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**Open-ended Working Group of the Basel Convention
on the Control of Transboundary Movements of
Hazardous Wastes and Their Disposal**

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**Implementation of the decisions adopted by the Conference
of the Parties at its seventh meeting: sustainable financing
(decision VII/40)**

**Legal and institutional feasibility of appropriate and
predictable financial mechanisms of the Basel Convention:
addendum to the Basel Convention Resource Mobilization
Strategy**

Preliminary draft for comment

* UNEP/CHW/OEWG/4/1.

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Executive Summary

This addendum to “*Mobilizing resources for a cleaner future: implementing the Basel Convention*” (UNEP/CHW.7/INF/8) was prepared in accordance with Decision VII/40 on Sustainable Financing adopted by the COP at its seventh session held 25-29 October 2004 in Geneva. The decision *Requests the Open-ended Working Group to examine article 14 of the Basel Convention, by taking into account the various options provided under the study made on resource mobilization, with a view to determining the legal and institutional feasibility of appropriate and predictable financial mechanisms of the Convention.*

This addendum has three substantive sections:

Section 2 provides a framework for analyzing multilateral financial mechanisms; **Section 3** applies the framework to select multilateral financial mechanisms; and **Section 4** provides options for consideration of Basel Convention Parties regarding appropriate and predictable financial mechanisms of the Basel Convention.

In Section 2, firstly, the legal and institutional framework of the Basel Convention is outlined, with a view to identifying the purposes for which financial mechanisms are required, and the legal requirements that must be considered in the assessment of the suitability of various financial mechanisms in meeting such purposes. The purposes identified, by reference to the provisions of the Convention and decisions adopted by the Conference of the Parties, include: core operational activities to promote implementation of the Convention and required activities to promote implementation of the Convention (such as capacity building activities and activities undertaken for specific programmes). A primary consideration for the Parties will be to identify the different types of purposes for which financial mechanisms should be established, with the aim of facilitating the assessment of each type of possible financial mechanism in the context in which it could be applied.

Thereafter, in section 2, six types of multilateral financial mechanisms are described:

- (a) The Trust fund for the Basel Convention (the Basel Convention Trust fund) – a general purpose trust fund negotiated by Parties to the Convention and using a scale of assessments;
- (b) The Basel Trust fund to Assist Developing Countries and Other Countries in Need of Technical Assistance in the Implementation of the Basel Convention (the Technical Cooperation Trust fund) – a specialized trust fund that is donor driven;
- (c) The Africa Stockpiles Program (ASP) at the World Bank – a program specific trust fund that is partnership based;
- (d) Clean Development Mechanism (CDM) funds - specialized trust funds that are donor based;
- (e) The Multilateral Fund for the Implementation of the Montreal Protocol (MLF) – a dedicated multilateral financial mechanism with the fund size negotiated by all Parties to the Convention and using a scale of assessments; and
- (f) The Global Environment Facility (GEF) – a multi-purpose multilateral financial mechanism with a fund size negotiated by donors and using a scale of assessments.

Section 2 then sets forth criteria for assessing these financial mechanisms. The criteria identified are: their resource base adequacy to tasks, sustainability and predictability, equity, accountability and transparency, and also, regarding their applicability to the Basel Convention, their compatibility with its mandate, governance structures and political and legal feasibility.

In section 3, these financial mechanisms are examined against the criteria set forth in section 2. The study makes the following observations regarding the fund types and existing examples of these funds:

- **The Basel Convention Trust Fund** is negotiated on the basis of a burden sharing formula derived by consensus are a useful financial mechanism for support of

operational and/or programmatic supporting activities. However, as experience has shown with the Basel Convention Trust Fund, contributions often fail to match budget requirements relative to assigned responsibilities. General purpose trust funds are typically applied to ordinary expenditures associated with institutional support, such as for international organizations and Convention Secretariats. Examples of institutional support include institutional infrastructure (facilities, equipment), staffing, administrative overhead, operational costs, and logistical support, such as funding the attendance at meetings of participants from developing countries and countries with economies in transition (CEIT). General purpose funding mechanisms of this type can also be used to support program objectives (e.g., the UNEP Environment Fund, which is the principal source of financing for implementation of core UNEP activities). Theme-based or program objectives are determined by the membership served by the fund (e.g., Parties to a Convention as represented by the Conference of the Parties).

The contributions of individual Parties to these funds are typically based upon an agreed, negotiated level of funding, which is then apportioned according to a formula such as the UN General Assembly scale of assessments, as is the case for the UNEP Environment Fund and the Trust Fund for the Basel Convention¹. Such funds often attempt to be inclusive involving contributions from developed and developing nations alike, but the majority of funding support typically comes from developed nations.

The Parties or their designated representatives determine priorities for these funds, and costs for operation of the mechanisms are borne by the contributing Parties. Typically, a budget is developed based on line items consistent with the fund's purposes and identified priorities for a particular funding period (biennium, five-year, etc.), as agreed to by the fund participants collectively (e.g., the COP of an MEA). With respect to the process for contributing, each donor nation, consistent with the negotiated formula, pledges an amount that it plans to contribute.

- **The Basel Trust fund to Assist Developing Countries and Other Countries in Need of Technical Assistance in the Implementation of the Basel Convention**, both in terms of their structure and as evidenced by the experiences of existing funds, indicates that this type of fund is highly unpredictable with respect to the resource base received from one funding cycle to the next or for a specific donor theme-based fund. Where such funds support conventions, resources typically fall far short of notional budgets. Donor-driven funding removes discretion in application of funds as applicable to implementing Convention work plan priorities. Additionally, such funds carry high transaction costs for managers and administrators. In the experience of the Basel Convention, the majority of earmarked funds provided to the Technical Cooperation Trust Fund support conference attendance as opposed to the more traditional concept of technical assistance (e.g., ESM activities). Technical assistance activities supported by the fund have been small in number and limited to modest pilot efforts where donor designated uses happen to match country-driven requests
- **Programme Specific funds that are Partnership Based, such as the Africa Stockpiles Program (ASP) at the World Bank** offer a transparent approach to funding targeted activities, often of a sectoral and/or regional nature. Initial transactional costs for those organizing and/or administering the funds (e.g., an MEA secretariat or an IFI) are likely to be higher than subsequent managerial costs owing to the time required to raise awareness among potential partners, woo them, establish a formal basis for partnership donations, and arrive at consensus on the fund scope, etc. Partnerships require a focal point for substantive organization (e.g., lead sponsor(s)) and a home for administrative coordination. Clear objectives for the fund (purpose; allocation processes; budget targets; activities; timelines for achievement, etc.) contribute to ability to apply funds effectively and to measure the success of

¹ Some modifications in the UN formula have emerged regarding the Trust Fund for the Basel Convention, in part reflecting that negotiated assessments are still at the discretion of national governments.

fund initiatives. As a “niche” financial mechanism, these types of funds contribute expertise and can add to the overall resource base available for Convention implementation assistance. They can be difficult to realize given the different interests and motivations of the various partners, and concerns that fund control may be linked to the largest donor(s). Because such funds support programme specific alliances, there can be considerable uncertainty at the outset and even well into an initiative as to whether contributions collectively will be sufficient to support initiatives. Hence these types of funds, while important, are generally viewed as an “add on” to core funding that is more predictable and sustainable relative to key activities and access by all recipients and as determined by the full membership of the COP or governing body.

