

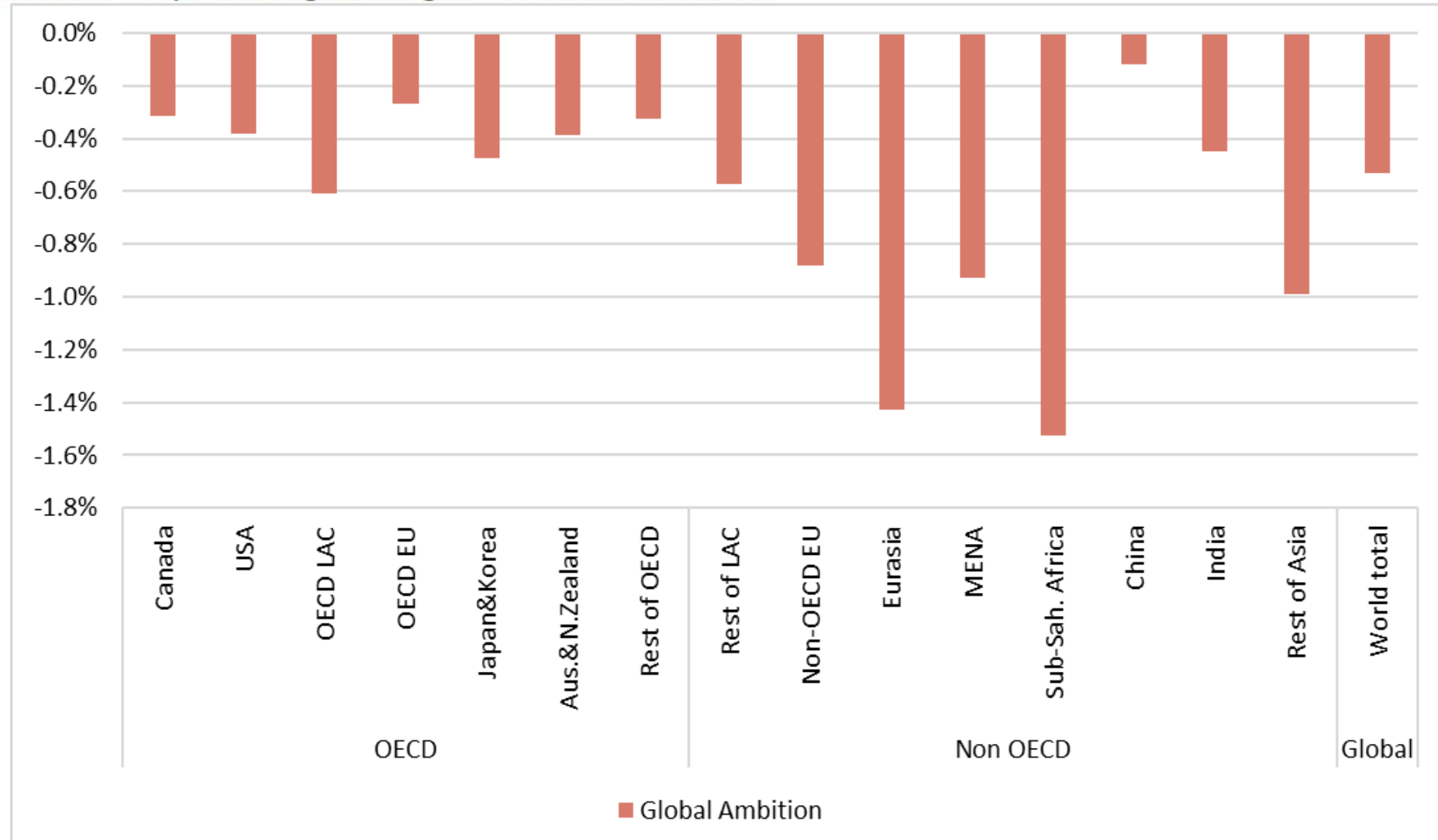
How large is the challenge?

