

# CONSIDERATIONS FOR THE USE OF AN EXISTING FINANCIAL MECHANISM TO FUND TREATY IMPLEMENTATION



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transformative,  
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Blue Pacific **SPREP  
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## PLASTICS TREATY LEGAL ADVISORY SERVICE NOTE

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## Background

At INC-2, states expressed divergent views on whether a new dedicated multilateral fund should be established by the new treaty and/or whether existing financing mechanisms should be leveraged, such as the Global Environment Facility – possibly through a dedicated window.

This note considers existing multilateral financial mechanisms that may be suitable for providing finance to assist developing states to implement a plastics treaty, and the advantages and disadvantages of using an existing mechanism as opposed to establishing a new mechanism.



# Summary

## What are the existing multilateral financial mechanisms suitable for providing finance to assist developing States to implement a Plastics Treaty?

The key existing mechanism identified that may be suitable for providing finance to assist development of a plastics treaty is the Global Environmental Facility (GEF).

**Key advantages of the GEF** identified are as follows:

- (a) Based on the GEF's focal areas and the international conventions that it currently supports, aiding implementation of a Plastics Treaty would likely fall within the scope of its focal areas and expertise.
- (b) The GEF has been assessed as displaying a comprehensive understanding of the challenges faced in its focal areas (biodiversity, climate change, land degradation, international waters, and chemicals and waste),<sup>1</sup> which may indicate that it may have a degree of technical knowledge that will lend itself well to supporting plastics treaty implementation activities. The GEF has experience in supporting activities aimed at reducing chemical and plastic waste:
  - (i) The GEF currently provides the financial mechanism for implementing the Stockholm Convention on Persistent Organic Pollutants and Minamata Convention on Mercury. The GEF has supported sound management of chemicals and waste through its support to the (legally non-binding) Strategic Approach to International Chemicals Management (SAICM).<sup>2</sup>
  - (ii) the GEF has been found to have assisted countries to phase out production and use of chlorofluorocarbons and other chemicals regulated by the Montreal Protocol (playing a complimentary role to the Multilateral Fund).<sup>3</sup>
  - (iii) By way of practical example, the GEF recently announced funding for Brazil, Burkina Faso, Cambodia, Cook Islands, Costa Rica, the Dominican Republic and others to collaborate to transition towards a circular economy for plastics under a \$107-million program targeting single-use plastic packaging in the food and beverage industry.<sup>4</sup>
  - (iv) However, an assessment of the GEF (in 2017-2018) found that GEF's knowledge is fragmented, difficult to access and underutilised, which may impose limits on this advantage.
- (c) Although not expressly represented on GEF governance bodies, SIDS were represented in the most recent GEF replenishment meeting, indicating an increased recognition of the important role of SIDS in the GEF and the need for the GEF to support SIDS. The most recent replenishment meeting also increased funding to LDCs and SIDs.

<sup>1</sup> See MOPAN assessment (2017-2018) at: <https://www.mopanonline.org/assessments/gef2017-18/GEF%20Brief.pdf>

<sup>2</sup> See: <https://www.thegef.org/what-we-do/topics/persistent-organic-pollutants>

<sup>3</sup> Huiquan Chen, Tianlu Ding, Xinyue Xu, 'International Debates and Reflections on the Successful Case of Montreal Protocol' (21 October 2021) page 951 available at: <https://www.atlantis-press.com/proceedings/icprss-21/125961689>

<sup>4</sup> Announced at the 64th meeting of the GEF Council. See: <https://www.unep.org/gef/news-and-stories/press-release/circular-solutions-focus-landmark-global-investment-tackle-plastic>

**Plastics Treaty Legal Advisory Service Note:**

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**Disadvantages of using the GEF** as the operating entity for a financial mechanism (and which therefore indicate that establishing a new fund would be preferable) include:

- (a) The GEF's governance and decision-making structure does not provide significant representation to SIDS. The GEF Council (which is the main GEF governing body) has 50% representation from developing countries but SIDS are not expressly represented. Importantly, the weighted voting structure of the GEF Council favours donor countries rather than recipients, which may limit the influence of developing countries and SIDS on GEF decision-making processes.
- (b) The GEF faces issues with respect to inefficiency and long project cycles,<sup>5</sup> and with respect to sustainability of project outcomes.<sup>6</sup> These factors may create challenges for developing countries and SIDS to obtain timely implementation support through the GEF, and also raises questions about how effective GEF support will be for sustaining long term outcomes of implementation projects.
- (c) The GEF has also been assessed as resource constrained, which may indicate that GEF will not be able to provide meaningful funding for another convention if added to its portfolio. That said, in the most recent replenishment meeting in 2022, \$5.33 billion was made in pledges to the Global Environment Facility for the next four years, which was an increase of over 30% from its last operating period.<sup>7</sup>
- (d) At least in the case of the UNFCCC, there is no effective procedure to secure full compliance of the GEF with guidance from the Conference of the Parties at project/programme level. Further substantive policy and decision-making takes place within the GEF Council and therefore, the extent to which efficiency and transparency are promoted depends on the decision-making and participation rules of the Council. Further there are no dispute resolution procedures that apply where an ongoing disagreement arises between the COP and GEF. This may indicate a limitation on the ability of parties to ensure that the GEF provides effective project-level support and complies with the requirements of the COP to the Plastics Treaty (once established). We consider that this risk may be alleviated through setting out clear requirements in the MOU between the COP and the GEF.

Aside from establishing the GEF as the operating entity for the financial mechanism under the plastics treaty, Parties could choose to take a similar approach to the LDCF and SCCF under the UNFCCC whereby these are dedicated trust funds set up separately to the financial mechanism to the treaty to finance specific activities. For example, parties could establish a trust fund to specifically finance implementation activities by SIDS activities.

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<sup>5</sup> <https://www.mopanonline.org/assessments/gef2017-18/GEF%20Brief.pdf>

<sup>6</sup> <https://www.mopanonline.org/assessments/gef2017-18/GEF%20Brief.pdf>

<sup>7</sup> See GEF-8 information at: <https://www.thegef.org/who-we-are/funding/gef-8-replenishment>



## 1.2 What are the main advantages/disadvantages for developing countries, particularly small island developing states, of using an existing multilateral financial mechanisms vs establishing a new financial mechanism for the Plastics Treaty?

**Advantages of establishing a new mechanism** (rather than using the GEF) include that establishing a new mechanism would:

- (a) enable the parties to develop governance processes that ensure robust representation of developing countries and SIDS. The Adaptation Fund (**AF**), with an Adaptation Fund Board comprising a majority of developing countries including SIDS and LDCs, is an example of a model that has provided representation for these countries. The MF's decision-making structure also provides a useful model, where decisions of its main governing body (the Executive Committee) that cannot be made by consensus are reached by a two-thirds majority vote representing individual majorities of each group (being Article 5 and non-Article 5 countries) to ensure that neither donors nor recipients dominate the MF's operations.<sup>8</sup>
- (b) enable the parties to develop a fund that is governed by persons with relevant expertise. The Multilateral Fund for the Montreal Protocol (**MF**) is an example of a fund that has been demonstrated to effectively support compliance by developing countries with the Montreal Protocol. One of the strengths of the MF is its expert technical staff. Given the technical nature of plastics (akin to pollutants) embedding expertise in its governing body could be an advantage to establishing a new fund.
- (c) potentially improve time for support to be provided. The GEF has experienced issues regarding project cycle length, while the MF has been generally assessed as providing timely support (although there has been some lack of transparency in benchmarking in this regard). Conversely, the AF has been found to have significantly more efficient approval processes than the GEF. This may indicate that establishing a new fund will enable more efficient processes to be designed than the GEF.