- **Programme Specific Donor Based Fund, such as the Clean Development Mechanism (CDM)** is external to the Convention and typically have a limited life. Resources are varied depending on the fund and restrictions relative to projects, such as “capping” of fund amounts. *Sustainability* is typically low: the fund has a life span and is then sunsetted. *Predictability* is low from the viewpoint of when and on what operational basis such funds will be created and with respect to *adequacy of resources* once a fund is established. Often the funds are undertaken on a pilot basis to test a funding approach. Donors may include bilateral aid agencies. *Accountability* is generally high, given that an international or regional bank often manages them. *Transparency* is variable. *Equity* is also variable, depending on whether the fund is established for global access or on a regional basis and relative to the conditions for eligibility (e.g., emphasis on technical aspects of project may effectively limit options for nations seeking access). Such a fund external to the Convention typically has limited application for the Basel Convention but may offer synergies that may assist Parties with implementation activities.
- **The Multilateral Fund for the Implementation of the Montreal Protocol (MLF)** is an example of a dedicated multilateral financial mechanism which is tailored to a particular entity’s needs (e.g. MEA), with funding provided on a negotiated basis, and contributions allocated to priorities and activities as determined in common by the entity’s membership. This is an ideal construct in terms of balance and control (predictability relative to application of funds), scope of the Convention (hazardous and other wastes) and with respect to distribution of funds (equity among developing nations as determined by the full membership). Despite the advantages of this fund type, the international donor community has expressed strong opposition to creation of another dedicated environmental multilateral financial mechanism.
- **The Global Environment Facility (GEF)**, the sole example of a **multipurpose, multilateral fund**, offers opportunities for Basel Convention implementation via its existing six focal areas, some which have strong synergies with Basel Convention objectives. Relative to all the financial mechanism constructs, the GEF offers good predictability and sustainability as a funding source. The GEF has a balanced structure of governance, negotiated basis for donor contributions, is comparatively transparent, and has good provisions for accountability (evaluation and monitoring of GEF activities). Its resource base is significantly larger than the Basel Convention trust funds. The Instrument of GEF as amended by the GEF General Assembly in 2002 provides that “the agreed incremental costs of activities to achieve global environmental benefits concerning chemicals management as they relate to the above focal areas shall be eligible for funding. The agreed incremental costs of other relevant activities under Agenda 21 that may be agreed by the Council shall also be eligible for funding insofar as they achieve global environmental benefits by protecting the global environment in the focal areas.” Should the Basel Convention Parties consider creation of /or formalized participation in a multilateral financial mechanism, the GEF offers the most suitable home in which to situate such a mechanism, whether it be dedicated to the convention (politically unlikely to fly) or a mechanism serving a cluster of related chemical conventions (e.g., as linked to the UNEP-led exercise on development of a SAICM). In either instance, contributions for activities funded through the GEF would need to be increased, such that resources

available to existing mechanisms would not be diminished and additional resources provided are consistent with the scope of the new mechanism. A programmatic and strategic approach that ensures equity with respect to Basel Convention fund access would need to be negotiated with the GEF. Even were such a mechanism established, the Basel Convention would need to consider options for non-chemical wastes. Many actions suggested in the proposed Basel Convention RMS are applicable in this regard.

Section 4 of this addendum contains the recommendations derived from the foregoing analyses, and puts forward multilateral financial mechanism options for consideration by the Parties.

In light of the study's analysis and consistent with the proposed Basel Convention RMS, this addendum proposes that the Parties pursue a variety of multilateral financial mechanism options as no one option is sufficient in and of itself and the various approaches can complement one another and, in some instances, help to leverage funds available via another option. For any financial mechanism, there should be regularized reporting of contributions and projects funded at each COP, and provision for periodic independent evaluation of funds over which the Convention has control or with which it participates as a partner.

The proposed approaches include enhancement of current resources available to the Convention including via its own trust funds, and utilization of other existing mechanisms, of which the GEF currently offers the greatest potential. The study suggests for consideration of the Parties:

- *In the context of the Basel Convention Trust Fund, clarifying the scope of the Basel Convention Trust Fund such that it is applicable to the full range of core operational activities with which the Secretariat is tasked by the Convention as per COP decisions, and considering inclusion of Basel Convention Regional Centers (BCRCs) operational costs within this scope. Resources should be reviewed at each COP as applicable to operational activities.*
- *In the context of the Basel Convention Technical Cooperation Trust Fund, consider:*
- *Amending the scope of the Basel Technical Cooperation Trust Fund to restrict it to COP priorities, namely:*
 - a. *National/regional capacity building projects for compliance with the Basel control system, national reporting obligations and ESM goals, coordinated, as appropriate, by the BCRCs;*
 - b. *Participation costs of developing countries; and*
 - c. *Emergency assistance.*
- *Giving consideration to converting the Basel Convention Technical Cooperation Trust Fund to a negotiated specialized trust fund.*
- *Extending the fund cycle for both Basel trust funds to four years to enhance predictability in the programming framework.*

Requesting that UNEP reduce or abolish its 13% per annum support cost relative to the Basel Convention Technical Cooperation Trust Funds in the light of the limited size as well as the nature and purposes of the fund
- *In the context of programme-specific fund mechanisms, consider adopting a policy requiring that programme-specific fund mechanisms for which the SBC has a lead role support selected priority areas of activities as endorsed by COP decisions, and consider investing resources to enhance the capabilities and capacities of the Basel Convention to become a founding partner in partnership-based programmatic trust funds that are focused on global priorities and have good prospects to attract resources from multiple sources, including the private sector.*

- *In the context of the GEF, in addition to the GEF-related actions already contained in the proposed Basel Convention RMS, the Basel Convention COP could call upon the GEF to (a) explicitly expand upon opportunities for the Basel Convention to become involved in waste management project activities that are consistent with the mandates of current GEF focal areas; (b) become a financial mechanism in support of Basel Convention implementation; or (c) establish a “chemicals cluster” focal area that would include a range of applicable Basel Convention activities, perhaps in context of the SAICM or a similar initiative.*
- *In the context of bilateral funding, direct the Secretariat and BCRCs (as coordinated by the SBC) to make periodic and systematic submissions of projects to donors in priority areas as agreed to by the COP and promote annual pledging conferences/donor consultations for chemical and waste conventions so as to improve synergies and efficient use of resources with respect to donor resources. The COP could request that UNEP likewise systematically promote chemicals and waste projects during its consultations with bilateral donors to promote coordination in international chemicals management.²*

A dedicated multilateral fund option in support of the Basel Convention was not viewed as remotely politically feasible for the foreseeable future, hence is not among the options identified in this addendum for consideration by the Parties.

1.0 Introduction

1. This study is an addendum to, “Mobilizing resources for a cleaner future: implementing the Basel Convention” (UNEP/CHW.7/INF/8), which constitutes a proposed resource mobilization strategy (RMS) for the Basel Convention. The mandate for this addendum study is Decision VII/40 on Sustainable Financing adopted by the COP at its seventh session held 25-29 October 2004 in Geneva (See Annex 1). In decision VII/40, the COP, Requests the Open-ended Working Group to examine article 14 of the Basel Convention, by taking into account the various options provided under the study made on resource mobilization, with a view to determining the legal and institutional feasibility of appropriate and predictable financial mechanisms of the Convention.

2. The COP 7 discussion on Decision VII/40 revealed an emphasis on assessing prospects for improving the predictability and sustainability of multilateral financial mechanisms in support of Basel Convention implementation. This subject was explicitly not included in the original terms of reference for development of the proposed Basel Convention RMS. In accordance with the emphasis of Decision VII/40, this study adds this consideration to the options provided in the proposed RMS. The RMS was introduced at COP 7 and is anticipated to be an important part of the agenda at COP 8.

3. The Plan of Action developed in the proposed Basel Convention RMS advocates a multi-faceted approach for mobilizing resources and cooperation in support of Basel Convention implementation. The multi-faceted actions will be critical to improving financial support for the Convention regardless of whether or not agreement is ultimately reached between donor and recipient countries to establish more *predictable and sustainable multilateral financial mechanisms* in support of Basel Convention implementation.

1.1 Scope of this addendum to the RMS

4. The reference to *appropriate funding mechanisms of a voluntary nature* in Article 14 of the Basel Convention, which is cited in Decision VII/40, suggests that the original intent of the Parties was to apply voluntary mechanisms to funding Basel Convention regional training centres. Article 14(1) states,

² This option arises from the RMS proper, and as linked to the discussion in this addendum of programme-specific funds in this addendum.

The Parties agree that, according to the specific needs of different regions and subregions, regional or subregional centres for training and technology transfers regarding the management of hazardous wastes and other wastes and the minimization of their generation should be established. The Parties shall decide on the establishment of appropriate funding mechanisms of a voluntary nature.

5. However, while article 14 in this regard is circumscribed, the instruction within Decision VII/40 suggests an examination of multilateral financial mechanisms of a voluntary nature which are broadly applicable to the Basel Convention in its entirety, taking into account the options proposed in the RMS (*i.e. with a view to determining the legal and institutional feasibility of appropriate and predictable financial mechanisms of the Convention*). Accordingly, the scope of this addendum study includes an examination of potential options for appropriate, predictable and sustainable multilateral financial mechanisms of a voluntary nature that are applicable to implementation of the Basel Convention as a whole, including the regional training centres.

