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**Conference of the Parties to the  
Minamata Convention on Mercury  
Fourth meeting**

Online, 1–5 November 2021\*

Item 4 (e) (iii) of the provisional agenda\*\*

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

## **Review of the financial mechanism**

### **Note by the secretariat**

1. In paragraph 5 of article 13 on financial resources and mechanism, the Minamata Convention on Mercury defines a mechanism for the provision of adequate, predictable and timely financial resources to support developing-country parties and parties with economies in transition in implementing their obligations under the Convention. Paragraph 6 of the same article states that the mechanism is to include the Global Environment Facility (GEF) trust fund and a specific international programme to support capacity-building and technical assistance.
2. Paragraph 11 of article 13 of the Convention stipulates that the Conference of the Parties is to review, no later than at its third meeting and thereafter on a regular basis:
  - (a) The level of funding;
  - (b) The guidance provided by the Conference of the Parties to the entities entrusted with the operation of the mechanism;
  - (c) The effectiveness of those entities;
  - (d) The ability of those entities to address the changing needs of developing country parties and parties with economies in transition.
3. The same paragraph also states that, based on the review, the Conference of the Parties is to take appropriate action to improve the effectiveness of the financial mechanism.
4. At its third meeting, in decision MC-3/7, the Conference of the Parties welcomed the note by the secretariat on the first review of the financial mechanism, on the basis of which it had undertaken its first review, and requested the secretariat to prepare draft terms of reference for the second review for consideration by the Conference of the Parties at its fourth meeting.

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\* The resumed fourth meeting of the Conference of the Parties to the Minamata Convention on Mercury is to convene in person in Bali, Indonesia, and is tentatively scheduled for the first quarter of 2022.

\*\* UNEP/MC/COP.4/1.

## **I. Considerations relevant to the terms of reference for the second review**

5. The secretariat has prepared draft terms of reference for the second review, as set forth in annex II to the present document. In undertaking this task, the secretariat invited input from the GEF secretariat and from the Governing Board of the Specific International Programme to Support Capacity-Building and Technical Assistance.
6. The draft terms of reference are informed by the respective mandates of GEF and the Specific International Programme for their support for the Minamata Convention on Mercury, as set forth in article 13 of the Convention, and in relevant decisions of the Conference of the Parties (see decision MC-1/5, on guidance to GEF, and decision MC-1/6, on the Specific International Programme).
7. Paragraph 7 of article 13 states that the GEF trust fund is to provide new, predictable, adequate and timely financial resources to meet costs in support of implementation of the Convention as agreed by the Conference of the Parties. It also states that for the purposes of the Convention, the GEF trust fund shall be operated under the guidance of and be accountable to the Conference of the Parties. The Conference of the Parties is to provide guidance on overall strategies, policies, programme priorities and eligibility for access to and utilization of financial resources. In addition, the Conference of the Parties is to provide guidance on an indicative list of categories of activities that could receive support from the trust fund. Furthermore, the trust fund is to provide resources to meet the agreed incremental costs of global environmental benefits and the agreed full costs of some enabling activities.
8. Paragraph 8 of the same article states that, in providing resources for an activity, the GEF trust fund is to take into account the potential mercury reductions of a proposed activity relative to its costs.
9. In decision MC-1/5, the Conference of the Parties adopted its guidance to GEF on the overall strategies, policies, programme priorities and eligibility for access to and utilization of financial resources and on an indicative list of categories of activities that could receive support from the GEF trust fund.
10. At its second meeting, in November 2018, the Conference of the Parties adopted a memorandum of understanding between the Conference of the Parties and the GEF Council (UNEP/MC/COP.2/19, para. 83). At its fifty-sixth meeting, the GEF Council considered and approved the memorandum of understanding as adopted by the Conference of the Parties.
11. The memorandum of understanding states that, in preparing its review of GEF as one of the two entities entrusted with the operation of the financial mechanism under the Convention, the Conference of the Parties will, as appropriate, take into account the reports of the GEF Independent Evaluation Office and the views of GEF.
12. Paragraph 9 of article 13 states that the Specific International Programme will be operated under the guidance of and be accountable to the Conference of the Parties. At its first meeting, in decision MC-1/6, the Conference of the Parties decided that the programme was to be open to receive contributions and applications for support for a period of 10 years from the establishment of its trust fund, and that the Conference of the Parties could decide to extend that period for a period not exceeding an additional seven years, taking into account the review process described in paragraph 11 of article 13 and in paragraphs 2 and 3 of the present note. Following the establishment of the specific trust fund by the United Nations Environment Programme in January 2018 in accordance with decision MC-1/10, the programme is operational for an initial period of 10 years, until 2028.
13. Part B of annex I to decision MC-1/6 set out the guidance from the Conference of the Parties on the scope, eligibility, operations and resources of the Specific International Programme, while annex II set out the terms of reference of the programme. Both the guidance and the terms of reference were incorporated into the rules of procedure adopted by the Governing Board at its first meeting, held in Geneva in May 2018.
14. It should be recalled that the guidance on the operations of the Specific International Programme, as contained in paragraph 8 of annex I to decision MC-1/6, stipulates that the programme should, among other things, ensure complementarity and avoid duplication with other existing arrangements to provide capacity-building and technical support, in particular GEF and the Special Programme to support institutional strengthening at the national level for implementation of the Basel, Rotterdam and Stockholm conventions, the Minamata Convention and the Strategic Approach to International Chemicals Management, as well as other existing assistance frameworks, and be consistent with the integrated approach to financing the sound management of chemicals and waste, as relevant to the implementation of the Convention. In this regard, a review of the Specific International Programme should address the questions of complementarity or duplication with GEF, the Special