### **The key disadvantages are:**

- (a) the likely time and resources that will be required to establish the new mechanism – this will involve not only establishing the mechanism but then deciding on its rules of procedure etc.
- (b) the lack of institutional knowledge that this new mechanism would have. For this reason, if a new mechanism was to be established, parties may wish to leverage existing international organisations to provide support for implementation. For example, the MF's activities are implemented by four international agencies (UNEP, UNDP, UNIDO and the World Bank) and a similar approach may benefit the Plastics Treaty financial mechanism.

Schedule 1 maps existing financial mechanisms, their key features and advantages and disadvantages for providing finance to support implementation by developing countries.

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<sup>8</sup> Note that in practice, decisions are generally made by consensus. Multilateral Fund for the Implementation of the Montreal Protocol (1991), *Executive Committee*, available at: <http://www.multilateralfund.org/aboutMLF/executivecommittee/default.aspx>.

## Schedule 1: Existing Multilateral Financial Mechanisms

Financial Mechanism	Objectives of the mechanism	Approach to governance and decision-making	Approach to providing financial assistance	Eligibility criteria for assistance	Advantages for developing countries	Disadvantages for developing countries
	<i>This section will set out briefly what the objectives of the fund are (i.e. why it was established).</i>	<i>This section will set out the key decision-making bodies, and approach to voting (e.g., whether consensus is required).</i>	<i>This section will set out the type of assistance that is provided.</i>	<i>This section will set out the eligibility criteria that apply in order for a country to benefit from financial assistance from the fund.</i>	<i>Assessment of the advantages of this mechanism for supporting developing countries (particularly SIDS)</i>	<i>Assessment of the disadvantages of this mechanism for developing countries (particularly SIDS)</i>
<b>Multilateral Fund for the Implementation of the Montreal Protocol (MF)</b>	<p>Established under Article 10 of the Montreal Protocol in 1991, the MF is dedicated to reversing the deterioration of the Earth's ozone layer. The MF adopts a country-driven and compliance driven approach.</p> <p>The MF's main objective is to assist developing country parties to the Montreal Protocol whose annual level of consumption of the ozone depleting substances (ODC), chlorofluorocarbons (CFCs) and halons is less than 0.3 kilograms per capita to comply with the control measures of the Protocol.<sup>9</sup></p> <p>The parties authorise the indicative list of incremental costs, decide on triennial replenishment, elect members of the Executive Committee, and annually review the activities and achievements of the Fund.</p> <p>The MF has a budget of US\$540 million for 2021-2023.<sup>10</sup></p>	<p><u>Executive Committee:</u></p> <p>The MF is managed by an Executive Committee (MF-EC) which has equal membership from developed and developing countries.<sup>11</sup> It is the responsibility of the EC to oversee the operation of the MF.<sup>12</sup> The MF-EC comprises seven developing countries and seven developed countries, selected annually by the Meeting of the Parties. Decisions are reached by a two-thirds majority vote representing individual majorities of each group to ensure that neither donors nor recipients dominate the operations of the Fund.<sup>13</sup> The MF-EC meets two times a year and approves projects on a national, regional and global basis.</p> <p>The Executive Committee is assisted by the Secretariat.<sup>14</sup></p> <p><u>Fund Secretariat:</u></p> <p>The Fund Secretariat is independent from implementing agencies, and is responsible for reviewing all funding requests, performance and implementation reports before</p>	<p>The MF has a performance-based funding model that is based on verifiable data. Independent verification is a precondition for release of funding tranches.<sup>20</sup></p> <p>The MF achieves financial accountability through a separate trust fund account that is maintained by contracted Treasury. Unused funds are returned from completed projects and activities within 12 months.<sup>21</sup></p> <p><u>Country Programme:</u></p> <p>The country programme is the basis for the MF to finance projects and activities in countries. The programme is the first activity that the MF finances in a developing country. This programme maps out the strategy and action plan that the country will follow to eliminate the consumption and production according to the Montreal Protocol schedules. These are to be presented annually to the MF-EC to assess progress made in the implementation of the programme. The Secretariat then uses this data to analyse the status of compliance.<sup>22</sup></p> <p><u>Implementing Agencies:</u></p>	<p><u>Criteria for project eligibility:</u></p> <p>(a) All projects must receive approval of the requesting Party's government.</p> <p>(b) Financial assistance for capital investment projects shall be available for all categories of agreed incremental costs; assistance for other categories of agreed incremental costs associated with capital investment projects requires approval of the MF-EC.</p> <p>(c) Projects other than capital investment projects shall also qualify for assistance under the Fund (e.g. technical assistance</p>	<p><u>Representation</u></p> <p>The Executive Committee has equal membership from developed and developing countries.</p> <p><u>General</u></p> <p>The organisation has successfully made efficient use of a relatively small budget and limited staff. It has been assessed as cost-conscious. It has also been assessed as being staffed by technically focused professionals.<sup>31</sup></p> <p>It has been assessed as extremely successful in supporting compliance of Article 5 countries in phasing out controlled substances that affect the ozone later and global climate.<sup>32</sup></p> <p>It has also been assessed as satisfactory with respect to its delivery of results.<sup>33</sup></p>	<p><u>General</u></p> <p>MOPAN identified no evidence of benchmarking the speed of implementation, either internally or externally (although none of the implementation delays have led to a country becoming noncompliant or to the overall Montreal Protocol Control Schedule being missed).<sup>34</sup></p>

<sup>9</sup> Multilateral Fund for the Implementation of the Montreal Protocol (1991), available at: <http://www.multilateralfund.org/default.aspx>.

<sup>10</sup> Multilateral Fund for the Implementation of the Montreal Protocol (1991), available at: <http://www.multilateralfund.org/default.aspx>.

<sup>11</sup> Multilateral Fund for the Implementation of the Montreal Protocol (1991), available at: <http://www.multilateralfund.org/default.aspx>.

<sup>12</sup> Multilateral Fund for the Implementation of the Montreal Protocol (1991), *Executive Committee*, available at: <http://www.multilateralfund.org/aboutMLF/executivecommittee/default.aspx>.

<sup>13</sup> Multilateral Fund for the Implementation of the Montreal Protocol (1991), *Executive Committee*, available at: <http://www.multilateralfund.org/aboutMLF/executivecommittee/default.aspx>.

<sup>14</sup> Multilateral Fund for the Implementation of the Montreal Protocol (1991), available at: <http://www.multilateralfund.org/default.aspx>.

<sup>20</sup> Multilateral Fund for the Implementation of the Montreal Protocol, *The Multilateral Fund and its Management Structure* (3-5 May 2006) available at: [https://unfccc.int/sites/default/files/mlf\\_presentation\\_4\\_may.ppt](https://unfccc.int/sites/default/files/mlf_presentation_4_may.ppt).

<sup>21</sup> Multilateral Fund for the Implementation of the Montreal Protocol, *The Multilateral Fund and its Management Structure* (3-5 May 2006) available at: [https://unfccc.int/sites/default/files/mlf\\_presentation\\_4\\_may.ppt](https://unfccc.int/sites/default/files/mlf_presentation_4_may.ppt).

<sup>22</sup> Multilateral Fund for the Implementation of the Montreal Protocol (1991), *Reporting Country Programme Data*, available at: <http://www.multilateralfund.org/Our%20Work/countries/default.aspx>.