6. This addendum also adopts a broad interpretation of the term “voluntary” on the basis that all contributions are made on the basis of collective or individual decisions of Parties (*i.e.*, are not enforced by formally prescribed punitive measures such as with tax evasion under national tax systems, or by removal of participation and voting rights in some international fora). Based on this interpretation, “voluntary” is applicable to contributions made in the context of negotiated formulas that provide guidance for minimum contribution amounts as proportional to a donor nation’s economy, size, etc. (*i.e.* scales of assessment), and to non-negotiated contributions as provided by a donor for general funds or ear-marked purposes (see Section 2.1 for different types of funding mechanisms).

1.2 Structure of this addendum

7. This study has three substantive sections:

Section 2 provides a framework for analyzing multilateral financial mechanisms;

Section 3 applies the framework to select multilateral financial mechanisms; and

Section 4 provides options for consideration of Basel Convention Parties regarding appropriate and predictable financial mechanisms of the Basel Convention.

2.0 Framework for analysis

2.1 The legal and institutional framework of the Basel Convention

8. As noted above, decision VII/40 requests the Open-ended Working Group to examine Article 14 of the Basel Convention, with a view to determining the legal and institutional feasibility of appropriate and predictable financial mechanisms of the Convention. As a first step, it is necessary to identify, in the context of the Basel Convention, the activities and purposes for which such financial mechanisms are required, having regard to the legislative authority contained in the Convention itself, as well as supplementary legislative mandates to be found in decisions adopted by the Conference of the Parties. The identification of such mandates will permit the proper assessment of suitability and feasibility of various financial mechanisms for the Basel Convention.

2.2 The legal framework for activities undertaken for the Basel Convention

2.2.1 Core operational activities relating to the implementation of the Convention

9. The Basel Convention seeks to protect human health and the environment against the adverse effects that may result from the generation and management of hazardous wastes and other wastes. In

meeting these objectives, the Conference of the Parties under Article 15 of the convention, has the responsibility, *inter alia*, to “keep under continuous review and evaluation the effective implementation” of the Convention and to “promote the harmonization of appropriate policies, strategies and measures” to that effect. The Secretariat’s functions in meeting this objective, as set out in Article 16 of the Convention, include:

- To arrange for and service meetings of the Parties;
- To prepare and transmit reports on various types of information received from Parties as well as intergovernmental and non-governmental organizations;
- To prepare reports on its activities carried out in implementation of its functions under the Convention;
- To ensure the necessary coordination with relevant international bodies, and in particular to enter into such administrative and contractual arrangements as may be required for the effective discharge of its function;
- To communicate with focal points and competent authorities;
- To compile information concerning authorized national sites and facilities of Parties available for the disposal of their hazardous wastes and other wastes and to circulate this information among Parties;
- To receive and convey information from and to Parties on: sources of technical assistance and training; available technical and scientific know-how; sources of advice and expertise; and availability of resources;
- To provide Parties, upon request, with information on consultants or consulting firms having the necessary technical competence in the field;
- To assist Parties upon request in their identification of cases of illegal traffic and to circulate immediately to the Parties concerned any information it has received regarding illegal traffic;
- To co-operate with Parties and with relevant and competent international organizations and agencies in the provision of experts and equipment for the purpose of rapid assistance to States in the event of an emergency situation; and
- To perform such other functions relevant to the purposes of the Convention as may be determined by the Conference of the Parties.

10. Financial resources are required, firstly, to meet the day-to-day operational costs of the Secretariat (personnel, office space, etc.) to enable it to discharge such functions and, secondly, to meet costs associated with the convening of the meetings of the Conference of the Parties and its subsidiary bodies and the conduct of related functions (meeting costs, reporting and communication costs, etc). At the present time, these financial resources are mostly derived from the Basel Convention Trust Fund, with the major exception of meeting participation costs, most of which are sourced from voluntary contributions as provided to the Basel Convention Technical Cooperation Trust Fund.

11. However, the core operational activities cannot be artificially disassociated with the other functions of the Secretariat, especially as described in paragraph 1(k) of Article 16 (the last bullet in the list above, which is discussed in more detail in subsection 2.2.2 below). This is of particular relevance in regard to the programme supporting activities of the Secretariat that are necessary to discharge its functions in accordance with the Convention and the various decisions of the Conference of the Parties.

2.2.2 Required activities to promote the effective implementation of the Convention

12. There are two types of activities required for Convention implementation: capacity building activities, and activities undertaken as part of programmes as directed by the Parties to address specific issues in support of environmentally sound management.

2.2.2.1 Capacity-building activities

13. Inherently, the Convention's provisions pertaining to general obligations (Article 4) require each Party to establish a control system in the context of environmentally sound management as defined in Article 2 of the treaty. Consequently, the capacity-building dimension of the implementation of the Convention cannot be disassociated from the establishment and functioning of the control system.

14. The preamble to the Convention takes account of the "limited capabilities of the developing countries to manage hazardous wastes and other wastes", and therefore recognizes, "the need to promote the transfer of technology or the sound management of hazardous wastes and other wastes produced locally, particularly to the developing countries in accordance with the spirit of the Cairo Guidelines and decision 14/16 of the Governing Council of UNEP on Promotion of the transfer of environmental protection technology".³

15. An interpretation of the Convention in the light of its objectives indicates that capacity building activities — in particular as undertaken to assist developing countries and countries with economies in transition (CEITs) to achieve the objectives of the Convention — are an essential element for effective implementation of the Convention. The Conference of the Parties has specifically recognized the essential role of capacity building to achieve the goals of the Convention. For example, the seventh meeting of the COP, by its decision VII/8 on *Capacity-building for Implementation of the Strategic Plan*, acknowledged that, "capacity-building, information exchange, awareness-raising and education in all sectors of society are of paramount importance for achieving the aims of the Basel Convention". The Ministerial Statement made at the seventh meeting of the COP reflects this concept, by stating *inter alia*, that more efforts will be devoted to strengthening national capacities to segregate hazardous from non-hazardous wastes, strengthening and promoting active involvement of the Basel Convention regional centres, and promoting the development of environmentally sound technologies and their transfer to developing countries.

16. Capacity-building activities under the Basel Convention should also be viewed in the context of an integrated approach to chemicals management. Decision 20/7.1 on international environmental governance adopted by the UNEP Governing Council noted, "there is support for enhancing collaboration among multilateral environmental agreement secretariats, in specific areas where common issues arise, such as current work among the chemicals and waste multilateral environmental agreement secretariats and including the interim secretariats."⁴ Furthermore, the Governing Council in its Decision 22/4 IV on a Strategic Approach to International Chemicals Management noted, "the importance of coordination between the development of the strategic approach to international chemical management and the work of the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, the Stockholm Convention on Persistent Organic Pollutants and the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, and the Vienna Convention for the Protection of the Ozone Layer and its Montreal Protocol on Substances that Deplete the Ozone Layer, with due regard to their respective mandates."⁵

³ Article 10(2) provides that Parties shall "co-operate actively, subject to their national laws, regulations and policies, in the transfer of technology and management systems related to the environmentally sound management of hazardous wastes and other wastes. They shall also co-operate in developing the technical capacity among Parties, especially those which may need and request technical assistance in this field".