Technical Resource Persons: Peter Borkey and Peggy Lefort

Ad hoc intersessional open-ended expert group 1 – Finance

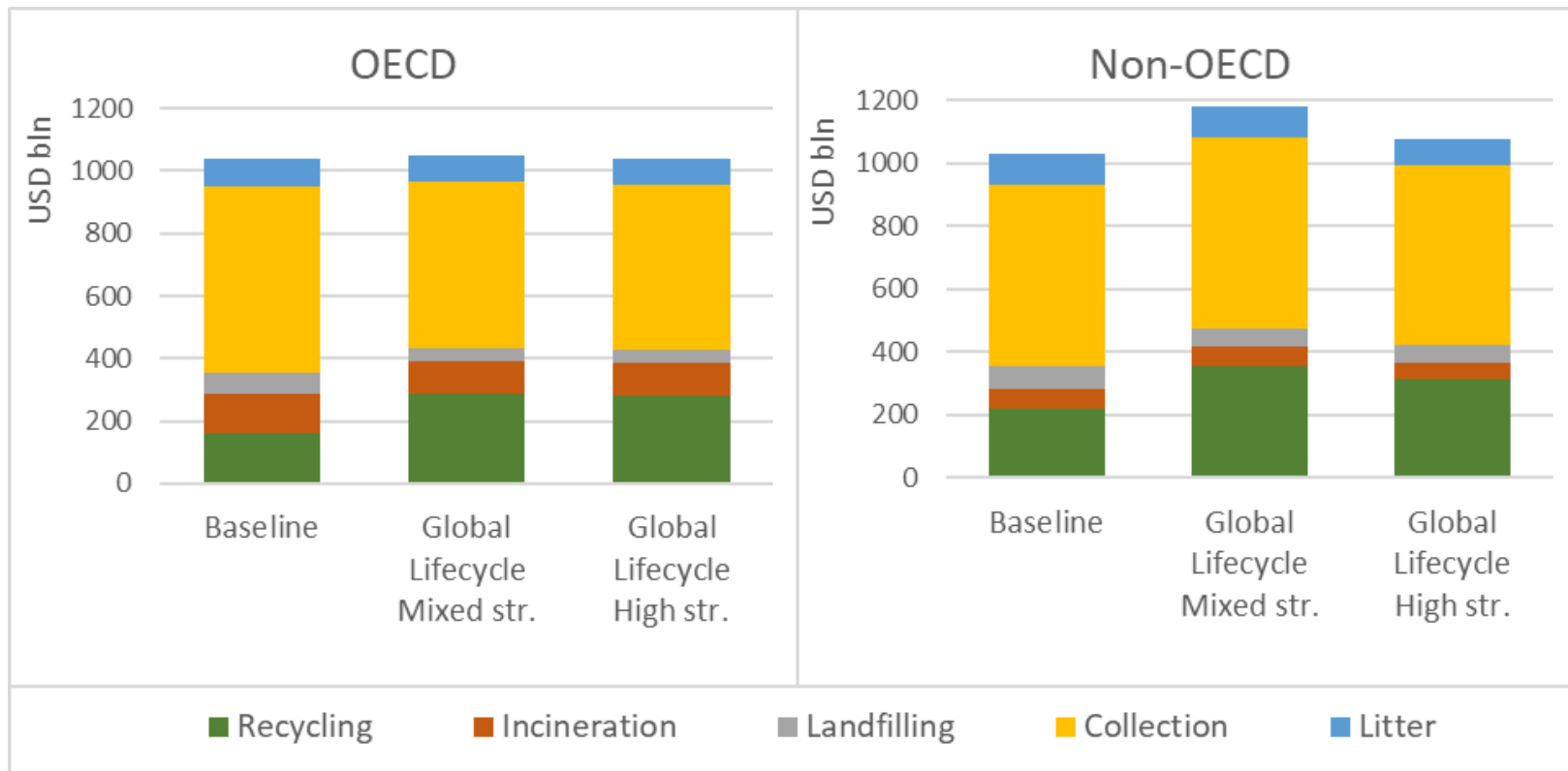
Macroeconomic costs (as a share of GDP) of Global Ambition are unequal

