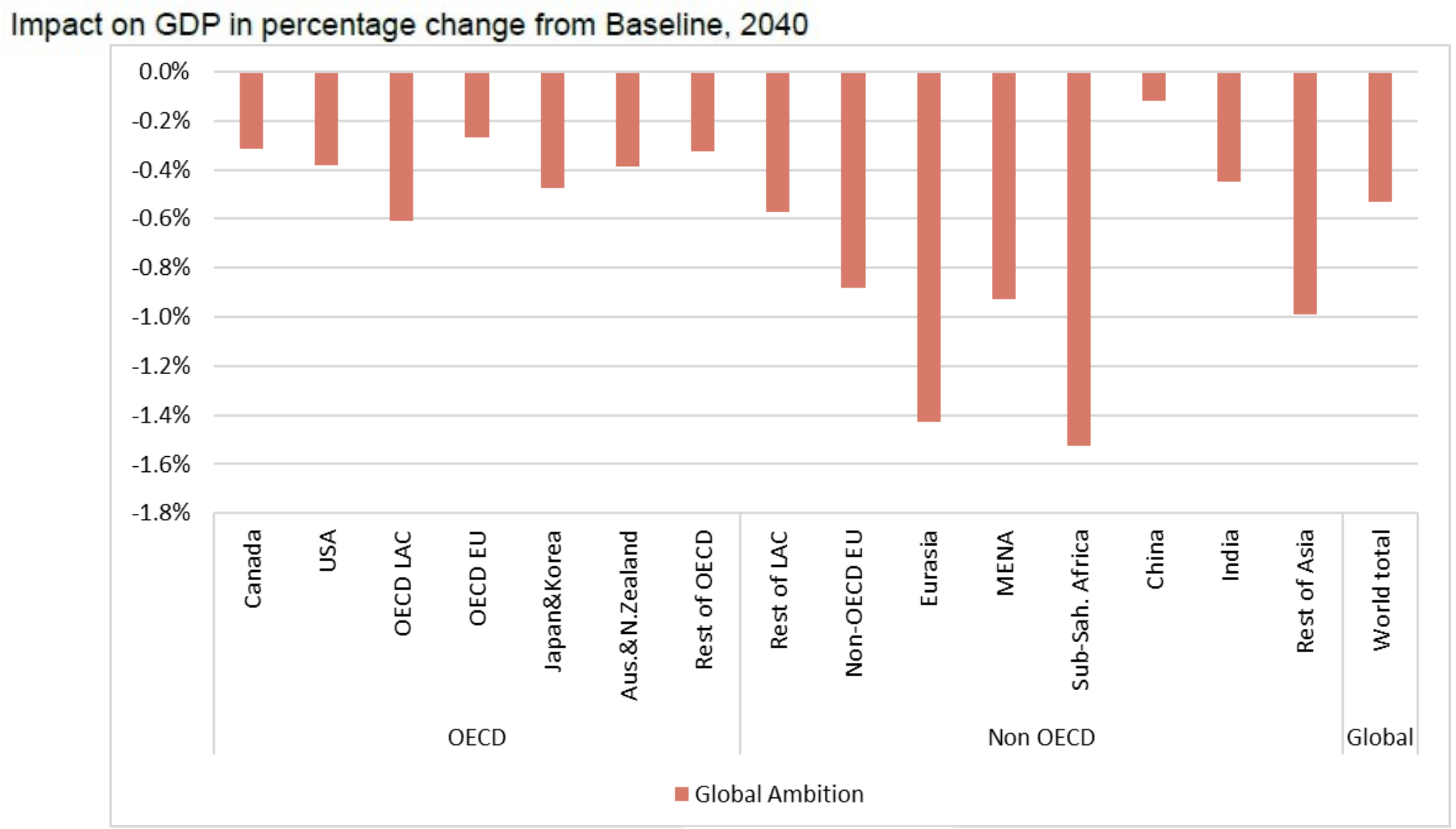
How large is the challenge?