⁴ IEG-Report § 27

⁵ It is further noted that both the Rotterdam Convention on Prior Informed Consent, and the Stockholm Convention on Persistent Organic Pollutants recognise that technical assistance in response to requests from developing country Parties and Parties with economies in transition is essential to the successful implementation of the Convention (See Article 12 of the Stockholm Convention on Persistent Organic Pollutants, and Article 16

17. Article 14(1) of the Convention provides for the establishment of regional or sub-regional centres for training and technology transfers regarding the management of hazardous waste and other wastes and the minimization of their generation. It further provides that, “Parties shall decide on the establishment of appropriate funding mechanism of a voluntary nature”. Numerous decisions have been adopted by the Conference of the Parties have elaborated upon the role of the Centres in the implementation of capacity-building activities.⁶

18. With respect to the Secretariat, Article 16(k) provides that it is, “to perform such other functions relevant to the purposes of this Convention as may be determined by the Conference of the Parties”. Such functions have been ascribed to the Secretariat by decisions of the Conference of the Parties, particularly with respect to capacity-building activities in furtherance of Convention implementation. Thus, for example, decision III/10 of the third meeting of the COP on the Evaluation of the Effectiveness of the Basel Convention requested, “the Secretariat of the Basel Convention to continue providing the necessary assistance to the Parties, in particular to developing countries and countries with economies in transition, in order to enable them to effectively fulfil their obligations under the Convention and hence ensure its effectiveness”. Furthermore, specific capacity-building activities to promote effective implementation of the Convention have been entrusted to the Secretariat. For example:

- **Illegal traffic:** Decision II/4 of the second meeting of the Conference of the Parties requested the Secretariat to, “assist Parties in developing national legislation to deal with illegal traffic and hazardous wastes and other wastes”, and to, “assist Parties in capacity-building including the development of an appropriate infrastructure with a view to the prevention and penalization of illegal traffic in hazardous wastes and other wastes and to ensure the involvement of national authorities and focal points for the Basel Convention in the prevention and monitoring of illegal traffic in hazardous wastes and other wastes”. Decision III/6 requested the Secretariat to, “organize training courses for customs officers, port authorities, judiciary personnel and police forces in cooperation with WCO, Interpol and other appropriate bodies, including UN regional commissions and secretariats of regional agreements dealing with similar aspects”. Following the adoption of the *Guidance Elements for Detection, Prevention and Control of Illegal Traffic in Hazardous Wastes*, Decision VI/16 requested, “the secretariat, in collaboration with the Basel Convention Regional Centres, to assist Parties, particularly developing countries, in implementing the Guidance Elements for Detection, Prevention and Control of Illegal Traffic in Hazardous Wastes at the national level, including the development of national contingency plans”.
- **Training and seminars on implementation:** Decision V/6 on Training and Seminars related to the Basel Convention requested, “the Secretariat to continue developing training programmes, including curricula at the national level in collaboration with national authorities, and organizing national and regional training activities on the implementation of the Basel Convention in collaboration with UNEP and other international organizations, as appropriate within the framework for the regional/sub-regional centres for training and technology transfer presently being established under the Basel Convention”. It further requests the Secretariat, in collaboration with UNEP and others, actively to contribute to the implementation of the programme of activities of the regional centres by developing training materials, publications and other supporting materials, by facilitating the development of local

of the Rotterdam Convention on Prior Informed Consent. See also, Article 13 of the Stockholm Convention provides for financial resources and mechanisms in which developed country Parties are obliged to assist developing country Parties and Parties with economies in transition, financially, to meet the obligations under the Convention). These Conventions recognise the role of the Secretariat in facilitating “assistance to the Parties, particularly developing country Parties and Parties with economies in transition, on request in the implementation of the Convention provisions” (See Article 20(2)(b) of the Stockholm Convention, and Article 19(2)(b) of the Rotterdam Convention).

⁶ See, for example, the core activities of the Centres, as reflected in appendix 1 of decision VI/3.

and regional activities and case studies, and by providing resource persons for training courses.

- **Prevention of accidents and emergency measures:** Decision V/32 decided that the Secretariat of the Basel Convention may, upon request, use the funds [donated pursuant to this decision] to assist a Party to the Convention, which is a developing country or a country with economy in transition, in developing its capacity-building and transfer of technology, and in putting in place measures to prevent accidents and damage to the environment caused by the transboundary movement of hazardous wastes and other wastes and their disposal.

19. The COP has called on the Secretariat to conduct numerous other capacity building activities, such as the implementation of Agenda 21,⁷ providing legal and technical assistance to Parties further to the implementation of the Convention⁸ within their legislature, the provision of technical and legal assistance to Parties in their process of ratification or accession to the Protocol on Liability and Compensation,⁹ and assisting Parties in meeting their reporting obligations through the organization of workshops.¹⁰

20. However, while recognizing the fundamental importance of capacity-building activities to effective implementation of the Convention, decisions of the Conference of the Parties have tended to provide that costs of such activities are to be met from voluntary contributions made to the Basel Convention Technical Cooperation Trust Fund. Since such contributions have been limited and mostly earmarked, *the Secretariat has had to divert considerable time and effort from existing resources to promote capacity building activities and assisting the Centres, and both the Secretariat and the Centres have had to rely upon voluntary contributions in order to fulfil these mandates.*

21. Thus, for example, decisions of the COP have often reiterated, “the importance for Parties to provide financial resources to the Technical Cooperation Trust Fund to assist developing countries and countries with economies in transition that are Parties to the Convention in implementing the Basel Convention and in managing hazardous wastes in an environmentally sound manner” and, to this end, has invited, “Parties, non-Parties, intergovernmental organizations, members of the industry and business sectors, and non-governmental organizations to provide financial resources or assistance in kind to assist countries in need of such assistance in the development of training activities and technology transfer for the environmentally sound management and control of hazardous wastes”.¹¹ For example:

- Decision IV/10 urged “Parties to contribute to the voluntary Technical Cooperation Trust Fund established under the Basel Convention with the aim to support the activities of developing countries and the Secretariat of the Basel Convention in developing training and capacity-building activities as well as awareness-raising activities”.
- Decision V/32 on enlargement of the Scope of the Technical Cooperation Trust Fund urged, “Parties to provide contributions to the Technical Cooperation Trust Fund to support the activities referred to in that decision, and decision VI/14 invited developing countries and countries with economies in transition which are Parties to the Basel Convention to submit to the Secretariat project proposals for development of capacity-building, transfer of technology, and putting in place measures to prevent accidents and damage to the environment caused by transboundary movements of

⁷ Decision I/23 of the first meeting of the Conference of the Parties, as reiterated and developed by decisions II/21 of the second meeting of the Conference of the Parties, and III/21 of the third meeting of the Conference of the Parties.

⁸ Decision I/12 of the first meeting of the Conference of the Parties, and decision III/10 of the third meeting of the Conference of the Parties.

⁹ Decision VI/5 of the sixth meeting of the Conference of the Parties.

¹⁰ Decision VII/35 of the seventh meeting of the Conference of the Parties

¹¹ Decision V/7 of the fifth meeting of the Conference of the Parties. See also Decision VI/11 of the sixth meeting of the Conference of the Parties.

hazardous wastes and other wastes and their disposal, including for development of emergency response and contingency plans.

- Furthermore with regard to the Basel Convention Regional Centres, decision IV/4 urged, “all Parties and non-Parties in a position to do so, as well as international organizations, including development banks, non-governmental organizations and the private sector, including industry, to make financial or in-kind contributions to allow all centres to become operational as soon as possible and to support their activities”, and, furthermore, it urged, “the Parties to have as a goal the long-term sustainability of the centres and to ensure that various options are being considered in order to achieve this goal”.

2.2.2.2 *Specific programmes/issues*

22. Examples of supporting activities undertaken by the Secretariat as part of programmatic activities that Parties have directed to be developed and implemented in support of environmentally sound management include:

- Development of technical guidelines and other documentation by the Secretariat (see, for example, decisions 1/19, II/16, V/15, V/25);
- Development of project concepts by the Secretariat for implementation by Parties in collaboration with the Centres in the priority areas of electronic wastes, used lead-acid batteries, used oils, obsolete stocks of pesticides, PCBs, dioxins and furans, by-products from the dismantling of ships, biomedical and health-care wastes, and partnerships with municipalities (Decision VII/3 on the Basel Convention Partnership Programme);
- Identification and development of one or several pilot projects on collection schemes in areas and regions in need of such projects further to the Mobile Phone Partnership Initiative¹²;
- Development and implementation of specific activities specifically focussing on Small Island Developing States in close cooperation with the UNITED nations Department of Economic and Social Affairs and other relevant stakeholders, including Basel Convention regional centers (Decision VII/5);
- Development of concerted approaches for the further implementation of the Environment Initiative of the New Partnership for Africa’s Development as it relates to hazardous wastes and other wastes (Decision VII/6); and
- Work on the issue of ship dismantling (see, for example, Decisions VII/25, VII/26 and VII/27).

23. The COP has normally determined that the costs for implementation of such specific programmes or activities should be met from voluntary contributions. Nevertheless, the Secretariat is required to devote a substantial portion of its time and resources to these activities (e.g., the development of Technical Guidelines) in order to compensate for the lack of adequate contributions. In previous years, the COP has invited, “Parties, other States and potential donors to contribute financially, technically or in kind to the implementation of specific project activities, the conduct of which has been requested by the Parties.”¹³

¹² Decision VII/4 of the seventh meeting of the Conference of the Parties, requested such projects to be carried out using funds provided by mobile phone working group participants, however the same decision also invited “Parties, signatories, members of industry and international governmental and non-governmental organizations to make financial and in-kind contributions for the implementations of pilot projects on collection and treatment schemes and for the publication of final reports of the mobile phone working group, including the overall guidance document”.