Impact on GDP in percentage change from Baseline, 2040

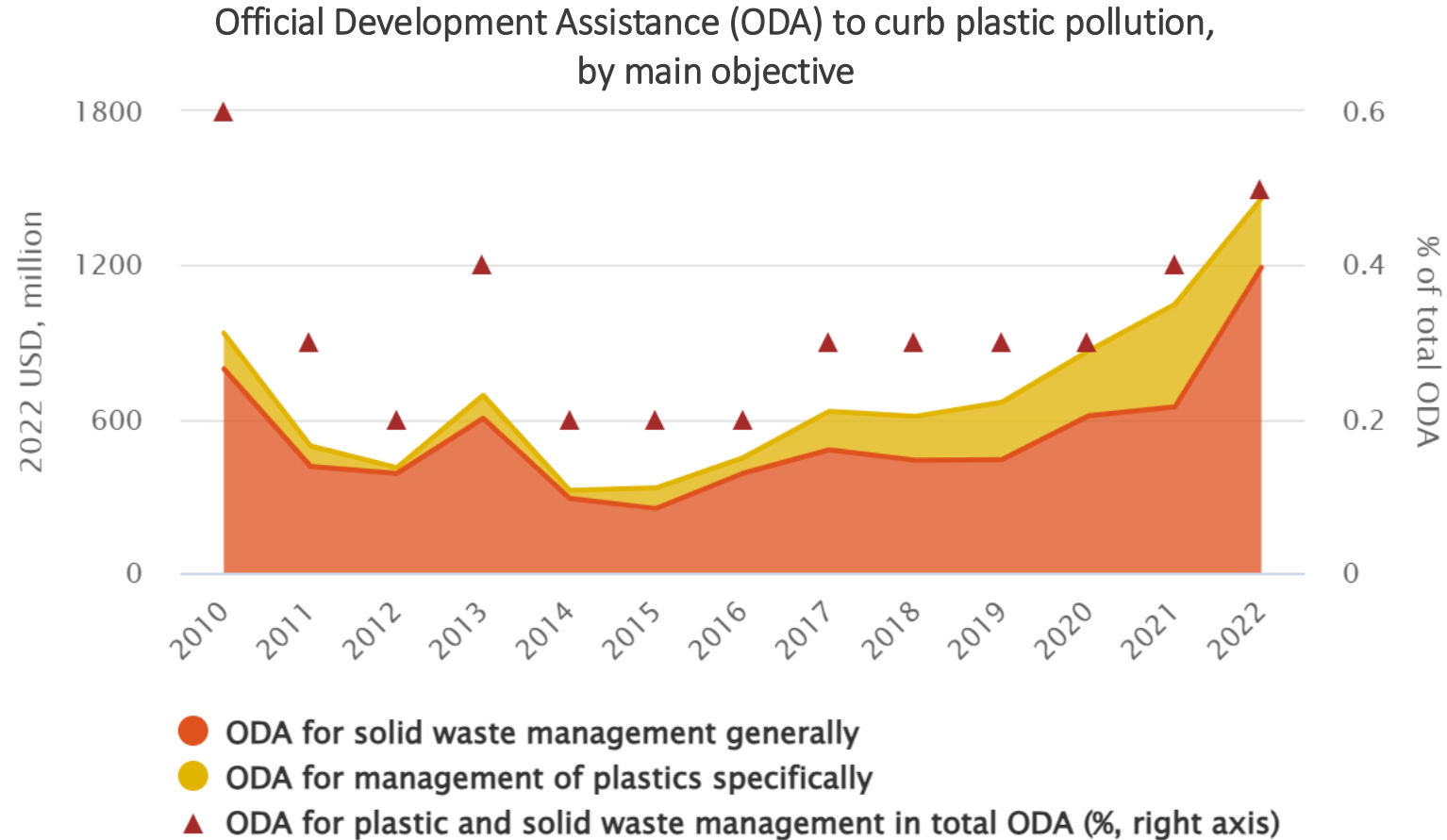


Strong redirections of investment flows, coupled with waste reduction measures, can limit additional investment needs to only USD 50 billion by 2040

Cumulative waste management costs for 2020-2040 by region and category, in USD billion