<sup>31</sup> [https://www.mopanonline.org/assessments/mlf2019/MOPAN\\_2019\\_MLF\\_Report.pdf](https://www.mopanonline.org/assessments/mlf2019/MOPAN_2019_MLF_Report.pdf)

<sup>32</sup> [https://www.mopanonline.org/assessments/mlf2019/MOPAN\\_2019\\_MLF\\_Report.pdf](https://www.mopanonline.org/assessments/mlf2019/MOPAN_2019_MLF_Report.pdf)

<sup>33</sup> [https://www.mopanonline.org/assessments/mlf2019/MOPAN\\_2019\\_MLF\\_Report.pdf](https://www.mopanonline.org/assessments/mlf2019/MOPAN_2019_MLF_Report.pdf)

<sup>34</sup> [https://www.mopanonline.org/assessments/mlf2019/MOPAN\\_2019\\_MLF\\_Report.pdf](https://www.mopanonline.org/assessments/mlf2019/MOPAN_2019_MLF_Report.pdf)



Financial Mechanism	Objectives of the mechanism	Approach to governance and decision-making	Approach to providing financial assistance	Eligibility criteria for assistance	Advantages for developing countries	Disadvantages for developing countries
		<p>consideration by the MF-EC.<sup>15</sup> The Fund Secretariat has independence in developing and proposing operational policies, guidelines and recommendations.<sup>16</sup></p> <p><u>Treasurer</u></p> <p>The Fund Treasurer is responsible for receiving and administering pledged contributions and disbursing funds to the Fund Secretariat and the implementing agencies, based on the decisions of the Executive Committee.<sup>17</sup></p> <p><u>Project Proposals Process:</u></p> <p>Project proposals are submitted by developing countries to the Secretariat, which will then send it to the Implementing Agency if designated by the country.</p> <p>For the projects which do not specify an agency, the Secretariat identifies and negotiates for the participation of the appropriate agency.</p> <p>The agency will establish the necessary contacts with the developing country concerned and elaborate the project documentation to meet all the necessary requirements.</p> <p>The Secretariat will evaluate the project documentation for submission to the MF-EC. Countries are encouraged to consult with the Secretariat during the course of any project preparation so as to produce documentation that is comprehensive and consistent.<sup>18</sup></p> <p>Projects are not to be submitted to MF-EC until agreement is reached between</p>	<p>The projects and activities supported by the Fund are implemented by four international implementing agencies, and several bilateral agencies.<sup>23</sup></p> <p>The four implementing agencies who have contractual agreements with the MF-EC are the UNEP, UNDP, UNIDO, and the World Bank. Each of these agencies are represented at the MF-EC meetings. Each of the agencies have differing roles and responsibilities:</p> <ul style="list-style-type: none"> <li>• UNEP does not carry out investment projects, rather it helps to establish the infrastructure within which projects can proceed. This includes clearing-house functions, facilitating regional networks, and institutional strengthening activities.<sup>24</sup></li> <li>• The UNDP organises demonstration and investment projects, technical assistance and feasibility studies.<sup>25</sup></li> <li>• The UNIDO prepares and appraises investment project proposals and implements phase-out schedules at plant level.<sup>26</sup></li> <li>• The World Bank concentrates on large-scale phase-out and investment projects at plant and country levels.<sup>27</sup></li> </ul> <p><u>Bilateral Agencies:</u></p> <p>The Parties to the Montreal Protocol also decided that contributing Parties could use up to 20% of their annual contribution to carry out activities with developing countries on a bilateral basis. These activities include training, technical assistance and the introduction of new technologies that are ozone-friendlier.<sup>28</sup></p>	<p>and clearing house functions).</p> <p>(d) Financial and technical assistance shall be available for projects that are cost-effective and based on environmentally sound alternative technologies or substitutes to the substances restricted by the Protocol, taking into account the industrial strategy of the recipient Party.<sup>29</sup></p> <p>Project proposals where the agreed incremental costs exceed US \$500,000 shall be considered and approved by the MF-EC. Project proposals where the agreed incremental costs are less than US \$500,000 shall be approved by the Implementing Agencies within the context of an approved work programme and after confirmation by the Fund Secretariat on the availability of funds and contributions in-kind.<sup>30</sup></p>		

<sup>15</sup> Multilateral Fund for the Implementation of the Montreal Protocol, *The Multilateral Fund and its Management Structure* (3-5 May 2006) available at: [https://unfccc.int/sites/default/files/mf\\_presentation\\_4\\_may.ppt](https://unfccc.int/sites/default/files/mf_presentation_4_may.ppt).

<sup>16</sup> Multilateral Fund for the Implementation of the Montreal Protocol, *The Multilateral Fund and its Management Structure* (3-5 May 2006) available at: [https://unfccc.int/sites/default/files/mf\\_presentation\\_4\\_may.ppt](https://unfccc.int/sites/default/files/mf_presentation_4_may.ppt).

<sup>17</sup> See more information at: <http://www.multilateralfund.org/aboutMLF/default.aspx>

<sup>18</sup> Multilateral Fund for the Implementation of the Montreal Protocol (1991), *Submission of Project Proposals*, available at: <http://www.multilateralfund.org/Our%20Work/Policy-search72/index.html#SubmissionOfProjectProposals>.

<sup>23</sup> Multilateral Fund for the Implementation of the Montreal Protocol (1991), available at: <http://www.multilateralfund.org/default.aspx>.

<sup>24</sup> Multilateral Fund for the Implementation of the Montreal Protocol (1991), *Implementing Agencies*, available at: <http://www.multilateralfund.org/aboutMLF/Implementingagencies/default.aspx>.

<sup>25</sup> Multilateral Fund for the Implementation of the Montreal Protocol (1991), *Implementing Agencies*, available at: <http://www.multilateralfund.org/aboutMLF/Implementingagencies/default.aspx>.

<sup>26</sup> Multilateral Fund for the Implementation of the Montreal Protocol (1991), *Implementing Agencies*, available at: <http://www.multilateralfund.org/aboutMLF/Implementingagencies/default.aspx>.

<sup>27</sup> Multilateral Fund for the Implementation of the Montreal Protocol (1991), *Implementing Agencies*, available at: <http://www.multilateralfund.org/aboutMLF/Implementingagencies/default.aspx>.

<sup>28</sup> Multilateral Fund for the Implementation of the Montreal Protocol (1991), *Bilateral Agencies*, available at: <http://www.multilateralfund.org/aboutMLF/Implementingagencies/default.aspx>.

<sup>29</sup> Multilateral Fund for the Implementation of the Montreal Protocol (1991), *Project Eligibility Criteria*, available at: <http://www.multilateralfund.org/Our%20Work/Policy-search-for%2066/index.html?n=ProjectEligibilityCriteria.html>.

<sup>30</sup> Multilateral Fund for the Implementation of the Montreal Protocol (1991), *Project Eligibility Criteria*, available at: <http://www.multilateralfund.org/Our%20Work/Policy-search-for%2066/index.html?n=ProjectEligibilityCriteria.html>.