Peter Borkey and Peggy Lefort

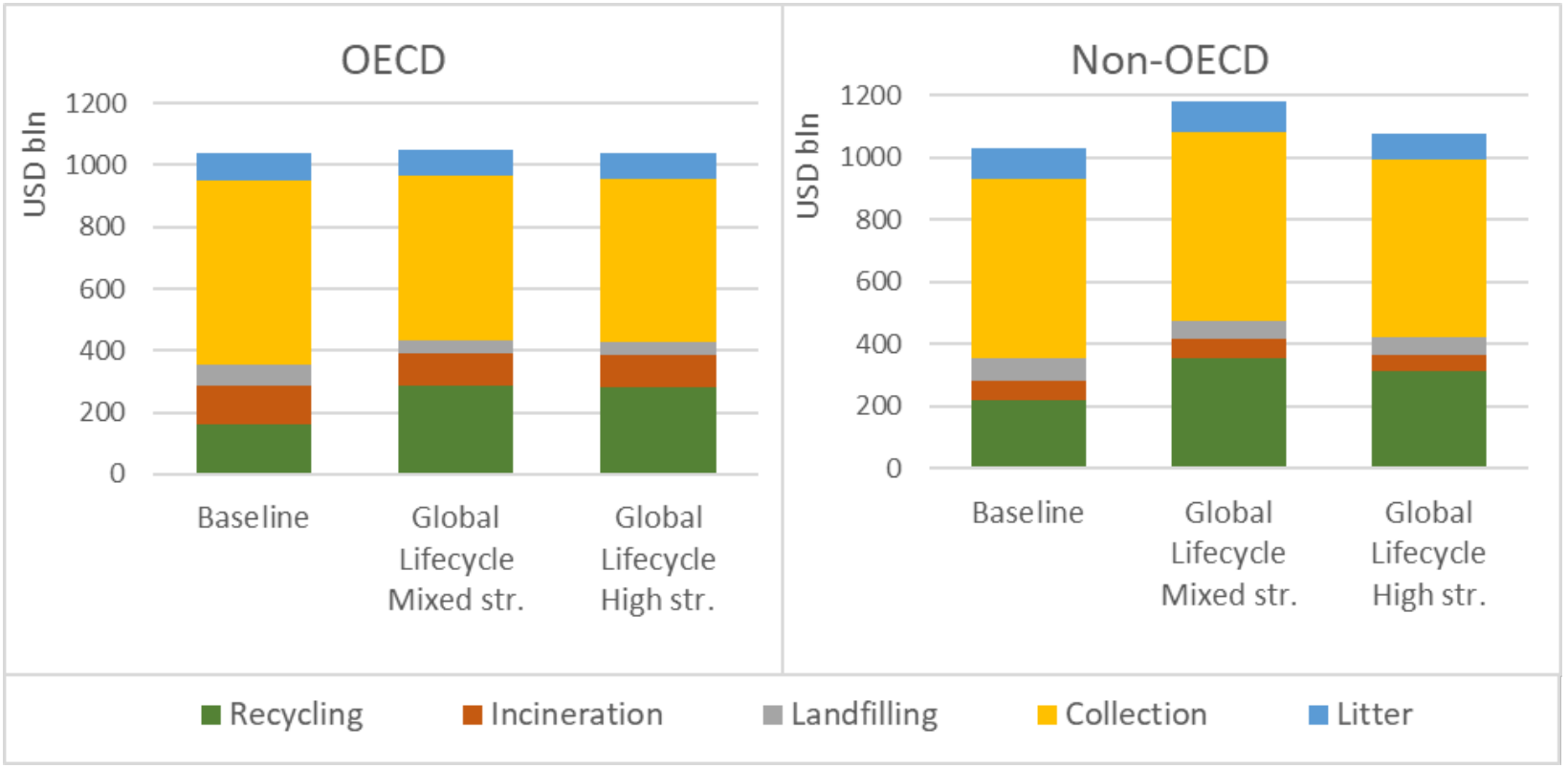
Ad hoc intersessional open-ended expert group 1 – Finance

