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**TRUST FUNDS MANAGED BY THE
GLOBAL ENVIRONMENT FACILITY
AND THE RELEVANCE TO THE
FINANCING OF CHEMICALS AND
WASTES MANAGEMENT**



NOTE ON THE TRUST FUNDS MANAGED BY THE GEF SECRETARIAT

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1.0 Introduction

At the 4th Conference of the Parties to the Stockholm Convention, the Parties were unable to agree to a Non -Compliance procedure for the Convention as required by Article 17. Some Parties expressed the view that without sufficient resources to manage Chemicals they could not agree to a compliance mechanism in the Stockholm Convention. As a result of this, a process has been launched by UNEP to examine how chemicals and waste management can receive more resources for their management. The process will result in a recommendation to the Executive Director of UNEP for follow up with the Governing Council of UNEP. The GEF has been involved in this process and at the 4th meeting was requested to prepare a note on the trust funds that the GEF manages and how the GEF can serve in the financing of Chemicals and Waste Management that is additional to the areas it already finances.

From the consultative process, four possible modalities or tracks have emerged.

- **Track 1:** Mainstreaming Sound Management of Chemicals and Hazardous Wastes
- **Track 2:** Industry Involvement, including public-private partnerships and the use of economic instruments at national and international levels
- **Track 3:** New Trust Fund similar to the Multilateral Fund
- **Track 4:** Introducing safe chemicals and wastes management as a new focal area, expanding the existing POPs focal area, or establishing a new trust fund under GEF

This note will focus on tracks 3 and 4. It should be noted that the GEF, in its chemical projects, encourages the involvement of the Private Sector and funding from private sources is an increasingly important part of all chemical projects funded by the GEF. The Chemicals Strategy for GEF 5 also includes some funding to enable the mainstreaming of Sound Management of Chemicals consistent with the SAICM.

In the following sections the trust funds that are managed by the GEF will be elaborated and then the perspective of how the GEF can meet these needs in relation to the tracks 3 and 4 above will be discussed.

It should be noted that the GEF finances waste management and disposal/destruction operations through its Chemicals Focal Area.

The Note that follows will elaborate the different trust funds that are managed by the GEF and explain the respective Governance Structures of these funds. The note will then describe how these funds and structures can be adapted to meet the needs of the Parties.

2.0 Background to the GEF

- The GEF unites 181 countries in partnership with international institutions, civil society, and the private sector to address global environmental issues in the context of national sustainable development.
- It provides grants for projects related to biodiversity, climate change, international waters, land degradation, and chemicals, including persistent organic pollutants and ozone depleting substances.
- The GEF also manages the Least Developed Countries Fund and the Special Climate Change Fund and provides Secretariat Services to the Adaptation Fund Board.
- GEF funding is channeled to recipient countries through 10 Agencies, including the World Bank and the Regional Development Banks and UN Agencies such as UNDP, UNIDO and UNEP. The GEF is currently undergoing a reform to admit new agencies into the GEF including qualified National Agencies.
- To date, the GEF has provided \$8.7 billion in grants for more than 2,400 environmental projects in over 165 developing countries and emerging economies.
- The GEF serves as the Financial Mechanism of the United Nations Framework Convention on Climate Change (UNFCCC), the Convention on Biodiversity (CBD) and the Stockholm Convention. Funds are also made available to International Waters, United Nations Convention to Combat Desertification (UNCCD), Montreal Protocol on Ozone Depleting Substances, Mercury, and Sound Management of Chemicals.

3.0 Trust funds managed by the GEF

3.1 The GEF Trust Fund

This is the main fund that the GEF operates. This fund is replenished every four years. The replenishment process is accompanied by a programming strategy which is made up from focal area strategies that are derived from Convention Guidance. Projects are reviewed and approved on the basis of the programming strategy. Countries eligible for GEF funding apply to the GEF via one of the ten implementing agencies. The project is reviewed by the GEF Secretariat for

eligibility and consistency with relevant convention guidance and GEF requirements. Projects need to be endorsed by the Country's Operational Focal Point before it is submitted for review.

