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CONFERENCE OF THE PARTIES TO THE  
CONVENTION ON BIOLOGICAL DIVERSITY

Third meeting

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Item 6.4 of the provisional agenda

**REVIEW OF THE EFFECTIVENESS OF THE FINANCIAL MECHANISM  
UNDER THE CONVENTION**

**Note by the Executive Secretary**

**1. MANDATE AND SCOPE**

1. Article 21, paragraph 3, of the Convention states: "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".

2. In response to a request that emerged from the first meeting of the Conference of the Parties, the Secretariat prepared document UNEP/CBD/COP/2/9, which sets out options for both the timetable and the nature of the review.

3. The second meeting of the Conference of the Parties decided that the first review would take place at its fourth meeting in 1997, and that it would be carried out with the basic approach described in document UNEP/CBD/COP/2/9. The Conference of the Parties requested the Executive Secretary to develop further guidelines for the review for the consideration of and decision by the Conference of the Parties at its third meeting, taking into account comments made by participants at its second meeting and/or provided by the Parties in writing to the Secretariat no later than the end of February 1996.

4. During the discussion of this item at the second meeting of the Conference of the Parties, statements were made by the representatives of eight countries, one speaking on behalf of a regional economic integration organisation, and by the representative of an international organisation. Eleven of the Parties provided comments in writing to the Secretariat, which are contained in document UNEP/CBD/COP/3/Inf.1.

5. This note was prepared in order to provide a basis on which the Conference of the Parties can decide on the objectives, scope, criteria and modalities for the review of the effectiveness of the financial mechanism at its third meeting.

## **2. DISCUSSION**

6. The basic approach for the review of the effectiveness of the financial mechanism contained in Document UNEP/CBD/COP/2/9 sets out proposed objectives, scope, criteria and modalities of the review. Taking into account the comments received by the Parties and summarised in the paragraphs that follow, the Secretariat has prepared the draft Procedures and Criteria for the Review of the Effectiveness of the Financial Mechanism, which is set out in the Annex to this note.

7. The Conference of the Parties is invited to review, amend and adopt these procedures, and to take any additional decisions necessary for laying the groundwork for the first review of the effectiveness of the financial mechanism at its next meeting.

### **2.1 Objectives and Scope of the Review**

8. UNEP/CBD/COP/2/9 suggests that the review have a three-fold objective that assesses:

- (a) the effectiveness of the financial mechanism in providing financial resources;
- (b) how the financial mechanism's activities conform to the guidance of the Conference of the Parties; and
- (c) the impact that the activities funded have on the realisation of the Convention's objectives.<sup>1</sup>

9. While, as these objectives suggest, the focus of the review will necessarily be on the biodiversity-related activities of the GEF, the institutional structure operating the financial mechanism on an interim basis, comments from several of the Parties and the experience of the Secretariat suggest that the review of the financial mechanism should encompass other sources of biodiversity-related finance as well.

10. Discussions of this agenda item have revealed a need and a desire to coordinate and rationalise the various reviews of financial issues that are being planned and undertaken both within and outside of the Convention's bodies.

11. Over the past two years, the Secretariat and the Conference of the Parties have undertaken an annual review of a number of issues related to financial resources and mechanisms.

12. The Secretariat and the Conference of the Parties have undertaken a review of the report of the biodiversity-related activities of the GEF and how of these activities conform to the guidance of the

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Conference of the Parties.

13. The Secretariat and the Conference of the Parties have undertaken a review of the availability of additional financial resources for the implementation of the Convention that monitors existing flows of financial resources and seeks to identify new sources of support for the implementation of the Convention.

14. Furthermore, at its second meeting, the Conference of the Parties requested that the Secretariat study characteristics specific to biodiversity activities to allow the Conference of the Parties to make suggestions to funding institutions on how to make their activities in the area of biodiversity more supportive of the Convention (UNEP/CBD/COP/3/7).

15. Since the second meeting of the Parties, the GEF Council has decided to develop a GEF-wide monitoring and evaluation system and has appointed a Senior Monitoring and Evaluation Coordinator. A work program and budget for the program was reviewed at the GEF Council Meeting in April 1996, and is expected to be adopted at the GEF Council Meeting in October 1996.

