



GEF's Experience as Financial Mechanisms and Structure

Third Virtual Meeting
for Expert Group 1 / Finance

TRP:
Chizuru Aoki
August 15, 2024



GEF's Role as Financial Mechanism



- Serves **6 multilateral environmental agreements** (MEAs) as financial mechanism
- Functions under **guidance/authority/decisions** from COP (different among MEAs) and is **accountable**
- **MoU** between COP and Council give effect to respective roles and responsibilities
- Supports implementation of MEAs and goals through:



- Support to address plastic pollution since GEF-6 (2014), with **\$390 million** GEF grants leveraging **\$4.2 billion**
- Coverage: waste management and recycling, plastic reduction and ban, circular solutions to plastic pollution including EPR systems, assessments and capacity-building



Convention on
Biological Diversity



MINAMATA
CONVENTION
ON MERCURY



Stockholm Convention
on persistent organic
pollutants (POPs)



United Nations
Convention to Combat
Desertification



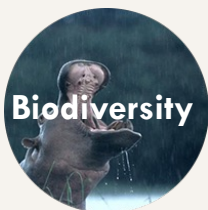
United Nations
Framework Convention on
Climate Change

GEF Family of Funds



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

GEF Trust Fund



Funds that serve UNFCCC

LDCF

SCCF



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

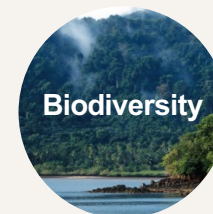
CBIT Trust Fund

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

Funds that serve CBD

NPIF Fund

GBF Fund



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

Funding Options and GEF Examples



1 Newly Established Dedicated Fund

2 Within Existing Fund

3 Hybrid, with Multiple Funds

New Fund within GEF family of funds Example: GBFF	New, independent fund, with Secretariat service Example: Adaptation Fund	GEF Trust Fund Example: BBNJ	New Fund within GEF family of funds Examples: LDCF, SCCF (not time bound) GBFF (time bound)	Designating GEF Trust Fund Example: BBNJ
Flexibility to respond to treaty/ COP decisions on governance, project cycle, funding sources Timely operationalization Integration/multiple benefit potential Need to articulate unique value addition vis-à-vis GEF TF	Own governance, policy, access \$200 million +3 donors needed Complex and costly to operationalize Cross-programming with GEF may be challenging, while still may be easier than with external fund	GEF policies, procedures and the governance structure apply Included in replenishment Easiest to operationalize and enable integration with multiple benefits Governance changes need to be negotiated during GEF replenishment	Flexibility to respond to treaty/ COP decisions on governance, project cycle, funding sources Timely operationalization Fragmentation of support among the designated FM/funds Efforts needed to minimize duplication & enable coordination	Easy to operationalize GEF part Fragmentation of support among the designated FM/funds Efforts needed to minimize duplication & enable coordination



Thank you



International Legally Binding Instrument on Plastic Pollution

OPTIONS FOR ESTABLISHING A FINANCIAL MECHANISM

TRP: Tao Wang



Possible Options for Establishing a Financial Mechanism

1

a newly established
dedicated Fund

a new institution to be established
under the laws of a host country

Example

- Green Climate Fund

2

a dedicated Fund within
an existing Fund

- a new fund within an existing fund
- expanded mandate of an existing fund
window or program

Example

- Global Biodiversity Framework Fund
- BBNJ

3

a dedicated Fund within
an existing institution

operate through an existing
institution

Example

- Climate Investment Fund
- Multilateral Fund for Implementation
of Montreal Protocol

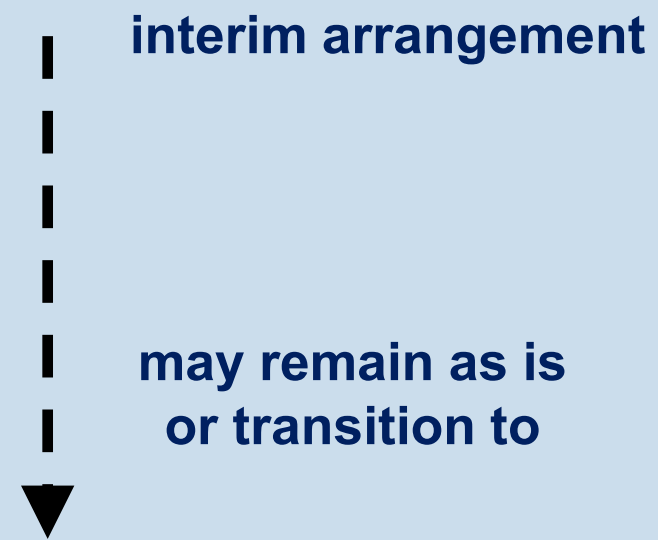
Revised Draft Text (UNEP/PP/INC.5/4)