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		the Implementing Agency and the Secretariat regarding costs of equipment and operational costs. Where no agreement is reached, the underlying basis of the disagreement is to be presented to the MF-EC for consideration prior to consideration of the project. <sup>19</sup>				
<b>Global Environment Facility (GEF)</b>	<p><u>Purpose</u></p> <p>The GEF is established in accordance with the Instrument for the Establishment of the Restructured GEF (<b>Establishing Instrument</b>).<sup>35</sup></p> <p>The GEF operates as a mechanism to provide new and additional grant and concessional funding to meet agreed incremental costs of measures to achieve global environmental benefits across the following 'focal areas':<sup>36</sup></p> <ul style="list-style-type: none"> <li>• biodiversity,</li> <li>• climate change,</li> <li>• international waters,</li> <li>• land degradation, primary desertification, and deforestation, and</li> <li>• chemicals and waste.</li> </ul> <p><u>Relationship with conventions</u></p> <p>The GEF currently serves as the financial mechanism for five global conventions</p>	<p>The governance structure for the GEF is composed of the Assembly, Council, Secretariat, GEF Implementing Agencies (being the UNDP, UNEP and World Bank), Scientific and Technical Advisory Panel (STAP), and Independent Evaluation Office (IEO).<sup>43</sup></p> <p>The Council is the principal governing body.<sup>44</sup> The establishing instrument sets out the composition of the Council, requiring that there be 32 members, with 16 members from developing countries, 14 from developed countries and 2 from the countries of central and eastern Europe and the former Soviet Union.<sup>45</sup></p> <p>The Council make decisions by consensus but where consensus cannot be reached, a formal vote is taken by a double weighted majority (60% of the total number of participants and 60% majority of total contributions).</p> <p>The Council functions under the guidance of the Assembly, which is composed of all member countries.<sup>46</sup></p>	<p>The GEF provides grants, concessional loans, equity and guarantees.<sup>51</sup></p> <p>The GEF Trust Fund (with the World Bank as trustee) is the primary source for grants made by the GEF.<sup>52</sup> It is replenished every four years through contributions from donor countries.<sup>53</sup></p> <p><u>SCCF and LDCF</u></p> <p>The GEF also administers the Special Climate Change Fund (<b>SCCF</b>) and Least Developed Countries Fund (<b>LDCF</b>).</p> <p>The SCCF and LDCF were established under Decision 7/CP.7. This Decision requested the GEF, as an operating entity of the Financial Mechanism for the UNFCCC, to operate these funds under the guidance of the Conference of the Parties. Decision 1/CP.21 decides that these funds serve the Paris Agreement.<sup>54</sup></p>	<p>Countries may be eligible for funding from the GEF in one of two ways:</p> <p>(a) If the country has ratified the conventions the GEF serves and conforms with the eligibility criteria decided by the COP of each convention;</p> <p>(b) If the country is eligible to receive World Bank financing or if it is an eligible recipient of UNDP technical assistance through its target for resource assignments from the core.<sup>55</sup></p> <p>All projects must fulfill the following criteria to be eligible for GEF funding:</p> <p>(a) Countries must be eligible (as outlined above).</p>	<p><u>Representation</u></p> <p>The governance structure for the GEF Council is such that developing countries have 50% representation.</p> <p><u>Increased support for SIDS</u></p> <p>SIDS were represented for the first time at the most recent replenishment meeting for the resources of the GEF Trust Fund (GEF-8).<sup>57</sup></p> <p>GEF-8 agreed to increase funds allocated to SIDS and LDCs: harmonizing the SIDS floors with LDC floors and raising these to USD 8 million, as well as raising the floors of non-SIDS and non-LDCs to USD 5 million.<sup>58</sup></p> <p><u>General advantages</u></p> <p>The most recent Multilateral Organisation Performance Assessment Network (<b>MOPAN</b>) assessment (2017-18) considered the following general advantages:</p>	<p><u>Representation</u></p> <p>No requirement for SIDS representation on GEF Council. An important component of negotiations in the process of establishing the Adaptation Fund was for the fund to have its own board, distinct from the GEF Council, to administer the fund under the guidance of the Parties. This was to enable a balanced representation of developed and developing countries and to include SIDS in the governance of the Adaptation Fund Board.</p> <p><u>General</u></p> <p>The most recent MOPAN assessment considered the following general disadvantages:</p>

<sup>19</sup> Multilateral Fund for the Implementation of the Montreal Protocol (1991), *Submission of Project Proposals*, available at: <http://www.multilateralfund.org/Our%20Work/Policy-search72/index.html#SubmissionOfProjectProposals>.

<sup>35</sup> Instrument for the Establishment of the Restructured GEF (2019). Available at: <https://www.thegef.org/documents/instrument-establishment-restructured-gef>. Please note that in November 2022, the Council presented amendments to this instrument to the GEF Assembly. However, it appears that at this point, the Assembly has not officially adopted these proposed amendments. See: [https://www.thegef.org/sites/default/files/documents/2022-11/EN\\_GEF.C.63.11\\_Amendments%20to%20the%20Instrument%20of%20the%20Establishment%20of%20the%20Restructured%20GEF.pdf](https://www.thegef.org/sites/default/files/documents/2022-11/EN_GEF.C.63.11_Amendments%20to%20the%20Instrument%20of%20the%20Establishment%20of%20the%20Restructured%20GEF.pdf)

<sup>36</sup> Article 2 of the establishing instrument.

<sup>43</sup> Article 11. See also Mopan, *Organisational Performance Brief: Global Environment Facility* (May 2019) available at: <https://www.mopanonline.org/assessments/gef2017-18/GEF%20Brief.pdf>.

<sup>44</sup> Mopan, *Organisational Performance Brief: Global Environment Facility* (May 2019) available at: <https://www.mopanonline.org/assessments/gef2017-18/GEF%20Brief.pdf>.

<sup>45</sup> In accordance with Annexure E of the Instrument.

<sup>46</sup> Article 13 of the GEF establishing instrument.

<sup>51</sup> See further information at: <https://climatefundsupdate.org/the-funds/global-environment-facility-gef/>

<sup>52</sup> Established under Article 8 of the establishing instrument.

<sup>53</sup> Mopan, *Organisational Performance Brief: Global Environment Facility* (May 2019) available at: <https://www.mopanonline.org/assessments/gef2017-18/GEF%20Brief.pdf>.

<sup>54</sup> At paragraph 58. This is confirmed by the CMA in Decision 3/CMA.1 at paragraph 7.

<sup>55</sup> Global Environment Facility, *Projects: How Projects Work*, available at: <https://www.thegef.org/projects-operations/how-projects-work#:~:text=Eligibility%20Criteria&text=National%20priority%3A%20The%20project%20must,priorities%20that%20support%20sustainable%20development>.

<sup>57</sup> See summary of negotiations of GEF-8 at [https://www.thegef.org/sites/default/files/documents/2022-06/EN\\_GEF\\_C.62\\_03\\_Summary%20of%20the%208th%20Replenishment%20of%20the%20GEF%20Trust%20Fund\\_.pdf](https://www.thegef.org/sites/default/files/documents/2022-06/EN_GEF_C.62_03_Summary%20of%20the%208th%20Replenishment%20of%20the%20GEF%20Trust%20Fund_.pdf) and see further information at: <https://enb.iisd.org/global-environment-facility-council-meeting-62-summary>

<sup>58</sup> <https://enb.iisd.org/global-environment-facility-council-meeting-62-summary>

**Plastics Treaty Legal Advisory Service Note:**

**Considerations for the use of an existing Financial Mechanism to fund Treat and Implementation**



Financial Mechanism	Objectives of the mechanism	Approach to governance and decision-making	Approach to providing financial assistance	Eligibility criteria for assistance	Advantages for developing countries	Disadvantages for developing countries
	<p>(CBD, UNFCCC, POPs, UNCCD and Minamata Convention on Mercury).<sup>37</sup></p> <p>The use of GEF resources for these conventions must conform with the policies, program priorities and eligibility criteria that are decided by the COPs for these conventions.<sup>38</sup></p> <p><u>UNFCCC Example:</u></p> <p>The GEF is responsible for operating the UNFCCC financial mechanism, in accordance with a memorandum of understanding (MOU) between the GEF Council and UNFCCC set out in Decision 12/CP.2 and Decision 12/CP.3.<sup>39</sup></p> <p>The COP decision which adopts the Paris Agreement (Decision 1/CP.21) – and - Article 9(8) of the Paris Agreement itself – provides that the operating entity for the financial mechanism (i.e. the GEF) is to serve the Paris Agreement.<sup>40</sup></p> <p>Guidance to the GEF in relation to the Paris Agreement is contained in the Paris Agreement itself and in subsequent CMA decisions.</p> <p><u>CBD Example:</u></p> <p>The GEF serves as the institutional structure to operate the financial mechanism under the CBD. The relationship between the GEF and the CBD is governed by a Memorandum of Understanding between the COP to the CBD and the Council of the CEF, under which the GEF functions under the authority and guidance of, and is accountable to, the COP.<sup>41</sup></p> <p>The COP has requested the GEF to establish a Global Biodiversity</p>	<p>STAP advises GEF in accordance with its mandate to provide objective, strategic scientific and technical advice on policies, operational strategies, projects and programs.<sup>47</sup></p> <p>The GEF has 18 partner agencies.<sup>48</sup> The Operational Focal Point (OFP) decides which agency would be best suited to develop and implement the project idea.<sup>49</sup> The OFP reviews project ideas, checks against eligibility criteria, and ensures that new project ideas will not duplicate an existing project. Any project to be submitted by approval requires a Letter of Endorsement signed by the GEF OFP.<sup>50</sup></p>		<p>(b) The project must be driven by the country (rather than an external partner) and be consistent with national priorities that support sustainable development.</p> <p>(c) Support country priorities that are aimed at tackling the drivers of environmental degradation in an integrated fashion. This includes the GEF Focal Areas.</p> <p>(d) The project must seek GEF financing only for the agreed incremental costs on measures to achieve global environmental benefits.</p> <p>(e) The project must involve the public in project and implementation.<sup>56</sup></p>	<ul style="list-style-type: none"> <li>Overall, GEF is a relevant, capably managed and effective facility.</li> <li>Strategies, plans and programmes are rigorously discussed and reviewed every four years based on comprehensive evaluations. These evaluations have concluded that GEF is achieving its mandate and objectives and continues to play a unique role as a financial mechanism for multilateral environmental agreements. They also concluded that GEF has a strong track record in delivering relevant results.</li> <li>Strong operational management processes and financial controls that benefit from the underlying World Bank infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>Resources available to GEF do not correspond to the scale of the global environmental challenges.</li> <li>GEF's knowledge is fragmented, difficult to access and underutilised.</li> </ul> <p>Over the years, COP has provided guidance to the GEF on addressing concerns that Parties have raised, such as:<sup>59</sup></p> <ul style="list-style-type: none"> <li>The need to ensure that adequate funding is available to enable developing countries to meet their commitments under the UNFCCC.</li> <li>The need to establish a timeframe within which LDCs can access funding and other support for the preparation and</li> </ul>