3.1.1 Governance:

- The Governance of the GEF is as follows: (more details can be found on the GEF instrument http://www.thegef.org/gef/sites/thegef.org/files/publication/GEF_Instrument_March08.pdf)
 - The overall governance of the GEF is the GEF Assembly made up of every member party of the GEF and it meets every four years.
 - The GEF council is a subsidiary body of the Assembly and is governed by an executive board representing 32 constituencies made up of 18 developing countries (2 of these countries are countries that were formerly CEITS), and 14 developed countries. The Council meets twice per year to decide on policy, projects and other issues identified in the Instrument of Establishment of the restructured GEF. The Council can intersessionally approve projects through email.
 - The GEF Secretariat services and reports to the assembly and council and carries out tasks delegated to it by the Assembly and Council.

3.1.2 Project Types:

There are three funding levels for the GEF Trust Fund.

- i. Enabling Activities – these projects are for preparation of National Implementation Plans (NIPs), National Communications, and National Biodiversity Self Assessments and others. Funding is approved on a fast track basis. In GEF 5, countries have the option of directly accessing these resources from the GEF Trust Fund. The templates for direct assess can be found at: http://www.thegef.org/gef/EA_direct_access
- ii. Medium Sized Projects – these projects are up to \$1M from the GEF trust fund and are approved by the GEF CEO. In GEF 5, if no preparation funding is required, projects can be submitted for review in one step. If preparation funding is required then a Project Identification Form (PIF) will need to be submitted and the project will need to be submitted within 12 months after the PIF is approved.
- iii. Full Sized Projects – these are projects over \$1M and are cleared by the CEO for Work Program Inclusion for final approval by the GEF Council. For these projects a PIF is required. The project needs to be submitted within 18 months of the PIF being approved for clearance by the CEO and approval by the Council.

A GEF project consists of a baseline project and incremental activities to achieve specific Global Environmental Benefits. For Medium and Full Sized Projects the GEF pays the agreed incremental cost of a project that achieves Global Environmental Benefits. The baseline project is funded from other sources including the National Government, the private sector and other bilateral and multilateral donors.

3.2 The Least Developed Country Fund (LDCF)

The LDCF was established under the United Nations Framework Convention on Climate Change (UNFCCC) to support the special needs of the Least Developed Countries (LDCs) with the priority of preparing and implementing National Adaptation Programmes of Action (NAPA). The GEF, as the entity that operates the financial mechanism of the Convention, was entrusted to operate the Fund with the World Bank acting as Trustee.

Unlike the GEF Trust Fund there is no replenishment process and the LDCF/SCCF receives funding through voluntary contributions from donors. These pledging sessions can be held back to back with the GEF council or contributions can be made at any time.

3.2.1 Governance:

The governing body of the Fund is the LDCF/SCCF Council, which has the same membership as the GEF Council and convenes twice a year in conjunction with GEF Council meetings. The policies and procedures as well as the governance structure of the GEF apply to the LDCF, unless the LDCF/SCCF Council decides it is necessary to modify such policies and procedures in response to COP guidance.

3.2.2 Project Types:

The LDCF follows streamlined and simplified procedures to facilitate expedited access to funds. PIFs for FSPs, once cleared by the GEF CEO, are posted online for approval by the LDCF/SCCF Council on a no-objection basis. Projects of \$2M or below are referred to as MSPs and may be approved by the GEF CEO through a one-step process.

LDCF projects and programs are reviewed against their alignment with national adaptation priorities as identified in the NAPA. Activities financed by the LDCF have to contribute towards the climate resilience of a baseline development activity, in accordance with the additional cost principle.

3.3 The Special Climate Change Fund (SCCF)

The SCCF was established under the UNFCCC to finance activities, programs, and measures related to climate change that are complementary to those supported through the GEF Trust Fund and other bilateral and multilateral sources. The SCCF has four financing windows: (a) Adaptation to climate change; (b) Technology transfer; (c) Energy, transport, industry, agriculture, forestry, and waste management; and (d) Economic diversification. To date financing has been provided only for adaptation and technology transfer, which were selected as the Fund's priority areas.

3.3.1 Governance:

The SCCF has the same governance structure as the LDCF.

3.3.2 Project Types:

The project cycle is similar to that of the GEF Trust Fund. Accordingly, projects over \$1M are referred to as FSPs and thus follow a two-step approval process. Projects under the SCCF are approved through work programs, mainly in conjunction with LDCF/SCCF Council meetings.

For climate change adaptation, the SCCF shares the LDCF results framework and strategic objectives. The SCCF adaptation program, however, is open to all developing country parties to the UNFCCC.