Option 1: The mechanism shall consist of *newly established dedicated Fund(s)*

Option 2: The mechanism shall consist of a [*dedicated Fund within*] [*an existing financial arrangement*][the Global Environment Facility Trust Fund][with a view to fostering synergies with other environmental issues]

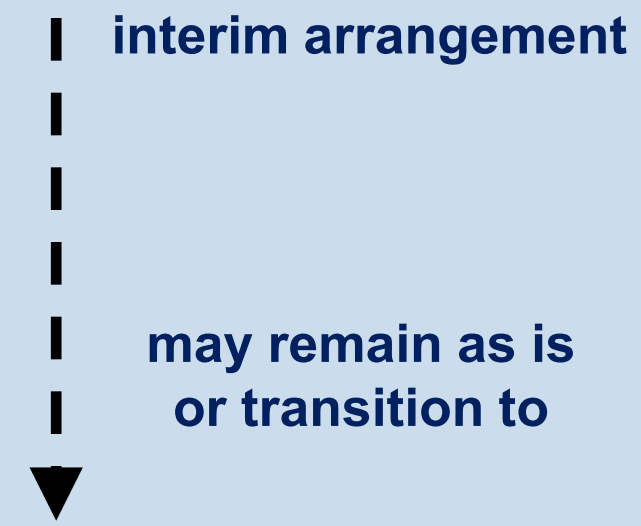
HYBRID MODEL (Examples)

2 Fund within an existing fund



1 Newly Established Fund

3 Fund within an existing institution



1 Newly Established Fund

Example:

- Fund for Responding to Loss and Damage

✓ PROs

? CONs

1 a newly est. dedicated Fund

- Flexibility in policies, rules & procedures
- Own terms for access to and use of funds

- Setup can be time-consuming, costly and labor-intensive (charter, policies, staffing, operating procedures, fiduciary and safeguards standards, etc.)
- Adds to fragmentation of financing architecture

2 a dedicated Fund within an existing Fund

- Faster establishment compared to option 1
- Leverage existing fund's structure, process, and systems
- Cost-effective

- Less flexible than options 1
- Establishment, design, and operation subject to hosting fund's governing-body's consent

3 a Fund within an existing institution

- Faster establishment compared to option 1
- Leverage host's legal capacity, privilege & immunity, existing structure, process, and systems
- Cost-effective

- Less flexible than option 1
- Establishment and design subject to hosting institution's governing-body's consent

Hybrid model

- Faster establishment (like option 2)
- Allow time to assess and decide (whether/how to establish a fully independent new fund)

- Establishment of the interim arrangement subject to hosting fund or institution's governing-body's consent

