

**A PROPOSAL FOR AN INTEGRATED APPROACH
TO FINANCING THE SOUND MANAGEMENT OF
CHEMICALS AND WASTES**

**Consultative Process
on
Financing Options for Chemicals and Wastes**

Prepared for UNEP

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Consultative Process on Financing Options for Chemicals and Wastes

INTRODUCTION

Prepared for UNEP, this report is intended to provide a basis for review and discussion at the fifth meeting of the Consultative Process on Financing Options for Chemicals and Wastes to be held 6-7 October 2011 in Bangkok Thailand. At the fifth meeting, participants are expected to work toward finalizing the outcome of the Consultation Process, which is then to be submitted to the Executive Director of UNEP.

Adequate financing to implement the chemicals and wastes agenda at the national, regional and global levels continues to be an important issue of concern within the international community. Most recently this has been reiterated at the Stockholm COP5 and Rotterdam COP5 as well by the fact that the Intergovernmental Negotiating Committee (INC) to prepare a global legally binding instrument on mercury has been mandated to prepare a comparative analysis of options for financial mechanisms to support the global legally binding instrument on mercury, for consideration by the Committee initially at its third session in Nairobi, 31 October–4 November 2011.

The Consultative Process on Financing Options for Chemicals and Wastes was launched by the Executive Director of UNEP in recognition of the need for adequate resources in the field of chemicals and wastes management. The process, first announced at the fourth meeting of the Conference of the Parties to the Stockholm Convention on Persistent Organic Pollutants, in May 2009, has had four meetings: the initiation meeting in Nairobi, July 2009; the second meeting in Bangkok in October 2009; a third meeting in Pretoria, South Africa in January 2011; and the most recent Glen Cove meeting in the United States in May 2011.

The Consultative Process on Financing Options for Chemicals and Wastes is focusing thinking among governments, industry, government organizations and non-governmental organizations on how to strengthen financial support for the chemicals and wastes agenda and in particular, for the Rotterdam, Basel and Stockholm agreements, Strategic Approach to International Chemicals Management (SAICM) and a future legally binding instrument on mercury.

The Consultative Process is intended to support UNEP, through a country-led process, achieving the following upcoming milestones:

- a. October 2011: Submission by the Consultative Process of the final outcome of the Process to the UNEP Executive Director
- b. November 2011: The UNEP Executive Director to submit the final report of the Consultative Process on Financing Options for Chemicals and Wastes for consideration by the Governing Council/Global Ministerial Environment Forum at its twelfth special session, in 2012
- c. February 2012: Consideration of the final report of the Consultative Process by GC.SS.XII/GMEF;

- d. Late 2012: Possible decisions at the at ICCM3 based on the Consultative Process; and
- e. February 2013: Possible decisions at GC27/GMEF based on the Consultative Process.

Within the Consultative Process, four financing tracks for the chemicals and wastes areas have been explored: track one: mainstreaming of sound management of chemicals and hazardous wastes; track two: industry involvement, including public-private partnerships and the use of economic instruments at national and international levels; track three: a new trust fund similar to the Multilateral Fund; and track four: in the GEF, introducing safe chemicals and wastes management as a new focal area, expanding the existing POPs focal area or establishing a new trust fund.

The third meeting of the Consultative Process resulted in the “Pretoria Road Map” which, among other things, called for the preparation of a comparative analysis of the four tracks to further streamline and integrate the elements. The Comparative Analysis of Four Possible Financing Tracks that could Contribute to an Integrated Approach to Securing Adequate Financing for the Chemicals and Wastes Agenda was the basis for discussion at the fourth meeting of the Consultative Process held in Glen Cove, USA 4-5 May 2011.

This report is made up of the following eight sections that together with the Annexes provide the basis for a proposed integrated approach for financing the sound management of chemicals and waste. With the aim of ensuring consistency among the readers of the different key terms used in the document, Annex I contains an overview and explanation of key terms used.

Section 1: Key considerations setting the context for a discussion of funding for the chemicals and wastes agenda now and in the future.

Section 2: The financing requirements of the chemicals and wastes agenda – focusing on the Basel, Rotterdam and Stockholm Conventions and SAICM.

Section 3: The four financing tracks – a description of the four tracks that are being explored in the Consultative Process.

Section 4: A matrix aligning the financing requirements and the four financing tracks.

Section 5: Elements of the structures and operational procedures for the four financing tracks - an analysis of the key elements of each of the four tracks.

Section 6: Challenges and opportunities associated with each of four tracks that could be considered in developing an integrated approach to financing the sound management of chemicals and wastes

Section 7: A proposal for an integrated approach to financing the sound management of chemicals and wastes.

Section 8: Next steps to advancing and operationalizing the proposal for an integrated approach to financing the sound management of chemicals and wastes.

SECTION 1: KEY CONSIDERATIONS

Certain key issues have been identified through the Consultative Process and in other processes addressing financing support for the Rotterdam, Basel and Stockholm Conventions, SAICM and a possible future mercury instrument. These considerations are important in the context of a discussion on securing adequate financing in the area of chemicals and wastes.

- In the context of the current global financial crisis which is causing governments to reallocate and/or reduce the resources being earmarked to development aid, a more efficient and effective use of resources is critical also for the chemicals and wastes agenda. For instance, national development planning can be designed to use resources to achieve the goals of development at the same time as they achieve the goals of the chemicals and wastes agenda.
- Growth for the overall chemical industry during the next decade is forecast to average just under 4 per cent, with the emerging markets exhibiting the strongest prospects¹. OECD predicts that annual growth in the BRICs is expected to be 7.9% during this period, versus 2.3% in OECD countries. This means that from 1998 to 2030, OECD countries' share of world production in the field of chemicals will have dropped from 77.5% to 62.7%, while the BRICs will have jumped from 10.8% to 23.5%². Chemicals consumption in developing countries is likewise growing much faster than in developed countries and could account for a third of global consumption by 2020. The global economy is simultaneously seeing a rapid increase in generation of hazardous waste. Reflecting the continued increase in global consumption, waste volumes are predicted to grow at a rate similar to GDP in the foreseeable future. Moreover, available figures do not reflect the true scale and impact of illegal waste movements and dumping. These effects can be particularly severe in developing countries and CEIT.
- For many countries, the most important chemicals management action is not theirs to take, but will need to be taken in another country where manufacturing takes place or from which importation comes.
- The development of substance specific MEAs has responded to identified issues of global concern such as, for instance, ozone and Persistent Organic Pollutants. To meet the concern of some Parties that these single purpose MEAs are inefficient in resource use and implementation, a synergies process among the chemicals and wastes conventions has been introduced to increase efficiency and effectiveness in implementation at the global, regional and national levels as well as at the level of the Convention Secretariats.
- The multi-stakeholder SAICM, whose mandate ends in 2020, was developed to respond strategically in a more horizontal way to chemicals management and to the WSSD target that by 2020 chemicals will be used and produced in ways that lead to the minimization of significant adverse effects on the environment and human health.

¹ American Chemistry Council, Mid-Year 2008 Situation and Outlook, June 2008.

² OECD, 2008, OECD Environmental Outlook to 2030.

- Country participation in the three chemicals and wastes conventions is high with 142 Parties to the Rotterdam Convention, 176 Parties to the Basel Convention and 174 Parties to the Stockholm Convention.
- Some developing countries have indicated that a tangible result from the Consultative Process would support further implementation of chemical and wastes multilateral agreements they have ratified. At the same time, some developed countries have called for financial assistance to Parties that is tied to compliance. Achieving a balance between these two views has challenged international negotiations on chemicals and wastes.

SECTION 2: THE FINANCING REQUIREMENTS OF THE CHEMICALS AND WASTES AGENDA

An important first step in developing an integrated approach to financing the sound management of chemicals and wastes is to identify the requirements for financing in relation to the chemicals and wastes agenda starting with the Basel, Rotterdam and Stockholm Conventions and SAICM.³ The requirements are, in particular, those which pertain to the implementation of the *obligations* in the Conventions as well as the completion of activities which may not be obligatory for the Parties to the Conventions or participants in SAICM, but that would facilitate the achievement of the goals and objectives of the Conventions and SAICM. (Annex II outlines briefly the basic obligations for the three Conventions and SAICM.)

To assist in identifying the financing requirements for the Basel, Rotterdam and Stockholm Conventions, UNEP requested the Conventions Secretariat to identify for each Convention the obligations for which financing is a requirement as well as the capacity gaps where financing would support implementation of the Conventions. A similar request was submitted to the Chemicals Branch, DTIE regarding SAICM and mercury. Other important sources for identifying the financing requirements have been the reports of meetings of the Parties to the Conventions and SAICM reports as well as the meeting reports of the Consultative Process.

The following Table 1: Financing Requirements for the Basel, Rotterdam and Stockholm Conventions and SAICM presents in summarized manner the key financing requirements that have been identified. It should be noted that the financing requirements listed are not intended to constitute an exhaustive list of all the requirements for financing for the three Conventions and SAICM.

The list of the financing requirements identified does, however, represent an important compilation of what could and should be financed where the Basel, Rotterdam and Stockholm Conventions and SAICM are concerned. Further, the financing requirements identified here could be considered an input to developing the financing requirements of the broader chemicals and wastes agenda.

³ Although a future international legally-binding agreement on mercury is an important part of the scope of the Consultative Process, the fact that the INC on mercury is discussing in parallel with the Consultative Process its own analysis of options for financial mechanisms to support the global legally binding instrument on mercury has precluded discussion in this paper of the needs of a possible global mercury instrument.

Table 1: Financing Requirements for the Basel, Rotterdam and Stockholm Conventions and SAICM

Financing Requirement	Basel Convention	Rotterdam Convention	Stockholm Convention	SAICM
<i>Legally binding obligations where assistance is a precondition of compliance</i>	None. Parties are allowed varying national circumstances e.g. level of development	None. However Parties may require support to establish legislative, administrative and control measures to implement Rotterdam.	Stockholm addresses financial assistance as a precondition of compliance. <u>General obligations include:</u> Articles 1, 7, 9, 10, 11, 15. <u>Specific obligations include:</u> Articles 3, 5, 6, Annexes A, B, C and obligations with specific deadlines: NIPs, BAT/BEP, PCBs, Hexa-BDE/Hepta-BDE and Tetra-BDE/Penta-BDE, DDT, PFOS, its salts and PFOSF	SAICM is a policy framework to foster the sound management of chemicals and not a legally binding instrument.
<i>Link between funding of activities and verifiable compliance</i>	No formal link now but Implementation and Compliance Committee considering use of conditionality in providing support from Implementation Fund to bring 4 Parties into compliance.	No requirement to verify compliance in response to funding but improved compliance is noted when the Secretariat has supported Parties to submit import responses.	Procedures and mechanisms for determining and treating non-compliance still under negotiation.	SAICM is a multi-stakeholder policy framework that fosters action through the Quick Start Programme. Therefore verifiable compliance is addressed by SAICM.
<i>Capacity gaps that are not legally binding but for which activities are to be implemented</i>	Technical guidelines on procedures, management issues, priority waste streams have been developed for Parties as well as training and guidance manuals. Financial support needed for implementation in developing countries and CEIT.	<ol style="list-style-type: none"> 1. Submittal of notifications of Final Regulatory Action and Import Responses 2. Submittal of Severely Hazardous Pesticide Formulations 3. Facilitation of information exchange and implementation of the Convention 4. Technical assistance 5. Participation in review of 	Identification and remediation of sites contaminated with POPs.	Initial enabling capacity building and implementation activities in developing countries, least developed countries, small island developing States and countries with economies in transition are supported by the SAICM Quick Start Programme Trust Fund. At US\$10 million, the QSP funding is insufficient.

Financing Requirement	Basel Convention	Rotterdam Convention	Stockholm Convention	SAICM
		chemicals 6. Synergies with Basel and Stockholm by developing combined national institutional frameworks.		Information exchange currently carried out by the SAICM Information Clearinghouse , supports access to information and expertise in support of specific national actions. Currently funded by Germany and more funding is required.
<i>Agreed incremental costs linked to the global benefits of protecting human health and/or the global environment from the chemicals and wastes area</i>	Basel does not operate on the basis of agreed incremental costs.	Rotterdam does not operate on the basis of agreed incremental costs.	No definition in Stockholm of “agreed incremental costs”. The Convention requires “new and additional financial resources...to meet ... full incremental costs ...”: GEF as operator of financial mechanism for Stockholm applies its own definition of “agreed incremental costs” to POPs projects.	SAICM does not operate on an agreed list of incremental costs but supports capacity building and implementation activities with its Quick Start Programme.
<i>Agreed incremental costs of developing countries with economies in transition Parties in moving from products and processes to alternatives</i>	Basel does not operate on the basis of agreed incremental costs.	Rotterdam does not operate on the basis of agreed incremental costs.	Guidance to the financial mechanism is set out in decision SC-1/9: “Timely, adequate and sustainable financial resources on a grant or concessional basis should be allocated to meet the agreed full incremental costs of implementing eligible activities which are activities that seek to meet the objectives of the Convention, by assisting eligible Parties to fulfil their obligations under the Convention, in accordance with	SAICM does not operate on an agreed list of incremental costs but supports capacity building and implementation activities with its Quick Start Programme.

Financing Requirement	Basel Convention	Rotterdam Convention	Stockholm Convention	SAICM
<i>Need to provide resources to support national activities</i>	Yes. COP adopts work programmes to be implemented subject to available funds. Parties in developing countries and CEIT require support to implement the regulatory/control measures agreed under Convention.	Yes.	guidance provided by the Conference of the Parties.” Yes. COP has identified legislation development and enforcement as areas of technical assistance and technology transfer which are eligible for funding under the Convention’s funding mechanism.	Yes. Support for national activities that will help achieve the sound management of chemicals should be available.
<i>Need to provide funding for the development and implementation of the various national implementation plans</i>	No formal requirement for National Implementation Plans. But sum of measures nationally to comply with Basel require funding in developing countries and CEIT.	Yes. National action plans are prepared voluntarily. To date 44 non-OECD Parties have still to develop plans. Parties are requesting support to develop and implement plans as per COP 2011 work programme.	Yes. Development, updating and implementation of NIPs has been identified as a priority by the COPs. In particular, support is needed to take account of the 9 new chemicals under the Convention.	Yes. National plans to ensure the sound management of chemicals by 2020 is not a goal in SAICM but national planning for chemicals and wastes would support the achievement of the SAICM goal.
<i>Other issues with regards to needs financing chemicals and wastes</i>	Cross-cutting issue of recycling certain waste streams is largest unaddressed challenge to create economic opportunities and protect human health and the environment.	1. Support for COP participation of developing countries and CEIT 2. Support for regional consultations, including translation, in preparation for COPs.	1. Support for COP participation of developing countries and CEIT. 2. Support for regional consultations, including translation, in preparation for COPs. 3. Support to actively participate in and contribute to the Persistent Organic Pollutant Review Committee which would have co-benefits of improved data and NIP development and implementation.	The Quick Start Programme is insufficiently financed.

SECTION 3: THE FOUR FINANCING TRACKS

Since its third meeting, the Consultative Process has explored four financing tracks for the sound management of chemicals and wastes. Although the four tracks have been an important focus of earlier meetings of the Consultative Process, to ensure a common understanding and because the financing tracks continue to be central to the discussion in this report, each track is revisited briefly here.

TRACK ONE: Mainstreaming of sound management of chemicals and hazardous wastes

Mainstreaming or integrating sound management of chemicals and wastes within international institutions and national plans, priorities and programmes can address the role of chemicals and waste in sectors and their relationships to issues of vulnerability, poverty and equity. Further, by using a comprehensive and integrated approach, mainstreaming can help to deal with the lack of capacity for technical and institutional management that developing nations and countries with economies in transition (CEIT) often face. By integrating the chemicals and wastes agenda into the development planning process led by institutions like the World Bank, the Regional Development Banks, the UN Agencies and other international development agencies, mainstreaming provides access to billions of dollars of aid funds that could be considered additional funding for chemicals and wastes.

Mainstreaming of chemicals and waste will:

- Support achievement of goals to alleviate poverty and ensure development is sustainable
- Contribute to achieving the Millennium Development Goals (MDGs).
- Open the door for new funding from bilateral and multilateral donors since development plans inform development partnerships.
- Improve efficiency and effectiveness of the use of existing resources (applied to the environment in all sectors) through improved priority setting and integration into government wide (cross sectoral) planning (i.e. mitigating current problems and preventing future problems in key development sectors).
- Enhance justification for new and additional resources by improving economic analysis supportive of investments by governments and the private sector, including in needed infrastructure.

The mechanics of the process to develop the development planning documents are important to understand in order to see the potential entry points for mainstreaming chemicals and hazardous wastes. Poverty reduction strategy papers (PRSPs), for example, are considered by most in the international development community as the main vehicle for prioritizing development assistance to low-income countries. Depending on the country, the PRSP assesses and diagnoses a country's policies, institutions and capacity, including poverty and its key determinants. Diagnosis is based on "upstream work" by the country or development partners which include sector analyses and strategies, such as impact assessments and evaluations from prior or ongoing operations. Priorities are then identified in consultation with all relevant stakeholders, including civil society and donors, and the poverty reduction strategy is subsequently laid out with attention to: macroeconomic policies, governance, sector policies, and costing and budget for

proposed programs, as well as a monitoring and evaluation approach (along with proposed indicators). The nature and level of stakeholder participation has a significant impact on proposed priority actions in a PRSP and thus on the degree of mainstreaming.

Recognition during development planning of the important relationship of chemicals and waste management with many development priorities appears to hinge on:

1. analytical and diagnostic work (upstream work) to increase awareness
2. country buy-in from relevant government ministries, in particular ministries of finance
3. the mobilization of environment and health constituencies, including civil society
4. the institutional and technical capacity for coordination, decision-making and monitoring
5. overall coordination and partnerships at various levels.

TRACK TWO: Industry involvement, including public-private partnerships and the use of economic instruments at national and international levels

Industries at all stages of the chemical sector value chain (production facilities (organics, petrochemicals, inorganics, fertilizers processing and blending facilities, commercial and consumer use, disposal and recycling) have an increasingly critical roles to play in the chemicals and hazardous waste agenda especially as the chemical and waste industries move away from OECD countries to developing countries and CEIT.

Industry continues to have a key role to play in supporting the principles of sound management of chemicals and wastes in both developing and developed countries. One of the most important roles for industry is meeting environment and health performance standards as established by national government legislation and regulation. Such private sector action is critical towards reducing the public sector costs to manage chemicals and wastes. An important prerequisite to this action by industry can be a country becoming Party to legally binding chemical and waste conventions. If a developing country or CEIT is a Party to a chemical and waste convention but requires capacity building support to prepare and enforce the national standards required by the international agreement, these Parties can access assistance through e.g. mainstreaming.

In addition to industry's private enterprise role of creating employment, buying services and utilities and paying taxes, industry's responsibilities and obligations in the management of chemicals and wastes can be wide ranging including providing sustainable investment and technology transfer, supporting capacity building, contributing to government social services, and developing resource efficiencies and process optimization through cleaner production, leading in "green economy" measures and implementing green chemistry and integrated approaches.

The government-industry relationship in chemicals and waste management will be affected by policy instruments such as economic instruments which will influence both industry and consumer behaviour. There are many kinds of economic instruments available including property rights like fishing quotas or water quotas, market mechanisms like emissions trading schemes, fiscal instruments like taxes, fines, charges, licence fees, subsidies, grants, tax credits and financial instruments such as soft loans or revolving funds. A performance bond, for

instance, requires regulatees to post a security deposit which is redeemable on satisfactory completion of a task (e.g. when a mining company has undertaken rehabilitation of land). A deposit refund system is an economic instrument often used for used beverage containers. Any one of these instruments or a combination of them can be used in managing chemicals and wastes.

Legal instruments are another form of economic instrument since sanctions that are designed to increase the cost of non-compliance to the point that the penalty for infringement is prohibitively high result in industry internalizing external costs of chemicals production, import and use. Penalties can take the form of requirements for culpable parties paying for clean-up, restoration costs and/or compensation and environmental fines. Combined, these legal measures act as a deterrent to mismanagement that could lead to negative environmental and human health impacts. Legal instruments can, by setting sanctions in place, prevent future harm that would occur in the future if industry were to take a risky action to “save costs” in production processes today.

Another tool that is legal in nature is the liability protection that is becoming more widespread. Extended producer responsibility is more often being put in place for end of life products and there is more often increased producer responsibility for product liability both of which have implications for chemicals management.