Programme and other relevant arrangements for capacity-building and technical support. In particular, because the Special Programme is also designed to promote the integrated approach to financing chemicals and waste, a review of the Specific International Programme will need to take into account the experiences in the operation of the Special Programme.

## II. Considerations with respect to the timing of the second review

15. Should the parties decide that the second review would encompass the period from entry into force of the Convention in August 2017 to the end of the seventh GEF replenishment period (GEF-7), the time frame would allow the consideration of a robust body of information on projects that are under way or completed, the effectiveness of completed projects and the experiences of parties in implementing such projects.

16. Such a time frame would additionally encompass the outputs of many of the enabling activities and initial mercury projects funded by the fifth GEF replenishment.

17. The proposed timing would also allow the review to be informed by national reporting, as short reports were due by 31 December 2019 and full reports are to be submitted to the secretariat by 31 December 2021.

18. The completion of the review and its consideration by the Conference of the Parties at its fifth meeting would allow the results of the review to inform early deliberations for the ninth GEF replenishment (GEF-9).

19. Should the Conference of the Parties, in a future decision, seek to establish regular periodicity of the reviews, the following timeline may be relevant:

<i>Year</i>	<i>Conference of the Parties meeting</i>	<i>GEF replenishment period</i>	<i>Specific International Programme</i>	<i>Considerations</i>
2017	First	GEF-6		The Convention entered into force on 16 August 2017. The Conference of the Parties agrees on hosting, terms of reference and guidance for the Specific International Programme.
2018	Second	GEF-6/GEF-7	First round applications	
2019	Third	GEF-7	Second round applications	The Conference of the Parties considers the first review of the financial mechanism and requests the secretariat to draft terms of reference for the second review.
2020		GEF-7		
2021	Fourth	GEF-7	Third round applications	The Conference of the Parties considers draft terms of reference for the second review. GEF-8 draft programming directions are considered in the replenishment process.
2022		GEF-7/GEF-8		The GEF-8 programming directions document is finalized in January 2022, GEF-8 donor pledges are finalized in March 2022 and the GEF Assembly endorses the report on the eighth replenishment of the GEF trust fund in May 2022.
2023	Fifth <sup>a</sup>	GEF-8	Mid-point of initial duration	The second review is delivered to the Conference of the Parties if it so decides at its fourth meeting, and serves as input to the GEF-9 deliberations. The Conference of the Parties could consider requesting terms of reference for a third review.
2024		GEF-8		
2025	Sixth	GEF-8		If requested by the Conference of the Parties at its fifth meeting, the decision/terms of reference for the third review are considered. The GEF-9 draft programming directions are considered in the replenishment process.

<i>Year</i>	<i>Conference of the Parties meeting</i>	<i>GEF replenishment period</i>	<i>Specific International Programme</i>	<i>Considerations</i>
2026		GEF-8/GEF-9		GEF-9 decisions; allocations are decided and approved.
2027	Seventh	GEF-9		The third review is delivered to the Conference of the Parties if so decided, as serves as input to the GEF-10 deliberations. A decision on the Specific International Programme is considered.
2028		GEF-9	End of initial term	
2029	Eighth	GEF-9		
2030		GEF-9/GEF-10		

*Abbreviations:* GEF-6 – sixth GEF replenishment; GEF-8 – eighth GEF replenishment; GEF-10 – tenth GEF replenishment.

<sup>a</sup> Pending a decision by the Conference of the Parties regarding the timing of its fifth and subsequent meetings.

### III. Suggested action by the Conference of the Parties

20. In the light of the requirement of the Convention that the Conference of the Parties review the financial mechanism established under article 13 on a regular basis, the Conference of the Parties may wish to consider the information contained in the present note on its second review and adopt a decision along the lines of the text presented in annex I.

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## Annex I

### **Draft decision MC-4/[--]: Second review of the financial mechanism**

*The Conference of the Parties,*

*Considering* paragraph 11 of article 13, on the review of the financial mechanism,

1. *Adopts* the terms of reference for the second review of the financial mechanism set forth in the annex to the present decision;
2. *Invites* parties, intergovernmental organizations, non-governmental organizations and stakeholders to submit information, consistent with the terms of reference for the review and organized by the listed performance criteria, on their experience gained through their interactions with the financial mechanism, as soon as possible and not later than 30 September 2022;
3. *Requests* 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 fifth meeting.