Example of a standalone fund

TRP: Yannick Glemarec

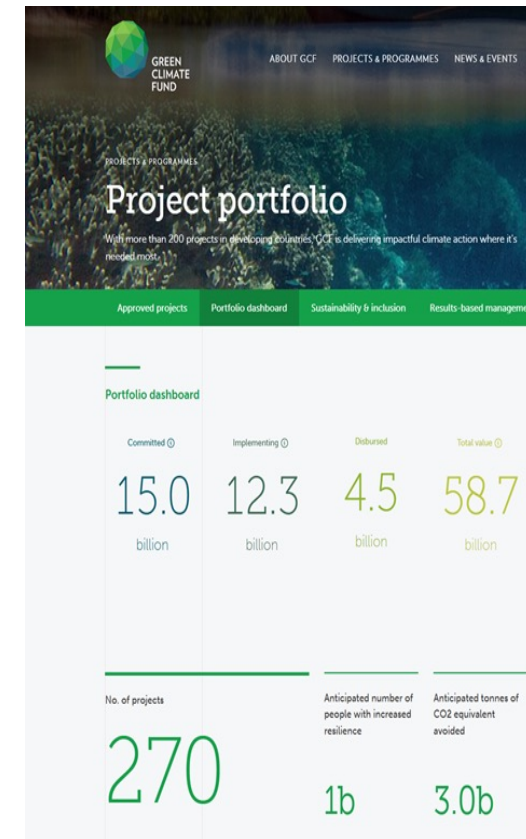
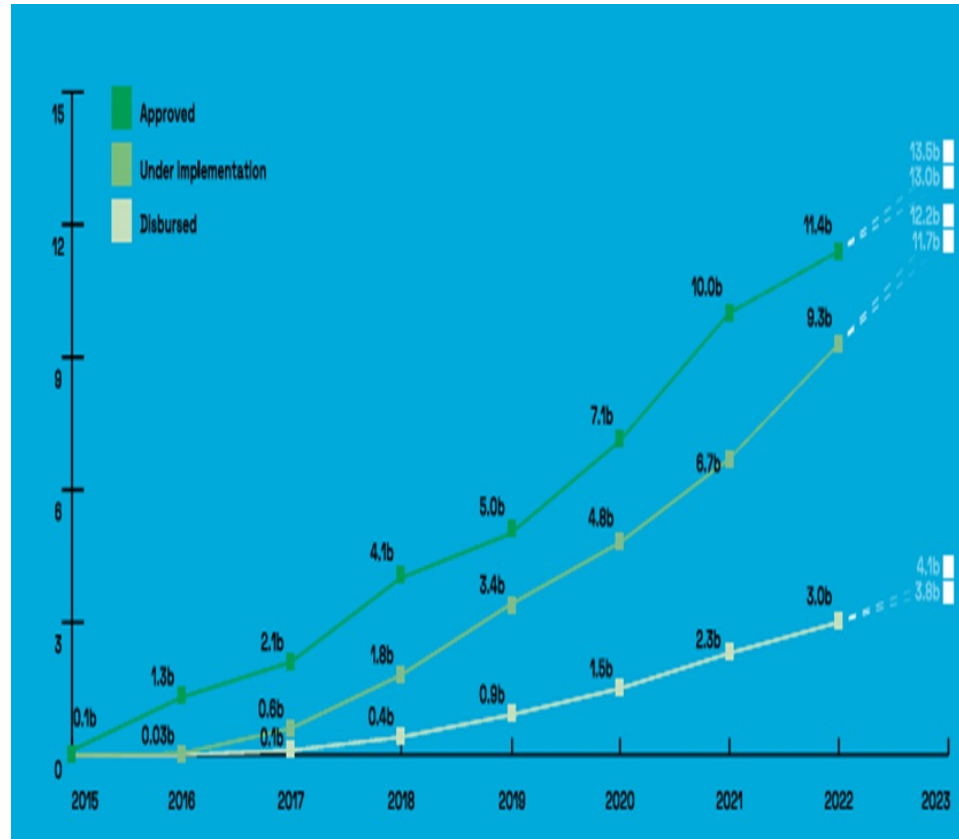
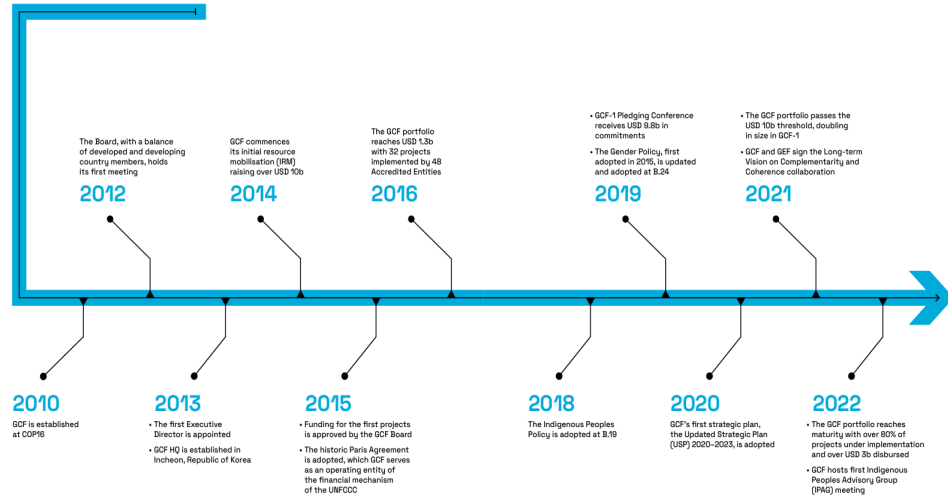
Third virtual meeting of the ad hoc intersessional open-ended expert group