“Public-Private Partnerships” (PPPs) which define a wide range of relationships between the private and public sectors, may include corporate philanthropy – voluntary measures undertaken by the private sector to provide benefits not only to their shareholders but to other stakeholders; service provision – where the private sector has superior expertise or resources that are provided through a partnership to the public; or corporate responsibility – where commercial interests are aligned with social interests.

TRACK THREE: New trust fund similar to the Multilateral Fund

The Multilateral Fund’s structure and operational procedures that provide the basis for a new trust fund include the following:

Stable replenishment: The MLF is replenished through the UN Scale of Assessment on the basis of the appropriate replenishment level as assessed by the Technology and Economic Assessment Panel.

Equal representation: The Multilateral Fund is governed by an Executive Committee, which has equal representation from among the donor (non-Article 5 countries) and the recipient countries (Article 5 countries).

Funding: In the 1990’s the Executive Committee divided projects into investment and non-investment projects. Non-investment activities included institutional strengthening projects, project preparation, technical assistance or training. From 2000, the Multilateral Fund put less emphasis on the funding of stand-alone projects and moved towards national ODS phase-out plans targeting the total remaining consumption of a specific controlled substance(s) in a

country. Funding is based on a commitment by the country to achieve sustainable, permanent reductions in consumption and production of ODS.

Agreed incremental costs: MLF financial assistance covers the incremental costs of ODS phase-out. The Parties to the Montreal Protocol agreed on an indicative list of such costs at their fourth meeting in 1992.

Institutional strengthening: The Executive Committee funds capacity building or institutional strengthening in developing countries to address ozone sector matters to ensure that countries can plan and manage their own national ODS phase-out programs. National Ozone Units are supported by the MLF as an important step at the level of national programmes. It is these units' responsibility to design, monitor and implement the ODS phase-out Country Programme and to select the enterprises to be assisted by the MLF. Such capability is a precondition for countries' access to MLF project financing.

Country programmes: Country programmes are the first step for an Article 5 country to receive assistance from the Multilateral Fund. The Executive Committee approved country programme is in principle a prerequisite for investment support from the Multilateral Fund. The Multilateral Fund finances the preparation of country programmes as a process to assess national compliance, formulate an action plan for phase-out and establish needs for Fund assistance.

Compliance: The Multilateral Fund's strategy is based on a compliance-driven business planning approach in which the level of ODS phase-out needed for each country has been calculated so that resources can be targeted to countries appropriately. If a country is out of compliance with their agreement, they are financially penalized so that, until they meet the conditions of their agreement, no further funding is made available.

A new trust fund could include features similar to those in the MLF such as the following: funding from donor countries that is provided through a stable, predictable and science-based replenishment process; a strong relationship with the Conferences of the Parties so that COPs can give guidance, support decisions on project funding and receive accounts of results; a governance structure that balances donor and recipient countries; a system of funding and compliance with performance agreements that supports results being achieved; and strong institutional strengthening including a network of national units in developing countries and CEIT.

TRACK FOUR: Introducing safe chemicals and wastes management as a new focal area, expanding the existing POPs focal area under GEF or establishing a new trust fund under GEF

The Global Environment Facility (GEF) serves as the financial mechanism for the Stockholm Convention on Persistent Organic Pollutants and, although not linked formally to the Montreal Protocol on Substances That Deplete the Ozone Layer, the GEF also supports implementation of the Montreal Protocol in CEIT. The GEF functions under the guidance of, and is accountable to, the Conferences of the Parties in terms of policies, programme priorities and eligibility criteria

for the purposes of the conventions.

Nations contribute financially to the GEF Trust Fund, pledging every four years through the "GEF Replenishment" process. The GEF-5 replenishment was completed in May 2010 with 35 donors pledging US\$4.34 billion for the GEF-5 period (July 1, 2010, to June 30, 2014).

The GEF can create new focal areas as it did when it created the POPs focal area. A new focal area would be established within the context of the discussion on replenishment between the donors and the GEF Council. The advantage to this process is that the specific focal area could be financed within the context of the GEF replenishment process. A new trust fund under the GEF could also be established to support specific issues of concern and, like the LDCF fund, would have its own replenishment process. For instance, the Adaptation Fund and the Least Developed Country Fund (LDCF) both receive administrative support from the GEF Secretariat and were established to meet the needs of Parties to the UNFCCC and the Kyoto Protocol but have different funding arrangements from those in the GEF. The differences between their governance structures within the GEF are discussed in Section 6 and in Annex III.

The GEF-5 replenishment expands the POPs focal area with an increase of 25% to US\$ 420 million compared to the GEF-4 allocation, with the following distribution of resources:

- (a) Persistent organic pollutants: US\$ 375 million;
- (b) Ozone layer depletion: US\$ 25 million; and
- (c) Sound chemicals management and mercury reduction: US\$ 20 million.

The limited but strategic support for mercury and sound chemicals management is intended to support

- sound chemicals management activities that generate global environmental benefits in response to the need to extend GEF support to other chemicals of global concern beyond POPs and to the challenges posed by the Strategic Approach to International Chemicals Management (SAICM); and
- the development of the mercury treaty to prepare the GEF partnership and the international community for implementing the mercury treaty when it is adopted as was done by the GEF in the years leading to, and during, the negotiations of the Stockholm Convention.

The GEF-5 also strengthens capacity aimed at building institutional and legislative frameworks for chemicals management, including POPs particularly in least developed countries and small island developing states.

Linkages are being encouraged in GEF-5 between the Chemicals program and other focal areas of the GEF in particular, Climate Change Mitigation, Adaptation to Climate Change, Land Degradation, Biological Diversity and International Waters because interventions in one focal area can have co-benefits in the other, or because interventions can be complementary.

SECTION 4: A MATRIX ALIGNING THE FINANCING REQUIREMENTS AND THE FOUR FINANCING TRACKS

A matrix presented in Table 2. Matrix Aligning Financing Tracks with the Financing Requirements identified for the Basel, Rotterdam and Stockholm Conventions and SAICM has been developed to illustrate how the financing requirements that were identified for the Conventions and SAICM align with the four financing tracks.

The matrix has been created by first listing each of the categories of basic obligations that make up the Conventions and SAICM starting from goals and objectives and moving through production and control requirements to obligations like information exchange, technical assistance and capacity building and governance. (See Annex II for a brief description of the obligations of the Conventions and SAICM.) Then, for each of the categories of obligations, where a particular financing requirement has been identified for one of the Conventions and SAICM and is being supported by a specific financing track, the matrix shows this. Under the elements of the Conventions and SAICM where a particular requirement has been identified as not being supported financially, the matrix distinguishes this capacity gap with **highlighting** and aligns the capacity gap with the financing track – or, sometimes, in the case of Tracks Three and Four, with two of the tracks that could potentially provide financing support for the capacity gap.

The matrix illustrates the following:

- All four financing tracks currently support some of the requirements for which financing is necessary in the Conventions and SAICM.
- All four financing tracks have the potential to financially support the requirements that are identified as capacity gaps that are not being supported financially in the Basel, Rotterdam and Stockholm Conventions and SAICM.
- All four financing tracks can and should play a role in an integrated approach to financing the sound management of chemicals and wastes.

Table 2. Matrix Aligning Financing Tracks with the Financing Requirements Identified for the Basel, Rotterdam and Stockholm Conventions and SAICM

Track 1: Mainstreaming	Track 2: Industry Involvement	Track 3: New Trust Fund similar to the Multilateral Fund	Track 4: GEF: new focal area, expanded POPs focal area or new trust fund
I. Objectives of the Basel, Rotterdam, Stockholm Conventions and SAICM			
<p>More integration is needed in development assistance strategies (e.g. PRSPs) of the objectives and goals of the Basel, Rotterdam, Stockholm conventions and SAICM.</p>			<p>GEF-5 has provided some new funding for chemicals and wastes including has added Sound Management of Chemicals in support of SAICM to its Chemicals focal area including preparatory work on mercury.</p>
II. Basic Obligations			
Production/ Trade (Import, Export)/ Use/ Remediation and Disposal			
<p>More integration is needed in development assistance strategies of chemical and waste priorities and plans for management in terms of production, trade, use, remediation and disposal.</p>	<p>Industry meets national regulations that are in place. Public-private partnerships exist in chemicals and waste management in all areas that support the achievement of the basic obligations in the Stockholm, Rotterdam and Basel Conventions and SAICM.</p>		<p>In the GEF-5, the POPs focal area has been expanded to include sound management of chemicals, to integrate the ODS support activities and to support a future mercury agreement. The GEF POPs focal area supports capacity building and institutional strengthening in POPs and chemicals in general. POPs projects have been focussed on obsolete pesticides disposal, implementation of BAT/BEP, PCBs management and disposal, DDT management.</p>
<p>Chemicals management strategies in development assistance strategies should have coherent and cohesive approaches. Chemicals policy options should be integrated into overall national development</p>			<p>Stockholm Convention implementation would benefit from increased support to identify and remediate sites contaminated with POPs, identify stockpiles, products and articles in use, and wastes containing POPs, manage stockpiles safely and efficiently until they are considered to be wastes, take steps to handle, collect, transport, store and dispose of wastes in such a way that the POP content is destroyed, and develop strategies for identifying contaminated sites and remediate them.</p>
<p>‘thinking’ in development assistance strategies. Chemicals management priorities should be planned in a coordinated way.</p>			
<p>Allocation within the development assistance strategies of sufficient resources for chemicals management</p>			<p>Basel Convention: Cross-cutting issue of recycling certain waste streams is the</p>

Track 1: Mainstreaming	Track 2: Industry Involvement	Track 3: New Trust Fund similar to the Multilateral Fund	Track 4: GEF: new focal area, expanded POPs focal area or new trust fund
<p>implementation should be adequate.</p> <p>The “Equator Principle” is the policy followed by financial institutions including the World Bank, the IMF and Regional Development Banks when approving project funding that should ensure that projects approved for Parties to the Basel, Rotterdam and Stockholm Conventions will not contravene their Convention obligations.</p>		<p>largest unaddressed challenge to creating economic opportunities and protecting human health and the environment.</p> <p>Basel Convention: Obsolete Pesticide Removal – Caribbean: Project for the final disposal of existing waste pesticides and selected persistent organic pollutants (POPs) and the prevention of future accumulation in the Caribbean.</p> <p>Basel Global Programme for Sustainable Ship Recycling: Improving working practices for the betterment of occupational safety and health and environment standards in ship recycling yards in South Asia.</p> <p>Basel Convention Partnership on the Environmentally Sound Management of Electrical and Electronic Wastes for Asia Pacific Region.</p> <p>Basel Convention: http://www.basel.int/resmob/app-funding.html - 2 Activities in Latin America related to the development of a partnership between eco-industries for the Environmentally Sound Management of e-wastes</p>	
III. Information exchange			
	<p>Industry reporting as part of national programs.</p> <p>Industry systematically providing governments and the public with relevant information on chemicals throughout the chemical lifecycle.</p>	<p>Rotterdam and Stockholm Conventions: Support for COP participation of developing countries and CEIT and support for regional consultations, including translation, in preparation for COPs.</p> <p>Chemicals and Waste Agenda: support to develop Best available techniques in use of low-waste technology, use of less hazardous substances, promotion of the recovery and recycling of waste and of substances, replacement of feed materials which are POPs, good housekeeping and preventive maintenance programmes, improvements in waste management with the aim of the cessation of open and other uncontrolled burning of wastes, including the burning of landfill sites, avoiding elemental chlorine, or chemicals generating elemental chlorine, for bleaching</p>	
IV. Technical Assistance and Capacity Building			
<p>Under the UNEP SAICM implementation, the UNDP-UNEP Partnership provides guidance documents and workshops to help decision makers in developing</p>	<p>Industry could increase its technology transfer and provide more technical assistance.</p>	<p>Projects funded by the SAICM's Quick Start Programme trust fund support initial capacity building and implementation activities (2006-2011: 140 projects in 102 countries.</p>	

Track 1: Mainstreaming	Track 2: Industry Involvement	Track 3: New Trust Fund similar to the Multilateral Fund	Track 4: GEF: new focal area, expanded POPs focal area or new trust fund
countries and CEIT to implement chemicals-related development objectives.		(\$29,681,748). Basel Convention: All UN Regions: Resource Mobilization Training Workshop Regional Centre For National Decision-makers; Basel Convention: Programme support for the regional and coordinating centres and network of national units in developing countries and CEIT, with the technical capacity to implement the Conventions at the national level.	
V. Proposing new chemicals			
	Industry liability for damage to human health and the environment from chemicals throughout the lifecycle could be established in law shifting responsibility for establishing safety from governments.	Stockholm Convention: support to actively participate in and contribute to the Persistent Organic Pollutant Review Committee which would have co-benefits of improved data and NIP development and implementation.	
VI. Governance (including national planning)			
Support to integrate in development assistance plans national planning for chemicals and wastes would support the Basel and Rotterdam Conventions and SAICM.			With respect to the Stockholm Convention, development, updating and implementation of the National Implementation Plans (NIPs), legislation development and enforcement are identified as areas eligible for funding under the GEF.
			The development and implementation of national implementation plans is not a requirement in either the Basel or Rotterdam Conventions but national action plans are prepared voluntarily under the Rotterdam Convention and national measures that must be in place to comply with Basel constitute informal national implementation plans. Under both Conventions, Parties in developing countries and CEIT are requesting financial support for this activity.

SECTION 5: ELEMENTS OF THE STRUCTURES AND OPERATIONAL PROCEDURES FOR THE FOUR FINANCING TRACKS

In order to work towards operationalizing the four financing tracks, it is important to understand the elements of some of the key structures and operating procedures that apply to each track. Each track presents very different entry points and opportunities for developing financing support for chemicals and wastes in developing countries and CEIT.

TRACK ONE: Mainstreaming of sound management of chemicals and hazardous wastes

Financial institutions where mainstreaming can take place

Mainstreaming chemicals and waste in development assistance plans can occur within the context of the work of development assistance agencies including, for instance, the United Nations agencies, the World Bank, International Monetary Fund (IMF), Regional Development Banks (RDBs). Many nationally based international aid and development agencies also provide funding to developing countries and CEIT. Many if not all have similar goals related to poverty alleviation and other MDGs. As such, chemicals and wastes are critical components.

Funding available

Although not a review of the funding available from all development assistance agencies that could be used in mainstreaming chemicals and wastes, the World Bank has a history of mainstreaming in this area and the experience there provides some important information. In part due to its Environment Strategy, the Bank's US\$11.2 billion portfolio of projects with primarily environmental objectives only captures a portion of Bank environmental lending. Much of its environmental lending is now implemented in a sectoral context as part of projects for rural and urban development or transportation for example, demonstrating an increase in mainstreaming. In terms of lending for chemicals-related issues the portfolio spans an even greater number of activities due to links to most of the sectors in which the Bank is active.

Part of the World Bank, the International Development Association (IDA) helps the world's poorest countries to reduce poverty by providing interest-free credits and grants for programs that boost economic growth, reduce inequalities and improve people's living conditions. The World Bank's other lending arm—the International Bank for Reconstruction and Development (IBRD), serves middle-income countries with capital investment and advisory services. IBRD and IDA share the same staff and headquarters and evaluate projects with the same rigorous standards.

IDA lends money (known as credits) on concessional terms. This means that IDA credits have no interest charge and repayments are stretched over 35 to 40 years, including a 10-year grace period. IDA also provides grants to countries at risk of debt distress. Since its inception, IDA credits and grants have totaled US\$222 billion, averaging US\$13 billion a year in recent years and directing the largest share, about 50 percent, to Africa.

While the IBRD raises most of its funds on the world's financial markets, IDA is funded largely by contributions from the governments of its richer member countries. Additional funds come from IBRD's and IFC's income and from borrowers' repayments of earlier IDA credits.

Donors meet every three years to replenish IDA funds and review IDA's policies. The most recent replenishment of IDA's resources, the sixteenth replenishment (IDA16), was finalized in December 2010, resulting in a record replenishment size of SDR 32.8 billion (US\$ 49.3 billion) to finance projects over the three-year period ending June 30, 2014. This amount includes donor contributions, reflows from credit repayments and World Bank transfers. Donor contributions amounted to SDR 21.1 billion (US\$ 31.7 billion).

To increase openness and help ensure that IDA's policies are responsive to country needs and circumstances, representatives of borrower countries from each IDA region have been invited to take part in the replenishment negotiations since IDA13. A total of nine borrower representatives participated during the IDA16 negotiations. In addition, since IDA13, background policy papers are publicly released, as well as drafts of the replenishment reports prior to their finalization.

Funding to Developing Countries and CEIT

IDA is one of the largest sources of assistance for the world's 79 poorest countries, 39 of which are in Africa. It is the single largest source of donor funds for basic social services in the poorest countries.

The Development Planning Cycle

Development planning in most (though not all) developing countries is typically on a 4-5-year cycle, with a mid-term review to allow for adjustments to changing circumstances. Development planning is a major cross-sectoral effort for any country, usually led by a central agency, such as the Ministry of Finance and/or Development Planning, a National Planning Commission, a Prime Minister or President's Office, etc. The major development plan of the government is a key (but not exclusive) driver for national budgetary decisions and expenditures, and is the main basis for discussions with development partners (donor countries) regarding assistance for the development of the country.

The key issue for chemical management practitioners and advocates in the country, therefore, is to make sure that the highest priority environmental issues are noted in the development plan as a basis for national and international implementation funding. This requires early and regular engagement with the key central planning agencies about the importance and factual relevance of priority environmental issues to the country's sustainable development objectives and targets.

Typically, development planning work starts at least 12-18 months in advance of the conclusion of the 5-year development plan that is in place. The following generic elements of development planning are typical:

- Diagnostics to determine the highest development priorities for the country and the key issues related to those priorities (e.g. poverty assessments, sector and sub-sector papers, assessments of technical and financial assistance needed to achieve the MDGs over the long term, etc.);
- Identifying policy options and choices to move towards national development objectives and targets (e.g. sectoral and cross-sectoral policy reforms and frameworks needed to accelerate growth with equity and promote long-term human development, etc.);

- Identifying national capacity development needs to support implementation of priority actions to achieve national development objectives and targets (e.g. enable effective service delivery at the national and local levels, institutional changes, training needs, etc.);
- Development of implementation plans and schedules for high priority objectives and targets; and
- Investment planning and resource mobilization (costing infrastructure investments, equipment investments, micro-finance initiatives, assessing national budgetary implications, awareness raising and discussion with development partners, etc.).

Experience from around the world indicates that extensive interagency and public consultation is critical for all these elements to conclude in a successful national development planning effort. The end result of the development planning process can, depending on the country circumstances, culminate in different forms of development planning and policy documents.

TRACK TWO: Industry involvement, including public-private partnerships and the use of economic instruments at national and international levels

Industry Roles and Responsibility

Industries producing and using chemicals and producing hazardous wastes play an important role in the global economy and in international trade and have a dramatic impact on employment, trade and economic growth worldwide. While the chemicals and wastes industries are major contributors to national economies and global trade, the sustainable implementation of sound management of chemicals and hazardous wastes is a long-term commitment that has to be shared cooperatively by all stakeholders.

Governments and industry each have a key role to play in chemicals and waste management, but their competencies are in different fields. Governments supervise the risks and manage activities being carried out by issuing legislation, providing general information on chemicals risks and enterprises' responsibilities, and by enforcing and monitoring compliance.

In most cases industry has the best knowledge of their products, their proprieties, dissemination of relevant information and ways of handling the product. The core competence of different stakeholders might serve as the basis for the division of responsibilities.

Development of national infrastructures with an aim to clarify core competences in the area of the sound management of chemicals, responsibilities as well as associated costs might be a useful step for establishing long term sustainable financing of sound chemical management.

In certain regions, chemicals and hazardous wastes legislation that regulates marketing of chemicals is based on a model where the producers and importers in a country, the so-called primary suppliers, have the main responsibility. They are obliged to provide customers and users with adequate information on hazards and guidance on safe use. The users then take account of risks in their choice of chemicals and the way they use the chemicals. Exporters may have other responsibilities. Imports to many countries can include over 10,000 different substances used by

a very large number of downstream users. Some countries are also producers. All deal with hazardous waste.

When there is no allocation of obligations to industry it becomes by default the responsibility of the public authorities to ensure that all the various uses of all 10.000 chemical substances and the hazardous wastes do not harm human health or the environment.