¹³ Decision V/7 of the fifth meeting of the Conference of the Parties. See also Decision VI/11 of the sixth meeting of the Conference of the Parties.

2.3 The institutional framework of the Basel Convention

24. In order to assess the functionality and suitability of each possible funding mechanism described below, in the context of the Basel Convention, it is necessary to examine the institutional structure of the Basel Convention.

25. **Conference of the Parties (COP):** The COP, as the governing body of the Convention, has both a decision-making and a supervisory role. Its mandate in this regard includes keeping under review and evaluating the effective implementation of the Convention, harmonizing policies, establishing subsidiary bodies, and undertaking additional actions. The UN and its specialized agencies, as well as any States not party to the Convention, are invited to participate as observers at meetings of the COP. Any other body or agency, whether international or national, governmental or non-governmental, qualified in the matter of hazardous wastes or other wastes may participate as observers unless one-third of the Parties object. Meetings of the COP are held every other year.

26. **Secretariat:** The Secretariat performs an administrative (operational) function as described above in Section 2.2.1 and also has an extensive implementation function, primarily as a response to article 16(k) requests by the COP (e.g., assisting Parties with development of legislation; capacity building, including implementation of infrastructure, conducting technical training seminars and assisting with development of course curricula, assistance with capacity-building and transfer of technology, and in putting in place measures to prevent accidents and damage to the environment caused by the transboundary movement of hazardous wastes and other wastes and their disposal, etc. as described in more detail in section 2.2) .

Subsidiary Bodies:

27. Subsidiary bodies of the Convention, as established by the COP, include the Expanded Bureau, Open-ended Working Group (OEWG), and the Compliance Committee. In addition, the Basel Convention Regional/Coordinating Centers have been established by COP decisions in accordance with Article 14 of the Convention.

28. **Expanded Bureau:** As per the COP Decision VI/36 the Expanded Bureau is composed of 13 members: five members of the present Bureau; five members of the previous Bureau; the two Co-chairs of the Open-ended Working Group; and the Chair of the Committee administering the mechanism for promoting implementation and compliance with the Basel Convention, having due regard to the principle of equitable geographic representation. The mandate of the Expanded Bureau as set out in Decision VI/36 is to provide administrative and general operational directions to the Secretariat between meetings of the COP; to provide guidance and advice to the Secretariat on the preparation of agendas and other requirements for the organization of meetings, and on any other matters brought to it by the Secretariat in the exercise of its functions; to perform functions requested by the COP or the OEWG, especially administrative tasks, taking into account the approved budget; and, to report to the COP on the activities it has carried out between the meetings of the latter. By COP Decision VII/41 the Expanded Bureau is further requested to “keep under review the financial information provided by the Secretariat”

29. **Open-Ended Working Group (OEWG):** The OEWG, established for scientific and technical purposes, has been operational since 2003. Its mandate as per COP 6 Decision IV/36 is largely supervisory in nature and includes assisting the COP in developing and keeping under continuous review the implementation of the Convention's work plan, specific operational policies, and decisions taken by the COP for the implementation of the Convention, as specified in Article 15. The OEWG is further mandated to consider and advise the COP on issues relating to policy, technical, scientific, legal, institutional, administration, finance, budgetary, and other aspects of the implementation of the Convention within the approved budget, including identification of the specific needs of different regions and sub regions for training and technology transfer, and to consider ways and means of ensuring the establishment and functioning of the Basel Convention Regional Centres for Training and Technology Transfer; to prepare its work plan for consideration by the COP; and to report to the COP on the activities it has carried out between meetings of the COP. The OEWG is composed

of the representative of all interested parties, and is also open to observers. The OEWG meets up to three times between meetings of the COP.

30. **Compliance Committee:** This committee was established to administer the Convention's compliance mechanism.¹⁴ It consists of 15 Members nominated by the Parties, and who have expertise relating to the subject matter of the Convention in areas including scientific, technical, socio-economic, and/or legal fields. The Committee elects its officers – a Chair, three Vice-chairs and a Rapporteur – based on equitable geographical representation of the five regional groups of the United Nations.

31. **Basel Convention Regional/Coordinating Centers (BCRCs):** Article 14 provides for establishment of regional centres for training and technology transfer. The Centers play an important implementation role in particular with respect to provision of assistance to developing countries and countries with economies in transition, within their own region, through capacity building for environmentally sound management, to achieve the fulfilment of the objectives of the Convention. To this end, the Centers' core functions include training; identifying, developing and strengthening mechanisms for the transfer of technology in the field of environmentally sound management of hazardous wastes or their minimization; encouraging the best approaches, practices and methodologies for environmentally sound management and minimization of the generation of hazardous wastes and other wastes, for example, through case studies and pilot projects; cooperating in mobilization of human, financial and material means in order to meet the urgent needs at the request of the Party(ies) of the region faced with incidents or accidents which cannot be solved with the means of the individual Party(ies) concerned; gathering, assessing and disseminating information on Convention wastes; consulting and awareness-raising; and performing any other functions assigned to it by the decisions of the Conference of the Parties of the Basel Convention or by Parties of the region. The Centers are also tasked with developing, within the general financial strategy approved by the Parties, the Centres' own strategy for financial sustainability.¹⁵ To date, 14 centers have been established in Argentina, China, Egypt, El Salvador, Indonesia, Nigeria, Iran, Senegal, Slovak Republic, Russian Federation, SPREP, South Africa, Trinidad & Tobago and Uruguay.

2.4 Considerations for assessing predictability and sustainability of multilateral financial mechanisms

32. This section describes criteria that can be taken into account when examining the suitability of different types of multilateral financial mechanisms for the Basel Convention¹⁶. These criteria are of two types:

- Criteria for assessing the characteristics of multilateral financial mechanisms; and
- Criteria for assessing the suitability of multilateral financial mechanisms for the circumstances of the Basel Convention specifically.

2.4.1 Criteria for assessing the characteristics of multilateral financial mechanisms

33. The following criteria can be used to assess the characteristics of multilateral financial mechanisms:

A. *Adequacy*

- *Are amount(s) of resources typically dedicated to the mechanism adequate/appropriate to the scale of the mechanism's mandate?*

¹⁴ See <http://www.basel.int/legalmatters/compcommittee/termsref.doc>.

¹⁵ See <http://www.basel.int/centers/regdescr.html>.

¹⁶ For a glossary of the different fund types referred to in this document, please consult Appendix 2.

B. Sustainability/predictability

- *Does the mechanism or mechanism type have a record of sustainable and predictable funding over time?*

This would be typical of a financial mechanism that has a clear and broadly supported mandate, a broad donor base, a contribution approach that donors support, relatively long fund replenishment periods, a highly developed institutional framework, and transaction processes and costs that are understandable, manageable, and proportional to the mechanism's mandate and typical size of transactions.

C. Equity

- *Is access to the fund reasonably equitable for recipient countries?*

D. Accountability

- *Is the fund accountable to donors and recipients?*

This would be typical of a mechanism that is directed by, or takes guidance from, and reports out on a regular basis to a body or bodies that have adequate representation from donor and recipient countries (e.g., guidance from the conference of parties, and/or decisions of a governing board with broad representation). The mechanism would also have provision for regular, independent, and public evaluations. A project audit regime would also be present with clear rules for when and how audits of project resources will be completed.

E. Transparency

- *Are the workings of the fund transparent regarding such factors as eligibility criteria, decision-making processes, and administration, e.g., points at which critical decisions are taken on project approvals, rationale for approval, and rejection of project proposals, etc.?*

2.4.2 Criteria for assessing the suitability of multilateral financial mechanisms for the circumstances of the Basel Convention

34. The following criteria can be used for assessing the applicability of multilateral financial mechanisms to the circumstances of the Basel Convention. These circumstances include the operational exigencies required to implement the Convention (including COP-mandated administrative activities), as well as implementation of the Convention's provisions, with particular emphasis on those programmatic, issue-oriented activities as directed by the COP and undertaken at the national level by developing countries and CEITs as a response to country-driven demand.