16. In order to avoid unnecessary duplication between these analyses and review procedures, it is important to ensure that the COP's triennial reviews build upon its annual reviews of the financial mechanism and resources and upon the work of the GEF. The triennial reviews should provide a longer-term, comprehensive analysis that focuses not merely on the conformity of the GEF's activities with COP guidance, but also on whether such guidance is itself practicable and effective in leading towards the realisation of the Convention's objectives.

17. Particular emphasis should be placed on the need to learn lessons and gain experience in the implementation of COP guidance based on the outcome and impact of activities funded by the financial mechanism.

18. In line with Article 21, paragraph 3, which provides for the Conference of the Parties to take appropriate action to improve the effectiveness of the financial mechanism, if necessary, a number of Parties have suggested the review could produce concrete guidance for improvements in, for example:

- (a) the effectiveness of the guidance provided by the Conference of the Parties;
- (b) the appropriateness of the division of responsibilities in the relationship between the Conference of the Parties and the GEF; and
- (c) the balance and distribution of the GEF's project portfolio.

19. However, several of the Parties recognised that data on the implementation, monitoring and evaluation of specific GEF projects might be limited at the time that the first triennial review is to be undertaken in 1997.

20. One Party suggested that the review include the effect that the GEF's interim status may be having on the effectiveness of the financial mechanism.

## **2.2 Content of the Review**

21. A number of Parties sought to focus the process of review by directing the Secretariat and the

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Conference of the Parties towards specific sources of information. In particular, it was felt appropriate that the review process draw upon:

- (a) the GEF's report to the Conference of the Parties;
- (b) GEF annual reports; and
- (c) reports and information from the GEF's monitoring and evaluation program.

22. One Party stressed the importance of the non-governmental organisations that monitor the GEF's work as a source of intelligence on the GEF.

23. Several Parties suggested that the experience of related financial institutions, such as the Multilateral Fund for the Montreal Protocol, could usefully inform the review process.

### **2.3 Review Criteria**

24. Grouped into categories based on the review's three-fold objectives, document UNEP/CBD/COP/2/9 provided a non-exhaustive list of criteria for the review of the effectiveness of the financial mechanism.

25. With regard to the effectiveness of the financial mechanism in providing financial resources the Parties suggested a number of additional criteria, including:

- (a) the cost effectiveness of financed activities. While no Party suggested a methodology for analysing the costs and the benefits of a specific project, one Party suggested that concepts of incremental costs and global benefits might play a role in such calculations; and
- (b) the ability of the GEF to leverage additional financial resources.

26. Several of the Parties suggested that assessments of the amount of funding necessary for the implementation of the Convention and discussions of burden-sharing among developed-country Parties to the Convention should not form a part of the effectiveness review, but should instead be taken up in the COP's general discussions.

27. With regard to the conformity of the GEF's activities with the guidance of the Conference of the Parties, the Parties stressed the importance of GEF's demonstrating transparency and accountability in its operations, and that it fund projects that:

- (a) promote capacity-building;
- (b) increase public awareness; and
- (c) are country-driven.

28. With regard to the impact of the activities funded on the realisation of the Convention's objectives, it was suggested that the review seek to ensure the financial mechanism took a balanced approach to funding activities on the conservation and sustainable use of biodiversity, and to the fair and equitable sharing of benefits.

## **2.4 Modalities for Review**

29. Document UNEP/CBD/COP/2/9 offered two options in preparing for the modalities of the review:
- (a) the Conference of the Parties could conduct its own study based on the objectives and criteria for the review of effectiveness adopted by it at its third meeting, drawing upon information and analysis from the GEF and the GEF's monitoring and evaluation program; or
  - (b) the Conference of the Parties could request the GEF to include the objectives and criteria agreed to by the COP in the GEF's monitoring and evaluation program. The Conference of the Parties would then review the reports prepared by the GEF's program.
30. Those Parties that did express a preference supported option (a) on the basis that it would provide a greater degree of accountability and transparency if the review were undertaken by the COP as a body independent of the GEF process.
31. In response to option (b), several parties pointed out the potential usefulness of the monitoring and evaluation procedure adopted by the GEF and encouraged the Secretariat to participate in the development of appropriate indicators for the assessment of GEF projects.

## **3. CONCLUSIONS AND RECOMMENDATIONS**

32. While the Convention provides that the Conference of the Parties is responsible for the review of the effectiveness of the financial mechanism, past experience and comments from the Parties suggest that the Secretariat, and the work carried out by the GEF itself, can play a vital role in laying the groundwork for such a review.
33. The Conference of the Parties may wish to consider requesting the Secretariat to:
- (a) work with the GEF in suggesting criteria for the GEF's monitoring and evaluation program;
- and
- (b) prepare relevant background documentation for the review of each of the three-fold objectives, according to the criteria adopted by the Conference of the Parties at its third meeting.