Industry Internalizing Costs

There is a need for basic legislation covering the division of tasks between authorities and industry. In the absence of a clear statement to the contrary, all costs of chemicals control are borne by governments. This creates particular difficulties for developing countries and CEIT. For this reason, the first step in any effort to ensure industry internalizes costs is to make the responsibilities of industry clear through relevant legislation. Every country must decide what exact tasks they want to place on industry. It could for instance include responsibility for gathering information on the chemicals they produce or import, assembling this information in the supply chain (e.g. through labeling and safety data sheets), reporting to authorities, making risk assessments and applying adequate risk reduction measures.

Interventions to Increase Sharing of Cost Burdens with Industry

Better regulation of chemicals benefits the private sector. There are very clear links between a precautionary approach to managing chemicals and economic growth; in particular the reduction of costs and creation of opportunities for business both directly and indirectly linked to chemicals production, use and trade is particularly important. Yet in many cases, industry does not pay for this public service from which they profit.

The benefits to both the public and private sector of better national chemicals regulations include the fact that better regulations secure and boost exports when products meet international standards. When standards are harmonized, costs of compliance are minimized. An improved national reputation as a place to “do business” promotes more foreign investment. There is increased well-being and productivity when fewer chemical related health and environmental risks exist. Ecosystem services such as those related to tourism and associated economic sectors benefit. There is positive feedback for reduced costs from risks across the chemicals life-cycle.

Economic instruments enable recognition of the hidden public costs for managing chemicals—e.g. administrative, capital and operational costs of programmatic activities, clean-up, remediation—and they facilitate a fairer, more appropriate cost burden-sharing across government budgets and between public and private sources of finance. Economic instruments in the form of cost recovery systems provide for options in governing the marketing of chemicals. Fees for administration of registration, authorization and licensing systems are possible as are fees for training activities for regulations on placing chemicals onto the market, fees for inspection activities and fees for verification activities.

Given the scarcity of funds for chemicals and wastes management activities, funding the operational or recurrent costs of providing basic public services under integrated sound management of chemicals and wastes is a priority. The current situation of cost recovery or revenue raising economic instruments suggests that there is potential for expanding economic

instruments as a source of financing for sound management of chemicals activities at the national level.

TRACK THREE: New trust fund similar to the Multilateral Fund and TRACK FOUR: Introducing safe chemicals and wastes management as a new focal area, expanding the existing POPs focal area under GEF or establishing a new trust fund under GEF

Although Track Four contemplates that a new focal area or an expanded POPs focal area could occur within the GEF, both Tracks Three and Four consider the creation of a new trust fund for chemicals and waste. An analysis of the elements and operating procedures of four different funds has been completed to assist in understanding what would be involved in establishing a new Trust Fund. The analysis also reflects on some of the elements that will be important to consider in assessing how a new focal area or an expanded POPs focal area in the GEF would work.

The two Tracks are analyzed through a detailed comparison of four different financial institutions:

- the Global Environment Facility (GEF) (see Annex IV),
- the Multilateral Fund (MLF) (see Annex V)
- the Adaptation Fund (AF) (see Annex VI) and
- the Least Developed Country Fund (see LDCF) (Annex VII).

Annex III. Comparison of the Structure and Operating Procedures for Four Financial Institutions provides the detailed comparison of each financial institution in relation to the following structures and operating procedures:

- Governance (donor / recipient country participation, relationship with COP, voting);
- Fund replenishment (frequency, sources, long-term stability);
- Project approval procedures;
- Cost of overhead (Secretariat costs);
- Fund distribution (which countries get what and how much);
- What gets funded; and
- Relationship between funding and compliance.

From the analysis of the GEF, the MLF, the Adaptation Fund and the Least Developed Country Fund, the following considerations may have a bearing on a future discussion of a new trust fund, a new GEF focal area or an expanded GEF POPs focal area.

Governance

- Where developing and developed countries have equal weight in decision-making, there is a strong sense of ownership in relation to funding decisions. The Adaptation Fund gives developing countries a majority on its Board which has the effect of ensuring that the countries most affected by climate change impacts can participate more fully in decision making and in tracking the effectiveness of the funding.
- To achieve the goals and objectives of the Basel, Rotterdam and Stockholm Conventions and SAICM through funding of activities in developing countries and CEIT requires that there be a strong and ongoing connection between the guidance of the Conventions and SAICM and

the decision-making body of the funding institution as well as any Implementing Agencies. All Parties participate in the MLF whereas the Stockholm Convention is represented in the GEF through an annual negotiated agreement on guidance and an observer in the GEF Council sessions.

- The LDCF/SCCF (Least Developed Country Fund/Special Climate Change Fund) Council is an independent decision-making body for the LDCF co-located in the GEF which enables the LDCF to use GEF procedures and administration including work planning and project planning while maintaining the independence of the Fund.
- Potential for leveraging and opportunities to co-finance and to leverage financing are important in terms of maximizing resources but also in terms of achieving synergies with respect to results. The opportunities to co-finance and leverage financing are greater in a financing mechanism that is already funding related issues and has a well established replenishment process.
- Location of a Fund is one of the factors in attracting the participation of implementing agencies that have comparative advantages and with which sharing might be possible from an administrative point of view.

Fund Replenishment

- Stability and predictability of adequate resource levels is an important consideration in a Fund's success and sustained impact. The MLF, replenished on the basis of the UN Scale of Assessment, has a stable and predictable source of funds every 3 years. The negotiated replenishment that is occurring through the GEF is not an obligation tied to an international agreement but pledges to the GEF have been increasing at each of the five replenishments, due in part to the demonstrated effectiveness of donations achieving measurable results.
- When there is a lack of predictable funding, as in the case of the LDCF for example, long-term planning is difficult as is the implementation of multi-year investment projects. The same issue has hampered the QSP under SAICM.
- The Adaptation Fund revenues are obtained primarily from a 2 per cent share in the proceeds from the Kyoto Protocol's Clean Development Mechanism (CDM) project activities. This means that the Fund is self-financed through the carbon market, independently from and in addition to contributions from developed countries.

Project Approval Procedures

- Concern has been expressed by recipient countries that GEF procedures are too complicated. The GEF procedures are responding by changing processes and reducing the length of time to move to the implementation stage. The MLF project approval process is well-established and "mature".
- All of the financial mechanisms reviewed are implemented through Multilateral Development Banks (MDBs) and UN institutions. The Adaptation Fund (AF) focuses primarily on providing funds through direct access through accredited National Implementing Entities (NIE), but also gives countries the flexibility of using UN Agencies and MDBs in carrying out these activities. In the case of the GEF, direct access has just been introduced through its Enabling Activities modality.

Cost of Overhead

- The ability to keep secretariat and overhead costs to a minimum is important. Of the four financial mechanisms described and compared in Annex III, the most expensive in terms of Secretariat costs was the MLF which has Secretariat costs of US\$ 6.7 million with US\$ 120 million in programming or 5.5% while the least expensive was the GEF at US\$ 13.6 million for US\$ 737 million in programming or 1.8%. The LDCF which is co-located in the GEF and uses the GEF as its Secretariat had Secretariat costs of 2%. The Adaptation Fund's Secretariat costs of 10% may not reflect its eventual overhead costs since 2010 was only the first year of project approvals.

Fund Distribution

- Of the developing countries and CEIT that receive assistance from the MLF, 20 Parties have received, over the life of the MLF, US\$2 billion in assistance and the remaining 176 Parties have received less than US\$400 million. For the GEF POPs focal area, of the US\$513.5 million total in GEF grants allocated, the top twenty countries have received about 86% leaving all but US\$70.1 million or about 16% for the remaining developing countries and CEIT.
- The LDCF applies a principle of balanced access which assures that funding for implementation of a National Adaptation Programme of Action (NAPA) will be available to all LDCs, and not be awarded on a first-come, first served basis which could favour countries with higher institutional capacity for project development, leaving out the most vulnerable LDCs. LDCs have agreed on imposing a "ceiling," or a maximum amount that will not be exceeded, in order not to deplete the limited LDCF resources. In principle, a portion of all funding available is reserved for each LDC.

What gets Funded

- As a first step, capacity building within developing countries and CEIT to implement all three Conventions and achieve the SAICM goals is an important – if not the key – priority for financial support. At the same time, developing countries and CEIT often lack the capacity to define their chemical and waste requirements and to access international funding that is available.
- The MLF National Ozone Units and the Institutional Strengthening projects and the GEF Operational Focal Points and the GEF Country Support Programme (CSP) are considered important at the national level in developing countries and CEIT for strengthening national processes and facilitating access to financial resources in the MLF and GEF programming.
- More information is needed in the smaller developing countries and CEIT about what larger investment projects, such as those aimed at replacing manufacturing technologies or installing capital equipment should be supported to implement the Conventions and the goals of SAICM and achieve sound management of chemicals and wastes.
- All of the financial institutions use some form of "incremental costs" to fund a portion of a chemical and waste related project. For the MLF, the incremental costs are defined by an indicative list of agreed items that must then be incorporated within the framework of an approved country programme. For the GEF, the incremental costs are those that "achieve global environmental benefits". The Adaptation Fund follows an "additional cost principle" and pays the full costs of the additional measures needed to build adaptive capacity, increase resilience to climate change and reduce vulnerability – over and above the "baseline" costs of

activities that would be implemented in the absence of climate change. “Baseline” costs are expected to be covered by normal development expenditures like government budgets, bilateral aid or international development assistance.

Relationship between Funding and Compliance

- The ability to demonstrate the results of financing has enabled the MLF and the GEF to achieve strong support from the donor countries.
- The MLF is a financial mechanism that supports compliance with the Montreal Protocol. As such, it has created procedures to meet its requirement to assess compliance. The Business Planning model rolling three-year phase-out plan used in the MLF is a compliance tool that the Executive Committee uses to provide the basis for examining the status of implementation of the current year’s business plans and the prospects for compliance with the next three years. Decisions on dealing with urgent and outstanding compliance issues are incorporated into the business planning exercise for the following year. Financial penalties for non-compliance with performance agreements that Parties develop under the MLF are an effective tool for promoting compliance and results.
- The LDCF demonstrates that it is possible to rate projects in terms of their performance and to monitor projects against a set of performance indicators that can be developed. In the case of the LDCF, the performance indicators are aligned with the Climate Change Adaptation indicators included in the Adaptation Monitoring and Assessment Tool and each GEF Agency submits individual annual Project Implementation Reports (PIRs) on all active projects in their respective portfolios along with the performance ratings by agency and region.
- The Basel, Rotterdam and Stockholm Conventions and SAICM contain provisions and requirements for Parties that are not easily quantifiable, making assessing performance difficult. However, there are a number of examples of target setting that can be applied to the requirements of the Conventions and SAICM that would allow for evaluations and assessment of compliance. The Rio Markers is an example worth examining. The developed countries that signed the three Rio Conventions in 1992 committed themselves to assist developing countries in the implementation of these Conventions. Since 1998 the Development Assistance Committee of the OECD has monitored aid targeting the objectives of the Rio Conventions through its "Creditor Reporting System" (CRS) using the so called "Rio markers". Every aid activity reported to the CRS should be screened and marked as either (i) targeting the Conventions as a 'principal objective' or a 'significant objective', or (ii) not targeting the objective.

SECTION 6: CHALLENGES AND OPPORTUNITIES OF THE FOUR FINANCING TRACKS IN DEVELOPING A PROPOSAL FOR AN INTEGRATED APPROACH TO FINANCING THE SOUND MANAGEMENT OF CHEMICALS AND WASTES

With the aim of presenting in Section 7 of this document a feasible proposal for an integrated approach to financing the sound management of chemicals and wastes, it is critical to review and analyze some of the key challenges and opportunities in respect of each of the four financing tracks.

Track One: Mainstreaming of Sound Management of Chemicals and Wastes

CHALLENGES

Reviews of existing United Nations Development Assistance Frameworks (UNDAFs), PRSPs and CASSs, reveal that the integration of chemical issues (as well as environmental and health issues in general) could be significantly improved in development planning. Factors that may be impeding better integration of comprehensive chemicals and wastes management into national development planning can be attributed to:

- competing development priorities at the national level and the failure to identify important links between sound management of chemicals and wastes and poverty eradication;
- the difficulty in making the case, where there are limited resources, for an issue often seen as a global environmental concern ahead of efforts to reduce poverty levels;
- limited country-specific, analytical and diagnostic work (linkages, costs-benefits, etc);
- the unavailability or unawareness of quantitative sectoral data capturing the status and trends of environmental and health impacts (related to weak monitoring capacity);
- the nature of stakeholder participation in the development assistance strategies process and the level of influence of environmental and health constituencies, as well as civil society in general;
- full and equal participation of environment and health agencies in the development of national development assistance strategy frameworks; and
- the focus on shorter-term priorities in contrast to the long-term perspective needed for sound chemicals and wastes management and sustainable development.

OPPORTUNITIES

1. Analyze the reasons for low implementation of the chemicals and wastes agenda and identify possibilities for increasing impact for inclusion in national development plans.
2. Seek to address the challenges of long term funding for core programming activities of implementing agencies aimed at strengthening the environmental governance capacity in a comprehensive and strategic manner.
3. Develop funding structures that encourage cooperation between and within implementing and funding agencies at all levels.
4. Develop approaches that ensure complementarity between funding and environmental mainstreaming in other sectors where development partners are engaged – thereby building

knowledge and experience in both fields.

5. Establish well-functioning links between the national challenges related to the sound management of chemicals and wastes and the international multilateral agenda (including through the World Health Organization, the World Trade Organization and the United Nations Conference on Sustainable Development).
6. Identify priorities in national development processes and create links to the chemicals and wastes agenda.
7. Engage donor countries and finance ministries directly to integrate chemicals and wastes issues into the development agenda.
8. Encourage international development agencies to advocate for the mainstreaming of chemicals and wastes management in the broader development agenda.
9. Identify opportunities to enhance chemicals and wastes management in different interventions and investments.
10. Make the capacity building and the mainstreaming support more client oriented.
11. Include chemicals and waste considerations in the UNDP-UNEP Poverty Environment Initiative or similar programmes at the national level.
12. Strengthen the demand side of chemicals and wastes management (governance) through support to civil society, media, research, industry and parliament.
13. Seek to have development agencies and bilateral donors strengthen their capacity to pursue high-level dialogue with partner governments. Analytical work that links environmental problems to key national priorities such as economic growth, public health, poverty reduction and agricultural productivity, may provide an important basis for a strategic dialogue.

Track Two: Industry involvement, including public-private partnerships and the use of economic instruments at the national and international levels

CHALLENGES

Despite the costs involved with mismanagement, the cost of legal and institutional infrastructures is often seen as a key obstacle preventing countries with limited budgets from developing and sustaining adequate frameworks for the sound management of chemicals and wastes. To strengthen legal and institutional infrastructures for managing chemicals and hazardous wastes, the following key elements may contribute to determining some of the tasks for national administrations and costs that governments would need to develop and implement recovery mechanisms for:

- The number of firms/commercial entities likely to be subject to registration/authorization/licensing processes.
- Length of validity of a registration, permit, license, i.e. how often the administration process has to be completed to maintain registration/authorization/licensing.
- Schedules for revision of registers and permits/licenses databases and the duration of this activity for government officials.
- Administrative burden of reporting determined by schedules for reporting requirements.
- Frequency of inspections, dictating the number of inspectors required.

OPPORTUNITIES

At the domestic level

1. Clear, harmonized and enforceable regulations (including regulations that give effect to the polluter pays principle) that are efficient, science-based and risk-based could be designed and instituted and national capacities to implement such measures could be developed.
2. Incentives for voluntary initiatives and public-private partnerships, such as the Mobile Phone Partnership Initiative or the Partnership for Clean Fuels and Vehicles could be designed and implemented.
3. Strategies and guidelines to build partnerships with domestic and international companies on issues such as global cost recovery and securing a level playing field could be developed.

At the international level

1. International modalities for cooperation could be established between industry and the public sector to raise funds, apportion costs, facilitate and strengthen public-private partnerships and ensure that decisions are made transparently, including extended producer responsibility.
2. The technical expertise of industry personnel could provide benefits including in terms of capacity-building and technology transfer.
3. A compendium of experiences and best practices could be compiled on industry involvement at the national, regional and international level, including through **legally defined responsibilities of the industry and of the authorities**, public-private partnerships, and through economic instruments (e.g. cost recovery, green taxes) as applicable in both developed-country and developing-country contexts.
4. Various multilateral platforms on industry involvement and green technologies could be engaged including the United Nations Conference on Sustainable Development.

Track Three: New trust fund similar to the Multilateral Fund

CHALLENGES

Creation of a new trust fund similar to the MLF that is intended to serve as the financial mechanism for the Basel, Rotterdam and Stockholm Conventions, SAICM and possibly a future mercury agreement would be faced with the following challenges:

- The financing mechanism for the Stockholm Convention is the GEF and recipient countries have been developing expertise and relationships with the GEF Secretariat. A move away from the GEF for this Convention could be problematic for some countries.
- Fragmentation of the financing of the chemicals and wastes agenda may continue since there will continue to be financing in the GEF for chemical and waste-related issues and the MLF is the funding mechanism for the Montreal Protocol.
- Among donor countries there may be a negative reaction to the creation of a new trust fund and predictable funding from donor countries may be difficult to attract.

- Among recipient countries, there may not be an appetite for a new trust fund similar to the MLF if it is developed with procedures that require the same level of compliance and discipline that is required by the MLF.

OPPORTUNITIES

1. A new trust fund could be designed to enable countries to comply with their obligations under the conventions, including through the possible use of quantifiable or performance-based targets while at the same time providing a governance structure for financing non-legally binding programmes such as SAICM.
2. A new trust fund could be designed to enhance the implementation capacity of participating countries.
3. A new fund could enable access to financing for recipient countries through a streamlined and efficient approval process and through strengthened country ownership.
4. A new trust fund could utilize pilot projects as a best practice initiative and as best utilization practice for scarce financing resources. The following action could be taken in an effort to move forward to a new trust fund:
 - a. Define the expectations of donors and the needs of recipient countries for the sound management of chemicals and wastes in the context of a new trust fund.
 - b. Provide the opportunity for developing quantifiable or performance-based targets for Basel, Rotterdam and SAICM as a starting point.
 - c. Develop efficient and relevant governance structures based on the experience of the MLF for the Montreal Protocol and other trust funds, including funding, replenishment, decision-making, compliance, implementation and capacity development, type of cost to be funded (incremental versus total cost), allocation of resources, whether ratification should be a precondition to access to funding, minimum number of donors committed to the new fund needed to operationalize it, and hosting options.

Track Four: Introducing safe chemicals and wastes management as a new focal area of the Global Environment Facility, expanding the existing persistent organic pollutants focal area or establishing a new trust fund under the Facility

In exploring the challenges and opportunities related to track four, it should be noted that they may vary depending on which of the three GEF options – i.e. creating a new focal area for sound management of chemicals and wastes within GEF, expanding the POP focal area or creating a new trust fund under GEF – is being considered. With that in mind, some or more of the following challenges and opportunities will apply in implementing Track Four.

CHALLENGES

- Recipient countries are concerned that the existing procedures to access funds in the GEF are too cumbersome and complicated and the efforts by the GEF Secretariat to streamline these processes and to develop a national presence in the developing countries and CEIT may not have been successful in making funding more accessible and available in a timely manner.

- The GEF has not taken, until now, a strong stance on chemicals and waste. The POPs focal area is not yet part of the STAR and the funding for chemicals and wastes is not large compared to the challenges to be met and to the other focal areas.
- The GEF-5 only marginally increased funding to the chemicals and wastes area.
- Current access of COPs to the GEF Council is not sufficient to support compliance with Conventions.
- An important challenge will be to obtain the necessary support and approvals by the GEF Council towards changing its approach to providing financial support to the chemicals and wastes agenda independent of which of the three GEF options is being pursued.

OPPORTUNITIES

1. Donors have traditionally supported the GEF and might therefore be open to build on their experience and engagement with the GEF through the expansion of the POPs focal area, the creation of a new focal area or the establishment of a new trust fund under the GEF.
2. If the Presidents of the COP were to participate as active members of the GEF Council, the issue of lack of direct access by Convention Parties to GEF Council decision-making might be mitigated.
3. Attention should be drawn to the discussions at the fortieth meeting of the GEF Council, in May 2011, on guidelines for setting up new trust funds⁴ and countries participating in those discussions should be encouraged to consider these GEF discussions during the current Consultative Process regarding a possible future chemicals and wastes fund.
4. Extension of the GEF System for Transparent Allocation of Resources (STAR) to chemicals should be explored, as indicators for country allocations are not yet sufficient.
5. Communication and information flows should be encouraged in national governments of Parties to the chemicals and waste Conventions between GEF Council members and departments that support the implementation of the Convention obligations.
6. Options for establishing a single trust fund for the sound management of chemicals and wastes instead of multiple funds should be explored.
7. Efforts to ensure timely access to funding from through GEF by improving existing GEF procedures should be continued.