3.4 The Adaptation Fund (AF)

The Adaptation Fund has been established by the Parties to the Kyoto Protocol of the UN Framework Convention on Climate Change (UNFCCC) to finance concrete adaptation projects and programmes in developing countries that are Parties to the Kyoto Protocol.

3.4.1 Replenishment

The AF is primarily funded from a 2% share of proceeds of certified emission reductions (CERs) issued by the Clean Development Mechanism under the Kyoto Protocol.

3.4.2 Governing Structure

3.4.2.1 Adaptation Fund Board

The Adaptation Fund Board was established as the operating entity of the Adaptation Fund with the mandate to supervise and manage the Adaptation Fund under the authority and guidance of the COP/MOP.

The Board is composed of 16 members and 16 alternate members representing Parties, formally elected at a session of the COP/MOP on the Adaptation Fund as follows (for both member and alternate):

- Two representatives from each of the five UN regional groups;
- One representative of the small island developing states;
- One representative of the least developed country Parties;
- Two other representatives from Annex I Parties; and
- Two other representatives from non-Annex I Parties.

The members and alternates each serve for a term of two calendar years and are eligible to serve a maximum of two consecutive terms. The Board elects the Chair and Vice-Chair from among its members, with one being from an Annex I party and the other being from a non-Annex I party. The Board meetings are held four times a year, usually in March, June, September and December.

3.4.2.2 Adaptation Fund Board Committees

The Adaptation Fund Board set up two committees. These are the Project and Programme Review Committee (PPRC) and the Ethics and Finance Committee (EFC).

The Ethics and Finance Committee (EFC) is responsible for providing advice to the Board on issues of conflict of interest, ethics, finance and audit.

Details of the TOR of EFC can be found at: <http://adaptation-fund.org/system/files/EFCTOR.pdf>

The Project and Programme Review Committee (PPRC) is responsible for assisting the Board in tasks related to project/programme review in accordance with the Provisional Operational Policies and Guidelines for Parties to access resources of the Adaptation Fund (the Operational Policies and Guidelines), and for providing recommendations and advice to the Board thereon.

Details of the TOR of PPRC can be found at: <http://adaptation-fund.org/system/files/PPRCTORs.pdf>

3.4.3 Project Types and Access:

There are two project types in the Adaptation Fund:

- Small-Sized projects and programmes (SPs): defined as project proposals requesting up to \$1.0 million.
- Regular-Sized projects and programmes (RPs): project proposals requesting more than \$1.0 million

In the Adaptation Fund there are two access paths:

1. Direct Access through accredited National Implementing Entities. National Entities must be accredited by the Adaptation Fund Board before they can access and manage funds from the Adaptation Fund.
2. Access Through a multilateral/regional Implementing Entity.

4.0 GEF interventions in chemicals

Over the last 20 years of the GEF, there has been a focus on two Chemical Issues. These are support to Countries with Economies in Transition (CEITs) for implementation of the Montreal Protocol and support to developing countries and CEITs to implement the Stockholm Convention on Persistent Organic Pollutants.

The GEF has a reputation for stepping in to provide funding to environmental issues. This was the case of the Montreal Protocol, where after the breakup of the USSR, the resulting CEITs had no avenue to fund their obligations under the Montreal Protocol, and the GEF stepped in and provided stable resources for the phase out of ODS in these countries. Before the Stockholm Convention was negotiated the GEF provided resources to assist countries to do projects that would inform the negotiating process. Since that time the GEF is the interim financial mechanism of the Convention and has provided funding to every eligible country to conduct its National Implementation Plan (NIP) and is now providing funding for the implementation of the NIPs.

The GEF has already funded a range of projects that deal with waste management, handling and disposal. This has been the case in projects dealing with POPs stockpiles.