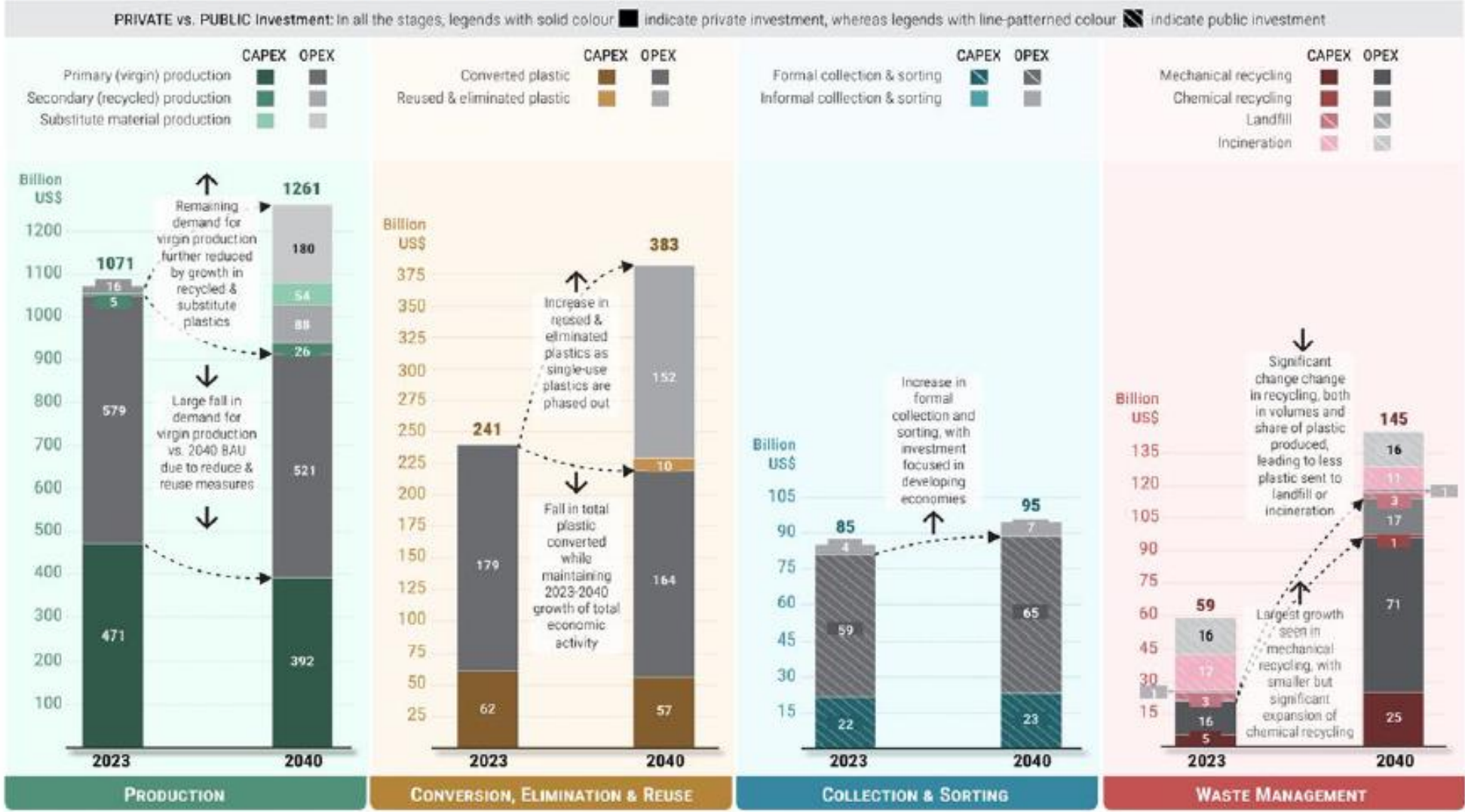


Quantifying development finance, including ODA



Note: Solid waste management projects are not vetted for their direct relation to the ocean.