In terms of the review and analysis presented above, it is clear that there are both a number of challenges and some opportunities to operationalizing the four Tracks. These challenges and opportunities are important considerations in the development of a proposal for an integrated approach to financing the sound management of chemicals and wastes. It should be noted, however, that the challenges and opportunities may be used and explored differently in the development of the final shape and form of a proposed approach. The review and analysis presented above is not intended to be exhaustive but to capture some key areas.

⁴ This issue was discussed based on document GEF/C.40/12, Criteria for the Establishment of Trust Funds within the GEF. The Secretariat recommended establishing a standing trust fund managed by the GEF in which multiple windows could be created within a given replenishment period, and proposed criteria for operating such a fund.

Decision: The Council noted the importance of the issues raised in the document and requested the Secretariat to prepare a revised document for the November 2011 Council meeting, taking into consideration the views expressed by Council Members at this meeting.

SECTION 7: FROM PROCESS INCEPTION TO A PROPOSAL FOR AN INTEGRATED APPROACH TO FINANCING SOUND MANAGEMENT OF CHEMICALS AND WASTES

The Consultative Process on Financing Options for Chemicals and Wastes was initially launched by the UNEP Executive Director to analyze the current situation with regard to financing for chemicals and waste management at the national level, including but not limited to the implementation of Party obligations under chemicals-related multilateral environmental agreements with a view to devise strategic, synergistic proposals for improving it. Decision GC.SS.XI/8 on the consultative process on financing options for chemicals and wastes affirmed the mandate to the Executive Director of UNEP and requested the Executive Director of UNEP to continue leading the process.

The proposal below for an Integrated Approach to Financing the Sound Management of Chemicals and Wastes is considered to be a strategic and synergistic proposal to improve the financing for chemicals and wastes management at all levels and, in particular, at the national level.

The Consultative Process commenced its work in July 2009 with the fifth and final meeting of the Process to take place in October 2011. The final outcome of the process, which is not intended to present a full consensus view, will be submitted to the UNEP Executive Director. The final report of the UNEP Executive Director on the Consultative Process will be considered at the twelfth special session of the UNEP GC/GMEF in 2012.

At the second meeting of the Consultative Process, a preliminary Desk Study on Financing Options for Chemicals and Wastes was presented by the UNEP Secretariat. The document combined with discussions at the meeting considered 10+ different financing options (later renamed financing tracks) for the chemicals and wastes agenda. The discussions and the importance of the different tracks were narrowed down by the participants from 10+ to the four financing tracks discussed at the third and fourth meeting of the Consultative Process.

The aim of this Section of the report is to build on the complementarity of the four separate tracks to create one integrated track entitled “An Integrated Approach to Financing the Sound Management of Chemicals and Wastes”.

The proposal for an Integrated Approach seeks to utilize all four financing tracks simultaneously by presenting a solution that incorporates the key elements of each of the four tracks in a complementary manner with the overall aim of making best use of the added value of the four tracks and maximising the impact at the national level. Through an integration of the four tracks into one financing solution for the sound management of chemicals and wastes, the proposal seeks not only to balance the use of all four tracks but equally to inter-mix four tracks that previously have been considered largely segregated.

Furthermore the proposal for an Integrated Approach seeks to present a solution that ensures the optimal implementation and operationalization through a singular coordinated approach compared to the existing fragmented approach towards financing chemicals and wastes. As

discussed previously in the paper, the current disconnection and lack of sufficient coordination among the four tracks has reduced the impact and hampered the implementation of financing and has resulted in what could be described as a less than optimal use of scarce financial resources.

From Table 2. Matrix Aligning Financing Tracks with the Financing Requirements identified for the Basel, Rotterdam and Stockholm Conventions and SAICM in Section 4, it is possible to conclude that all four financing tracks have a critical role to play towards meeting the objectives as well as the obligations and capacity gaps of both the three conventions as well as SAICM. It can most certainly also be concluded that the four financing tracks also would be relevant in providing financing for a future legally binding instrument on Mercury.

From the same table, it can further be deduced that mainstreaming (track 1) and industry involvement (track 2) are particularly relevant for addressing the challenges of capacity gaps whereas a new trust fund similar to the MLF (track 3) and a new focal area, expanded POPs focal area or a new trust fund under GEF (track 4) may be better suited to addressing the basic obligations under the three conventions.

Keeping the above in mind, combined with the elements contained in Section 5 and the challenges and opportunities contained in Section 6, the proposal for an Integrated Approach seeks to optimize the utilization of resources for meeting the challenges of obligations under the conventions and in filling capacity gaps.

The proposal below for an Integrated Approach to Financing the Sound Management of Chemicals and Wastes, which is both new and innovative, aims at providing a solution for both current and future financing requirements in the chemicals and wastes cluster. It also aims at providing a solution for new legally binding instruments for chemicals of global concern as well as hazardous waste issues and non-legally binding programmes such as SAICM.

The Proposal

An Integrated Approach for Financing Chemicals and Wastes could take the following form⁵. The overall aim of the proposed integrated approach is to use the challenges and build upon the opportunities for each of the separate tracks in responding to the different needs under the conventions and agreements.

What gets funded:

Table 1 contains specific details related to the financing requirements for the Basel, Rotterdam and Stockholm Conventions and SAICM. Other activities could be added as appropriate and depending on the level of detail required.

- Activities required to meet the **obligations** under the legally binding instruments as well as

⁵ Although this document contains a concrete proposal for an Integrated Approach, it should be noted that such an approach could take many forms and shapes depending on the importance attributed by Governments to the different elements contained in Section 5 and the challenges and opportunities outlined in Section 6.

- future legally binding instruments.
- Activities required to meet the identified **capacity gaps** both under existing and future legally binding instruments and voluntary programmes such as SAICM developed to support the achievement of the goals, agreed at the 2002 Johannesburg World Summit on Sustainable Development, of ensuring that, by the year 2020, chemicals are produced and used in ways that minimize significant adverse impacts on the environment and human health.
- Other activities could include larger scale investment projects, enabling activities, institutional capacity building, technical capacity building and awareness raising.

Assistance in the development of the activities to be funded in an integrated approach could also include the following.

- Provide support to integrating and **mainstreaming** of chemicals and wastes into the national development planning process using all the means available, including for instance by presenting the linkages between the sound management of chemicals and wastes and development, poverty and health issue, seeking political leadership, public and private sector support, engaging international development agencies to advocate for mainstreaming of chemicals and wastes, engaging finance ministries in the national chemicals and wastes agenda and identifying.
- To ensure that **industry** shares the burden of financing the chemicals and wastes agenda, provide support to developing countries and CEIT on the development and implementation of the legislative and regulatory frameworks required to underpin and operationalize industry involvement.
- Undertake activities that promote a clear division of responsibility between Governments and industry by developing national institutional frameworks intended to create comparable conditions at all levels.
- Enhancing industry support for knowledge- sharing, capacity- building and technology transfer.
- Promote the use economic instruments wherever possible to shift the costs from the public sector to the private sector if responsibilities for the costs should be located there.
- Design and implement incentives for voluntary initiatives and PPPs and develop strategies and guidelines to build partnerships with domestic and international companies.

The Proposed Integrated Approach would contain the following elements:

Governance for an Integrated Approach

- Equal representation from developed and developing countries for a possible coordination and decision-making approach to ensure that the interests of donors and recipients are well balanced.
- Participation of the Presidents of the Conventions as well as SAICM and other supported instruments and programmes in the coordination and decision-making bodies to ensure that Convention as well as SAICM guidance is directly available in funding decisions and assessment of results.
- Balanced participation of countries in the coordination and decision-making approach possibly through an Advisory Committee with a balanced geographical approach.

- Use of existing resources and structures to support and manage the coordination and decision-making approach to keep overhead costs at a minimum and to maximize complementary substantial expertise and financial resources.

Funding and fund replenishment for an Integrated Approach

- Sustainable, predictable, adequate and accessible financing for the chemicals and wastes agenda.
- Optimal use of mainstreaming and industry to meet capacity gaps and implement voluntary programmes such as SAICM.
- Replenishment, e.g. through the UN Scale of Assessment taking an approach similar to a MLF type of fund.
- Contributions through a GEF proposal independent of whether expanding the POPs focal area, establishing a chemicals focal area or a new trust fund under GEF.
- Direct and indirect contributions from industry involvement, including public-private partnerships.
- Access to funding related to health, poverty eradication and sustainable development through mainstreaming efforts.

Operating procedures and costs for an Integrated Approach

- Efficient and effective programme and project review, approval and evaluation procedures responding to funding requirements in a timely manner.
- Maximum coordination and minimum administration and costs for the management of an integrated approach.

Funds utilization for an Integrated Approach

- Balanced access to as well as distribution and utilization of resources towards the implementation of activities (see above) through predefined and agreed upon criteria established through the coordination and decision-making approach.

Performance based targets for an Integrated Approach

- For activities related to verifiable compliance, performance based targets since they are essential for sustained, predictable, adequate and accessible financing for the chemicals and wastes agenda.
- Performance based targets for non-mandatory work under the Conventions and SAICM to be used to both drive the development of projects and capacity building but also to enable the evaluation of results and lessons learned.

Implementing an Integrated Approach

To make an Integrated Approach truly innovative, to ensure the full use of mainstreaming and industry involvement and to build on the best practices from the MLF Trust Fund and GEF, the coordination and decision-making approach referred to above would be expected to establish some clear guidelines in terms of countries' access to the funding available.

Such guidelines could include but are not limited to the following:

- Focus on capacity building and compliance related activities in developing countries and CEIT that have the most urgent need for financing solutions;
- Support to financing for piloting investment projects that would allow the development of procedure and criteria for future investment activities;
- Support the use of existing guidance on Legal and Institutional Infrastructures and Cost Recovery Measures for the Sound Management of Chemicals in Developing Countries and Countries with economies in transition
- Support to the mainstreaming of the sound management of chemicals and wastes into national development plans or other relevant development processes;
- Agreed performance targets for funding both capacity building, investment and compliance-related activities;
- Demonstrated cooperation with relevant development and implementing agencies with expertise and resources to expend resources and co-finance capacity building activities;
- Established guidelines which provide that the level of funding to developing countries and CEIT is conditional on demonstrated efforts, in line with previously agreed targets, on activities to mainstream chemicals and wastes and involvement of industry at the national level;
- Procedures that are streamlined and effective administrative procedures and practices;
- Reviews and evaluations to assess regularly the effectiveness of an Integrated Approach with reports back to the Conventions and SAICM on targets met; and
- Reviews and assessments of country performance against agreed upon performance targets.

The Integrated Approach could be implemented through the establishment of a new trust fund that could be hosted under the GEF, another international organization or as an independent structure.

However, an Integrated Approach based on the above description and proposed guidelines could equally well be managed under an expansion of the POPs focal area or through the establishment of a new chemicals and waste focal area under GEF.

It is important to underline that this proposal for an Integrated Approach includes all four tracks and that it does not seek to describe *from where or by whom* such a solution is managed but *how* the solution can best be managed to achieve results in the most efficient and effective manner utilizing scarce resources.

SECTION 8: NEXT STEPS TO ADVANCING AND OPERATIONALIZING THE PROPOSAL FOR AN INTEGRATED APPROACH TO FINANCING THE SOUND MANAGEMENT OF CHEMICALS AND WASTES

To take an Integrated Approach forward from its current state as a proposal for consideration by the Consultative Process, it would be important that the outcome of the Consultative Process submits the outcome of its discussion on the proposal for an Integrated Approach to the Executive Director of UNEP for his consideration. The expectation would then be that the Executive Director of UNEP would include that as part of his final report on the Consultative Process for consideration by the twelfth special session of the UNEP GC/GMEF.

The GC.SS.XII will be requested to consider the report of the Executive Director and may wish to reiterate the mandate of the consultative process and request the Executive Director to prepare a concrete proposal for an Integrated Approach to Financing the Sound Management of Chemicals and Wastes but continuing the Consultative Process for possible decision taking at ICCM3 in 2012 and at GC.27/GMEF in 2013.

While Governments can continue political efforts to further advance the details for a proposal for an Integrated Approach through the relevant intergovernmental bodies and processes such as the UNEP GC/GMEF, COPs, INC on Mercury, SAICM, GEF replenishment process and others (important decision points related to relevant meetings and conferences are contained in Annex VIII) Governments can in parallel initiate other steps to operationalize the Integrated Approach. Such steps include:

- Undertake steps at the national level to mainstream sound management of chemicals and hazardous wastes by integrating the sound management of chemicals and wastes into national and international development planning processes with the active involvement of international organizations, international financial institutions (IFIs) and others, as appropriate;
- Increase awareness of the sound management of chemicals and wastes enhance the priority accorded to this area;
- Continue to explore with countries and funding agencies the possibility of establishing a multi-purpose trust fund to assist parties that are developing countries and CEIT in the implementing agreed commitments for the sound management of chemicals and wastes and ensure their compliance with these commitments;
- Develop policy options in governments for expanding the use of the GEF for the implementation of the chemicals and wastes agenda;
- Engage in dialogue with the GEF Council and Secretariat to explore the possibility of expanding the POPs focal area, creating a chemicals and wastes focal area or establishing a new Trust Fund under GEF; and
- Request the UNEP Governing Council/Global Ministerial Environment Forum to invite GEF to strengthen its capacity to support the chemicals and wastes agenda.

In conclusion, the Consultative Process is invited to submit an Outcome Document to the UNEP Executive Director which presents new and innovative ways of addressing the ever increasing challenges of financing the sound management of chemicals and wastes.

Annex I

EXPLANATION OF KEY TERMS

General Financing Terms

Equator Principles: The July 2006 “Equator Principles”: A financial industry benchmark for determining, assessing and managing social & environmental risk in project financing (www.equator-principles.com) is a policy that financial institutions including the World Bank, the IMF and Regional Development Banks follow when approving project funding. The Equator Principles require the borrower to covenant in financing documentation that all relevant host country social and environmental laws, regulations and permits in all material respects will be complied with.

Concessional Financing: One of the ways of accomplishing subsidization of development is to offer loans to countries on terms normally not available under usual financing conditions. Concessional loans are provided at far lower than market rates for such countries, for longer terms, and with conditions which allow grace periods for payments. Concessional financing is part of the responsibilities normally given to development agencies of various industrialized countries and to local and regional development banks. Loans are commonly given for infrastructure projects and agricultural development leading to more self-sufficiency for the countries.

Global environmental benefits: Global environmental benefits are defined as outcomes that, directly or indirectly, have positive impacts on global environmental sustainability through mitigating climate change, conserving biodiversity, preventing land degradation, protecting international waters, preventing ozone depletion, or eliminating persistent organic pollutants.

Obligations and capacity gaps: Obligations is the term used in this Report to denote the mandatory and non-mandatory obligations that Parties have under the Conventions. Capacity gaps, in this Report, denote activities under the Conventions and SAICM that are not legally binding but for which activities are to be implemented and for which financing support may be required by developing countries and countries with economies in transition.

Montreal Protocol Terms

Investment projects: In the MLF, projects which have as their objective, the replacement of manufacturing technologies requiring the acquisition and installation of capital equipment.

Non-investment activities: In the MLF, activities such as institutional strengthening projects, technical assistance and training where there is typically no requirement to acquire capital equipment.

Article 5 countries: Countries covered by Article 5, paragraph 1, of the Montreal Protocol. These are developing countries with a consumption of CFCs less than or equal to 0.3 kilograms per capita. They receive funds from the Multilateral Fund of the Montreal Protocol to cover the

incremental costs of phasing out ODS.

Incremental costs: The Multilateral Fund provides financing for the incremental costs of ODS phase-out. The Parties to the Montreal Protocol agreed an indicative list of such costs at their fourth meeting in 1992. They include:

- Costs involved in supplying substitutes, including converting existing production facilities and equipment or establishing new facilities, paying for patents, designs and royalties, training personnel, adapting technology to local circumstances, retiring existing capital prematurely and importing substitutes.
- Costs involved where ODS are used in manufacturing, including converting existing equipment and facilities, paying for patents, designs and royalties, training, research and development and paying for raw materials.
- Costs involved in end use, including prematurely modifying or replacing user equipment, recycling and destroying ODS and providing technical assistance to reduce consumption and unintended emissions.
- The total costs of conversion to ozone friendly technologies are not covered. For example the installation of new equipment can produce savings or benefits by itself irrespective of its impact on ozone depletion. Projected savings are deducted from costs to reach the figure for incremental costs, and where this is negative the project is not eligible for Fund assistance.
- Deviations in terms of agreed incremental costs have resulted in funding of replacement of CFC-based chillers, pursuant to relevant decisions of the Executive Committee.

Consumption: Consumption is defined as the quantities of ODS manufactured and/or imported, less those quantities exported in any given year.

Compliance period: A country is in compliance when the rules and regulations outlined in the Montreal Protocol are met. The Multilateral Fund's strategy is based on a compliance-driven business planning approach in which the level of ODS phase-out needed for each country has been calculated so that resources can be targeted to countries appropriately. This calculation is made on the basis of an agreed baseline of eligible consumption figure. Multi-year performance-based agreements are established with countries to assist them to comply with the control measures of the Montreal Protocol.

Institutional strengthening: MLF funding for institutional strengthening of Article 5 countries is intended to provide necessary resources to an eligible country to facilitate expeditious implementation of projects for speedy and effective phase-out of the controlled substances in the country. The creation of and support to a National Ozone Unit is an important step at the level of national programmes. It is these units' responsibility to design, monitor and implement the ODS phase-out Country Programme and to select the enterprises to be assisted by the Multilateral Fund. Such capability is a precondition for countries' to MLF project financing. Three elements of institutional support were approved for funding: operational cost, personnel cost and office equipment (to provide basic infrastructure for information processing and dissemination as well as to improve their ability to communicate and liaise).

National ozone units: The MLF provides developing countries with financing and assistance for the establishment and operation of a dedicated national focal point, which is known as the National Ozone Unit (NOU). The NOU is responsible for managing and monitoring the national strategy for phasing out ozone-depleting substances as specified in the Country Programme to comply with the Montreal Protocol. The NOU is also responsible for reporting data and undertaking awareness raising activities. NOUs are established and supported through Institutional Strengthening projects under the Multilateral Fund. The NOU is the main national focal point for this MEA and is the primary channel through which international ozone protection assistance flows to stakeholders in the State. NOUs are linked to each other through a unique capacity-building mechanism under the Multilateral Fund known as “Regional Networking of ODS Officers”

Global Environment Facility Terms

Incremental Cost: In the GEF, additional costs associated with transforming a project with national benefits into one with global environmental benefits; for example, choosing solar energy technology over coal or diesel fuel meets the same national development goal (power generation), but is more costly. GEF grants cover the difference or "increment" between a less costly, more polluting option and a costlier, more environmentally friendly option. The approach in determining incremental cost consists of five steps that simplify the process of negotiating incremental costs, clarify definitions, and link incremental cost analysis to result-based management and the GEF project cycle. The steps are as follows:

1. Determine the environmental problem, threat, or barrier, and the “business-as-usual” scenario (or: What would happen without the GEF?);
2. Identify the global environmental benefits (GEB) and fit with GEF priorities within GEF focal areas and themes as identified in GEF focal area strategies. Identify the global environmental benefits (GEB) and fit with GEF strategic programs and priorities linked to the GEF focal area;
3. Develop the results framework of the intervention;
4. Provide the incremental reasoning and GEF’s role; and
5. Negotiate the role of co-financing.

Resource Allocation Framework: In September 2005, the GEF Council adopted the Resource Allocation Framework (RAF), a new system for allocating GEF resources to recipient countries. Under the RAF, from 2006 through 2010, resources were allocated to countries based on their potential to generate global environmental benefits and their capacity, policies and practices to successfully implement GEF projects. Better targeting of GEF resources was expected to increase their impact on the global environment. The RAF built on GEF’s existing country-driven approach and partnerships with GEF Implementing and Executing Agencies, and provided countries with increased predictability in the financing available from the GEF.