### **Annex 1**

#### **Objectives and Criteria for the first Review of the Effectiveness of the Financial Mechanism**

##### **1. Objectives**

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1. In accordance with Article 21, paragraph 3, of the Convention, to review and take appropriate action, if necessary to improve:

- (a) the effectiveness of the financial mechanism in providing financial resources;
- (b) the conformity of the activities of the Global Environment Facility, as the institutional structure operating the financial mechanism on an interim basis, with the guidance of the Conference of the Parties; and
- (c) the impact of the activities funded on the realisation of the Convention's objectives.

## 2. Scope

2. In order to avoid the duplication of review activities, and to ensure that relevant on-going reviews of biodiversity-related activities inform the review of the Conference of the Parties of the effectiveness of the financial mechanism, the review shall take into account:

- (a) annual reviews by the Conference of the Parties on:
  - (i) the conformity of GEF-related activities with the guidance of the Conference of the Parties; and
  - (ii) the availability of additional financial resources for the implementation of the Convention;
- (b) progress in the efforts by the Secretariat in developing common methodologies and procedures for monitoring the flow of financial resources in support of biodiversity-related activities, and in assessing the effectiveness of these flows in supporting the Convention's objectives; and
- (c) the experience of the GEF's monitoring and evaluation system.

## 3. Content

3. The review shall draw upon, *inter alia*, the following relevant information:

- (a) the GEF's Annual Report to the Conference of the Parties on its biodiversity-related activities, the GEF annual reports, and other relevant GEF policy and information documents;
- (b) reports from the GEF's monitoring and evaluation program;
- (c) information available from the Commission on Sustainable Development and the Organisation on Economic Cooperation and Development, and relevant bilateral and multilateral funding institutions; and
- (d) information provided by non-governmental organisations, where appropriate.

## 4. Criteria

4. Progress towards the implementation of the review's objectives shall be assessed against the following, non-exhaustive list of criteria:

- (a) the effectiveness of the financial mechanism in providing financial resources:
  - (i) the adequacy, predictability and timeliness of financial resources;
  - (ii) the responsiveness and efficiency of the GEF's project cycle;
  - (iii) the ability of the GEF to leverage additional finance;
  - (iv) the sustainability of funded projects; and
  - (v) the application of programme-design principles based on the special characteristics of biological diversity, as noted in COP2/9 and further elaborated in COP 3/7;
- (b) the conformity of the activities of the financial mechanism with guidance of the Conference of the Parties, as contained in Decisions I/2 and II/6, which include:
  - (i) the application of the eligibility criteria;
  - (ii) the application of programme priorities;
  - (iii) the urgent implementation of national strategies and programmes for conservation and sustainable use, in a flexible and expeditious manner;
  - (iv) exploring the possibility of promoting diverse forms of public involvement;
  - (v) exploring the possibility of more effective collaboration with all tiers of government and civil society;
  - (vi) exploring the feasibility of a programme of grants for medium-sized projects; and
  - (vii) the implementation of the relevant provision of the following decisions:
    - a. II/3 on the clearing house mechanism;
    - b. II/7 on consideration of Articles 6 and 8;
    - c. II/8 on the preliminary consideration of components of biological diversity particularly under threat; and
    - d. II/17 on national reporting by the Parties;
- (c) the impact of the activities funded, in light of the guidance of the COP, on the realisation of the Convention's objectives:

- (i) the conservation of biological diversity;
  - (ii) the sustainable use of the components of biological diversity;
  - (iii) the fair and equitable sharing of benefits; and
  - (iv) the maintenance of an appropriate balance between these objectives.
- (d) any additional criteria that may arise from the decisions of COP-3.

## **5. Procedures**

5. There shall be prepared, in time for the review by the Conference of the Parties at its fourth meeting, relevant background documentation for the review of each of the three-fold objectives, according to the above criteria.

6. The Conference of the Parties shall, if necessary, take appropriate actions to improve the effectiveness of the financial mechanism and/or the effectiveness of this review procedure.

## **NOTES**

<sup>1</sup> The impact that the activities funded have on the realisation of the Convention's objectives is of a long-term nature and thus information on impacts may not be available until further project experience is gained.