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

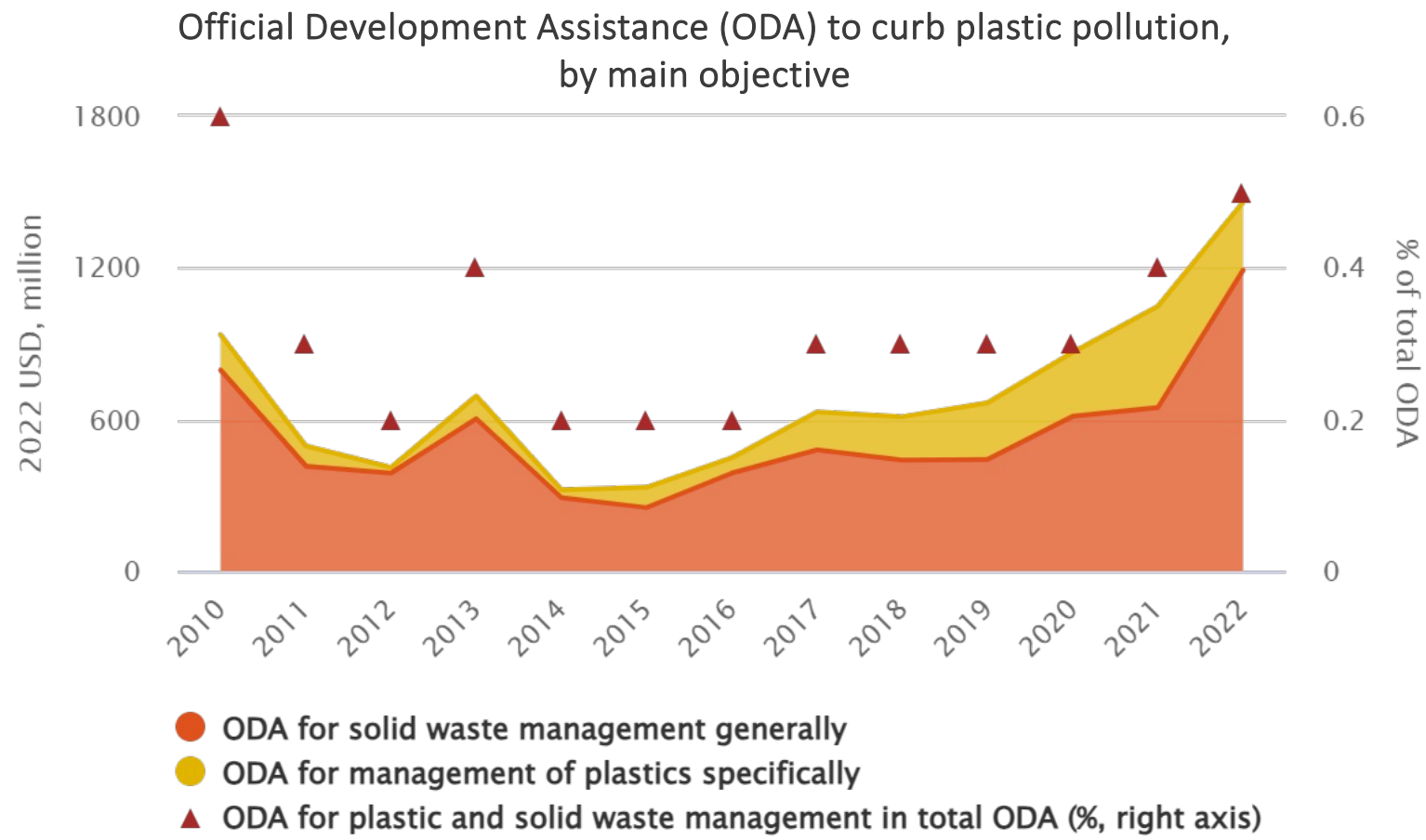


Strong redirections of investment flows, coupled with waste reduction measures, can limit additional investment needs to only USD 50 billion by 2040