STAR: STAR is the acronym for the System for Transparent Allocation of Resources, which is the GEF’s updated resource allocation system for the fifth replenishment period of the GEF (GEF-5). With STAR, the GEF Secretariat allocated almost \$2.38Bn of the \$4.25Bn total for the replenishment among countries for climate change, biodiversity and land degradation in an indicative way to its eligible countries during the GEF-5. STAR was developed within the GEF

Secretariat during 2009-2010 on the basis of the RAF, the former GEF resource allocation system used in the fourth replenishment period of the GEF (GEF-4). While in the GEF-5, STAR covers three focal areas: biodiversity (BD), climate change (CC), and land degradation (LD), other focal areas and programs may be covered by STAR in the future GEF replenishment periods.

Country Operational Focal Point (OFP): The GEF Focal Points (Country Representatives) are government officials, designated by member countries, responsible for GEF activities and responsible to ensure that GEF projects are country-driven and based on national priorities. They have responsibilities within the operational aspects of GEF activities, such as endorsing project proposals to affirm that they are consistent with national plans and priorities, facilitating GEF coordination, integration, and consultation at country level as well as serving as the liaison with the GEF Secretariat and Implementing Agencies.

GEF Project Grant: This is the GEF funding approved by the GEF Council (in the case of full-sized projects) or by the GEF CEO (in the case of medium-sized projects and enabling activities); it excludes both the cost of project preparation (if any) as well as the GEF Agency fee.

GEF Project Preparation Grant: This comprises the money made available by the GEF to cover the costs of preparing a project. PPG funding requests are approved on the basis of the estimated incremental costs of project preparation.

Co-financing : Co-financing Resources comprise the project resources that are committed by the GEF Agency, governments, other multilateral and bilateral sources, the private sector, CSOs and the beneficiaries themselves and which are essential for meeting the GEF project objectives. It excludes any direct GEF funding. Only those co-financing resources that are committed as part of the initial financing package are termed “Co-financing Resources.” Government co-financing in this context is defined as commitments for baseline activities upon which the project would be built and without which the project could not be implemented successfully. This financing is normally shown in the project document’s logical framework. Co-financing can include any or all of the following categories: grants, loans (at market or concessional rates), guarantees, cash and specific in-kind support.

Leveraged resources: These are additional resources – over and above what is documented in the approved project – that are mobilized while the project is under implementation. Examples would include further replication of project activities and additional direct bilateral donor support to the project. While these additional funds may be important to the long-run sustainability of the project or its replicability, they do not form part of the initial approved GEF financing package, so they are termed “leveraged resources” and are excluded from the definition of GEF project co-financing.

Least Developed Country Fund/Special Climate Change Fund (LDCF/SCCF) Terms

Adaptation benefits: ability to achieve development goals despite a changing climate.

Additional Cost Principle:

- The idea that coping with the adverse impacts of climate change imposes an *additional cost* on vulnerable countries in their effort to achieve their development goals. The Least Developed Country Fund/Special Climate Change Fund, located in the GEF, supports adaptation projects; therefore it follows the *additional cost principle*, which distinguishes those projects from the standard GEF practice which funds on the basis of incremental costs.
- The **full** costs associated with meeting the *additional costs* imposed on the country by the effects of climate change, are supported by the LDCF/SCCF. The *additional costs* of a particular project are calculated on the basis of:
 - **Baseline Project:** activities that would be implemented in the absence of climate change. The costs of the baseline activities are expected to be covered by normal development expenditures such as government budgets, bilateral aid, the private sector, NGO resources, and loans from international financial institutions, including IDA. In the context of adaptation, the costs of baseline activities are ***existing development funding*** (a.k.a., Business-as-Usual or BAU).
 - **Adaptation Scenario:** the additional measures needed to build adaptive capacity, increase resilience to climate change and reduce vulnerability.

Annex II

Three Chemical and Waste Conventions and SAICM and Their Obligations

The Basel Convention <http://www.basel.int/>

The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal is an international treaty to reduce the movements of hazardous waste between nations, and specifically to prevent transfer of hazardous waste from developed to less developed countries. The convention entered into force in 1992. A Trust Fund that supports implementation of the Basel Convention exists with contributions as at 30 June 2011 of \$US 4,680,132 (pledged). Pledges for the Basel Convention Trust Fund to Assist Developing Countries and other Countries in Need of Technical Assistance as at 30 June 2011 were \$US 1,059,965.

The Rotterdam Convention <http://www.pic.int/>

The Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, more commonly known simply as the Rotterdam Convention, is a multilateral treaty to promote shared responsibilities in relation to importation of hazardous chemicals. The Rotterdam Convention, which entered into force in 2004, promotes open exchange of information and calls on exporters of hazardous chemicals to use proper labelling, include directions on safe handling, and inform purchasers of any known restrictions or bans. Parties can decide whether to allow or ban the importation of chemicals listed in the treaty, and exporting countries are obliged to make sure that producers within their jurisdiction comply. The Secretariat depends on the availability of financial resources for the implementation of the programme of work for technical assistance. These originate from voluntary contributions to the Convention's Voluntary Trust Fund. Activities can be implemented if sufficient resources are received from donors. Resources contributed into the Voluntary Trust Fund consist of earmarked funding, non-earmarked funding and in-kind contributions (through cooperation with other partners such as FAO, SAICM, the Basel and Stockholm Conventions, etc.)

The Stockholm Convention <http://chm.pops.int/default.aspx>

The Stockholm Convention on Persistent Organic Pollutants is a global treaty to protect human health and the environment from chemicals that remain intact in the environment for long periods, become widely distributed geographically, accumulate in the fatty tissue of humans and wildlife, and have adverse effects to human health or to the environment. The Convention, which was adopted in 2001 and entered into force in 2004, requires Parties to take measures to eliminate or reduce the release of POPs into the environment. Paragraph 6 of Article 13 defines a financial mechanism for the provision of adequate and sustainable financial resources to developing country Parties and Parties with economies in transition on a grant or concessional basis to assist in their implementation of the Convention. The Global Environment Facility serves as the financial mechanism for the Stockholm Convention.

Strategic Approach to International Chemicals Management (SAICM) <http://www.saicm.org/index.php?ql=h&content=home>

SAICM is a policy framework to foster the sound management of chemicals. SAICM supports the achievement of the goal agreed at the 2002 Johannesburg World Summit on Sustainable Development to ensure that, by the year 2020, chemicals are produced and used in ways that minimize significant adverse impacts on the environment and human health. Initial capacity building activities for the implementation of SAICM objectives have been supported by the Quick Start Programme (QSP). The QSP includes a voluntary, time-limited trust fund, administered by

UNEP, and multilateral, bilateral and other forms of cooperation. The objective of the QSP is to “support initial enabling capacity building and implementation activities in developing countries, least developed countries, small island developing States and countries with economies in transition.” The SAICM’s Quick Start Programme Trust Fund has received contributions from 2006–2010 totalling US\$ 31.3 million.

Three Chemical and Waste Conventions and SAICM and Their Obligations⁶

Basel Convention		Rotterdam Convention		Stockholm Convention		SAICM	
Objective							
Control Transboundary Movements of Hazardous Wastes and Their Disposal	promote shared responsibility and cooperative efforts among Parties in the international trade of certain hazardous chemicals in order to protect human health and the environment from potential harm and to contribute to their environmentally sound use	protect human health and the environment from persistent organic pollutants	Achieve the sound management of chemicals throughout their life-cycle so that, by 2020, chemicals are used and produced in ways that lead to the minimization of significant adverse effects on human health and the environment.				
Production							
		Eliminate the production and use or import or export of chemicals listed in Annex A and restrict production and use of Annex B chemicals.	Promote and support the development and implementation of, and further innovation in, environmentally sound and safer alternatives, including cleaner				

⁶ Adapted from UNEP-led Consultative Process on Financing Options for Chemicals and Wastes. Second consultative meeting, Bangkok, 25-26 October 2009. Desk Study on Financing Options for Chemicals and Wastes. Annex II and from United Nations Institute for Training and Research (UNITAR). Resource Mobilization for the Sound Management of Chemicals and Wastes Guidance Document. June 2011 Edition. <http://www.unitar.org>.

Basel Convention	Rotterdam Convention	Stockholm Convention	SAICM
			production, informed substitution of chemicals of particular concern and non-chemical alternatives
Trade (import and export)			
Prevent import of hazardous wastes and other wastes if it has reason to believe that the wastes in question will not be managed in an environmentally sound manner.	Ensure that the chemicals listed in Annex III are not exported from its territory to an importing Party contrary to the import decision notified by the Party.	Ensure that a chemical listed under Annex A or B is only imported for the purpose of environmentally sound disposal or for a permitted use.	Ensure that national institutional frameworks address the prevention of illegal international traffic in chemicals
Each Party that intends to export hazardous or other waste shall ensure that the waste will be managed in an environmentally sound manner at the place of its destination.	Each Party which has banned or severely restricted a chemical shall provide an export notification to the importing Party unless the chemical is already listed on Annex III.		Strengthen mechanisms and domestic and regional implementation supporting existing multilateral agreements that contain provisions relating to the prevention of illegal international traffic.
Each Party shall not permit hazardous wastes or other wastes to be imported from a non-Party unless there is a bilateral, multilateral or regional agreement allowing this import.			
Require those hazardous wastes and other wastes that are being transported to another country to be properly labeled according to international rules and standards.			
Each Party shall require that any person who takes charge of a transport of hazardous wastes or other wastes from one country to another to sign the movement document.			

Basel Convention	Rotterdam Convention	Stockholm Convention	SAICM
Each Party shall require that any person who takes charge of a transport of hazardous wastes or other wastes that pass through (transits) another country to inform the transit country in writing.			
Use			
		Take measures to reduce the release of chemicals listed in Annex C (dioxins and furans)	Minimize risks to human health, including that of workers, and to the environment throughout the life cycle of chemicals.
			To implement transparent, comprehensive, efficient and effective risk management strategies.
Remediation of waste stockpiles and contaminated sites disposal of chemicals			
		Develop strategies for identifying stockpiles of chemicals in Annex A and B and manage stockpiles in a safe, efficient and environmentally sound manner.	
		Develop strategies for identifying stockpiles of chemicals in Annex A and B and manage stockpiles in a safe, efficient and environmentally sound manner.	
		Develop appropriate measures to dispose of POPs in such a way that the persistent organic pollutant content is destroyed or irreversibly transformed, or dispose of the POPs in an environmentally sound manner when destruction or	

Basel Convention	Rotterdam Convention	Stockholm Convention	SAICM
		transformation is not an environmentally preferred option.	
Information exchange			
Notify the Secretariat of any bilateral, multilateral or regional agreements/arrangements it has agreed upon for purposes of moving hazardous or other waste.	Designate a National Authority and notify the Secretariat of their identity.	Identify a National Focal Point to facilitate the exchange of information on POPs.	Ensure that knowledge and information on chemicals and chemicals management are sufficient to enable chemicals to be adequately assessed and managed safely throughout their life cycle. ⁷
	Notify the Secretariat if a chemical has been banned or severely restricted.		Ensure that science-based standards, risk assessment and management procedures and the results of hazard and risk assessments are available to all actors.
	Each Party shall require that both chemicals listed in Annex III and chemicals banned or severely restricted in its territory are subject to labeling requirements that ensure adequate availability of information with regard to risks and/or hazards to human health or the environment.		Promote implementation of the common definition and criteria contained in the Globally Harmonized System of Classification and Labelling of Chemicals.
	Each Party shall ensure that the public has appropriate access to information on chemical handling and accident management and on		

⁷ **SAICM Information Clearinghouse**

One of the functions of the SAICM secretariat is to provide information clearinghouse services such as provision of advice to countries on implementation of the Strategic Approach, referral of requests for information to relevant sources, and facilitation of access to information and expertise in support of specific national actions. Accordingly, the SAICM secretariat has developed an Information Clearinghouse funded by the Government of Germany. The clearinghouse's function is performed principally on the basis of a web-based facility. It supplements the SAICM website and offers an entry point to chemicals-related information from a broad base of sources and forums. This includes a section for region, country and organization pages where countries and agencies could, on a voluntary basis, share information on relevant activities being undertaken at the national and regional levels or by the concerned agencies. Countries are offered the opportunity to provide web links to relevant sites or key documents such as national implementation plans and policy and legislative documentation.

Basel Convention	Rotterdam Convention	Stockholm Convention	SAICM
	alternatives that are safer for human health or the environment.		
Technical Assistance and Capacity Building			
	Each Party shall provide information to other Parties on domestic regulatory actions that have taken that substantially restricts one or more uses of chemicals. Some confidential information can be protected.	Provide information and develop education and training programmes for policymakers and the public about POPs.	Establish or strengthen partnership mechanisms for technical cooperation and the provision of appropriate and clean technology to and among developing countries and countries with economies in transition.
		Provide financial support and incentives for national activities under the Convention.	
Proposing new chemicals			
	Developing country Parties may propose to the Secretariat a listing of severely hazardous pesticides for inclusion in Annex III.	Each Party may propose new chemicals.	
Governance (including national planning)			
Prohibit all persons under its national jurisdiction from transporting or disposing of hazardous wastes or other wastes unless such persons are authorized to do so.	Each Party shall implement appropriate legislative or administrative measures to ensure timely decisions with respect to the import of chemicals listed in Annex III.	Develop, use and review an Implementation Plan.	To strengthen enforcement and encourage the implementation of national laws and regulations regarding chemicals management, including those that serve to implement international agreements.
	Each Party shall take measures to establish and strengthen its national infrastructures and institutions for the effective implementation of his Convention.		

Annex III
Comparison of the Structure and Operating Procedures for Four Financial Institutions

	GLOBAL ENVIRONMENT FACILITY (GEF) (see Annex IV)	MULTILATERAL FUND (MLF) (See Annex V)	ADAPTATION FUND (AF) (See Annex VI)	LEAST DEVELOPED COUNTRIES FUND (LDCF) (See Annex VII)
Governance (donor / recipient country participation, relationship with COP, voting)	<ul style="list-style-type: none"> • GEF Assembly is the governing body, meets every 3-4 years, includes all 182 member countries, responsible for general policies, operations, membership. • Council is the operational decision-making body, meets twice each year for three days and also conducts business intersessionally, functions as independent board of directors, responsible for developing, adopting, and evaluating GEF programs. • Council members represent 32 constituencies (16 from developed countries, 14 from developed countries, and two from countries with transitional economies). • The elected Chairperson and the Chief Executive Officer of the Facility jointly conduct deliberations of the Council. The position of elected Chairperson alternates from one meeting to another between recipient and non-recipient Council Members. • Council members most often represent finance/ international aid and development ministries in member countries – not ministries responsible for sustainable development and protection of health and the environment. 	<ul style="list-style-type: none"> • The 196 Parties to the Montreal Protocol are represented on the Executive Committee (ExCom) which approves MLF policies and guidelines; draws up the three-year plan and annual budget for the Fund; approves country programmes and specific projects and activities; reports on MLF performance to the Meeting of the Parties (MOP) each year; and oversees the MLF's administration. • ExCom meets three times each year. • Decisions are made by consensus and members have equal voting rights and in the case that consensus cannot be reached, decisions would be taken by a two-thirds majority of the Parties present and voting. 	<ul style="list-style-type: none"> • Operation of the AF was assigned to the GEF subject to review every four years. • The Adaptation Fund Board (AFB) manages the AF under the authority and guidance of the Meeting of the Parties to the Kyoto Protocol (CMP). • The Board is composed of 16 members and 16 alternate members representing Parties: 2 from each of the five UN regional groups, 1 from the small island developing states, 1 from the least developed country Parties; 2 from Annex I Parties; and 2 from non-Annex I parties. • The composition of the Board ensures a non-Annex I majority. • The members serve a maximum of two 2-year consecutive terms. • Chair and Vice-Chair are from an Annex I and non-Annex I party, for 1 year alternating annually between Annex I and non-Annex I party. • The World Bank serves as the AF's trustee on an interim basis. These institutional arrangements will be reviewed in 2011. 	<ul style="list-style-type: none"> • Although the LDCF is located within the GEF, the LDCF/SCCF Council is the main governing body of the LDCF. It functions as an independent board of directors, with primary responsibility for developing, adopting, and evaluating LDCF policies and programs. • The Council is comprised of 32 members who represent GEF member countries, 14 from donor constituencies and 18 from recipient constituencies. • Decisions are made by consensus with two-thirds of the Members of the Council constituting a quorum. • The CEO/Chairperson of the GEF heads the GEF Secretariat, which coordinates the implementation of LDCF projects and programs, as well as the formulation of policies and operational strategies with the effect that the LDCF has not had the administrative and financial burden of a separate financial mechanism.

	GLOBAL ENVIRONMENT FACILITY (GEF) (see Annex IV)	MULTILATERAL FUND (MLF) (See Annex V)	ADAPTATION FUND (AF) (See Annex VI)	LEAST DEVELOPED COUNTRIES FUND (LDCF) (See Annex VII)
Fund Replenishment: frequency, long-term stability	<ul style="list-style-type: none"> • Agreements between the COPs and the GEF Council set policies, program priorities and eligibility criteria for supporting the Conventions to which GEF resources and those of the Implementing Agencies must conform. • Representatives of the COPs can observe but not vote in Council meetings. • Decisions are by consensus unless a vote is required – something that has not yet happened. Voting is weighted in favour of donors but there has not, so far, been a requirement for voting. <p>The GEF has been replenished 5 times by pledges/donations from donor countries. The total of donations before the GEF-5 replenishment was over \$10 billion since the establishment of the GEF and leveraging has increased these resources four times over. The GEF-5 replenishment for 2010-2013 is \$4.25 billion which is more than a 34 percent increase over GEF-4 levels.</p>	<p>Contributions to the Multilateral Fund from the industrialized countries, or non-Article 5 countries, are assessed according to the UN scale of assessment. The Fund has been replenished seven times. The Technology and Economic Assessment Panel (TEAP) analyzes the relevant issues and calculates an appropriate replenishment. As at April 2011 the contributions made to the Multilateral Fund by some 45 countries (including CEIT) totalled over US\$ 2.77 billion.</p>	<p>The Fund is financed with a share of proceeds from clean development mechanism (CDM) project activities as well as through voluntary pledges of donor governments. The share of proceeds from the CDM amounts to 2% of certified emission reductions (CERs) that are issued for a CDM project activity. As of June 2011, Funds held in trust for the AF totalled US\$ 228.4 million and funding availability was US\$ 171.6 million.</p>	<p>Annex II countries of the UNFCCC voluntarily provide the funding for the LDCF along with some Annex I countries as well as any non-Annex I countries that may wish to voluntarily contribute to the Fund. Since 2003, the LDCF portfolio has continued to grow. Because the LDCF is replenished on a voluntary basis, it is not possible to accurately predict the amount of increase in resources available to any given country in the future. LDCF resources now amount to more than \$400 million in grants. During its 10th meeting, the LDCF/SCCF Council received additional pledges to the fund</p>

	GLOBAL ENVIRONMENT FACILITY (GEF) (see Annex IV)	MULTILATERAL FUND (MLF) (See Annex V)	ADAPTATION FUND (AF) (See Annex VI)	LEAST DEVELOPED COUNTRIES FUND (LDCF) (See Annex VII)
<p>Project approval procedures</p>	<p>The GEF provides resources for two main classes of activities:</p> <p>(i) investments to generate global environmental benefits; and (ii) technical assistance to strengthen the enabling environment. All proposals must be part of a National Portfolio Formulation Exercise.</p> <p>GEF support for these activities is provided through: (i) full-sized projects (FSPs); (ii) medium-sized projects (MSPs); and (iii) enabling activities (EAs).</p> <p><u>FSPs</u>: projects more than \$1 million in GEF resources go through four main steps, two of them in the approval phase and two of them in the implementation phase. All projects must start implementation no later than 18 months after the approval of the Program Framework Document (PFD) by Council.</p> <p><u>MSP</u>: projects less than or equivalent to \$1 million in GEF resources. All projects must start implementation no later than 18 months after the approval of the PFD by Council. Approval is through:</p> <p>(a) <u>An expedited one-step approval process</u></p>	<p>1. Request financing for the preparation of an HCFC Management Plan (HPMP) (needs to be put in the business plan at the beginning of the year) where project preparation funding can be approved in the work programme at the first meeting or any other meeting of the year as a work programme amendment.</p> <p>2. The average time to get project preparation approval was 12 months for HPMP development but those project preparation accounts have been completed 18 months after approval to-date.</p> <p>3. A project proposal and Multi-Year Agreement (MYA) is prepared and submitted to the Secretariat for negotiations and onward submission to ExCom (most HPMPs are approved at the meeting at which they are submitted meaning that 14 weeks after submission they are approved (but in the case of China, it took 3 meetings for its approval and Indonesia took 2 meetings)</p> <p>4. MYA address compliance until 2015 in some cases, 2020, in many cases, and 2040 in some cases. Therefore, the terms of the agreements are now 4, 9 or 29 years</p>	<p>The project cycle is:</p> <ol style="list-style-type: none"> 1. Submission of the project /programmes to the AFB secretariat using templates to be approved by the AFB 2. Screening for consistency by the secretariat. Technical summary for small-size projects 3. All proposals made public via the website before adoption 4. Review by the Committee on Project and Programme Review. Can use services of independent experts 5. Decision-making by the AFB (can approve or reject with a clear explanation); disbursement of funds by the trustee upon written instruction by the AFB (only in cases of fully fledged projects) 6. All projects: annual status reports and terminal evaluation reports. 	<p>amounting to some US\$ \$87 million. There is currently \$10 - \$12 million available per LDC, based on the principle of equitable access.</p> <p>The LDCF follows the GEF procedures for project approvals for Full-sized projects (FSPs) and Medium-sized Projects (MSPs).</p> <p><u>FSPs</u>: projects more than \$2 million in LDCF resources go through four main steps, two of them in the approval phase and two of them in the implementation phase. All projects must start implementation no later than 18 months after the approval of the Program Framework Document (PFD) by Council.</p> <p><u>MSPs</u>: projects less than or equivalent to \$2 million in LDCF resources. All projects must start implementation no later than 18 months after the approval of the PFD by Council. Approval is through:</p> <p>(a) <u>An expedited one-step approval process</u></p> <p>(b) <u>Two-step approval process (if Project Preparation Grant (PPG) is requested):</u> Elapsed time from PIF approval to CEO approval of the final MSP project document should not exceed 12 months.</p>