<sup>37</sup> Article 6 of the establishing instrument. See also Mopan, *Organisational Performance Brief: Global Environment Facility* (May 2019) available at: <https://www.mopanonline.org/assessments/gef2017-18/GEF%20Brief.pdf>.

<sup>38</sup> Art 26.

<sup>39</sup> This is also set out in the Instrument for the Establishment of the Restructured GEF at paragraph 6.

<sup>40</sup> At paragraph 58. This is confirmed by the CMA in Decision 3/CMA.1 at paragraph 9.

<sup>41</sup> Convention on Biological Diversity, *Financial Mechanism*, available at: <https://www.cbd.int/abs/key-financial.shtml>.

<sup>47</sup> Mopan, *Organisational Performance Brief: Global Environment Facility* (May 2019) available at: <https://www.mopanonline.org/assessments/gef2017-18/GEF%20Brief.pdf>.

<sup>48</sup> See: <https://www.thegef.org/partners/gef-agencies>

<sup>49</sup> Global Environment Facility, *Projects: How Projects Work*, available at: <https://www.thegef.org/projects-operations/how-projects-work#:~:text=Eligibility%20Criteria&text=National%20priority%3A%20The%20project%20must,priorities%20that%20support%20sustainable%20development>.

<sup>50</sup> Global Environment Facility, *Projects: How Projects Work*, available at: <https://www.thegef.org/projects-operations/how-projects-work#:~:text=Eligibility%20Criteria&text=National%20priority%3A%20The%20project%20must,priorities%20that%20support%20sustainable%20development>.

<sup>56</sup> Global Environment Facility, *Projects: How Projects Work*, available at: <https://www.thegef.org/projects-operations/how-projects-work#:~:text=Eligibility%20Criteria&text=National%20priority%3A%20The%20project%20must,priorities%20that%20support%20sustainable%20development>.

<sup>59</sup> European Capacity Building Initiative, *Pocket Guide to Finance under the UNFCCC* (December 2020) available at: [https://ecbi.org/sites/default/files/Pocket%20Guide%20to%20Finance\\_0.pdf](https://ecbi.org/sites/default/files/Pocket%20Guide%20to%20Finance_0.pdf).

**Plastics Treaty Legal Advisory Service Note:**

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	Framework Fund that will complement existing support and scale up financing to ensure timely implementation. <sup>42</sup>					implementation of projects identified in National Adaptation Programmes of Action.
<b>Adaptation Fund</b>	<p>The Adaptation Fund was established in 2001 by Decision 10/CP.7, to finance ‘concrete adaptation projects and programmes’ in developing country Parties to the COP, and the following activities:<sup>60</sup></p> <ul style="list-style-type: none"> <li>Starting to implement adaptation activities promptly where sufficient information is available to warrant such activities, inter alia, in the areas of water resources management, land management, agriculture, health, infrastructure development, fragile ecosystems, including mountainous ecosystems, and integrated coastal zone management;</li> <li>Improving the monitoring of diseases and vectors affected by climate change, and related forecasting and early-warning systems, and in this context improving disease control and prevention;</li> </ul>	<p><u>Adaptation Fund Board</u></p> <p>Initially, the Adaptation Fund was operated and managed by the operator of the UNFCCC financial mechanism<sup>61</sup> but in 2007, Decision 1/CMP.3 established the Adaptation Fund Board (AFB) as the operating entity of the Adaptation Fund.</p> <p>The AFB’s role is to supervise and manage the Adaptation Fund, initially under the authority and guidance of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP).<sup>62</sup> Effective 1 January 2019, the Adaptation Fund also serves the Paris Agreement and is accountable to the conference of the Parties serving the meeting of the Parties to the Paris Agreement (CMA).<sup>63</sup></p> <p>Under its rules of procedure, the AFB is comprised of 16 members including one SIDS representation and one LDC representative.<sup>64</sup></p> <p><u>Secretariat</u></p>	<p>The AF provides grant funding.<sup>68</sup></p> <p>The Adaptation Fund was initially financed with the share of proceeds amounting to two per cent of certified emission reductions (CERs) issued from activities under the clean development mechanism (CDM) of the Kyoto Protocol, and other sources of funding.<sup>69</sup></p> <p>Voluntary contributions represent an increasing share of the Fund’s resources.<sup>70</sup></p> <p>The Fund will also receive financing under Article 6 of the Paris Agreement, through a levy of 5% of Article 6.4 emission reductions at issuance.<sup>71</sup></p>	<p>Eligible Parties for funding are developing country Parties to the Kyoto Protocol or the Paris Agreement that are particularly vulnerable to the adverse effects of climate change including low-lying and other small island countries, countries with low-lying coastal, arid and semi-arid areas or areas liable to floods, drought and desertification, and developing countries with fragile mountainous ecosystems.<sup>72</sup></p> <p>Eligible Parties can submit project proposals directly to the Adaptation Fund Board.<sup>73</sup></p>	<p><u>Representation</u></p> <p>The AFB is unique in that the majority of AFB representatives are from developing countries.<sup>74</sup> According to an evaluation, this has given it substantial legitimacy with developing country governments and many NGOs (note that this evaluation was in 2013).<sup>75</sup></p> <p><u>General</u></p> <p>According to an evaluation, the fund appears to have established constructive working modalities, and operates in a highly transparent manner (note that this evaluation was in 2013).<sup>76</sup></p> <p>The Fund has been found to have been successful in providing direct access to climate financing for vulnerable countries including LDCs and SIDS and countries with weak governance of institutional capacity.<sup>77</sup> The modality that enables direct access to climate financing reduces the difficulty and duration of accessing financial resources, which</p>	No particular disadvantages for developing countries identified.

<sup>42</sup> Green Climate Fund, *The GEF at CBD COP15* (7-9 December 2022), available at: <https://www.thegef.org/events/gef-cbd-cop15>.

<sup>60</sup> identified in paragraph 8 of decision 5/CP.7.

<sup>61</sup> Decision 10/CP.7 at paragraph 4.

<sup>62</sup> Decision 1/CMP.3.