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



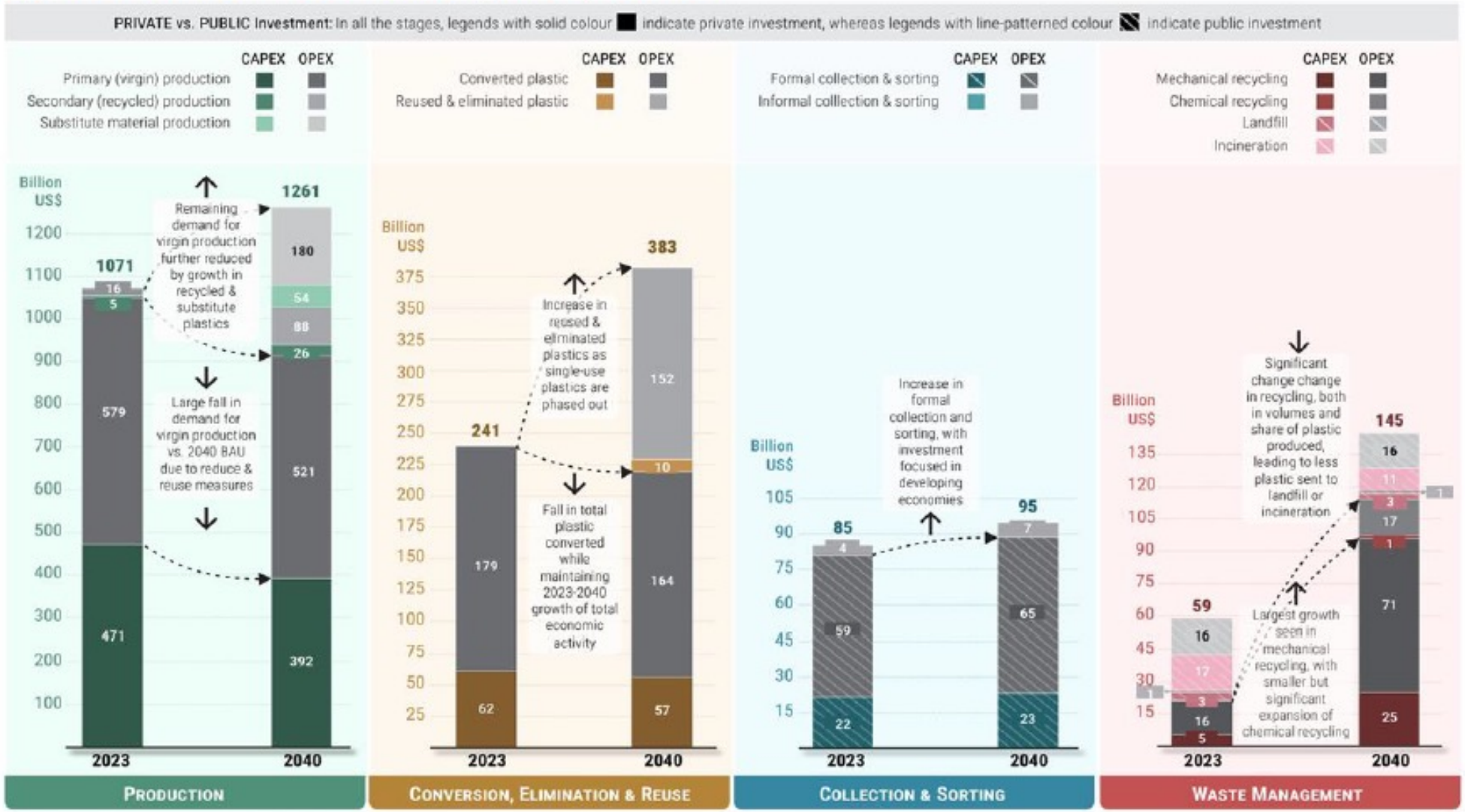
Quantifying development finance, including ODA



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

OECD Data Platform on Development Finance for the Sustainable Ocean Economy https://oecd-main.shinyapps.io/ocean/

Figure 1: Financial needs to end plastic pollution[8]



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

Overview of public and private sources of finance

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

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

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

Ad hoc intersessional open-ended expert group 1 – Finance

United Nations ESCAP
In-person meeting, Bangkok (Thailand)
24-28 August 2024

Mr. Kamal Djemouai - Independent Consultant (TRP)

Examples of Financial components of UN MEAs

CBD_ Article 21. Financial Mechanism

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

Basel Convention
ARTICLE 14 Financial Aspects

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

Stockholm Convention
ARTICLE 13 Financial resources and mechanisms

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

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

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

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

Standing Committee on Finance (SCF) (2010)

CBIT
NCQG
2.1.c (FF)

Guidance to the operating entities of the FM of the Convention

Accountable and Report to the COP

GEF (1994)
Multifocal areas Facility

GEF Council

Replenishment cycles

Committee of Donors

SCCF / LDCF (2001)
Voluntary donations

AF (Adaptation Fund)
(1997-2005)

AF Board

Voluntary contributions
Share of proceeds (SoP)

GCF (2010-2015)

GCF Board
Committee of Contributors

Replenishment cycles

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

LDF Board and ?

