accelerate the process and avoid discussing the same issues within the context of each Convention.

6. Based on the experience gained from the first and second reviews, and taking into consideration the work plan of the GEF Monitoring and Evaluation Unit, the Convention Secretariat and the GEF suggest the following for consideration by the seventh meeting of the Conference of the Parties:

(a) That the third review of the financial mechanism be conducted by developing countries Parties to the Convention in accordance with the guidelines to be provided by the Conference of the Parties;

(b) That an independent evaluator be contracted to prepare a synthesis report based on the reviews to be submitted by developing countries Parties, and studies to be prepared by the GEF monitoring and evaluation unit, as well as the information to be gathered from other stakeholders through the Interactive Info-Bulletin on Financing for Biological Diversity;

(c) That the Convention Secretariat in consultation with the GEF prepare a draft decision on the third review for consideration of the Conference of the Parties.

7. It should be recalled that the first review of the financial mechanism was financed through the budget of the Trust Fund for the Convention on Biological Diversity for the biennium 1997-1998 at the level of US\$ 150,000 at 1997 prices as adopted in decision III/24, annex A. But the second review was financed through the Special Voluntary Trust Fund (BE) for additional voluntary contributions in support of approved activities for the biennium 2001-2002 as adopted in decision V/22, table 3. In order to raise necessary funds for the second review, the Executive Secretary invited donor Parties to make voluntary contributions to the Trust Fund with specific reference to the second review. However, no pledges had been received for this purpose and the whole process was on hold pending availability of relevant voluntary contributions. Because of the lack of voluntary contributions to the Trust Fund with specific reference to the second review, the Bureau of the Conference of the Parties authorized the use of US\$ 150,000 from surpluses and savings for the second review.

RECOMMENDATION

8. The Conference of the Parties may wish to consider adopting a decision along the following lines:

1. *Decides* to adopt the annex to the present decision, containing the objectives, methodology and criteria as well as procedures for the third review of the effectiveness of the financial mechanism to be conducted in time for the seventh meeting of the Conference of the Parties;

2. *Decides* also that this third review should be conducted under the authority of the Conference of the Parties;

3. *Decides further* that, based on the results of the review, the Conference of the Parties shall take appropriate action to improve the effectiveness of the mechanism if necessary.

Annex

ARRANGEMENTS FOR THE THIRD REVIEW OF THE EFFECTIVENESS OF THE FINANCIAL MECHANISM

A. Objectives

1. In accordance with paragraph 3 of Article 21, the Conference of the Parties will review the effectiveness of the mechanism, including the criteria and guidelines referred to in paragraph 2 of Article 21, with a view to taking appropriate action to improve the effectiveness of the mechanism if necessary. For this purpose, effectiveness will include:

(a) The effectiveness of the financial mechanism and its institutional structure in providing and delivering financial resources, as well as in overseeing, monitoring and evaluating the activities financed by its resources;

(b) The conformity of the activities of the Global Environment Facility (GEF), as the institutional structure operating the financial mechanism, with the guidance of the Conference of the Parties; and

(c) The efficiency, effectiveness and sustainability of the GEF-funded activities on the implementation of the Convention and in the achievement of its three objectives.

B. Methodology

2. The review will cover the activities of the financial mechanism for the period from July 2001 to June 2005, with special emphasis on those activities that have been concluded during the same period.

3. The review will cover all operational programmes of the financial mechanism relevant to the Convention on Biological Diversity as well as relevant enabling activities and short-term response measures.

4. The review shall draw upon, *inter alia*, the following sources of information:

(a) Country review reports provided by developing countries Parties regarding the financial mechanism;

(b) Reports prepared by the Global Environment Facility, including its reports to the Conference of the Parties;

(c) Reports of the GEF Monitoring and Evaluation Unit, including relevant portfolio performance review (PPR), country portfolio reviews, biodiversity program studies, the third Overall Performance Study, private sector review, local benefit review, as well as other reviews such as biodiversity financial arrangements, indicators;

(d) Project reviews and evaluation reports prepared by the Implementing Agencies;

- (e) Information provided by other relevant stakeholders.

C. Criteria

5. The effectiveness of the financial mechanism shall be assessed taking into account, *inter alia*:

- (a) The steps and actions taken by the financial mechanism in response to the actions requested by the Conference of the Parties at its fourth meeting to improve the effectiveness of the financial mechanism, as set out in the annex to its decision IV/11 as well as in decision VI/17;

- (b) The actions taken by the financial mechanism in response to the guidance of the Conference of the Parties, as contained in decisions I/2, II/6, III/5, IV/13, V/13 and VI/17;

- (c) The findings and recommendations of the third Overall Performance Study of the GEF;

- (d) Any other significant issue raised by the Parties.

D. Procedures

6. Under the authority and with the support of the Conference of the Parties, the Executive Secretary shall facilitate the third review of the effectiveness of the financial mechanism in accordance with the above objectives, methodology and criteria.

7. The developing countries Parties, that have GEF-funded biodiversity projects that have been completed or with substantial progress in implementation, are invited to communicate to the Executive Secretary, by 15 January 2005, their plan to undertake the review of the effectiveness of the financial mechanism, including outlines of their report and funding requirements, and submit to the Executive Secretary, by 30 June 2005, their final report on the effectiveness of the financial mechanism during the period under review.

8. The Executive Secretary shall communicate to relevant Parties views on their review plans, and provide small enabling grants to facilitate the preparation of review reports by relevant Parties. The country evaluation should undertake such desk-studies, interviews, field visits and collaboration with the relevant GEF entities as may be required for the preparation of the study in accordance with the above objectives, methodology and criteria.

9. The Executive Secretary shall solicit information and views from all relevant stakeholders of the financial mechanism through the Interactive Info-Bulletin on Financing for Biological Diversity, and prepare a compilation of all solicited information.

10. The Executive Secretary shall contract an experienced independent evaluator to assess the country review reports and the information from the GEF entities as prescribed above as well as the information from relevant stakeholders, and prepare a draft synthesis report.

11. The draft synthesis report of the evaluator will be made available to GEF (the GEF secretariat and Implementing Agencies) for its review and comments. Such comments shall be included in the documentation and identified by source.

12. Based on the synthesis report prepared by the independent evaluator, the Executive Secretary shall prepare, in consultation with the Global Environment Facility, a draft decision on the third review of the financial mechanism, including specific suggestions for action to improve the effectiveness of the mechanism if necessary.

13. The Executive Secretary shall submit all the relevant documents to Parties at least three months prior to the seventh meeting of the Conference of the Parties.