15 August 2024

A Stand-Alone Fund: The Green Climate Fund

GCF was established as a stand-alone fund to be able to operate with a large array of public, private, national, regional and international implementing entities and leverage a broad range of financing instruments (grants, concessional debt, equity, guarantees, insurances) to achieve scale.

Key moments



GCF Fund Governance

Administration (WB Trustee)

- Receives, administer and disburse contributions
- Invest contribution to the Fund on the capital markets to preserve capital and general investment income
- Prepares consolidated financial statements
- Support resource mobilization
- Fund financial closure

Fund Management (350 staff)

- Develops administrative and operational guidelines for approval by the Board
- Prepare and disseminate programming guidance
- Appraise and submit projects to Independent Appraisal Panel for clearance before submission to the Board
- Monitors, evaluates and reports on portfolio performance
- Provides secretarial services to the Board
- Leads outreach efforts and resource mobilization

Fund Oversight (24 members and 24 alternates)

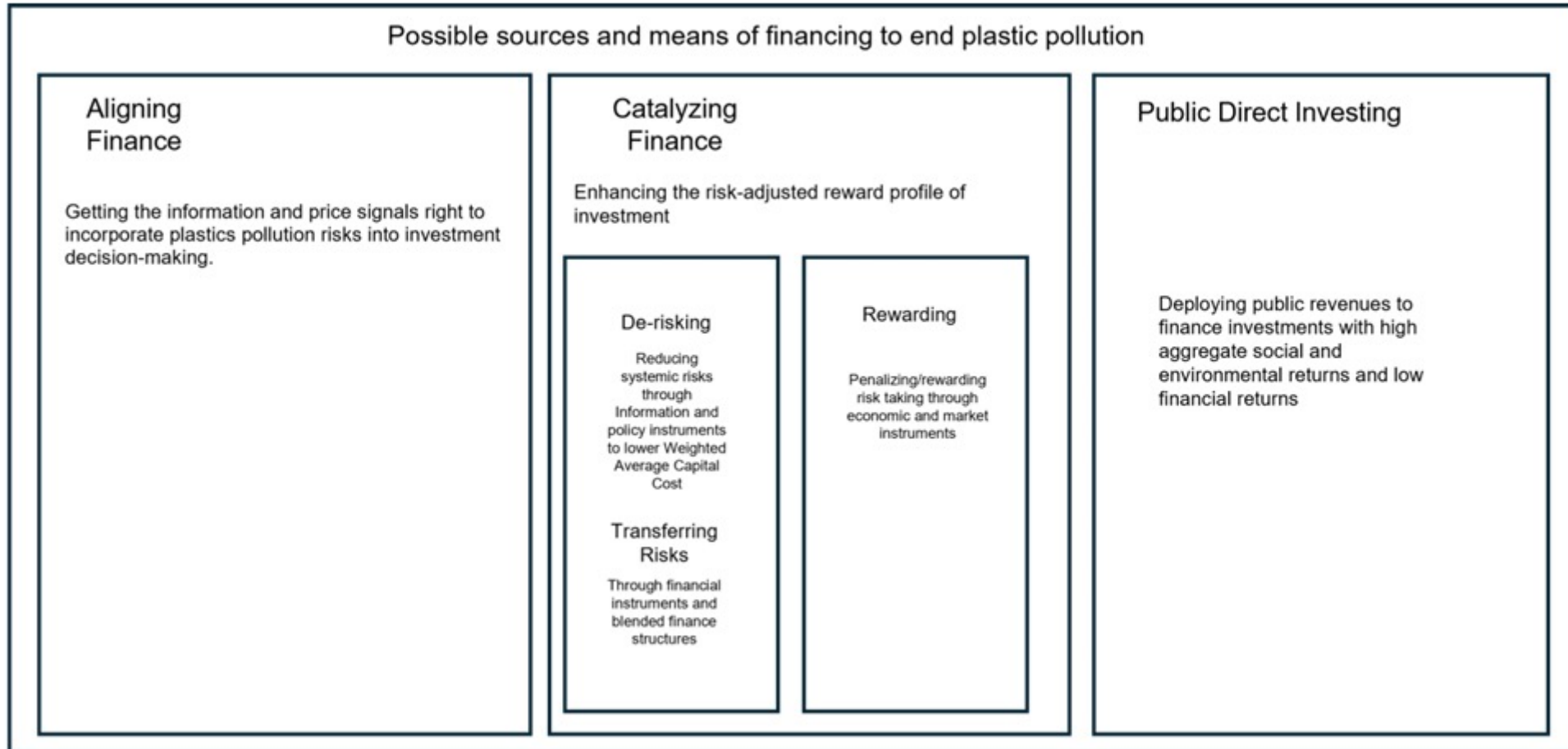
- Sets strategic directions
- Accredited/re-accredit implementing entities
- Allocates resources and approve projects
- Monitors and evaluates fund management performance
- Manage 6 board subcommittees and 6 advisory groups and independent units
- Review and approve the administrative budget of the Fund