<sup>63</sup> decisions 13/CMA.1 and 1/CMP.14,

<sup>64</sup> See section 3 of the rules of procedure, available at: <https://www.adaptation-fund.org/document/rules-procedure-adaptation-fund-board/>

<sup>68</sup> See summary of the AF at: <https://climatefundsupdate.org/the-funds/adaption-fund/>

<sup>69</sup> See more information at: <https://unfccc.int/Adaptation-Fund>

<sup>70</sup> See more information at: <https://unfccc.int/Adaptation-Fund>

<sup>71</sup> See more information at: <https://unfccc.int/Adaptation-Fund>

<sup>72</sup> See paragraph 13 of the OPG ANNEX 1:Strategic Priorities, Policies and Guidelines (Amended in October 2022) available at: <https://www.adaptation-fund.org/documents-publications/operational-policies-guidelines/>

<sup>73</sup> Implementing entities chosen by governments that are able to implement the projects funded under the Adaptation Fund can also approach the Adaptation Fund Board directly.

<sup>74</sup> Comprehensive Evaluation of the Adaptation Fund – Phase 2, page 1, available at: <https://www.adaptation-fund.org/about/evaluation/publications/evaluations-and-studies/>

<sup>75</sup> [https://www.adaptation-fund.org/wp-content/uploads/2016/08/ODI\\_The-effectiveness-of-climate-finance\\_a-review-of-the-AF\\_March-2013.pdf](https://www.adaptation-fund.org/wp-content/uploads/2016/08/ODI_The-effectiveness-of-climate-finance_a-review-of-the-AF_March-2013.pdf)

<sup>76</sup> [https://www.adaptation-fund.org/wp-content/uploads/2016/08/ODI\\_The-effectiveness-of-climate-finance\\_a-review-of-the-AF\\_March-2013.pdf](https://www.adaptation-fund.org/wp-content/uploads/2016/08/ODI_The-effectiveness-of-climate-finance_a-review-of-the-AF_March-2013.pdf)

<sup>77</sup> Page xiii of the Comprehensive Evaluation of the Adaptation Fund – Phase 2, available at: <https://www.adaptation-fund.org/about/evaluation/publications/evaluations-and-studies/>

**Plastics Treaty Legal Advisory Service Note:**

**Considerations for the use of an existing Financial Mechanism to fund Treat and Implementation**

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	<ul style="list-style-type: none"> <li>Supporting capacity building, including institutional capacity, for preventive measures, planning, preparedness and management of disasters relating to climate change, including contingency planning, in particular, for droughts and floods in areas prone to extreme weather events; and</li> <li>Strengthening existing and, where needed, establishing national and regional centres and information networks for rapid response to extreme weather events, utilizing information technology as much as possible.</li> </ul> <p>Decision 5/CMP.2 set out guiding principles and modalities for the Adaptation Fund. Modalities include (among others) that funding be available for concrete adaptation projects and programmes in eligible countries, for national, regional and community level activities.</p> <p>Since 2019, under Decision 13/CMA.1 and Decision 1/CMP.14, the Adaptation Fund has served the Paris Agreement and is accountable to the CMA with respect to all matters relating to the Paris Agreement.</p>	<p>The AFB is serviced by a secretariat of staff based in Washington DC.<sup>65</sup></p> <p><u>Trustee</u></p> <p>The World Bank continues to serve as the interim trustee for the AFB,<sup>66</sup> and the secretariat for the AFB consists of an international staff based in Washington, D.C.<sup>67</sup></p>			<p>in turn allows developing countries to more easily address adaptation priorities.<sup>78</sup></p> <p><u>Timing for support</u></p> <p>The AF has efficient project approval processes and project cycles.<sup>79</sup> Its approval times have been found to be significantly shorter than the GEF's.<sup>80</sup></p> <p>A recent evaluation found that the Fund's speed of response was faster than other climate financing bodies.<sup>81</sup></p>	
<b>Green Climate Fund (GCF)</b>	The GCF is an operating entity of the financial mechanism of the UNFCCC and serving the Paris Agreement. <sup>82</sup>	The governance and decision-making structure of the GCF comprises the Board, Trustee and the Secretariat, <sup>88</sup> with overall guidance and oversight from the COP.	The GCF balances the allocation of resources between adaptation and mitigation and ensures an appropriate allocation of resources for other activities. Further, the GCF pursues a country-driven approach. <sup>100</sup>	All developing country Parties to the convention are eligible to receive resources from the GCF. <sup>106</sup>  The GCF will finance agreed full and agreed incremental	<u>Representation</u>  The Board of the GCF is composed in such a way that ensures that developing countries have 50% representation. <sup>109</sup> Further, representation from developing	<u>General</u>  Access to GCF support remains cumbersome for the LDCs. In LDCs, which face significant structural barriers, this

<sup>65</sup> See personnel at: <https://www.adaptation-fund.org/about/governance/secretariat/>

<sup>66</sup> The World Bank provided the most recent financial report from the trustee at 30 June 2022: <https://www.adaptation-fund.org/document/adaptation-fund-trust-fund-financial-report-prepared-by-the-trustee-as-at-30-june-2022/>

<sup>67</sup> Mid-term Review of the Medium-term Strategy of the Adaptation Fund (edited version, 14 October 2021) page 101-2, at: <https://www.adaptation-fund.org/wp-content/uploads/2022/01/Mid-term-Review-of-the-Medium-Term-Strategy-of-the-Adaptation-Fund-final-edited.pdf>. See also: <https://www.adaptation-fund.org/about/governance/secretariat/>

<sup>78</sup> European Capacity Building Initiative, *Pocket Guide to Finance under the UNFCCC* (December 2020) available at: [https://ecbi.org/sites/default/files/Pocket%20Guide%20to%20Finance\\_0.pdf](https://ecbi.org/sites/default/files/Pocket%20Guide%20to%20Finance_0.pdf).

<sup>79</sup> Page xii of the Comprehensive Evaluation of the Adaptation Fund – Phase 2, available at: <https://www.adaptation-fund.org/about/evaluation/publications/evaluations-and-studies/>

<sup>80</sup> Page 25 of the Comprehensive Evaluation of the Adaptation Fund – Phase 2, available at: <https://www.adaptation-fund.org/about/evaluation/publications/evaluations-and-studies/>

<sup>81</sup> Mid-term Review of the Medium-term Strategy of the Adaptation Fund (edited version, 14 October 2021) page 33, at: <https://www.adaptation-fund.org/wp-content/uploads/2022/01/Mid-term-Review-of-the-Medium-Term-Strategy-of-the-Adaptation-Fund-final-edited.pdf>

<sup>82</sup> Green Climate Fund, *Strategic Plan 2024-27* (9 July 2023) available at: <https://www.greenclimate.fund/sites/default/files/document/gcf-b36-17-rev01.pdf>.

<sup>88</sup> UNFCCC, *Report of the Conference of the Parties on its sixteenth session, held in Cancun from 29 November to 10 December 2010* (15 March 2011) at [100]-[112] available at: <https://unfccc.int/resource/docs/2010/cop16/eng/07a01.pdf#page=17>.

<sup>100</sup> UNFCCC, *Report of the Conference of the Parties on its nineteenth session, held in Warsaw from 11 to 23 November 2013* (31 January 2014) available at: <https://unfccc.int/resource/docs/2013/cop19/eng/10a01.pdf#page=13>.

<sup>106</sup> Green Climate Fund, *Governing Instrument for the GCF*, available at: <https://www.greenclimate.fund/sites/default/files/document/governing-instrument.pdf>.

<sup>109</sup> UNFCCC, *Report of the Conference of the Parties on its sixteenth session, held in Cancun from 29 November to 10 December 2010* (15 March 2011) at [103] available at: <https://unfccc.int/resource/docs/2010/cop16/eng/07a01.pdf#page=17>.