Figure 1: Financial needs to end plastic pollution⁸



Notes: i) Annual investment means that data is for a single year, not cumulative between 2023 and 2040; ii) The costs of the used scenario for this infographic represent an approximation and in reality will depend on actual policy mixes that are potentially envisioned and funded by any form of future financial mechanism, innovative finance or blended finance. There is not a single set of global scenario choices that could guarantee certainty of outcomes and corresponding investment needs will vary depending on underlying assumptions e.g. where to focus investments in the plastics value chain; iii) The BAU and 2040 scenarios are based on modeling published by the Nordic Council of Ministers (NCM) and the Golden Rules Scenario. Our decision stemmed from evaluating models from NCM, OECD, and the University of California. Although all three models demonstrated consistency in material flows of plastics, the NCM model offered an additional and unique feature of simulated financial flow information. This data allowed for the creation of an illustrative infographic showing potential redirection of financial flows across the plastics value chain.

Overview of public and private sources of finance

	Sources and intermediaries	Financial instruments and mechanisms	Recipients and Implementers
Public finance	✓ Government ministries	Government budgets	✓ Central government
	✓ Public agencies and funds	Grants, subsidies, transfers	✓ Sub-national and local government
	✓ Development finance institutions, aid agencies (national, bilateral, multilateral)	Debt instruments	✓ Public utilities, state-owned enterprises
	✓ Multilateral environmental funds	Investment guarantees	✓ Specialised public agencies
		Co-financing	✓ International Organisations
		Project Finance	✓ Research institutes (e.g. for research grants)
Private finance	✓ Institutional investors	Equity/ Debt financing	✓ Private companies (incl. special purpose vehicles), startups
	✓ Asset managers	Impact investments	✓ NGOs, Foundations, non-profits, civil society groups
	✓ Commercial banks	Accelerator/Incubator Investments	✓ Local communities and households
	✓ Corporations	Venture Capital	
	✓ Entrepreneur support organizations	Individual/Crowdfunding	
	✓ Philanthropic and corporate foundations	Philanthropy	
	✓ Individuals and family offices		

**Introductory elements
on a “financial mechanism” and a “fund”
in the context of UN multilateral environmental agreement**

Session 3: Agenda Item 4(a) – Options for the establishment of a financial mechanism

Ad hoc intersessional open-ended expert group 1 – Finance

United Nations ESCAP

In-person meeting, Bangkok (Thailand)

24-28 August 2024

Technical Resource Person: Mr. Kamal Djemouai

Examples of Financial components of UN MEAs

CBD_ Article 21. Financial Mechanism

1. There shall be a mechanism for the provision of financial resources to developing country Parties for purposes of this Convention on a grant or concessional basis the..... The operations of the mechanism shall be carried out by such institutional structure as may be decided upon by the Conference of the Parties at its first meeting. For purposes of this Convention, the Conference of the Parties shall determine the policy, strategy, programme priorities and eligibility criteria relating to the access to and utilization of such resources.

Basel Convention

ARTICLE 14 Financial Aspects

1. The Parties shall decide on the establishment of appropriate funding mechanisms of a voluntary nature.
2. The Parties shall consider the establishment of a revolving fund to assist on an interim basis in case of emergency situations to minimize damage from accidents arising from transboundary movements of hazardous wastes and other wastes or during the disposal of those wastes.

Stockholm Convention

ARTICLE 13 Financial resources and mechanisms

6. A mechanism for the provision of adequate and sustainable financial resources to developing country Parties and..... Its operation shall be entrusted to one or more entities, including existing international entities, as may be decided upon by the Conference of the Parties. The mechanism may also include other entities providing multilateral, regional and bilateral financial and technical assistance. Contributions.....

UNFCCC (1992 / 1994) / COP
Article 11: Financial Mechanism

Kyoto Protocol (1997/2005) / **CMP**

Paris Agreement (2015/2016) / **CMA**

Standing Committee on Finance (SCF) (2010)

Guidance to the operating entities of the FM of the Convention

CBIT
NCQG
2.1.c (FF)

Accountable and Report to the COP

GEF (1994)
Multifocal areas Facility

GEF Council

Replenishment cycles

Committee of Donors

SCCF / LDCF (2001)

Voluntary donations

AF (Adaptation Fund)
(1997-2005)

AF Board

Voluntary contributions
Share of proceeds (SoP)

GCF (2010-2015)

GCF Board

Committee of Contributors

Replenishment cycles

FLD (Fund for responding to Loss and Damage)
(2022 – 2024/25)

LDF Board and ?