	GLOBAL ENVIRONMENT FACILITY (GEF) (see Annex IV)	MULTILATERAL FUND (MLF) (See Annex V)	ADAPTATION FUND (AF) (See Annex VI)	LEAST DEVELOPED COUNTRIES FUND (LDCF) (See Annex VII)
	<p>(b) <u>Two-step approval process (if Project Preparation Grant (PPG) is requested)</u>: Elapsed time from PIF approval to CEO approval of the final MSP project document should not exceed 12 months.</p> <p>EAs: activities may be submitted to the GEF Secretariat on a rolling basis throughout the year and if the total cost of GEF financing is within a ceiling approved by the Council. Starting in GEF-5, expedited EAs can be financed through:</p> <p>(a) Countries can request funding through one of the GEF Agencies, similar to the current practice.</p> <p>(b) direct access in which resources are provided directly to the country as long as the requested amount does not exceed \$500,000.</p>	<p>but with annual tranche approvals based on achievement of performance targets of permanent annual reductions. The average investment project approval has been historically 3 years; therefore MYAs are likely to be completed in a similar time frame.</p>		
Cost of overhead (Secretariat costs)	<p>Secretariat Costs: US\$ 13.6 million Programmed Project Approvals: US\$ 737 million 1.8% (year 2009)</p>	<p>Secretariat Costs: US\$ 6.7 million Programmed Project Approvals: US\$ 120 million 5.5% (year 2009)</p>	<p>Secretariat Costs: US\$ 4.1 million⁸ Programmed Project Approvals: US\$ 40 million⁹ 10% (year 2009)</p>	<p>Secretariat Costs: US\$ 660 K Programmed Project Approvals: US\$ 30 million¹⁰ 2% (year 2009)</p>
Fund distribution (which countries get)	<p>Total GEF grants for all focal areas has been US\$9.5 billion with another US\$42.4 billion in co-financing. Totals for POPs have been US\$513.5 million in grants and</p>	<p>Over the life of the MLF, in terms of total funds approved, 20 countries have received \$2 billion in assistance including support costs and the remaining 176 Parties have received</p>	<p>10 Countries have received funding as of June 2011: Mongolia, Maldives, Turkmenistan, Ecuador, Eritrea, Solomon Islands, Nicaragua,</p>	<p>LDCF applies a principle of balanced access based on guidance of the UNFCCC which assures that <i>funding for MAPA implementation will be available</i></p>

⁸ Average since inception of the Fund

⁹ First year approval was 2010.

¹⁰ Average of 2007-2011

	GLOBAL ENVIRONMENT FACILITY (GEF) (see Annex IV)	MULTILATERAL FUND (MLF) (See Annex V)	ADAPTATION FUND (AF) (See Annex VI)	LEAST DEVELOPED COUNTRIES FUND (LDCF) (See Annex VII)
what/how much)	<p>US\$731 million in co-financing. GEF-4 funding for POPs/ODS totalled US\$257.5 million with co-financing totalling US\$605.3 million. Twenty countries received 84% of the GEF-4 funding with the rest of the eligible countries receiving 16% of the GEF-4 funding for POP/ODS.</p> <p>The fifth replenishment of the GEF – GEF-5, has expanded the existing POPs focal area with an increase of 25% to \$420 million for 2010-2013. The majority of the expanded funding is to consolidate the POPs and ODS focal areas; there is a limited strategic expansion to support the sound management of chemicals and to initiate work on mercury. In particular, the new work on mercury is intended to prepare the GEF partnership and the international community for implementing the treaty when it is adopted. Finally, the GEF-5 Chemicals Program explicitly recognizes the linkages between chemicals and hazardous waste and all other focal areas in the GEF, thereby opening another door to other GEF financial resources for chemicals and hazardous waste activities.</p>	<p>less than \$400 million including support costs. Over the life of the MLF, Country Programme total costs have been \$7.9 million for the National Ozone Units and \$89.6 million for Institutional Strengthening.</p>	<p>Pakistan, Senegal, Honduras</p>	<p>to all LDCs, and <i>not</i> be awarded on a first-come, first served basis which could favour countries with higher institutional capacity for project development, leaving out the most vulnerable LDCs. LDCs have agreed on imposing a “ceiling,” or a maximum amount that will not be exceeded, in order not to deplete the limited LDCF resources. In principle, a portion of all funding available is reserved for each LDC. Distribution of Project approvals in GEF-4 was :</p> <p>Africa: 22 full-sized projects (FSPs) and 1 medium-sized project (MSP). Asia: 9 FSP and 3 MSP LAC: 1 FSP and 0 MSP</p>
What gets funded.	<p>The GEF-5 replenishment expands the existing POPs focal area with an increase of 25% to \$420 million compared to the GEF-4 allocation.</p>	<p>Continuing ODS phase-out, the focus is currently on HCFC Management Plans. Funding is for both investment and non-investment</p>	<p>The Adaptation Fund (AF) was created by the Parties to the UNFCCC to support developing countries to finance concrete</p>	<p>LDCF approvals as of June, 30 2010 totalled \$112,699,288 in LDCF grants, and \$3,448,475 in project preparation grants (PPGs).</p>

	GLOBAL ENVIRONMENT FACILITY (GEF) (see Annex IV)	MULTILATERAL FUND (MLF) (See Annex V)	ADAPTATION FUND (AF) (See Annex VI)	LEAST DEVELOPED COUNTRIES FUND (LDCF) (See Annex VII)
Relationship between funding and compliance	<p>Allocation is (a) POPs: \$375 million; (b) ODS support to CEIT: \$25 million; and (c) Sound chemicals management and mercury reduction: \$20 million.</p> <p>The GEF-5 also strengthens capacity aimed at building institutional and legislative frameworks for chemicals management, including POPs. Linkages are being encouraged in GEF-5 between the Chemicals program and other focal areas of the GEF where interventions in one focal area can have co-benefits in the other, or because interventions can be complementary.</p> <p>GEF supports compliance with the Conventions for which it serves as the financing mechanism. It is expected to be accountable to the Conventions and performance indicators have been developed to enable monitoring and evaluation against the performance indicators. For instance, Climate Change Adaptation indicators allow monitoring of progress for individual LDCF projects. Accountability to the COPs suffers from the fact that the COPs do not take on measurable obligations and Conventions have a limited role and voice in the governance of the GEF.</p>	<p>projects such as institutional strengthening. Included in institutional strengthening is funding of the National Ozone Units within the governments of each recipient developing country. The funding is intended to enable the provision of at least one full-time staff member and to cover basic office and communication costs even for the smallest country. Nine regional or sub-regional global ozone networks include 147 countries (4 countries from the Europe and Central Asia region are supported by GEF).</p>	<p>adaptation projects and programmes in developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change.</p>	<p>The total number of projects is 37. In FY2010, LDCF project approvals amounted to US\$24.7 million in grants, and US\$714,000 in PPGs for 7 projects: 6 full-sized projects (FSPs) and 1 medium-sized project (MSP).</p>
		<p>The MLF is a financing mechanism that supports compliance with the Montreal Protocol. Article 5 countries with a Country Programme present information annually to the Executive Committee on progress being made in the implementation of the Country Programme. The Fund Secretariat uses these data when analyzing the status of compliance of Article 5 countries. Status of projects including those experiencing delays is monitored at each ExCom meeting. Countries that are not in compliance with the Montreal Protocol cannot receive funding from the Multilateral Fund until the underlying issues of noncompliance have been dealt with by the Implementation Committee.</p>	<p>The AF supports compliance with the Kyoto Protocol. The AFB reports to the Meeting of the Parties to the Kyoto Protocol (CMP) on its performance.</p>	<p>The LDCF supports compliance with the UNFCCC. The LDCF reports on performance through the LDCF/SCCF Council to the UNFCCC.</p> <p>GEF agencies are responsible for monitoring individual LDCF projects' progress against a set of performance indicators, aligned with the Climate Change Adaptation indicators included in the Adaptation Monitoring and Assessment Tool. Each GEF Agency submits individual annual Project Implementation Reports (PIRs) on all active projects in their respective portfolios which are compiled into an Annual Monitoring Report (AMR).</p>

Annex IV
Global Environment Facility (GEF)
www.thegef.org/

Global Environment Facility (GEF) unites 182 member governments — in partnership with international institutions, nongovernmental organizations, and the private sector — to address global environmental issues.

An independent financial organization, the GEF provides grants to developing countries and countries with economies in transition for projects related to biodiversity, climate change, international waters, land degradation, the ozone layer, and persistent organic pollutants. Established in 1991 as a pilot project, the GEF receives its funding from governments that pledge their donations during replenishments of which there have been five since 1991. The GEF is currently the largest funder of projects to improve the global environment. The GEF has allocated \$9.5 billion, supplemented by more than \$42 billion in co financing, for more than 2,700 projects in more than 165 developing countries and countries with economies in transition. Through its Small Grants Programme (SGP), the GEF has also made more than 12,000 small grants directly to nongovernmental and community organizations, totalling \$495 million.

The GEF partnership includes 10 agencies: the UN Development Programme; the UN Environment Programme; the World Bank; the UN Food and Agriculture Organization; the UN Industrial Development Organization; the African Development Bank; the Asian Development Bank; the European Bank for Reconstruction and Development; the Inter-American Development Bank; and the International Fund for Agricultural Development.

The Scientific and Technical Advisory Panel provides technical and scientific advice on the GEF's policies and projects.

The GEF also serves as financial mechanism for the following conventions:

- Convention on Biological Diversity (CBD)
- United Nations Framework Convention on Climate Change (UNFCCC)
- Stockholm Convention on Persistent Organic Pollutants (POPs)
- UN Convention to Combat Desertification (UNCCD)
- The GEF, although not linked formally to the Montreal Protocol on Substances That Deplete the Ozone Layer (MP), supports implementation of the Protocol in countries with economies in transition.

Replenishment

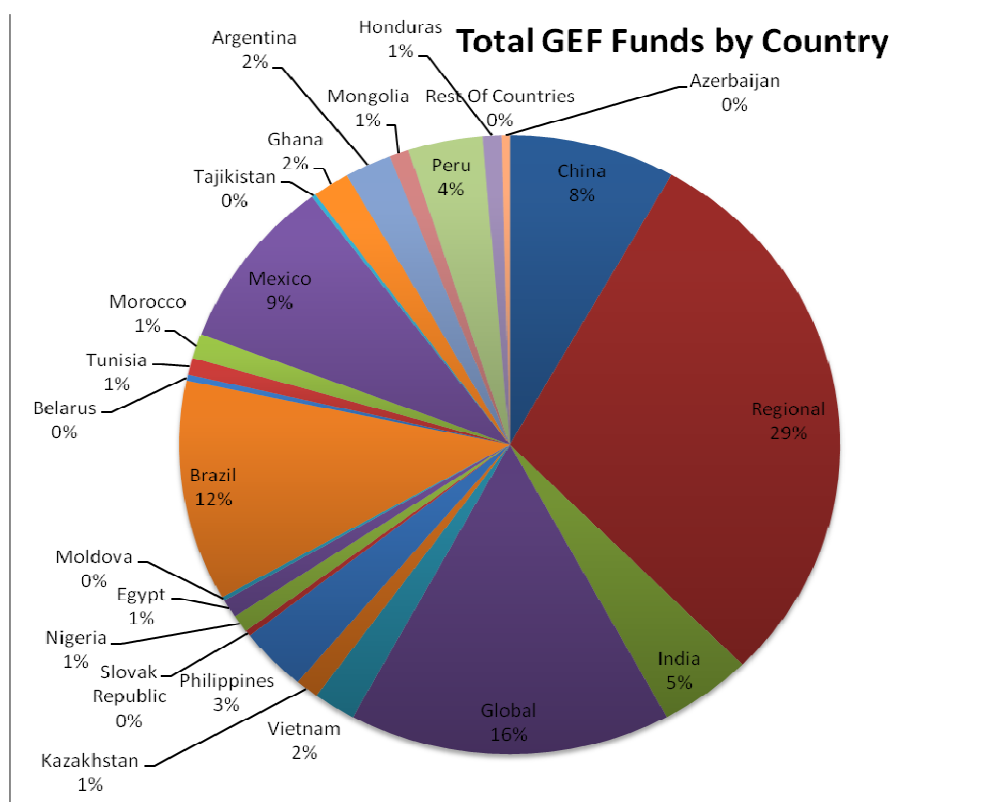
The GEF has been replenished 5 times by pledges from donor countries. The total of donations before the GEF-5 replenishment was over \$10 billion since the establishment of the GEF and leveraging has increased these resources four times over. The GEF-5 replenishment for 2010-2013 is \$4.25 billion which is more than a 34 percent increase over GEF-4 levels.

Funding

For all focal areas since its establishment, GEF has provided \$US 9,546,547,350 in grants and \$US 42,427,138,533 in co-financing. These totals have been allocated to chemicals and wastes as follows:

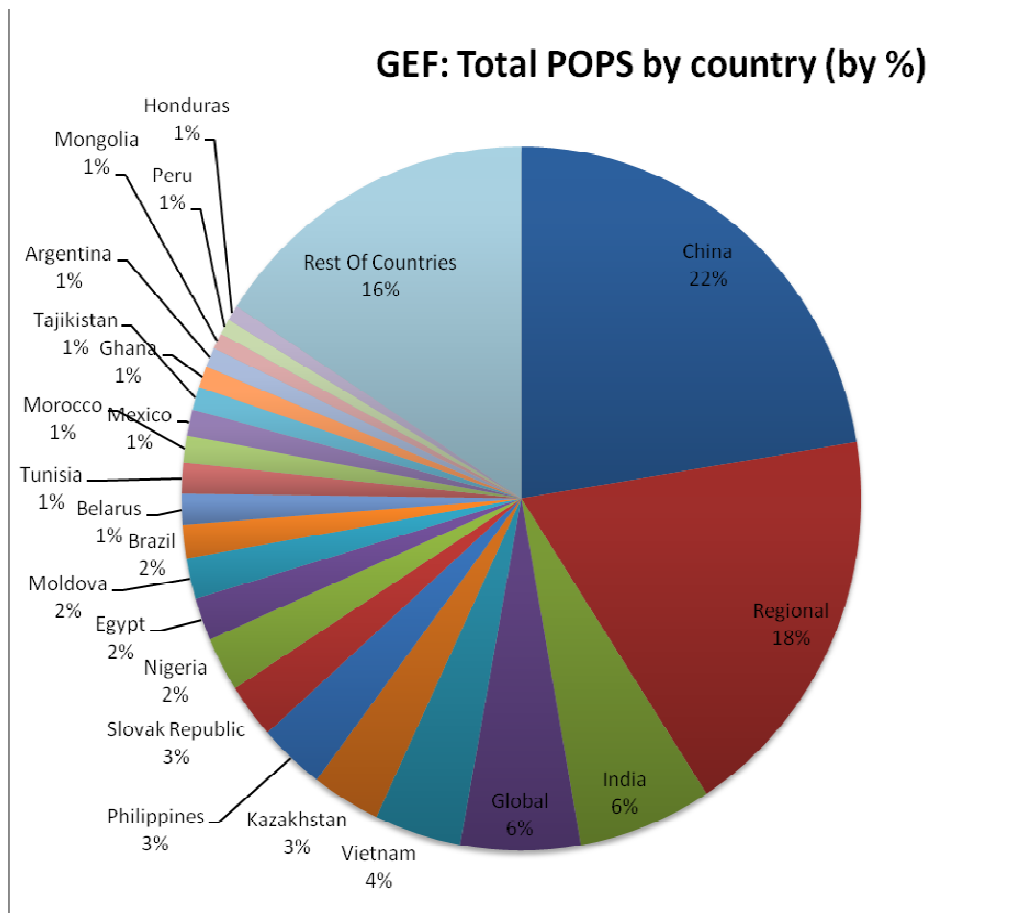
Focal Area	Grants	Co-Financing
POPs:	513,538,507	731,000,346
Ozone-Depleting Substances	189,877,861	200,588,080

The following two pie-charts show that the majority of GEF funds – both for all focal areas and for the POPs focal area, have been allocated to 20 countries. In the case of the POPs funding, the top 20 countries have received 84% of the GEF funding, leaving 16% of the funding for over 120 countries.¹¹



Source: extracted from GEF database

¹¹ In the pie charts, a regional project can cover more than one country in one region and that global projects have a coverage of a number of countries in more than one region.



Source: extracted from GEF database

GEF Assembly

The Assembly is the governing body of the GEF in which representatives of all member countries participate. It meets every three to four years, and is responsible for reviewing and evaluating the GEF's general policies, the operation of the GEF, and its membership. The Assembly is also responsible for considering and approving proposed amendments to the GEF Instrument, the document that established the GEF and set the rules by which the GEF operates. Ministers and high-level government delegations of all GEF member countries take part in the meetings.

GEF Council

The GEF Council is the main governing body of the GEF. It functions as an independent board of directors, with primary responsibility for developing, adopting, and evaluating GEF programs. Council members representing 32 constituencies (16 from developing countries, 14 from developed countries, and two from countries with transitional economies) meet twice each year for three days and also conduct business by mail. All decisions are by consensus. The Council has an open door policy toward non-governmental organizations and representatives of civil society.

GEF Secretariat

The GEF Secretariat is based in Washington, D.C., and reports directly to the GEF Council and Assembly, ensuring that their decisions are translated into effective actions. Supported administratively by the World Bank, the GEF Secretariat operates in a functionally independent manner. The secretariat coordinates the formulation of projects included in the work programs, oversees its implementation, and makes certain that operational strategy and policies are followed.

Implementing Agencies

The Implementing Agencies of the GEF, which are UNDP, UNEP, and the World Bank, are accountable to the Council for their GEF-financed activities, including the preparation and cost-effectiveness of GEF projects, and for the implementation of the operational policies, strategies and decisions of the Council within their respective areas of competence and in accordance with interagency agreements.

The Implementing Agencies cooperate with the Participants, the Secretariat, parties receiving assistance under the GEF, and other interested parties, including local communities and non-governmental organizations, to promote the purposes of the Facility.

Scientific and Technical Advisory Panel (STAP)

UNEP established, in consultation with UNDP and the World Bank and on the basis of guidelines and criteria established by the Council, the Scientific and Technical Advisory Panel (STAP) as an advisory body to the Facility. UNEP provides the STAP's Secretariat which operates as the liaison between the Facility and the STAP.

Relationship and Cooperation with the Four Conventions

Serving as the "financial mechanism" for the four Conventions, the GEF

- functions under the guidance of, and is accountable to, the Conferences of the Parties which decide on policies, program priorities and eligibility criteria for the purposes of the conventions
- acts as the focal point for the purpose of relations with the Conferences of the Parties including consideration, approval and review of the arrangements or agreements with such Conferences, receipt of guidance and recommendations from them and compliance with requirements under these arrangements or agreements for reporting to them;
- ensures that GEF-financed activities relating to the conventions conform to the policies, program priorities and eligibility criteria decided by the Conference of the Parties.