F. Compatibility of mandate

- *Are the activities of the fund reasonably compatible with the Basel Convention in terms of environment and sustainable development subject matter, geographical scope of the fund, and membership? Is it feasible to implement from a legal point of view?*

G. Compatibility in governance

- *Can the governance of the fund reasonably accommodate input from the Basel Convention COP (the primary governance body of the Basel Convention), including regular COP guidance to the fund? Would COP decisions determine the fund scope or would fund scope be determined by the COP in conjunction with other (competing) governance bodies, by donors, etc.? Would fund administration be*

minimized relative to the Basel Convention bodies? Are there provisions to ensure transparency relative to governance?

H. Political feasibility

- *Is it reasonable to assume that the mechanism will attract adequate political support?*

3.0 Assessment of multilateral financial mechanisms

35. To facilitate discussion by the Basel Convention Parties, this section of the paper selects for assessment multilateral financial mechanisms that could be *enhanced, emulated, or adopted* to contribute to more *predictable and sustainable multilateral financial mechanisms* in support of Basel Convention implementation. The following financial mechanisms are discussed, recognizing that the list is directly relevant, but not intended to be exhaustive:

- (a) The Trust fund for the Basel Convention (the Basel Convention Trust fund) – a general purpose trust fund negotiated by Parties to the Convention and using a scale of assessments;
- (b) The Basel Trust fund to Assist Developing Countries and Other Countries in Need of Technical Assistance in the Implementation of the Basel Convention (the Technical Cooperation Trust fund) – a specialized trust fund that is donor driven;
- (c) The Africa Stockpiles Program (ASP) at the World Bank – a program specific trust fund that is partnership based;
- (d) Clean Development Mechanism (CDM) funds - specialized trust funds that are donor based
- (e) The Multilateral Fund for the Implementation of the Montreal Protocol (MLF) – a dedicated multilateral financial mechanism with the fund size negotiated by all Parties to the Convention and using a scale of assessments; and
- (f) The Global Environment Facility (GEF) – a multi-purpose multilateral financial mechanism with a fund size negotiated by donors and using a scale of assessments.

3.1 Current Basel Convention trust funds

36. The Basel Convention is currently served by two Convention trust funds: the *Basel Convention Trust Fund*, and the *Technical Cooperation Trust Fund*. These funds were created in 1992, when the Basel Convention COP, at its first meeting, adopted Decision I/7 inviting the Secretary-General of the United Nations to establish the two trust funds, one to cover the ordinary expenditures of the secretariat, and the other a technical cooperation trust fund to provide technical assistance to developing countries and other countries in need of technical assistance in the implementation of the Convention. The trust funds were established in accordance with the financial regulations and rules of the United Nations, and the general procedures governing the operations of the UNEP Environment Fund.

37. The Basel Convention COP makes decisions on the terms of reference with regard to the scope of the trust funds.¹⁷ Similarly, it determines the budget for the funds, although the Bureau of the Parties may, on the advice of the Convention Secretariat's Executive Secretary, approve expenditure over and above COP approved levels for specific budget lines providing there is no overall increase in the budget above that approved by the Parties.

38. The trust funds are reviewed and extended on a biennium basis (two consecutive calendar years) by the COP and, subsequently, as approved by the UNEP Governing Council. Most recently, the

¹⁷ See Appendix 1 for the Terms of Reference for each of the trust funds.

UNEP GC in its Decision 23/4 on administrative and other budgetary matters at its 23rd session of February 2005 extended the two trust funds through 31 December 2007.

39. Contributions not immediately required for the purpose of both Funds are invested at the discretion of the United Nations and any interest so earned is credited back to the Funds. The Executive Director deducts from the income of both Trust Funds an administrative support charge equal to 13% of other expenditures recorded during any accounting period in order to meet the cost of administrative activities financed from both Trust Funds and provide services relating to personnel, accounting, audit, etc (the rationale being not to detract from administrative costs applicable to its own Environment Fund). The financial period of both Trust Funds is a biennium, consisting of two consecutive calendar years. At the end of each calendar year of a financial period, the Executive Director submits to the Parties the certified accounts for the year and a report of activities under the Convention. The Executive Director is also authorized to shift up to 20% of one main appropriation line to other main appropriation lines as per Decision IV/41.

40. Neither of the funds currently makes provision for sustainable financial support relative to operational expenditures of the Basel Convention Regional Centers.

41. The funds and decisions pertaining to them are referred to in “*Mobilizing resources for a cleaner future: implementing the Basel Convention*”.

3.1.1 The Basel Convention Trust Fund

42. The purpose of the Basel Convention Trust Fund, *a general purpose trust fund negotiated by Parties to the Convention and using a scale of assessments*, is to provide financial support for the ordinary expenditures of the Secretariat of the Basel Convention, including staffing and administrative office costs and overhead, support for Secretariat preparation and translation of materials, and attendance at meetings of the COP and its subsidiary bodies. Costs of report preparation and transmission, as per Article 16 (b), and some other core operational functions, such as project development resources relative to staff and consultancies as required to prepare concepts and proposal outlines, and to monitor and steer partnership/resource mobilization programmes of the Convention, are not currently addressed within the budget or explicitly described within the Terms of Reference for the fund. COP 7 approved US\$4,286,090 for the fund in 2005 and US \$4,404,740 for 2006, as per Decision VII/41, increasing the budget for 2005-2006 from the previous year by 9.5% and 15.8%, respectively.¹⁸ Contributions of the individual Parties (in accordance with the COP decision) are based on the UN General Assembly scale of assessments for apportionment of the expenses of the United Nations, with modifications,¹⁹ which enhances predictability with regard to contributions. All 116 Parties present²⁰ accepted a commitment to contribute to the trust fund, of which more than 100 are developing nation Parties.²¹

3.1.1.1 *Assessing the Basel Convention Trust Fund as a Mechanism for Sustainable and Predictable Funding for the Basel Convention*

43. **Adequacy:** The Basel Convention Trust Fund is a financial mechanism already in place that could, if the political will is present, be used by Basel Convention Parties to enhance the scale, predictability and sustainability of financial resources in support of Basel Convention implementation as applicable to operational and programme supporting activities costs. The *adequacy* of the fund is the subject of negotiation between the Parties, including the purposes and associated tasks of the fund, and the amount of money that is adequate to advance the fund’s purposes and tasks during a replenishment period.

44. Whether funds are *adequate* relative to the purpose of the fund and priorities for funding also depends on (1) whether the *scope* and *budgeted activities relative to the scope* embrace the full range of

¹⁸ UNEP/CHW.7/33. (see UNEP, 2005d).

¹⁹ Any future adjustments are to be determined by consensus of the Parties.

²⁰ As of 5 April 2005, there are 165 Parties to the Convention.

²¹ Developing countries registered their view that the scale of assessments does not reflect the responsibilities of the Parties in the production and export of hazardous wastes.

core operational activities (e.g., relative to operational expenditures of the Secretariat and, potentially as applicable to the operational costs of the Basel Convention Regional Centers); and, (2) whether contributions received (as distinguished from assessments) meet the budget expectations relative to the full scope of operational tasks. Countries that do not contribute to the fund within their means can undercut the legitimacy of the fund, including the willingness of other Parties to consider doing more with it. As the fund currently stands, it does *not* cover the full operational and related costs of the Secretariat's work (e.g., reporting, project development assistance and partnership/resource mobilization monitoring and related operational costs). Nor, as noted above, is it applicable to the operational costs of the Basel Convention Regional Centers. Were the scope clarified relative to these issues, funding would need to be increased accordingly to be considered *adequate*.

45. **Sustainability/predictability:** A negotiated approach with a scale of assessments enhances the fund's level of *sustainability/predictability*. Where the scale of assessments is adjusted to ability to pay, there can be greater comfort among donors. Some discretionary ability of the administrator to shift a portion of funds from one line item to another within the approved budget and/or roll unused funds forward to the next fiscal year within a budget cycle improves flexibility in the administration of the fund and can improve responsiveness.

46. **Equity:** Where developed (non-recipient) and developing (recipient) nations have an equal opportunity to determine the general trust fund's purpose and priorities, and guidelines for fund eligibility and approval, there should be high levels of *equity* associated with the fund.