Starting with Voluntary pledges

All funds are established by COP decisions



A **Treaty** establishes its **financial mechanism**, and may decide on the **needed interim**
financial/funding provisions / arrangements

FM: principle(s), objective(s), responsibilities, obligations, review...

A FM is effective at the entry into force of the treaty or as Parties decide

Parties to a UN MEA (COP) **decide** on the operating entit(y)ies, including “a **Fund**” (new or existing), of a FM.

Fund(s): needs, gaps, implementation, evolution of the process, ...

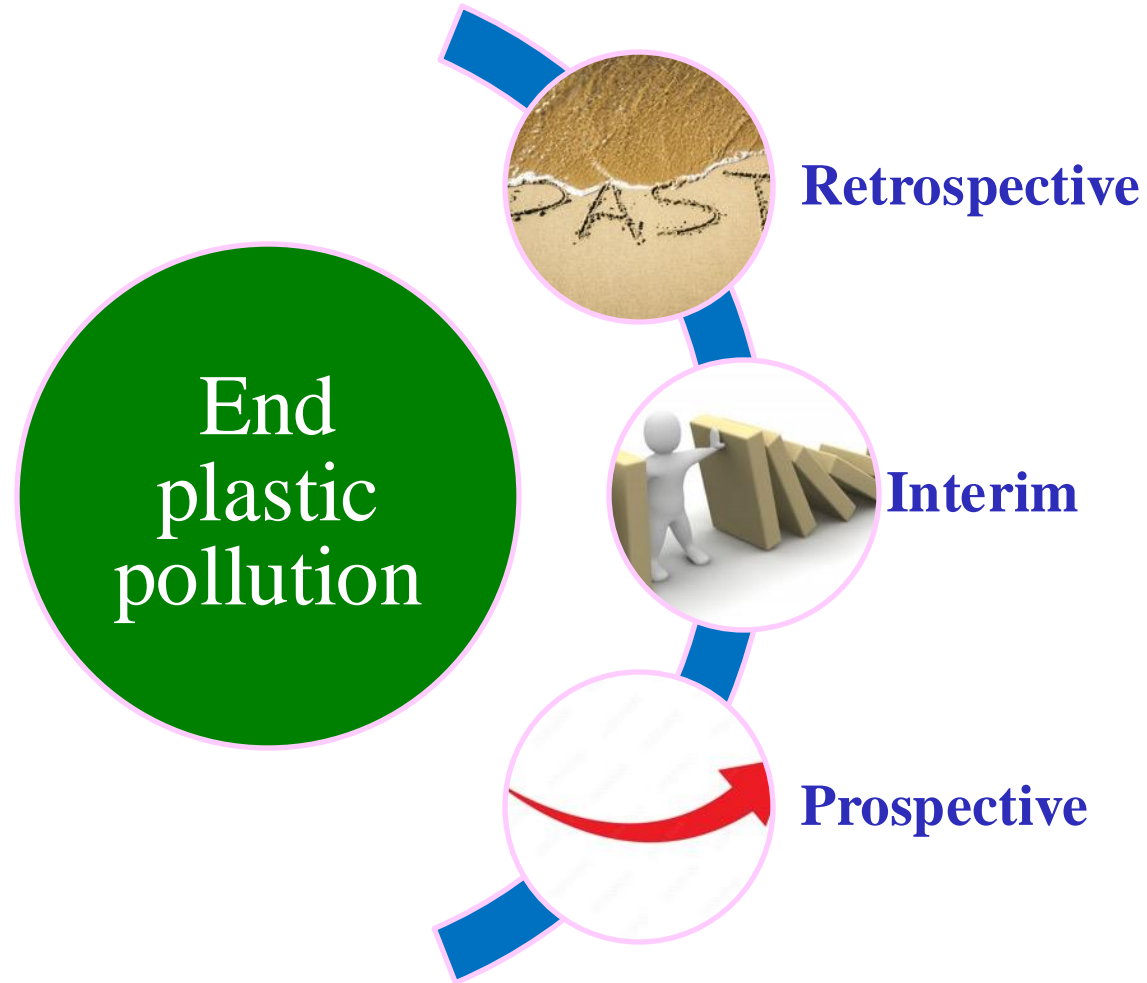
Process needs to be considered to operationalize entity(ies) of a FM