## Annex II

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

#### A. Objective

1. Pursuant to paragraph 11 of article 13 of the Minamata Convention on Mercury, the Conference of the Parties will review the financial mechanism established under article 13 to support parties in the implementation of the Convention, with a view to taking appropriate action, if necessary, to improve the effectiveness of the financial mechanism. Pursuant to paragraph 11 of article 13, the review will include an analysis of:

- (a) The level of funding;
- (b) The guidance provided by the Conference of the Parties to the Global Environment Facility and to the Specific International Programme to Support Capacity-Building and Technical Assistance in their capacity as the entities entrusted with the operation of the financial mechanism;
- (c) The effectiveness of the Global Environment Facility and the Specific International Programme in their capacity as the entities entrusted with the operation of the financial mechanism;
- (d) The ability of the two entities of the financial mechanism to address the changing needs of developing country parties and parties with economies in transition.

#### B. Methodology

2. The review will cover the activities of the financial mechanism for the period from August 2017 to July 2022, which represents the time period from the entry into force of the Convention to the end of the period of the seventh replenishment of the Global Environment Facility trust fund and inclusive of the first three rounds of applications to the Specific International Programme, with special emphasis on the activities concluded during that period.

3. The review will draw on the following sources of information, among others:

- (a) Information submitted by parties on their experiences gained through their interactions with the financial mechanism, organized according to the performance criteria set forth in section D;
- (b) Reports submitted to the Conference of the Parties by the entities entrusted with the operation of the financial mechanism;
- (c) Other reports provided by the entities entrusted with the operation of the financial mechanism, including, among other things, reports of the Independent Evaluation Office of the Global Environment Facility, terminal evaluations of completed projects of the Specific International Programme and reporting from ongoing projects of the Specific International Programme;
- (d) Relevant reports and information submitted by: intergovernmental and non-governmental organizations; stakeholders; other entities providing multilateral, regional and bilateral financial and technical assistance pursuant to paragraphs 1 and 3 of article 13 of the Convention; the Special Programme to support institutional strengthening at the national level for implementation of the Basel, Rotterdam and Stockholm conventions, the Minamata Convention and the Strategic Approach to International Chemicals Management (with respect to complementarity and avoiding duplication); and the Global Mercury Partnership (relative to its interaction with the financial mechanism in advancing the implementation of the Convention);

- (e) Reports submitted by parties pursuant to article 21 of the Convention.

4. In keeping with these terms of reference, the secretariat will:

- (a) Make adequate arrangements to ensure that the second review of the financial mechanism is undertaken in an independent and transparent manner;
- (b) Hire a consultant to prepare a draft report on the information provided;
- (c) Submit the draft report on the review to the Conference of the Parties for consideration at its fifth meeting.

5. The entities entrusted with the operation of the financial mechanism are requested to provide information relevant to the review in a timely manner.

6. Parties are requested to provide information pursuant to paragraph 3 (a) above as soon as possible and not later than 30 September 2022.

7. Intergovernmental and non-governmental organizations, stakeholders, the Special Programme, the Global Mercury Partnership and relevant entities providing multilateral, regional and bilateral financial and technical assistance are requested to provide relevant information pursuant to the objectives of the present review as soon as possible and not later than 30 September 2022.

### **C. Report**

8. The report on the second review will include the following elements:

- (a) An overview of elements (a)–(d) of paragraph 1 above;
- (b) Analysis of lessons learned from the activities funded by the financial mechanism during the period covered by the review;
- (c) Assessment of the Global Environment Facility's principles of incremental cost and global environmental benefits as they pertain to activities to implement obligations under the Convention, along with lessons learned from the evaluation reports on activities of the Global Environment Facility and the final reports and evaluation reports of completed projects under the Specific International Programme;
- (d) Assessment of the sustainability, transparency and accessibility of the funding provided by the financial mechanism for the achievement of the objective of the Convention;
- (e) Identification of the resources mobilized directly by the financial mechanism, including in-kind contributions and co-financing, and, to the extent possible, quantitative and/or qualitative assessment of the resources mobilized indirectly by actions of the private sector and other stakeholders;
- (f) Recommendations to improve the effectiveness of the financial mechanism in meeting the objective of the Convention;
- (g) Assessment against the performance criteria set out in paragraph 10 below.

9. The secretariat will submit the above-mentioned report to the Conference of the Parties for consideration at its fifth meeting.

### **D. Performance criteria**

10. The effectiveness of the financial mechanism will be assessed, taking into account, among other things:

- (a) Responsiveness of the Global Environment Facility and the Specific International Programme to the guidance adopted by or provided by the Conference of the Parties;
- (b) Extent to which the projects funded by the financial mechanism have reduced, or are expected to reduce, the supply, use, emissions and releases of mercury and deliver other benefits in terms of Convention implementation;
- (c) Transparency and timeliness of the project approval processes;
- (d) Simplicity, flexibility and expeditiousness of the procedures for accessing funds and for implementing and reporting on projects;
- (e) Adequacy and sustainability of the resources;
- (f) Country ownership of activities funded by the financial mechanism;
- (g) Level of stakeholder involvement;
- (h) Any other significant issues raised by the parties.