47. **Accountability and Transparency:** These funds typically have high levels of *accountability* and *transparency* with respect to the total scale of contributions and periodic reporting to the COP as a whole.

3.1.2 Basel Convention Technical Cooperation Trust Fund

48. The Technical Cooperation Trust Fund, *a specialized trust fund that is donor driven*, provides support for program activities undertaken to implement the Basel Convention. In 2003, COP 6, via Decision VI/41, noting the increase in the number of Parties to the Convention, agreed there was a need for greater financial assistance, including for implementing the 2002 Strategic Plan. The Terms of Reference, provided in Appendix 1 to Decision VI/41 notes:

The scope of the Trust fund is to provide financial support in particular for:

- (a) *Technical assistance, training and capacity-building;*
- (b) *Basel Convention Regional/Coordinating Centres;*
- (c) *Appropriate participation of the representatives of developing countries Parties and of Parties with economies in transition;*
- (d) *Cases of emergency and compensation for damage resulting from incidences arising from transboundary movements of hazardous wastes and other wastes and their disposal²²*

49. Commensurate with the broader scope of the trust fund, COP 7 in its Decision VII/41 increased the notional budget from US \$4,732,000 in 2004, to \$17,868,398 for 2005, and US \$12,297,011 for 2006. The majority of funding is budgeted for Strategic Plan implementation projects, inclusive of \$8,492,102 in 2005, and \$3,930,179 in 2006. The budget includes project support for web access to national reporting databases (\$70,000 over the two years), and partnership programme projects (\$2 million for the two years). Additionally, \$500,000 per year is budgeted in support of the Convention's interim financial mechanism for liability and compensation. Support for training is budgeted at \$4,672,072 for the two-year period. An amount of \$10,641,572 is budgeted for meetings

²² In guidance developed for the Parties on use of the fund for emergencies and liability issues, Parties are encouraged to have emergency contingency plans in place, although this is not a requirement for access to funding for this purpose.

and conferences of the COP, OEWG, and an annual partnership meeting. The remainder (\$486,600) is for staffing.

50. Contributions to the fund are financed primarily by earmarked donor-driven contributions, whether by the Parties, non-Parties, intergovernmental and NGO organizations, and/or other sources. For the years 1999-2004, 99 individual donor contributions from 21 nations, the European Community and three private sector enterprises totalled US\$4.52 million, of which just US\$206,166 provided via 10 nations and the European Community was for non-earmarked activities. The majority of funding in those years has been provided by six nations: the Governments of Denmark, Finland, France, Norway, Switzerland and the United Kingdom of Great Britain and Northern Ireland.²³

3.1.2.1 *Assessing the Technical Trust Fund's Suitability as a Mechanism to achieve Sustainable and Predictable Funding for the Basel Convention*

51. **Adequacy:** Overall, there is a chronic shortage of funding relative to projected budget needs in any given year. Because of the earmarked nature of the fund and the designated uses of such contributions, there has been only limited funding available to assist developing countries and countries with economies in transition to build their capacity for ESM of wastes despite the Convention's emphasis placed on implementation of ESM provisions, as applicable either on a national or regional basis. Similarly, there has been little support provided or available with respect to support for compliance with the Basel control system or as a basis to assist nations to comply with their national reporting obligations. The majority of funds contributed during the past four years are earmarked, as in the preceding years, and the majority of these funds have been contributed for developing nation participation in meetings, and also for other specific project purposes.

52. **Sustainability/predictability:** With regard to the *sustainability and predictability* of the fund, the Secretariat is constrained to identifying grant opportunities on an *ad hoc* basis that is driven more by the nature of earmarked contributions received than country-driven demand. Additionally, the majority of earmarked funds during the past four years was US\$20,000 or less. As a consequence of the number of earmarked contributions, the various conditions placed upon these contributions and the average size of such contributions, the fund entails considerable transaction costs to the Secretariat with respect to management of the funds and to UNEP in administering them. There is limited discretionary (non-earmarked) funding. For the most part the funds (earmarked or non-earmarked that are applicable to ESM activities), owing to their small size, have been used for modest pilot projects.

53. **Equity:** The nature of the fund (including relative to the ratio of earmarked to non-earmarked funds) results in a "queue" of potential country projects awaiting arrival of funds that happen to match expressed need, which effectively limits access to the fund from an *equity* point of view.

54. **Transparency and accountability:** Because the nature and amount of earmarked funding is, by its nature, difficult to predict, the Secretariat finds it a challenge to "regularize" project proposal processes as pegged to pre-determined objectives. Proposal development and application, review and approval processes *are determined in accordance with the established UNEP procedures and reported to individual donors and to the COP, which assures a level of transparency and accountability.* However, the fragmentary nature of contributions relative to the various purposes they support is at odds with a strategic approach to support for Convention implementation and, because of the time expended in locating grant opportunities by the Secretariat, serves to reduce the Secretariat's capacity to focus on facilitating Parties' implementation of the Convention.

²³ Report of the Conference of the Parties to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal. Presented at the Seventh meeting of the COP, Geneva, 25-29 October 2004. General distribution 25 January 2005. 2005. UNEP/CHW.7/33.

3.2 Partnership-based programme specific trust funds

3.2.1 Partnership approach in the Basel Convention

55. The Basel Convention is beginning to accumulate experience with partnership programs. The Convention formally initiated a Partnership Programme in 2003 at COP 6 via Decision VI/32 as one avenue for enhancing capacity of the Convention to assist developing countries. Through this effort, the Convention is seeking to recruit new contributors, with an emphasis on industry, to initiatives designed to improve life-cycle strategies for products that, while not hazardous as articles in commerce, pose risks to humans and the environment at their end-of-life (waste) stage. The Programme is viewed as a “key plank” of a successful resource mobilization strategy.

56. Key elements of the Partnership Programme’s 2004-2006 work plan include development of partnerships on mobile phones; used oils; electrical and electronic waste; greenhouse gases from landfills; biological and medical waste; used lead-acid batteries; ship dismantling; elimination of PCBs; dioxins and furans; and partnerships with municipalities for ESM of hazardous wastes in urban areas. Discussions are underway with potential partners with respect to these projects. The Secretariat to the Basel Convention is also a partner in the African Stockpiles Programme (discussed below), which is more advanced. The Partnership Programme has thus far been contingent on voluntary contributions from three Parties and one private sector partner.

3.2.2 The ASP example

57. The Africa Stockpiles Programme (ASP) has been designed to clear all obsolete pesticide stocks from Africa (an estimated 50,000 tonnes) in an environmentally sound manner over the next 10-15 years, and to put in place measures to prevent their recurrence. An initial first phase is estimated to cost \$70 million, of which \$46 million would be used to prepare programs and to clean up seven African countries (Ethiopia, Mali, Morocco, Nigeria, South Africa, Tanzania, and Tunisia), as well as prepare nine more for cleanup under the programme’s first phase. Implementation of the first phase is scheduled to commence in 2005 (ASP, 2003).

58. The World Bank is the legal entity that manages the *ASP Multi-Donor Trust Fund* on behalf of the partners. The World Bank, the World Wildlife Fund and the Food and Agriculture Organization (FAO) are leading the development of the ASP trust.²⁴ One of the ASP partners, the Global Environment Facility (GEF), has pledged US\$25 million in support of Phase 1 of the ASP. The GEF pledge was made contingent upon provision of US\$45 million in co-financing by other donors (government aid agencies, the private sector, etc.) and the understanding that participating recipient countries will ratify the Stockholm POPs Convention for which the GEF is the principal interim financial mechanism. GEF funds were provided via the POPs focal area under which eligibility requires Stockholm Convention Party status. The World Bank, through its Development Grant Facility (DGF) has contributed US\$2.7 million for a 2-year period (2004/2006). This money will be used to build capacity in African countries in conjunction with NGOs and regional organizations to facilitate the implementation of the ASP. The DGF is itself structured to provide grant funding for global and regional development initiatives that are of high value for developing countries but cannot be supported adequately through regular country-based operations. Bilateral funding has also been contributed to the ASP trust fund by the governments of Belgium, Japan, Canada, France, Finland, Norway, Sweden, and Switzerland (World Bank, 2003a).