To the extent that the GEF operates as a funding mechanism for global environmental conventions, the Implementing Agencies focus on joint programming and implementation with eligible countries, either directly or, where appropriate, at a sub regional or regional level, of the program priorities and criteria adopted by the Conference of the Parties to each Convention.

Decision-making

The Assembly and the Council each adopt by consensus regulations as may be necessary or appropriate to perform their respective functions transparently; in particular, they determine any aspect of their respective procedures, including the admission of observers and, in the case of the

Council, provision for executive sessions.

Decisions of the Assembly and the Council are taken by consensus. Although a formal vote has not yet ever been required in the GEF Council, the procedure for a formal vote, should no consensus appear attainable, is that any Member of the Council may require a formal vote which following these requirements:

- (i) decisions requiring a formal vote by the Council shall be taken by a double weighted majority; that is, an affirmative vote representing both a 60 percent majority of the total number of Participants and a 60 percent majority of the total contributions.
- (ii) Each Member of the Council shall cast the votes of the Participant or Participants he/she represents. A Member of the Council appointed by a group of Participants may cast separately the votes of each Participant in the constituency he/she represents.
- (iii) For the purpose of voting power, total contributions shall consist of the actual cumulative contributions made to the GEF Trust Fund and in subsequent replenishments of the GEF Trust Fund, contributions made to the GET, and the grant equivalent of co-financing and parallel financing made under the GEF pilot program, or agreed with the Trustee, until the effective date of the GEF Trust Fund.

Reporting

The Council approves an annual report on the activities of the GEF, prepared by the Secretariat and circulated to all Participants. It contains information on the activities carried out under the GEF, including a list of project ideas submitted for consideration and a review of the project activities funded by the Facility and their outcomes.

The report contains all the information necessary to meet the principles of accountability and transparency that characterize the Facility as well as the requirements arising from the reporting arrangements agreed with each Conference of the Parties to the conventions. The report is conveyed to each of these Conferences of the Parties, the United Nations Commission on Sustainable Development and any other international organization deemed appropriate by the Council.

Rules of Procedure

The elected Chairperson and the Chief Executive Officer of the Facility jointly conduct deliberations of the Council. The position of elected Chairperson alternates from one meeting to another between recipient and nonrecipient Council Members.

Project Cycle¹²

Some basic principles govern the GEF project cycle¹³. The principle that GEF funds are to be incremental¹⁴ to the funds required for national sustainable development helps to ensure that scarce resources are not diverted from development financing and that GEF resources are

¹² GEF PROJECT AND PROGRAMMATIC APPROACH CYCLES. GEF/C.39/Inf. 3. October 28, 2010. GEF Council. November 16-18, 2010. Washington, D.C.

¹³ The GEF project cycle steps outlined in GEF PROJECT AND PROGRAMMATIC APPROACH CYCLES focus on key approval steps involving the Council, the GEF Secretariat and the GEF Agencies. Other GEF partners, including Trustee, convention secretariats, the Scientific and Technical Advisory Panel (STAP) and the Evaluation Office also play important roles, which provide support to different stages of the project cycle.

¹⁴ See the Annex I: Explanation of Key Terms.

targeted towards generating global environmental benefits. GEF activities are to aim at maximizing agreed global environmental benefits in the six focal areas that GEF supports, i.e., climate change, biodiversity, international waters, land degradation, ozone depleting substances and persistent organic pollutants.

The GEF provides resources for two main classes of activities in the context of a country's sustainable development priorities: (i) investments geared toward generating global environmental benefits; and (ii) technical assistance to strengthen the enabling environment. All proposals should be aligned with the results of a National Portfolio Formulation Exercise (NPFE). Beginning with GEF-5, a country may request up to \$30,000 to undertake a national portfolio formulation exercise (NPFE) to engage in consultations with various stakeholders and identify programming priorities for GEF resources available to the country.

GEF support for these classes of activities is provided through four modalities: (i) full-sized projects (FSPs); (ii) medium-sized projects (MSPs); (iii) programs; and (iv) enabling activities (EAs).

Full-Sized Projects (FSPs)

Full-sized projects are those that request more than \$1 million in GEF resources and go through four main steps, two of them in the approval phase and two of them in the implementation phase. All projects must start implementation no later than 18 months after the approval of the Program Framework Document (PFD) by Council. The four step process is as follows:

Council and Secretariat

Step One: GEF Council approval of the work program, consisting of the project's Project Identification Forms (PIFs) cleared by the GEF CEO; and

Step Two: Endorsement of the project by the CEO. (no later than 18 months after Council approval of work program)

GEF Agency

Step Three: Approval of the project by the GEF Agency and the start of implementation; and

Step Four: Completion of implementation, terminal evaluation and formal financial closure of the project by the GEF Agency.

Medium-sized projects (MSP)

Medium-sized projects are those that request less than or equivalent to \$1 million in GEF resources. All projects must start implementation no later than 18 months after the approval of the Program Framework Document (PFD) by Council. The approval of an MSP follows one of the two paths below:

(a) An expedited one-step approval process: No PIF is required.

(b) Two-step approval process (if Project Preparation Grant (PPG) is requested): Elapsed time from PIF approval to CEO approval of the final MSP project document should not exceed 12 months.

Enabling Activities (EAs)

Enabling activities may be submitted to the Secretariat on a rolling basis throughout the year and if the total cost of GEF financing is within a ceiling approved by the Council. Starting in GEF-5, expedited EAs can be financed through two pathways:

- (a) Countries can request funding through one of the GEF Agencies, similar to the current practice.
- (b) A second pathway is through direct access as approved by the Council in June 2010 in which resources are provided directly to the country as long as the requested amount does not exceed \$500,000.

Capacity Development Initiative (CDI)

Currently, the Council has agreed that expedited procedures may be followed for persistent organic pollutants projects not exceeding \$500,000. As a follow-up to the GEF Capacity Development Initiative (CDI), the Council approved GEF support for National Capacity Self Assessments (NCSAs) to countries that request such assistance. The primary objective of the NCSAs is to identify country level priorities and needs for capacity building to address global environmental issues, with the aim of catalyzing domestic and/or externally assisted action to meet those needs. Requests up to \$200,000 are reviewed and processed under expedited procedures, following GEF operational procedures for NCSAs, and approved by the CEO; requests over \$200,000 are processed for submission to the GEF Council as FSPs. NCSAs can also request a PPG, not to exceed \$25,000, provided that a PIF is submitted and cleared by the GEF Secretariat.

GEF Service Standards

GEF is currently developing service standards for its operations which include milestones/operational progress for:

- (i) the time elapsed between the submission of a project concept (can be 1-2 pages) by a country to a GEF Agency and the submission of the PIF by that Agency to the GEF Secretariat;
- (ii) the time elapsed between the receipt by the GEF Secretariat of a proposal from an Agency and the CEO clearance of the PIF;
- (iii) the time elapsed between PIF approval by the GEF Council and CEO endorsement (the current target is 18 months); and
- (iv) the time elapsed between the CEO endorsement of a project and the first project disbursement.

Annex V
The Multilateral Fund (MLF)
www.multilateralfund.org/

The Multilateral Fund was established by a decision of the Second Meeting of the Parties (MOP) to the Montreal Protocol on Substances That Deplete the Ozone Layer (London, June 1990) and began its operation in 1991 as a pilot project. The main objective of the MLF is to assist developing country Parties to the Montreal Protocol to comply with the control measures of the Protocol. To receive support from the MLF, a developing country's annual per capita consumption and production of ozone depleting substances (ODS) must be less than 0.3 kg. Currently, 147 of the 196 Parties to the Montreal Protocol meet these criteria. They are referred to as Article 5 countries.

Replenishment

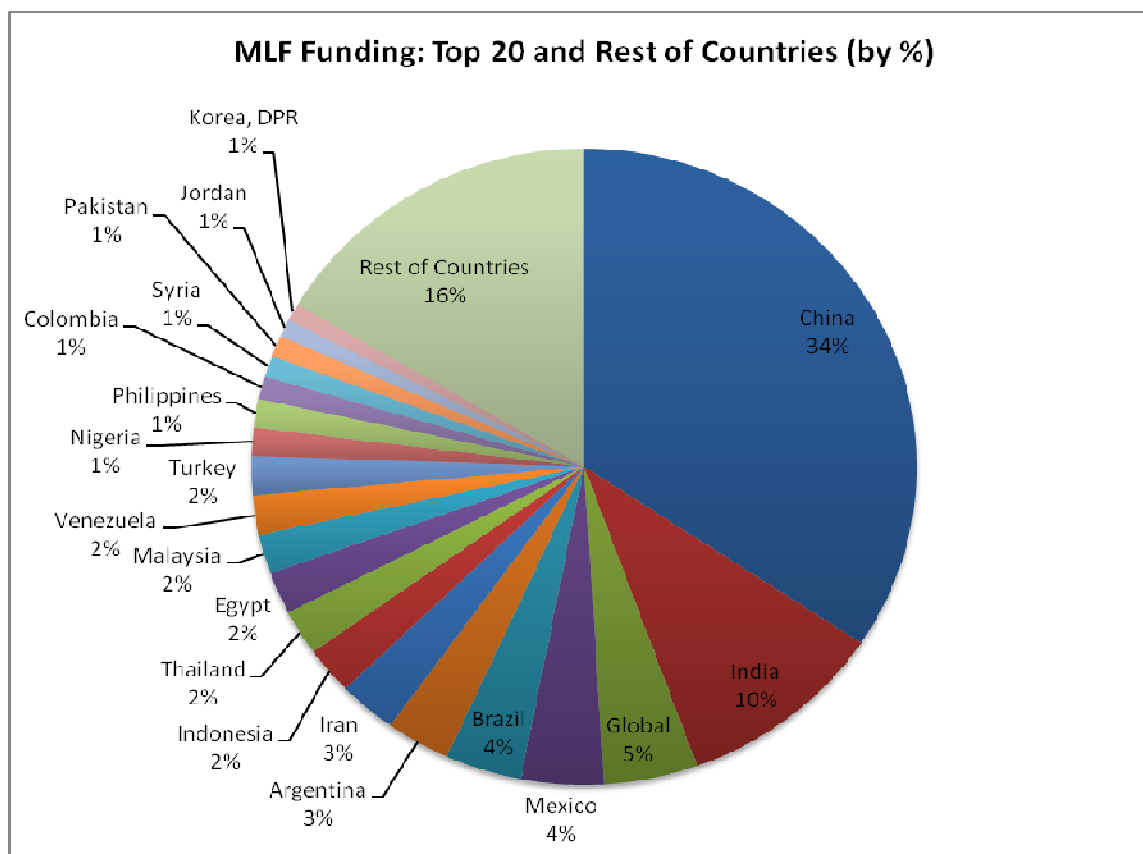
Contributions to the MLF from the industrialized countries, or non-Article 5 countries, are assessed according to the UN scale of assessment. The MLF has been replenished every three years since 1994 by the Parties to the Montreal Protocol. As mandated by the Parties and to facilitate discussions on the replenishment, the Technology and Economic Assessment Panel (TEAP) prepares a study analyzing relevant issues and calculates an appropriate replenishment level to finance the Fund's work over the next triennium to assist the Parties. After reviewing the TEAP calculated funding needs, the Open Ended Working Group (OEWG) normally asks for additional information and forwards a recommendation on the replenishment to the Parties. A final decision on the replenishment budget is taken at the MOP in the final year of the preceding triennium. As at November 2010 the contributions made to the MLF by some 45 countries (including Countries with Economies in Transition (CEIT)) since 1991 totalled over US\$ 2.76 billion.

Funding

Since the establishment of the MLF, the following table extracted from the MLF database shows the total funding that has been approved in US\$.

Country	Total Funds Approved	Total Support Costs Approved	Total Funds Approved including Support Costs
Grand Total	2,326,168,160	262,879,530	2,589,047,690

Allocation of the funds among the 147 countries eligible to receive funds is illustrated in the following pie chart which shows that 20 countries have received 84% of the MLF funds and the remaining countries have been allocated 16%.



Source: extracted from MLF database¹⁵

What gets funded

The Fund has approved activities including industrial conversion, technical assistance, training and capacity building. The Fund is managed by an Executive Committee with equal membership from developed and developing countries assisted by the Fund Secretariat. Projects and activities supported by the Fund are implemented by four international implementing agencies (IAs) - UNEP, the World Bank, UNDO and UNIDO.

Executive Committee

The Executive Committee has held 62 meetings since the establishment of the MLF in 1990. During these meetings, the Executive Committee has approved expenditures to support over 6,200 projects and activities in 148 countries implemented through the four implementing agencies and by bilateral agencies.

Relationship with the Montreal Protocol

The Fund is directly accountable to the Parties to the Montreal Protocol through its Meeting of the Parties. The MLF fully operates under the authority of the Conference of the Parties (COP). The Executive Committee is composed of an equal number of Article 5 countries and non-Article 5 countries. The MLF Chairman and Vice-Chairman are selected from the members of the Executive Committee. The Office of the Chairman is subject to rotation on a yearly basis,

¹⁵ A regional project can cover more than one country in one region and that global projects have a coverage of a number of countries in more than one region.

between Article 5 and non-Article 5 Parties. The MLF voting structure is designed to ensure that neither donors nor recipients dominate, and consensus is the basis of decision-making within the Executive Committee.

Implementing Agencies

The work the Multilateral Fund finances on the ground in developing countries is carried out by four implementing agencies, which have contractual agreements with the Executive Committee: the United Nations Environment Programme (UNEP), United Nations Development Programme (UNDP), United Nations Industrial Development Organisation (UNIDO) and the World Bank. Each of them is represented at Executive Committee meetings as observers and at the meetings of Parties to the Protocol.

The roles of the Implementing Agencies are as follows.

- The World Bank, which disburses almost half of the total funding, concentrates on large-scale phase-out and investment projects at plant and country levels.
- UNDP organises demonstration and investment projects, technical assistance and feasibility studies.
- UNIDO prepares and appraises investment project proposals and implements phase-out schedules at plant level.
- UNEP's Division of Technology, Industry and Economics (UNEP/DTIE) carries out no investment projects, but rather helps to establish the infrastructure within which projects can proceed. This includes carrying out institutional strengthening activities (such as establishing National Ozone Units within each country) facilitating regional networks, and helping to prepare country programmes, especially for low-volume-consuming countries. These networks have been credited with significantly facilitating implementation of and reporting under the Protocol. UNEP/DTIE also provides clearing-house functions, and produces a range of training materials. In 2002 it initiated its Compliance Assistance Programme geared towards achieving total phase-out, and decentralized most of its resources to the regional level, facilitating direct support to developing countries.

UNEP receives the smallest portion of the Fund's budget, 5%. The remainder of the Fund's resources are split amongst UNDP, with 30% of the Fund's budget, UNIDO, with 20%, and the World Bank, with 45%. In practice they play similar roles in implementing ODS phase-out, though each has developed specific areas of strength.

Accountability for program effectiveness takes place through independent evaluations and ongoing monitoring of implementation. Status of projects including those experiencing delays is monitored closely at each ExCom meeting. The MLF has increasingly moved to disburse funds on the basis of independent verification of ODS reduction targets being achieved by Parties.

Key concepts of the Multilateral Fund

Equal partnership

The Multilateral Fund is governed by an Executive Committee, which has equal representation from among the donor (non-Article 5 countries) and the recipient countries (Article 5 countries). This partnership of Article 5 and non-Article 5 parties is extended by the representative

constituency system of the Executive Committee. Members may co-opt countries from their region, making it possible to have participants from up to 40 countries attending an Executive Committee meeting.

Country Programmes

An essential first step for an Article 5 country to receive assistance from the Multilateral Fund is the submission of a government endorsed country programme to the Executive Committee. The Multilateral Fund finances the preparation of country programmes as a process to assess national compliance, formulate an action plan for phase-out and establish needs for Fund assistance. Country programmes are drawn up with the assistance of one of the implementing agencies.

An Executive Committee approved country programme is in principle a prerequisite for investment support from the Multilateral Fund. Approval of the country programme does not mean that all the projects identified in the country programme will be approved or will be funded at a particular funding level. Countries with a country programme have to present information annually to the Executive Committee on progress being made in the implementation of the country programme, in accordance with the decision of the Executive Committee on implementation of country programmes (UNEP/OzL.Pro/ExCom/10/40, paragraph 135). The Fund Secretariat uses these data when analysing the status of compliance of Article 5 countries. Price data on all ODS, including HCFCs and their alternatives, is included in the country programme data reports (decision 54/4).

Financial assistance

Financial assistance covers the incremental costs of investment projects and also covers the costs of other non-investment activities such as salaries, public awareness and travel for National Ozone Units, country programme preparation, demonstration projects, institutional strengthening projects, project preparation, technical assistance or training, as well as a Compliance Assistance Programme targeting Low Volume Consumption (LVC) countries funded through UNEP. Countries that are not in compliance with the Montreal Protocol cannot receive funding from the Multilateral Fund until the underlying issues of noncompliance have been dealt with by the Implementation Committee.

Incremental costs

The Multilateral Fund provides financing for the incremental costs of ODS phase-out. The Parties to the Montreal Protocol agreed an indicative list of such costs at their fourth meeting in 1992. They include:

- Costs involved in supplying substitutes, including converting existing production facilities and equipment or establishing new facilities, paying for patents, designs and royalties, training personnel, adapting technology to local circumstances, retiring existing capital prematurely and importing substitutes.
- Costs involved where ODS are used in manufacturing, including converting existing equipment and facilities, paying for patents, designs and royalties, training, research and development and paying for raw materials.

- Costs involved in end use, including prematurely modifying or replacing user equipment, recycling and destroying ODS and providing technical assistance to reduce consumption and unintended emissions.

The total costs of conversion to ozone friendly technologies are not covered. For example the installation of new equipment can produce savings or benefits by itself irrespective of its impact on ozone depletion. Projected savings are deducted from costs to reach the figure for incremental costs, and where this is negative the project is not eligible for Fund assistance.

Individual decisions of the Meeting of the Parties to the Montreal Protocol (MOP) have led to some deviations from financing for incremental costs of ODS phase-out. For example decision XVI/13 of the Parties requested the Executive Committee of the Multilateral Fund to consider funding of additional demonstration projects to help demonstrate the value of replacement of CFC-based chillers, pursuant to relevant decisions of the Executive Committee.

Compliance

The period for compliance with the control schedules of the Montreal Protocol for Article 5 countries began following a ten-year grace period. It was decided to limit a country's ODS consumption level through a formula that took account of existing consumption in an agreed "baseline" year. The first control measure was the freeze in CFC production and consumption at the baseline level from 1 July 1999 onwards. For the purposes of the Montreal Protocol, consumption is defined as the quantities of ODS manufactured and/or imported, less those quantities exported in any given year.

A country is in compliance when the rules and regulations outlined in the Montreal Protocol are met. The Multilateral Fund's strategy is based on a compliance - driven business planning approach in which the level of ODS phase - out needed for each country has been calculated so that resources can be targeted to countries appropriately. This calculation has been made on the basis of an agreed baseline of eligible consumption figure (decision 35/57). Multi - year performance-based agreements are established with countries to assist them to comply with the control measures of the Montreal Protocol. If a country is out of compliance with their agreement, they are financially penalized so that, until they meet the conditions of their agreement, no further funding is made available.

Institutional Strengthening

Since the Fund's inception, there has been debate on the types of activities that should receive support - that is, what could reasonably be considered to be an agreed incremental compliance cost for a developing country. As originally negotiated, the Indicative List of Incremental Cost Categories lacked a cost category for institutional strengthening activities. However, the Executive Committee decided to approve requests for institutional strengthening projects, a tacit acknowledgment of the need to develop basic institutional capacity in developing countries to address ozone sector matters. During the grace period for developing countries, many industrialized countries expressed concern over the cost-effectiveness of such expenditures, questioning their relevance to the MLF — an instrument that was specifically designed to help countries achieve rapid phase-out, not to serve as a development or poverty alleviation tool. Even

so, by the end of the MLF's first decade, the Fund had acknowledged that the developing countries should themselves be playing a much larger and vital role than merely approving projects submitted to the Fund. For countries to truly be in the driver's seat, they would continue to need assistance and institutional strengthening to ensure they can plan and manage their own national ODS phase-out programs. Since the beginning of the compliance period, as a consensus has evolved on the need to execute a Strategic Planning Framework for the Fund's final phase, Executive Committee members increased funding award levels for institutional strengthening projects. At the 35th meeting in late 2001, the Executive Committee decided that "all institutional strengthening projects and renewals shall be approved at a level that is 30 percent higher than the historically agreed level" (UNEP/OzL.Pro/ExCom/35/67, Decision 35/57, para 112 (a)). As part of this decision, the Executive Committee indicated that the increased funding should continue until 2005, when it would be reviewed.