Overview considerations of a Fund

Technical Resource Person: Surya Deva

Ad hoc intersessional open-ended expert group 1 – Finance

- A Fund is **fit for the purpose** if it:



- Complements other policy goals:
 - 1) Promotes **human rights**, including the right to a clean, healthy and sustainable environment, and the right to development
 - 2) Contributes to the **Sustainable Development Goals**
 - 3) Promotes **responsible business conduct** (e.g., UNGPs, OECD MNE Declaration, CSDDD)

- Key normative principles that could underpin a Fund:

Establishment

- *Adequate* – new funds; tap alternative and innovative sources
- *Inclusive* – wide coverage
- *Equitable* – proportionate contributions; grants

Implementation

- *Accessible* – e.g., LDCs/SIDS; marginalised groups
- *Differentiated impacts* – priority to most affected countries and communities
- *Efficient* – streamlined processes

Governance

- *Participatory* – fair and equal voice; civil society representation
- *Transparent* – disclosure; independent audit
- *Accountable* – grievance mechanism

- These principles are based on a report concerning the **Fund Responding to Loss and Damage**
- See A/79/168:
<https://undocs.org/Home/Mobile?FinalSymbol=A/79/168>

Agenda item 4 (b):

Options for the establishment of a financial mechanism
**Ad hoc Intersessional Open-ended Expert Group 1 -
Finance**

Technical Resource Person: Chizuru Aoki
August 25, 2024



GEF Role as Financial Mechanism and Family of Funds

Fund that serves BBNJ, CBD, CCD, Minamata Conv, Stockholm Conv, UNFCCC

Funds that serve UNFCCC

Funds that serve CBD

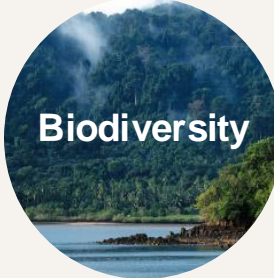
GEF Trust Fund

LDCF

SCCF

NPIF Fund

GBF Fund



\$2.5 billion for 520 projects,
\$10 billion leveraged
GEF-8: **\$1.2 billion - \$1.7 billion**

NPIF: **\$15.1 million** for 13 projects
Mainstreamed into GEF Trust Fund

CBIT Trust Fund

GBFF: Established in 2023
\$110 million for 4 projects
and 18 PPG requests

\$25 billion for +5,000 projects, **\$145 billion** leveraged
GEF-8 (July 2023 to June 2026): **\$5.33 billion**

\$58.3 million for 44 projects
Mainstreamed into GEF Trust Fund

Example 1 Newly Established Dedicated Fund

CBD: Global Biodiversity Framework Fund

- COP 15 decision requested GEF to establish, in 2023, and until 2030 unless the COP decides otherwise, a **special trust fund**...; prepare a decision to be considered by the Council, on the approval of a Global Biodiversity Framework Fund, **with its own equitable governing body, to be dedicated exclusively to supporting the implementation of the goals and targets of the Kunming-Montreal GBF**...
- Fund establishment and programming directions approved in June 2023, with GBFF Council, advisory group/auxiliary body, and observers
- Portfolio level target for IPLCs, LDCs/SIDS, IFIs
- Streamlined project cycle, resource allocation model approved in February 2024
- \$110 million for 4 projects approved in June/July 2024 and 18 PPG requests approved in May 2024