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	<p>The GCF is guided by the principles and provisions of the UNFCCC, and the goals of the Paris Agreement.<sup>83</sup></p> <p>The objectives of the GCF are set out in the Governing Instrument.</p> <p>The purpose of the GCF is to make a significant and ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change.<sup>84</sup></p> <p>The GCF pursues a country-driven approach and promotes and strengthens engagement at the country level through effective involvement of relevant institutions and stakeholders.<sup>85</sup></p> <p>Part of the long-term strategic vision of the GCF is to support developing countries in the implementation of the UNFCCC and Paris Agreement within the evolving climate finance landscape.<sup>86</sup></p> <p>The GCF will assist developing countries to translate their priorities, as established in NDCs, ACs, NAPs, LTSs and TNAs, into country owned, high impact climate projects and investments.<sup>87</sup></p>	<p><b>Board</b></p> <p>The Board of the GCF has full responsibility for funding decisions.<sup>89</sup> The Board is made up of 24 members, composed of an equal number of members from developing and developed country Parties.<sup>90</sup> Representation from developing country Parties will include representatives of relevant UN regional groupings and representatives from SIDS and LDCs.<sup>91</sup></p> <p>Board members will have the necessary experience and skills, notably in the areas of climate change and development finance, with due consideration given to gender balance. Members will serve for a term of three years and be eligible to serve additional terms as determined by their constituency.<sup>92</sup></p> <p>Decisions of the Board will be taken by consensus of the Board members. The Board will develop procedures for adopting decisions in the event that all efforts at reaching consensus have been exhausted.<sup>93</sup></p>	<p>All developing country Parties to the Convention are eligible to receive resources from the GCF.<sup>101</sup></p> <p>The Fund will provide financing in the form of <b>grants and concessional lending</b>, as well as through other instruments or facilities approved by the Board.<sup>102</sup></p> <p>The Fund may employ results-based financing approaches, including incentivising mitigation actions.<sup>103</sup></p> <p>The Board will address three basic criteria with an indicative list of parameters to assist in determining the terms of grants and concessional loans:</p> <ul style="list-style-type: none"> <li>• Contribution to the result areas of the Fund;</li> <li>• Viability of implementation; and</li> <li>• Efficient and catalytic use of resources.</li> </ul> <p>These criteria are meant to be broadly applicable across mitigation and adaptation activities, whether in public or private sectors. Some of the criteria will only be used for certain types of activities, but many are relevant to all activities.<sup>104</sup></p>	<p>costs for activities to enable and support enhanced adaptation, mitigation, technology development and transfer, capacity building and the preparation of national reports by developing countries.<sup>107</sup></p> <p>The GCF supports developing countries in pursuing project-based and programmatic approaches in accordance with climate change strategies and plans.<sup>108</sup></p>	<p>country Parties must include representatives SIDS and LDCs.</p> <p><b>General</b></p> <p>The Governing Instrument of the GCF, which was adopted in 2011, states that the GCF will provide improved and simplified access to funding, including direct access, basing its activities on a country-driven approach.<sup>110</sup></p> <p>The Governing Instrument of the GCF also called on the Board of the GCF to consider additional modalities that further enhance direct access, in addition to international access and direct access.<sup>111</sup> The GCF's Strategic Plan for 2024-2027 provides that the GCF will significantly expand deployment of the enhanced direct access modality to enable more rapid access to climate finance for locally-led adaptation action.<sup>112</sup> Such a direct access modality would help channel funds to the local level, and allow for determination of funding allocation to be determined locally.<sup>113</sup> The Climate Finance Access Network has recommended</p>	<p>lack of access particularly disadvantages Direct Access Entities (DAEs).<sup>117</sup> SIDS in particular also have limited direct access to climate finance.<sup>118</sup></p> <p>In 2022 the Climate Finance Access Network found that the GCF is not meeting the needs for effective priority access to its funding for SIDS. Despite work undertaken to shorten the timeframe and simplify the process to access funding for SIDS, there are still structural barriers (e.g. a lack of access to GCF secretariat support), increasing preparation and transaction costs, and a slow disbursement of funds.<sup>119</sup></p>

<sup>83</sup> Green Climate Fund, *Strategic Plan 2024-27* (9 July 2023) available at: <https://www.greenclimate.fund/sites/default/files/document/gcf-b36-17-rev01.pdf>.

<sup>84</sup> Green Climate Fund, *Strategic Plan 2024-27* (9 July 2023) available at: <https://www.greenclimate.fund/sites/default/files/document/gcf-b36-17-rev01.pdf>.

<sup>85</sup> Green Climate Fund, *Strategic Plan 2024-27* (9 July 2023) available at: <https://www.greenclimate.fund/sites/default/files/document/gcf-b36-17-rev01.pdf>.

<sup>86</sup> Green Climate Fund, *Strategic Plan 2024-27* (9 July 2023) available at: <https://www.greenclimate.fund/sites/default/files/document/gcf-b36-17-rev01.pdf>.

<sup>87</sup> Green Climate Fund, *Strategic Plan 2024-27* (9 July 2023) available at: <https://www.greenclimate.fund/sites/default/files/document/gcf-b36-17-rev01.pdf>.

<sup>89</sup> UNFCCC, *Report of the Conference of the Parties on its nineteenth session, held in Warsaw from 11 to 23 November 2013* (31 January 2014) available at: <https://unfccc.int/resource/docs/2013/cop19/eng/10a01.pdf#page=13>.

<sup>90</sup> UNFCCC, *Report of the Conference of the Parties on its sixteenth session, held in Cancun from 29 November to 10 December 2010* (15 March 2011) at [103] available at: <https://unfccc.int/resource/docs/2010/cop16/eng/07a01.pdf#page=17>.

<sup>91</sup> Green Climate Fund, *Governing Instrument for the GCF*, available at: <https://www.greenclimate.fund/sites/default/files/document/governing-instrument.pdf>.

<sup>92</sup> Green Climate Fund, *Governing Instrument for the GCF*, available at: <https://www.greenclimate.fund/sites/default/files/document/governing-instrument.pdf>.

<sup>93</sup> Green Climate Fund, *Governing Instrument for the GCF*, available at: <https://www.greenclimate.fund/sites/default/files/document/governing-instrument.pdf>.

<sup>101</sup> UNFCCC, *Report of the Conference of the Parties on its nineteenth session, held in Warsaw from 11 to 23 November 2013* (31 January 2014) available at: <https://unfccc.int/resource/docs/2013/cop19/eng/10a01.pdf#page=13>.

<sup>102</sup> Green Climate Fund, *Governing Instrument for the GCF*, available at: <https://www.greenclimate.fund/sites/default/files/document/governing-instrument.pdf>.

<sup>103</sup> Green Climate Fund, *Governing Instrument for the GCF*, available at: <https://www.greenclimate.fund/sites/default/files/document/governing-instrument.pdf>.

<sup>104</sup> Green Climate Fund, *Business Model Framework: Terms and Criteria for Grants and Concessional Loans* (17 September 2013) available at: <https://www.greenclimate.fund/sites/default/files/document/gcf-b05-07.pdf>.

<sup>107</sup> Green Climate Fund, *Governing Instrument for the GCF*, available at: <https://www.greenclimate.fund/sites/default/files/document/governing-instrument.pdf>.

<sup>108</sup> Green Climate Fund, *Governing Instrument for the GCF*, available at: <https://www.greenclimate.fund/sites/default/files/document/governing-instrument.pdf>.

<sup>110</sup> Green Climate Fund, *Governing Instrument for the Green Climate Fund* (11 December 2011) available at: <https://www.greenclimate.fund/document/governing-instrument>.

<sup>111</sup> Green Climate Fund, *Governing Instrument for the Green Climate Fund* (11 December 2011) available at: <https://www.greenclimate.fund/document/governing-instrument>.

<sup>112</sup> Green Climate Fund, *Green Climate Fund – Strategic Plan 2024-2027* (9 July 2023) available at: <https://www.greenclimate.fund/sites/default/files/document/gcf-b36-17-rev01.pdf>.