Starting with Voluntary pledges

All funds are established by COP decisions

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

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

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

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

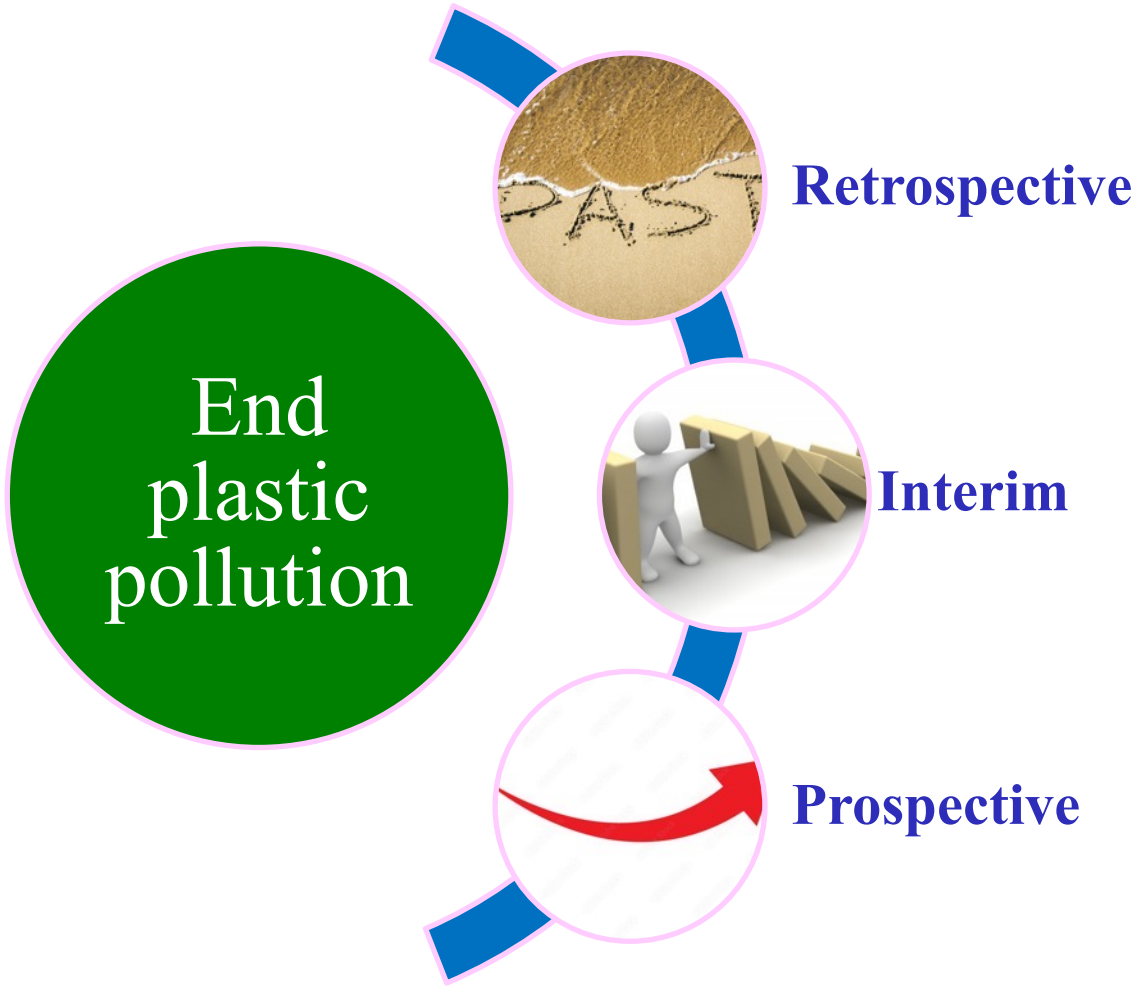
Fund(s): needs, gaps, implementation, evolution of the process, …

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

Overview considerations of a Fund

Surya Deva

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



- Complements other policy goals:

    1) Promotes **human rights**, including the right to a clean, healthy and sustainable environment, and the right to development

    2) Contributes to the **Sustainable Development Goals**

    3) Promotes **responsible business conduct** (e.g., UNGPs, OECD MNE Declaration, CSDDD)

- Key normative principles that could underpin a Fund:

Establishment	Implementation	Governance
• *Adequate* – new funds; tap alternative and innovative sources • *Inclusive* – wide coverage • *Equitable* – proportionate contributions; grants	• *Accessible* – e.g., LDCs/SIDS; marginalised groups • *Differentiated impacts* – priority to most affected countries and communities • *Efficient* – streamlined processes	• *Participatory* – fair and equal voice; civil society representation • *Transparent* – disclosure; independent audit • *Accountable* – grievance mechanism

- These principles are based on a report concerning the **Fund Responding to Loss and Damage**

- See A/79/168: https://undocs.org/Home/Mobile?FinalSymbol=A/79/168