5.0 GEF Strategy on Chemicals Management

- The GEF provides supports for the implementation of the Stockholm Convention on Persistent Organic Pollutants (POPs) and the Montreal Protocol, both addressing chemicals of global concern. The GEF has leveraged over US\$1 billion for POPs management and elimination and chemicals-related operations in the Ozone Depleting Substances (ODS) and International Waters focal areas;
- The GEF is by far, the largest public funder in the area of chemicals management with two decades of experience, characterized by the phase-out of 29,000 ODP tonnes (ozone depleting potential tonnes) in CEITs and the sound disposal of more than 200,000 tons of POPs in developing countries and CEITs.
- The GEF has been able, throughout the years, to build the trust of the donor community, relevant convention secretariats, recipient countries and agencies by ensuring a high delivery of services in project management.
- At the fifth replenishment, countries adopted a GEF-5 strategy for chemicals which consolidates the persistent organic pollutants and ozone layer depletion focal areas, and broadens the scope of the GEF's engagement with the sound management of chemicals. The GEF-5 strategy also initiates work on mercury at the GEF.
- The Chemicals Focal Area puts an emphasis of managing chemicals from cradle to grave. The GEF through its work in Chemicals has directly financed the handling, and safe disposal of hazardous chemicals.
- With respect to mercury and SAICM related chemical issues, the GEF will build on the successes of its experience on ODS and POPs to implement pilot activities that are needed to inform the mercury Intergovernmental Negotiating Committee (INC) process and to elaborate issues on surrounding global chemical issues such as e-waste, lead and chemicals in products.
- For these efforts in emerging chemical issues, the GEF can allocate to eligible countries, US 25 Million Dollars during the GEF 5 period.



- The projects in these new areas are intended to increase the level of understanding of these global chemical issues in order for the GEF Council to make allocation decisions during the 6th replenishment negotiations.

6.0 Discussion of the Tracks relevant to the GEF

Track 4: Introducing safe chemicals and wastes management as a new focal area, expanding the existing POPs focal area, or establishing a new trust fund under GEF

6.1 Option 1: Introducing safe chemicals and wastes management as a new focal area

6.1.1 Format for channeling resources:

- In this option funding for Chemicals and Waste management would be incorporated as a specific focal area within the GEF Trust Fund.

6.1.2 Operations and Administration Requirements:

- Incorporating chemicals and waste into the chemicals focal area of the GEF does not require any new or additional operational and administrative requirements, and could be made operational immediately. The GEF Secretariat and Council will continue to review and approve projects under existing GEF policy and guidelines and will incorporate guidance from the COPs of the Chemical and Waste MEAs as is currently the case with respect to the Stockholm Convention.
- Accessing the resources will involve the same processes as currently practiced in the GEF, and these will undergo continuous review and streamlining as the GEF continues to reform its operations.
- The GEF can/will provide funding to eligible countries to achieve specific obligations/requirements as guided by Parties.
- The GEF already has the technical capacity for funding chemicals management activities; so only minor adjustments to the GEF staffing would be required to manage the increased workload.

- Under this option, the members (or a selection of members) from the GEF Council could review and approve all projects and programs.

6.1.3 Replenishment:

- The new focal area would be included in the negotiations for the replenishments of the GEF which will allow donors to include their contributions for this programming during the GEF replenishment. This will reduce transaction costs by having a single replenishment negotiation and a more integrated approach in funding allocation as well as in programming.

6.1.4 Other Considerations:

The GEF through its Chemical Focal Area provides a unique opportunity and a comprehensive platform to support the synergistic implementation of programs and projects to manage chemicals of global concern, including POPs, ODS and mercury, at the national level through a life-cycle management approach. This approach allows the GEF to leverage resources above what would be available for single chemical or single issue and as such this places the GEF in a position to generate more resources for chemicals and waste.

The leveraging power of the GEF for additional chemicals and waste management will additionally aggrandize from combining funding from other Focal Areas of the GEF as there will be issues where chemical and waste management will be addressed in conjunction with other Focal Areas.

This option also appears to be the most cost effective, as it would allow the GEF to provide financing to eligible countries for the implementation of the convention without further delays that may be associated with the establishment of a new fund. The resources needed for the implementation of chemicals and waste management projects would be assessed and mobilized during GEF replenishment periods, following an evaluation of the resources required to cover relevant issues relating to chemicals and waste management. Additionally the GEF has already put resources for pre-financing of chemicals other than POPs and ODS in GEF 5 including:

- Mercury
- Sound Management of Chemicals of Global Concern
- E-Waste

6.2 Option 2: Expanding the existing POPs focal area

This Option already exists in GEF 5. The POPs and ODS focal areas have been integrated along with new funding for mercury and sound management of chemicals into the Chemicals Focal

Area. Including additional issues with associated funding would require a revision of the Focal Area Strategy to include the new issues and the project cycle and other operational aspects will follow the current practice in the Chemicals Focal Area. Again this will be subject to GEF's continuous efforts to streamline and reform its operations.

In the two options above the model to be used would be that of the GEF trust fund.