Compliance Assistance Program (CAP)

In addition to increased overall funding for institutional strengthening projects, UNEP has taken the lead on the design and facilitation of a global public awareness and education campaign. In late 2001, the Executive Committee approved funding to UNEP for a Compliance Assistance Program (CAP) and it also awarded US\$200,000 a year to UNEP to support public awareness campaigns. Countries undertaking national phase-out plans may also receive additional funding for institutional strengthening, depending on specific phase-out agreements.

Strategic planning of projects and activities

In the 1990's the Executive Committee divided projects into investment and non-investment projects. Non-investment activities included institutional strengthening projects, project preparation, technical assistance or training. From 2000, the Multilateral Fund put less emphasis on the funding of stand-alone projects and moved towards national ODS phase-out plans targeting the total remaining consumption of a specific controlled substance(s) in a country. The strategic planning framework adopted in 2001 has the goal of providing support to enable each Article 5 country to comply with the Montreal Protocol control measures whilst fostering a "country driven" approach towards compliance. Funding is based on a commitment by the country to achieve sustainable, permanent reductions in consumption and production of ODS. Governments have greater responsibility for managing national phase-out programmes and there must be a demonstrated relevance between the funded activities and compliance with the specific Montreal Protocol control measures (decision 35/56).⁹ This demonstrated relevance to compliance is defined as a direct and, if applicable, quantifiable linkage between the funded activities and the specific Montreal Protocol compliance target to be achieved.

Business planning and compliance

Since the contributions to the Multilateral Fund are paid annually by contributing Parties, the activities of the Multilateral Fund are organized mainly on the basis of an annual cycle. At the beginning of each year the cycle starts with the preparation of Business plans by the bilateral and implementing agencies. These plans propose target levels of ODS to be phased-out, the level of funds to be disbursed together with other performance indicators which provide the basis for the evaluation of the agencies' performance. The Business plans of the agencies reflect the activities outlined in the Model rolling three-year phase-out plan that need to be financed.

Business planning's model rolling three-year phase-out plan is the tool that the Executive Committee uses for allocating resources to assist Article 5 countries to comply with the control targets of the Montreal Protocol. A three - year plan is designed to provide a long term perspective on the compliance requirements of each and every Article 5 country in terms of reductions in ODS to be achieved and the proposed strategies and allocation of resources needed to meet those compliance requirements. Business plans for implementing agencies are approved at the first ExCom meeting each year. At the last meeting each year, ExCom examines the status of implementation of the current year's business plans, as well as an up-to-date report on Article 5 countries' prospects for compliance with the next control measures, and the model rolling three-year business plan for the following three years, in order to be able to make decisions on dealing with urgent and outstanding compliance issues. Any such decisions are incorporated into the business planning exercise for the following year.

Annex VI
Adaptation Fund (AF)
<http://www.adaptation-fund.org/>

The Adaptation Fund was established by the Meeting of the Parties to the Kyoto Protocol (CMP) to finance concrete adaptation projects and programmes in developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change.

Parties decided in November 2010 to undertake a review of all matters relating to the Adaptation Fund with a view to ensuring its effectiveness and adequacy, including in relation to its institutional arrangements. The review will take into account the outcome of performance reviews of the secretariat and the trustee servicing the Adaptation Fund, submissions by Parties and other interested stakeholders.

Funding

Funding is from monetized CERs and contributions from Annex-I Parties as well as from other private donations. As of June 2011, Funds held in trust for the AF totalled US\$ 228.4 million and funding availability was US\$ 171.6 million. Estimated funds available by the end of 2012 are US\$ 334 million (medium estimate), US\$ 286 million (low estimate) and US\$ 389 million (high estimate).

Governance

Adaptation Fund Board. The Governing Body of the AF is the Adaptation Fund Board (AFB), composed of 16 members and their alternate members representing Parties and constituencies: 5 UN regions, LDCs, SIDS, Annex I Parties and Non-Annex I Parties. There is an equitable and balanced representation of Kyoto Protocol Parties in the AFB. The composition of the Board ensures a non-Annex I majority. Leadership is balanced between Annex I and non-Annex I and decisions by consensus is the core principle. The result of the composition and operation of the Board is a sense of ownership by both the Annex I and Annex II Parties for the process and the decisions.

The GEF is the Secretariat on an interim basis and the World Bank is the Trustee on an interim basis. These interim arrangements will be reviewed by the Kyoto Protocol Parties in 2011.

The AF was fully operational in March 2010 with the AFB calling for project and programme proposals. September 2010 was the first funding decisions. March 2010 was the first accreditation decision and November 2010 saw the disbursement of the first tranche for a Senegal program which was launched and began implementation in January 2011. Several other projects/programmes are being implemented currently. As of June 2011, 10 countries had received funding: Mongolia, Maldives, Turkmenistan, Ecuador, Eritrea, Solomon Islands, Nicaragua, Pakistan, Senegal, and Honduras.

A Designated Authority must be established with the AFB to act as the local focal point for the Adaptation Fund that represents the Government. Eligible Parties can submit their projects/programmes in one of three ways: *directly* to the AFB *through an accredited* National Implementing Entity (*NIE*); through an *accredited* Multilateral Implementing Entity (*MIE*); or by

nominating regional and sub-regional entities (RIE) as implementing entities. An NIE, RIE or MIE will be required to:

- *Meet the fiduciary standards* established by the AFB for financial management and integrity, institutional capacity and transparency, self-investigative powers and anti-corruption measures;
- *Bear full responsibility* for the *overall management* of the projects and programmes; and
- Carry out *financial, monitoring and reporting responsibilities*.

At this time, 4 National Implementing Entities have been accredited: Centre de Suivi Ecologique (Senegal), Planning Institute of Jamaica (Jamaica), Agencia Nacional de Investigación e Innovación (Uruguay) and Fonds National pour l'Environnement (Benin). One Regional Implementing Entity has been accredited - Banque Ouest Africaine de Développement (BOAD). Eight Multilateral Implementing Entities are accredited: The World Bank, UNDP, UNEP, ADB, IFAD, WFP, WMO, IADB.

The Financing criteria are:

- Funding provided on full adaptation costs basis of projects and programmes to address the adverse effects of climate change
- AF will finance projects/programmes whose principal and explicit aim is to adapt and increase climate resilience
- Projects/programmes have to be concrete: discussion on the definition is on-going, with the emphasis being placed on impacts.
- Wide accommodation of different country circumstances: no prescribed sectors or approaches
- Focus is on vulnerable communities
- All projects/programmes must include a knowledge component.

To this time, 30 project/programme proposals have been received from a variety of sectors including, inter alia, water management, coastal management, food security, rural development, urban development, agriculture, disaster risk reduction.

Excerpt from [The Adaptation Fund: a model for the future?](#) International Institute for Environment and Development (IIED) Briefing. August 2009.

Innovative Features of the Adaptation Fund

The principle of ownership For the first time in the history of the international climate change regime, the AF clearly embodies the principle of ownership by developing countries, giving them a majority on its Board. This ensures that the countries most affected by climate change impacts can participate more fully in decision making, and remain assured that funds will be dispersed effectively and transparently. The fact that developing countries have direct access to Fund resources also enhances this sense of ownership.

The funding mechanism Fund revenues are obtained primarily from a 2 per cent share in the proceeds from the Kyoto Protocol's Clean Development Mechanism (CDM)

project activities. This means that the Fund is self-financed through the carbon market, independently from and in addition to contributions from developed countries. The first credits from CDM projects (CERs, for 'certified emission reductions') have now been monetised, and have generated US\$18.33 million.

Annex VII
Least Developed Country Fund (LDCF)
<http://www.thegef.org/gef/lDCF>

The Least Developed Country Fund (LDCF)¹⁶ was created by the UNFCCC as a financial mechanism to provide funds to developing country Parties (Annex I Parties) to assist them in implementing the Convention.

Governance

The Parties to the Convention assigned operation of the financial mechanism to the Global Environment Facility (GEF) on an on-going basis, subject to review every four years. The financial mechanism is accountable to the COP, which decides on its climate change policies, programme priorities and eligibility criteria for funding, based on advice from the Subsidiary Body for Implementation (SBI).

Any Least Developed Country (LDC) who is Party to the UNFCCC and has completed their National Adaptation Programme of Action (NAPA) is eligible for project funding under the LDCF. Annex II countries of the UNFCCC voluntarily provide the funding for the LDCF along with some Annex I countries as well as any non-Annex I countries that may wish to voluntarily contribute to the Fund.

LDCF as a Fund within the GEF. The LDCF/SCCF Council is the main governing body of the LDCF. It functions as an independent board of directors within the GEF, with primary responsibility for developing, adopting, and evaluating LDCF policies and programs. It is comprised of 32 members who represent GEF member countries, 14 from donor constituencies and 18 from recipient constituencies. Decisions are made by consensus. Two-thirds of the Members of the Council constitute a quorum.

The Chief Executive Officer (CEO)/ Chairperson of the GEF heads the GEF Secretariat, which coordinates the implementation of LDCF projects and programs, as well as the formulation of policies and operational strategies, thereby reducing the burden administratively and financially of the LDCF.

The LDCF, being within the GEF, has access to the GEF Agencies which are the operational arms of the GEF. The GEF develops its projects through ten Implementing Agencies: the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP) the World Bank, the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IAD), the International Fund for Agricultural Development (IFAD), the United Nations Food and Agricultural Organization (FAO), and the United Nations Industrial Development Organization (UNIDO).

The LDCF also has access to the GEF Scientific and Technical Advisory Panel (STAP) which provides independent advice to recommend on scientific and technical aspects of programs and

¹⁶The Annex I: Explanation of Key Terms may be useful in understanding the meaning of some of the terms used in the LDCF.

policies. The members of STAP are appointed by the Executive Director of UNEP, in consultation with the GEF's CEO, the Administrator of UNDP, and the President of the World Bank.

The LDCF has access to the GEF Independent Office of Monitoring and Evaluation (M&E) which provides a basis for decision-making on amendments and improvements of policies, strategies, program management, procedures and projects; promotes accountability for resource use against project objectives; and documents and provides feedback to subsequent activities, and promote knowledge management on results, performance and lessons learned.

The LDCF makes use of the GEF Focal Points (Country Representatives) who are government officials, designated by member countries, responsible for GEF activities and to ensure that GEF projects are country-driven and based on national priorities.

Replenishment

Annex II countries of the UNFCCC voluntarily provide the funding for the LDCF along with some Annex I countries as well as any non-Annex I countries that may wish to voluntarily contribute to the Fund. Since 2003, the LDCF portfolio has continued to grow. LDCF resources now amount to more than \$400 million in grants. During its 10th meeting, the LDCF/SCCF Council received additional pledges to the fund amounting to some US\$ \$87 million.

Because the LDCF is replenished on a voluntary basis, it is not possible to accurately predict the amount of increase in resources available to any given country in the future. However, it is possible to project and accordingly estimate what level of funding is likely to be available for LDCs, taking into account previously accessed funding, new pledges, and any other relevant developments. There is currently \$10 - \$12 million available per LDC, based on the principle of equitable access.

Funding

Funding in the LDCF follows the principle that GEF funds are to be or “additional”¹⁷ to the funds required for national sustainable development helps to ensure that scarce resources are not diverted from development financing and that GEF resources are targeted towards generating global environmental benefits. According to UNFCCC decision 6/CP.9, the LDCF is to apply a principle of Equitable Access by least developed country Parties to funding for the implementation of national adaptation programs of action. In the GEF LDCF programming paper (GEF/C.28/18), which is again based on further guidance in decision 3/CP.11, this principle of equitable access has been translated into a concept of balanced access. The balanced access principle assures that funding for NAPA implementation will be available to all LDCs, and not be awarded on a first-come, first served basis (which could favour countries with higher institutional capacity for project development, leaving out the most vulnerable LDCs).

Consistent with the balanced access principle, the LDCs have agreed on imposing a “ceiling,” or a maximum amount that will not be exceeded, in order not to deplete the limited LDCF resources. In principle, a portion of all funding available is reserved for each LDC. As donors contribute to the fund on an annual basis and at different times, the “ceiling” increases

¹⁷ See the Annex I: Explanation of Key Terms.

proportionately to the growing size of the fund. For example, the ceiling for funding under the LDCF was USD 3.5 million in 2006. As additional resources became available, the ceiling was increased, to USD 6 million in 2008, and to USD 8 million in 2010. This means that, as the ceiling increases, a LDC that had used up all the resources under the old ceiling in 2006 was subsequently able to access the difference.

LDCF approvals as of June, 30 2010 totalled \$112,699,288 in LDCF grants, and \$3,448,475 in project preparation grants (PPGs). The total number of projects was 37, and only one project (GEF ID 2040: “Technical Assistance to Least Developed Countries (LDCs) to Implement the UNFCCC8/CP8 Decision”) was from GEF-3 cycle. The rest were GEF-4 projects.

Projects in Africa received the largest number of approvals, with a total grant amount of US\$ 71,162,987. However, Asia had a larger average grant per project, US \$3,108,564.

Table 3: GEF 4 LDCF Project Approvals per Region

Region	No. of approvals		Total Grant	Average	Range (in millions)
	FP	MSP			
AFR	22	1	\$71,162,978	\$3,094,043	.96 - 5.4
Asia	9	3	\$37,302,772	\$3,108,564	1.6 - 4.5
LAC	1	0	\$3,600,000	NA	NA

Project approval procedures¹⁸

The LDCF follows the GEF procedures for project approvals for Full-sized projects (FSPs) and Medium-sized Projects (MSPs).

Full-sized projects are those that request \$2 million and above in LDCF resources.

STEP 1: The proponent of the project — a government, NGO, or CBO entity from a LDC pursues a partnership with one of the 10 GEF Agencies and GEF.

- Operational Focal Point endorsement of the project concept: Submission of the concept in Project Identification Form (PIF) to the GEF secretariat. A project preparation grant request can also be submitted at this stage.
- Project Concept (PIF) Review: The GEF Secretariat technically reviews the PIF. The GEF has a service standard of 10 business days for this stage. If the GEF Secretariat recommends the PIF, it is web-posted for the LDCF/SCCF Council (Otherwise, the project can be returned for revisions, or rejected, if ineligible.)
- The LDCF/SCCF Council has 4 weeks to review the PIF. Approval is granted on a no-objection basis.
- If a project preparation grant (PPG) request has been approved, the PPG funding is released.

¹⁸ GEF PROJECT AND PROGRAMMATIC APPROACH CYCLES. GEF/C.39/Inf. 3. October 28, 2010. GEF Council. November 16-18, 2010. Washington, D.C.

STEP 2: Project Proponent and Implementing Agency Project Preparation.

Project preparation is expected to be completed as soon as possible, and no later than 18 months from LDCF/SCCF Council PIF approval date.

- GEF Secretariat (and Council, if necessary) Project Document Endorsement/Approval: Once the full project proposal has been submitted, the GEF has a service standard of 10 business days to process it, including a technical review.
- It is circulated to the Council only if: A Council Member has requested, at the time of the PIF approval that the Secretariat circulates the final project document to the Council for review prior to endorsement; or The GEF CEO has, upon review, determined that there have been major changes to the project scope and approach since PIF approval.

The GEF CEO endorses the project. Disbursement and implementation follows.

Medium-sized projects are those that request less than or equivalent to \$2 million in LDCF resources.

All projects must start implementation no later than 18 months after the approval of the Program Framework Document (PFD) by Council.

Approval for MSPs is through either of the two following procedures:

(a) An expedited one-step approval process

(b) Two-step approval process (if Project Preparation Grant (PPG) is requested): Elapsed time from PIF approval to CEO approval of the final MSP project document should not exceed 12 months.

Performance Reporting

The Annual Monitoring Report (AMR) to the LDCF/SCCF Council of the LDCF is the principal reporting instrument from the Funds' monitoring systems and provides a snapshot of the overall health of the Fund's active projects portfolio for each fiscal year. As a key part of the LDCF/SCCF Results-based Management (RBM) Policy, the AMR monitors project implementation status, progress towards achieving global environmental objectives, and baseline identification and tracking.

LDCF projects are rated by 1) likelihood of achieving Development/global environmental Objectives (DO), and 2) likelihood of achieving Implementation Progress (IP). There is a 6 point scale for both ratings ranging from Highly Satisfactory to Highly Unsatisfactory.

GEF agencies are responsible for monitoring individual LDCF projects' progress against a set of performance indicators, aligned with the Climate Change Adaptation indicators included in the Adaptation Monitoring and Assessment Tool. Each GEF Agency submits individual annual Project Implementation Reports (PIRs) on all active projects in their respective portfolios. The LDCF/SCCF AMR 2010¹⁹ includes performance ratings by agency and region based on 13 agency PIRs.

¹⁹ LEAST DEVELOPED COUNTRIES FUND (LDCF) AND SPECIAL CLIMATE CHANGE FUND (SCCF) ANNUAL MONITORING REPORT (AMR), FY2010. GEF/LDCF.SCCF.10/3/Rev.2. May 24, 2011. LDCF/SCCF Council. May 26, 2011. Agenda Item 4.

For the majority of the projects reviewed, the implementation of adaptation measures took place at a community level or pilot site level, and through local governments. The implementation activities consisted mainly of the introduction of innovative adaptation technologies; the installation of climate resilient systems (agriculture, water, farming), including early warning information systems; introduction of resilient livelihood strategies; local awareness activities; workshops; and integration (or mainstreaming) of adaptation measures in policies, school curricula, frameworks, or community plans.

ANNEX VIII

	Upcoming meetings and events	Date
RIO+20	Regional Preparatory Meeting for Latin America and the Caribbean	7 - 9 September 2011
RIO+20	High-Level Symposium on the United Nations Conference on Sustainable Development	8 - 9 September 2011
RIO+20	Regional Preparatory Meeting for Asia Pacific Region	19 - 20 October 2011
BC	COP-10	17 - 21 October 2011
RIO+20	Regional Preparatory Meeting for Africa Region	20 - 25 October 2011
WHO	Special Session of the Executive Board on WHO Reform	1 - 3 November 2011
MERCURY INC	INC-3	1 - 5 November 2011
GEF	GEF 41st Council Meeting	7 - 10 November 2011
ICCM	OEWG SAICM	14 - 18 November 2011
RIO+20	Regional Preparatory Meeting for ECE Region	1 - 2 December 2011
MLF	Executive Committee Meeting	late 2011
MLF	Executive Committee Meeting	twice in 2012
WHO	130th Executive Board Meeting	16 - 23 January 2012
UNEP	UNEP GC. SS XII / GMEF	20 - 22 February 2012
RIO+20	3rd Intersessional Meeting of UNCSD, UN Secretariat	26 - 27 March 2012
RIO+20	3rd Preparatory Committee Meeting UN Conference on Sustainable Development	28 - 30 May 2012
MERCURY INC	INC-4	June 2012 (tbc)
RIO+20	United Nations Conference on Sustainable Development	4 - 6 June 2012
GEF	GEF 42nd Council Meeting	11 - 14 June 2012
ICCM	ICCM3	late 2012
UNEP	UNEP GC27 / GMEF	February 2013
MLF	Executive Committee Meeting	twice in 2013
MERCURY INC	INC-5	early 2013 (tbc)
SC, RC, BC	COP-6, COP-6, COP-11	2013
GEF	GEF-6 Replenishment	2014

CONSULTATIONS IN PREPARATION OF A PROPOSAL FOR AN INTEGRATED APPROACH TO FINANCING THE SOUND MANAGEMENT OF CHEMICALS AND WASTES

Global Environment Facility

Monique Barbut, CEO

Ramesh Ramankutty, Head of Operations and Business Strategy

Multilateral Fund

Maria Nolan, CEO

Andrew R. Reed, Senior Programme Management Officer, Fund Secretariat

UNEP Division of Technology, Industry and Economics

David Piper, Deputy Head, Chemicals Branch

Matthew Gubb, Secretariat, Global Mercury INC

World Bank

Patricia Bliss-Guest, Lead Partnership Specialist

John Buccini, former Director, UNEP Chemicals and Executive Secretary for the Stockholm Convention

John Whitelaw, former Deputy, Chemicals Branch, DTIE, UNEP

KEY SOURCES FOR A PROPOSAL FOR AN INTEGRATED APPROACH TO FINANCING THE SOUND MANAGEMENT OF CHEMICALS AND WASTES

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The Stockholm Convention

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