Fund Implementation (134 AEs)

- Performs project cycle management (origination and first level due diligence, formulation, implementation, monitoring, adaptive management, evaluation and closure)
- Co-finance projects
- Support Fund knowledge management and Outreach.



Possible sources and means of financing to end plastic pollution



The Multilateral Fund brief overview

TRP: Ms. Tina Birmpili

Ad hoc expert group on plastics
15 August 2024



Mandate and objective of the Fund

- The Montreal Protocol was agreed in 1987 with the financial mechanism established under Article 10 of the Protocol.
- The Multilateral Fund was established in 1991 and is being replenished every 3 years.
- Its goal is to enable the developing countries through **grant funding** to comply with the concrete targets of the Protocol and sustain compliance with a strong reporting and monitoring mechanism.
- The financial and technical assistance is delivered to countries primarily through four implementing agencies.
- The Multilateral Fund operates under the authority of the parties to the Montreal Protocol, and it is governed by an Executive Committee with **equal representation** from developed and developing countries.

4 principles

- **Country and compliance driven approach** - financial assistance from the Fund is provided so that countries meet their scheduled reductions.
- **Incremental costs approach** - The most cost-effective and efficient option and an incentive for early adoption of technologies to maximise environmental / climate benefits. The countries are considering other funding modalities for energy efficiency.
- **Accountability** - Programme impact is monitored; implementation is undertaken through a performance-based approach.
- **Flexibility** - Countries that want to do more earlier, can be rewarded with more funding.

Types of projects supported by the Multilateral Fund

- Project preparation (for stand-alone or multi-year projects)
- Demonstration projects (e.g., introduction of new technologies)
- Technical assistance projects (e.g., workshops on technology transfer and introduction, recovery/recycling of refrigerants)
- Stand-alone investment projects for eligible enterprises using controlled substances in their processes
- Multi-year agreements for investment and non-investment projects and policy measures
- One of the most significant contributions of the Fund is the capacity building assistance provided to countries through the **Institutional Strengthening projects** to establish their national ozone units who manage projects and activities towards compliance with the Montreal Protocol control measures

6 lessons learnt

1. **Predictable and stable grant funding for all developing countries;** this results in a long-term project implementation process to achieve sustained outcomes rather than project/programme-based outputs and outcomes
2. Strong engagement and accountability from both donor and recipient countries
3. Every project is designed with a strong capacity building element and regulatory elements to sustain outcomes and give the right market signals
4. Deal with industry holistically, large, medium, small, very small and an approach that is driven by the country with robust data management and reporting. We go to specifics for prioritizing activities for implementation, and we don't leave any country on its own to sort out these specifics
5. Efficient and cost-conscious to achieve highest impact with the available financial resources
6. Dedicated and expert technical team / network – Secretariat, bilateral and implementing agencies, national ozone officers and members of the Executive Committee who feel ownership of the process

Thank you