<sup>113</sup> European Capacity Building Initiative, *Pocket Guide to Finance under the UNFCCC* (December 2020) available at: [https://ecbi.org/sites/default/files/Pocket%20Guide%20to%20Finance\\_0.pdf](https://ecbi.org/sites/default/files/Pocket%20Guide%20to%20Finance_0.pdf).

<sup>117</sup> <https://eu.greenclimate.fund/sites/default/files/document/220117-ldcs-final-report-vol-i-top-web.pdf>

<sup>118</sup> Climate Finance Access Network, *Accessing Climate Finance: Challenges and opportunities for Small Island Developing States* (20 July 2022) available at [https://www.un.org/ohrrls/sites/www.un.org.ohrrls/files/accessing\\_climate\\_finance\\_challenges\\_sids\\_report.pdf](https://www.un.org/ohrrls/sites/www.un.org.ohrrls/files/accessing_climate_finance_challenges_sids_report.pdf).

<sup>119</sup> Climate Finance Access Network, *Accessing Climate Finance: Challenges and opportunities for Small Island Developing States* (20 July 2022) available at [https://www.un.org/ohrrls/sites/www.un.org.ohrrls/files/accessing\\_climate\\_finance\\_challenges\\_sids\\_report.pdf](https://www.un.org/ohrrls/sites/www.un.org.ohrrls/files/accessing_climate_finance_challenges_sids_report.pdf).

**Plastics Treaty Legal Advisory Service Note:**

**Considerations for the use of an existing Financial Mechanism to fund Treat and Implementation**



Financial Mechanism	Objectives of the mechanism	Approach to governance and decision-making	Approach to providing financial assistance	Eligibility criteria for assistance	Advantages for developing countries	Disadvantages for developing countries
		<p>The Board (among other things) is required to:</p> <ul style="list-style-type: none"> <li>(a) Oversee the operation of all relevant components of the fund;</li> <li>(b) Approve operational modalities, access modalities and funding structures;</li> <li>(c) Approve specific operational policies and guidelines, including for programming, project cycle, administration, and financial management;</li> <li>(d) Approve funding in line with the Fund's principles, criteria, modalities, policies and programmes; and</li> <li>(e) Develop criteria and application processes for the accreditation of implementing entities of the Fund and accredit implementing entities and withdraw such accreditation; ...</li> </ul> <p><b>Secretariat</b></p> <p>The operation of the GCF is supported by an independent Secretariat.<sup>94</sup></p> <p>The Secretariat, with the approval of the Co-Chairs, shall transmit to Board members and alternate members a proposed decision with the invitation to approve the decision on a non-objection basis.<sup>95</sup> In between Board meetings, the Secretariat, after approval of the Co-Chairs, may transmit to Board members a proposed decision with an invitation to approve the decision within a prescribed period (generally 21 days but in urgent cases no less than one week), on a non-objection basis. Copies of such proposal shall be provided to the active observers</p>	<p>The choice of terms of grants and concessional loans depends on five factors:</p> <ul style="list-style-type: none"> <li>• financial inputs,</li> <li>• uses of funds,</li> <li>• incentives,</li> <li>• concessional and expertise, and</li> <li>• capacity of financial intermediaries.<sup>105</sup></li> </ul>		<p>that the GCF establish a dedicated envelope for SIDS within the enhanced direct access modality.<sup>114</sup></p> <p>The Governing Instrument of the GCF also explicitly sets aside half its resources to developing countries that are particularly vulnerable to the adverse effects of climate change, including SIDS, LDCs and African States.<sup>115</sup></p> <p>Compared to other climate funds, the GCF places additional emphasis on country ownership and capacity building in the LDCs.<sup>116</sup></p>	

<sup>94</sup> UNFCCC, *Report of the Conference of the Parties on its sixteenth session, held in Cancun from 29 November to 10 December 2010* (15 March 2011) at [108] available at: <https://unfccc.int/resource/docs/2010/cop16/eng/07a01.pdf#page=17>.

<sup>95</sup> Green Climate Fund, *Rules of Procedure of the Board* (13-15 March 2013) available at: <https://www.greenclimate.fund/sites/default/files/document/rules-procedure.pdf>.

<sup>105</sup> Green Climate Fund, *Business Model Framework: Terms and Criteria for Grants and Concessional Loans* (17 September 2013) available at: <https://www.greenclimate.fund/sites/default/files/document/gcf-b05-07.pdf>.

<sup>114</sup> Climate Finance Access Network, *Accessing Climate Finance: Challenges and opportunities for Small Island Developing States* (20 July 2022) available at [https://www.un.org/ohrls/sites/www.un.org.ohrls/files/accessing\\_climate\\_finance\\_challenges\\_sids\\_report.pdf](https://www.un.org/ohrls/sites/www.un.org.ohrls/files/accessing_climate_finance_challenges_sids_report.pdf).

<sup>115</sup> Green Climate Fund, *Governing Instrument for the Green Climate Fund* (11 December 2011) available at: <https://www.greenclimate.fund/document/governing-instrument>.

<sup>116</sup> <https://ieugreenclimate.fund/sites/default/files/document/220117-ldcs-final-report-vol-i-top-web.pdf>

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**Considerations for the use of an existing Financial Mechanism to fund Treat and Implementation**



Financial Mechanism	Objectives of the mechanism	Approach to governance and decision-making	Approach to providing financial assistance	Eligibility criteria for assistance	Advantages for developing countries	Disadvantages for developing countries
		<p>for their information, unless otherwise determined by the Board.<sup>96</sup></p> <p>At the expiration of the period prescribed for replies, the decision will be deemed approved unless there is an objection. If an objection has been received, the Co-Chairs will work through the objection with the Board member directly. If the objecting Board member upholds his/her objection following discussion with the Co-Chairs, the proposed decision will be considered by the Board at the following meeting. The Secretariat shall circulate all written comments and objections to Board members and alternate members and notify all the Board members and alternate members of the action taken pursuant to this paragraph.<sup>97</sup></p> <p><b>Trustee</b></p> <p>The trustee will manage the financial assets of the fund, and maintain appropriate financial records, and prepare financial statements. The trustee administers the assets of the GCF for the purpose of, and in accordance with, the directions of the Board.<sup>98</sup></p> <p>The GCF has a streamlined programming and approval process to enable timely disbursement and has developed simplified processes for the approval of proposals.<sup>99</sup></p>				

<sup>96</sup> Green Climate Fund, *Rules of Procedure of the Board* (13-15 March 2013) available at: <https://www.greenclimate.fund/sites/default/files/document/rules-procedure.pdf>.

<sup>97</sup> Green Climate Fund, *Rules of Procedure of the Board* (13-15 March 2013) available at: <https://www.greenclimate.fund/sites/default/files/document/rules-procedure.pdf>.

<sup>98</sup> Green Climate Fund, *Governing Instrument for the GCF*, available at: <https://www.greenclimate.fund/sites/default/files/document/governing-instrument.pdf>; UNFCCC, *Report of the Conference of the Parties on its sixteenth session, held in Cancun from 29 November to 10 December 2010* (15 March 2011) at [104]-[107] available at: <https://unfccc.int/resource/docs/2010/cop16/eng/07a01.pdf#page=17>.

<sup>99</sup> Green Climate Fund, *Governing Instrument for the GCF*, available at: <https://www.greenclimate.fund/sites/default/files/document/governing-instrument.pdf>.

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A resilient Pacific environment sustaining our livelihoods and natural heritage in harmony with our cultures.

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**SPREP**  
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Environment Programme



This initiative is supported by **PacWastePlus**-a 72 month project funded by the European Union (EU) and implemented by the Secretariat of the Pacific Regional Environment Programme (SPREP) to **sustainably and cost effectively improve regional management of waste and pollution.**

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