6.3 Option 3: Establishment of a New Fund managed by the GEF

There are two operational modalities that can be adopted under this option

6.3.1 Fund modeled on the Adaptation Fund (will be the same for a fund modeled on the MLF)

6.3.1.1 Format for channeling resources:

- Under this option, funding for chemicals and waste management activities would be maintained in a separate trust fund, and the GEF would provide Secretariat Services to the fund.

6.3.1.2 Operations and Administration Requirements:

- A “Chemicals and Waste Management Fund” set up along the line of the Adaptation Fund would involve the establishment of a separate approval body (Council/Board) and access procedures.
- The new Council/Board would review and approve projects and provide guidance to the Fund. The Fund Council can meet back to back with the GEF Council, similar to the meetings of the LDCF/SCCF Council. To the extent that the memberships overlap, this would be cost effective; otherwise the additional costs related to this option would be incurred by requiring the participation of council members from the same countries represented on the GEF council but who are different focal points.

6.3.1.3 Replenishment

- The Replenishment of this fund will have to be determined by Parties to the Chemical and Waste Conventions and other voluntary mechanisms. It can be funded from the Private Sector/Donor Community or by some other means similar to how the Adaptation Fund is financed.

6.3.1.4 Other Considerations:

- The GEF can provide all the secretariat services for an adaptation fund/MLF modeled fund. Costs could be saved by having back to back meetings of the GEF Council and the Council of the new Fund and by sharing expertise and other resources already in place in the GEF.
- The GEF has acquired experience and expertise in providing this type of support and hence, could be immediately operational shall this model be chosen by the parties concerned.
- The GEF already undergoes its own replenishment exercise, so if the GEF is serving as the secretariat of this new fund, costs could be saved by including the Chemicals and Waste Management Fund Replenishment into the GEF Replenishment exercise.

6.3.2 Fund Modeled on the LDCF/SCCF

6.3.2.1 Format for Channeling Resources:

- Under this scenario, funding for Chemicals and Waste Management would be held in a separate fund, managed by the GEF.

6.3.2.1 Operations and Administration Requirements:

- The fund would be established under the guidance of the COPs of the Chemical and Waste MEAs and administered by the GEF.
- A Fund Council would be comprised of the same Members as those of the GEF Council. The fund Council would operate under the same policies, rules and procedures as does the GEF Council, absent a decision taken to the contrary. In order to save costs and for practical reasons, the Fund Council could meet back to back with the GEF Council, as does the LDCF/SCCF Council.
- The Fund Council could, based on COP guidance and independently of the GEF, adopt a system for resource allocation to ensure that countries access funding in a transparent and equitable manner.

6.3.2.2 Project Cycle:

Following the LDCF model, the fund could adopt a streamlined project cycle to ensure that resources be channeled in an expedited manner. The fund could also allow projects and programs to be approved on a rolling basis, without the constitution of a formal work program.

6.3.2.3 Replenishment:

- Instead of the GEF replenishment, the fund would receive contributions from member states (this can be on a voluntary basis as the LDCF or on a mandatory basis). As in the case of the LDCF and the SCCF, pledging meetings could be held back to back with Council meetings.

6.3.2.4 Other Considerations:

- A “Chemicals and waste management Fund” modeled on the LDCF/SCCF within the GEF would trigger additional costs related to the extension of the Council Meetings, as well as an imperfect integration of its programmatic mechanisms, leading to possible overlap/duplication, albeit to a lesser degree than if the Chemicals and Waste Fund was a completely separate entity.

7.0 Conclusion

- The GEF already has a functioning Secretariat with over 20 years of providing environmental funding to developing countries and CEITs. The GEF also provides opportunities to respond to multiple environmental priorities in a cohesive program, such as by reducing mercury through addressing cleaner fuels and energy efficiency.
- In each of the three models explained, the GEF Secretariat can function as the financial mechanism for providing resources for Chemicals and Waste Management, given the GEF’s history, experience, technical and operational capacity and availability.
- The three approaches will all provide the same level of resources to the Parties for meeting their obligations for Chemicals and Waste Management. The major differences in the models are the cost of the administration and operation of the fund, the replenishment process, funding integration/coordination, programmatic synergy levels and linkage to compliance.
- The GEF has already provided financing for the handling and disposal of over 200,000 tons of hazardous chemicals. The GEF projects incorporate diverse funding sectors including the private sector and the GEF chemicals projects in GEF 5 encourage and provide funding for the mainstreaming of SMC.



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