UNFCCC: Adaptation Fund

- Established based on 2001 COP decision
- Independent financial intermediary fund established, through WB
- First projects approved in September 2010
- Secretariat services to governing board supported by GEF, located with GEF
- With legal personality, governance, policies, guidelines, direct access established
- No GEF role in governance decision-making
- MOU between CMP and GEF Council makes provisions for the relationship between CMP and Council to fulfill relevant decisions



United Nations
Framework Convention on
Climate Change

Example 1 Newly Established Dedicated Fund

New Fund within GEF family



Can be established quickly: 12 to 15 months for project support



Flexibility to respond to decisions on governance, project cycle, sources; major governance and allocation changes need negotiation for GEF as a whole



No set requirement for initial resource mobilization, can be from all sources



Easier to operationalize, and 11% cap on indirect charge



Integration to generate multiple environmental benefits and leveraging

New, independent fund

Unclear timeline

Fully flexible to develop and agree on governance, project cycle, access, sources, policies and requirements

\$200 million plus 3 donors needed

Complex and more costly to operationalize

Cross-programming with GEF needs effort, while easier than with an external fund

Example 2

Within an Existing Fund

Minamata Convention on Mercury

- Text agreed at INC5 in January 2013, with **Article 13 on financial resources and mechanism** with GEF Trust Fund and SIP
- ~\$10 million for early pre-ratification released in May 2013
- Text adopted at Conference of Plenipotentiaries in October 2013, decided **INC should provisionally adopt (pending COP adoption) GEF guidance, encouraging Council to provisionally apply**, and include Minamata in replenishment
- Initial guidelines and recommendation to amend GEF instrument approved January 2014
- \$141 million included in GEF-6 replenishment in spring 2014
- Changes to eligibility criteria requested by INC6 approved in January 2015

BBNJ

- Text agreed in June 2023
- **Article 52 on Funding with GEF Trust Fund, voluntary trust fund, and special fund, with eligible activities**
- GEF-8 support (\$34 million) released in June 2023
- Initial guidelines approved in February 2024
- First projects approved in June 2024
- Builds on past and ongoing ABNJ and other support from International Waters



Example 2

Within an Existing Fund



Build on available programming support, potentially before entry into force



Clear timeline by inclusion in next replenishment



Easiest to operationalize



Enable integration to generate multiple environmental benefits with other MEAs supported by GEF Trust Fund and leveraging



GEF policies, procedures and the governance structure apply



Major governance and fund earmarking changes need to be negotiated, for GEF as a whole

Example 3

Hybrid with Multiple Funds

UNFCCC: LDCF, SCCF, CBIT

Alternative A: New fund within GEF family of funds

- Based on COP guidance
 - LDCF/SCCF: 2001 COP decision
 - CBIT: 2015 Paris Agreement decision
- Maybe time-bound (CBIT) or not (LDCF/SCCF)
- SCCF set up with multi-windows/programs, enabling targeted support with earmarking
- Programming Strategy and operational improvements negotiated separately
- For LDCF/SCCF, own Council and differentiated policies and procedures based on COP guidance:
 - Initial cap per LDC (\$20M), SIDS (\$3M-\$6.5M)
 - Approval based on non-objection in the past
 - Co-financing not required

BBNJ

Alternative B: Designating GEF Trust Fund

- Article 52 on Funding includes three funds, with GEF Trust Fund, voluntary trust fund, and special fund with eligible activities
- Other funds have not been established yet
- 12 months for GEF to get to approval of first projects by June 2024, after agreement
- Builds on ABNJ and other support from International Waters and Agencies
- To be included in GEF-9 replenishment



United Nations
Framework Convention on
Climate Change



Example 3

Hybrid with Multiple Funds



Both alternatives can build on ongoing GEF projects/programs, with potential for early support before other funds or sources are available



Alternative A (new fund) more flexible in responding to treaty/COP decisions on governance, policies, procedures, and wider funding sources



Both alternatives can be established quickly: 12 to 15 months to get to project approval if funded



Earmarking of resources feasible for alternative A, not currently possible for alternative B (GEF Trust Fund)



Integration to generate multiple environmental benefits and leveraging easier for alternative B



Fragmentation of support among designated Financial Mechanism/funds



Efforts/resources needed to minimize duplication and enable coordination

Thank you