²⁴ Other partners include Non-Government Organizations (Pesticides Action Network (PAN)-UK and PAN-Africa); foundations (the Ford Foundation); United Nations (UN) specialized entities, (UN-Economic Commission for Africa, United Nations Environment Programme, United Nations Industrial Development Organization, the United Nations Economic Commission for Africa, the World Health Organization (WHO), the United Nations Institute for Training and Research; other international and regional organizations (the Secretariats of the Basel Convention, the African Union (AU) and its member countries, the New Partnership for Africa’s Development or NEPAD Secretariat); the European Union; various financial institutions (the GEF, the World Bank as noted above, and the African Development Bank); the private sector (CropLife International); and governments, which provide financing via their bilateral agencies.

59. As of May 2005, pledges and contributions from donors, the GEF and the World Bank exceeded US\$60 million. Croplife International contributed approximately half of this amount (World Bank, 2003a).

3.2.3 Assessing the suitability of partnership-based programme specific trust funds to provide sustainable and predictable funding for the Basel Convention

60. **Adequacy, predictability and sustainability:** With the exception of the ASP partnership fund in which the Basel Convention is a partner, Basel Convention-initiated partnerships *have yet to receive adequate financing* (although they are quite recent initiatives, hence this may be a reflection of the nascent nature of the programme to date). However, in this regard the ASP presents a useful model relative to its use of formalized program-specific trust funds that are partnership based. Such trust funds require focused programme objectives. For example, a trust fund of this type could be established for the issue of management of end-of-life mobile phones and other end of life electronic and electrical equipment, PCB-contaminated wastes. Such an effort would also require cooperation with an international financial institution that has experience in the management of larger funds with multiple donors. This could be one means of establishing more predictable and sustainable multilateral financial mechanisms in support of the Convention.

61. The *adequacy* is determined through the programme design at the outset. For the ASP, for example, this was determined through a GEF PDF-B project proposal. The expectation with regard to eliminating the full 50,000 tonnes of pesticide stocks in Africa is dependent on a multi-staged approach, of which the \$60 million pledged represents only the initial phase. As is typical of partnerships, however, there is no assurance the partners contributing to the initial phase will continue to make contributions to subsequent phases and, if so, in sufficient amounts as required for these phases. Hence, while the short-term *predictability* is an issue, longer-term *predictability/sustainability* is still more uncertain. The GEF's requirement that partners raise \$45 million minimum before its \$25 million pledge would be activated is typical of "matching fund" arrangements, and simultaneously encourages donations while adding to a level of unpredictability.

62. **Transparency:** *Transparency* requirements can vary depending on the "ground rules" established for each undertaking or partnership programme. However, as with the ASP, these types of trust funds generally adhere to high levels of transparency. The Basel Convention to date has operated and reported out on its efforts to the COP and the public in a very transparent manner. Private sector and NGO partners, as well as organizations that participate in such efforts (e.g., the GEF) typically publicize their efforts through their respective organizations as well.

63. The use of these kinds of trust funds, in partnership with an appropriate international financial institution, whether implemented within a region or globally, is entirely *compatible* with the Convention's mandate (having been initiated with input from the Parties and Secretariat). Based on the number of Basel Parties seeking access to assistance via a partnership initiative, the Basel Convention Parties might need to pursue a route similar to the ASP example so as to make the most of leveraging or co-financing opportunities with potential partners. However, in such partnership undertakings, the Basel Convention will need to be clear about its value-added, and deliver on this commitment within the partnership. This will require a commitment of resources. *Governance* of the partnership will be shared meaning that the Basel Convention COP will not have sole direction over the trust.

64. **Equity:** *Equitable* access by recipient nations to funds is contingent primarily on programme design and the extent to which contributions match budgeted programme tasks.

3.3 Specialized trust funds — donor driven

3.3.1 Examples of specialized trust funds

65. There are a number of donor programme-specific trust funds that support activities that have synergies with the Basel Convention. Examples of such funds include various funds established in support of the Kyoto Protocol's Article 12 on the Clean Development Mechanism (CDM), under which greenhouse gas mitigation activities have significant synergies with Basel Convention activities. Some of these funds include the IBRD's Prototype Carbon Fund (PCF) with funding of US\$180 million,

which became operable on a pilot basis in 2000 and runs through 2012. The PDF invests contributions in developing country and CEITs projects designed to produce greenhouse gas emission reductions. The IBRD's Community Development Carbon Fund (CDCF) finances small-scale projects in the poorer areas of the developing world, such as in Least Developed Countries (LDCs). The Fund, a public/private initiative designed in cooperation with the International Emissions Trading Association and the UN Framework Convention on Climate Change, became operational in July 2003. The first tranche of the CDCF is capitalized at \$128.6 million with nine governments and 15 corporations and organizations participating in it. The CDCF invests a minimum of 25% of its funds to buy emission reductions from small-scale projects located in LDCs while building national CDM supportive systems. The Fund is now closed to further subscriptions (World Bank, N.d.).

66. The CDM Facility at the Asian Development Bank was established in 2003 in support of its Developing Member Countries. The CDM Facility will initially absorb the upfront transaction costs of projects (e.g., due diligence, regulatory and documentation requirements) until a project has been registered and validated. For the first few selected projects, transaction costs will be capped at US\$ 100,000²⁵ (ADB, 2004).

3.3.2 Assessing the suitability of programme specific donor driven trust funds to provide sustainable and predictable funding for the Basel Convention

67. These funds (as external to Convention funds such as the Basel Convention Technical Cooperation Trust Fund) typically have a limited life. Resources are varied depending on the fund and restrictions relative to projects, such as "capping" of fund amounts. *Sustainability* is typically low: the fund has a life span and is then sunsetted. *Predictability* is low from the viewpoint of when and on what operational basis such funds will be created and with respect to *adequacy of resources* once a fund is established. Often the funds are undertaken on a pilot basis to test a funding approach. Donors may include bilateral aid agencies. *Accountability* is generally high, given that an international or regional bank often manages them. *Transparency* is variable. *Equity* is also variable, depending on whether the fund is established for global access or on a regional basis and relative to the conditions for eligibility (e.g., emphasis on technical aspects of project may effectively limit options for nations seeking access).

3.4 Dedicated multilateral fund—negotiated assessment

3.4.1 Overview of the Multilateral Fund of the Montreal Protocol

68. The Multilateral Fund for the Implementation of the Montreal Protocol (MLF) is the only example of a multilateral financial mechanism dedicated to the implementation of a single MEA and involving negotiated replenishment levels and application of a scale of assessment. Initially established in 1990 by the London Amendment as an Interim Multilateral Fund, the MLF became operational in 1991 and was made a permanent mechanism of the Protocol in January 1993. Its purpose is to assist eligible developing countries to finance agreed incremental costs of compliance activities undertaken to eliminate ozone-depleting substances (e.g., financial and technical cooperation, and technology transfer), consistent with the Protocol's requirement that developing countries reduce CFC consumption and production by 85% not later than 2007, and achieve complete CFC phase-out by 2010. The Fund is also used to finance clearinghouse activities and the Fund Secretariat operations and support costs.

69. The Fund seeks to achieve its objective primarily through financial assistance to developing country Parties whose annual per capita consumption and production of ozone depleting substances (ODS) is less than 0.3 kg, such that they can comply with the control measures of the Protocol. Currently, 129 of the 184 Parties to the Montreal Protocol meet these criteria (the so-called "Article 5" developing countries).

²⁵ Lessons learned relative to ADB operation of the fund include (1) Lack of awareness in financial sector to innovations such as carbon finance (2) Lack of financiers providing debt/equity for base project financing or partial credit guarantees to reduce risk financing or partial credit guarantees to reduce risk (3) Very few carbon buyers that are willing to commit funds up-front, and (4) lack of local capacity (ADB, 2004).

70. Contributions to the Multilateral Fund from the industrialized countries, or “non-Article 5” countries, are assessed according to the United Nations scale of assessment, with contributions from other Parties to be encouraged. Funds are provided on a grant or concessional basis based on an “Indicative List of Categories of Incremental Costs” developed by the Parties. Funding is based on the principle of additionality.²⁶ Up to 20% of a donor’s total contributions may be provided bilaterally in the form of projects approved by the fund’s Executive Committee for implementation by a donor country.

71. The majority of grants and loans funding projects and activities are implemented by four agencies: the World Bank, UNEP, UNDP and UNIDO. UNEP serves as a trustee for the fund (the largest environmental fund it services) and is responsible for research, data gathering, and the information clearinghouse function. UNDP and UNIDO perform feasibility and pre-investment studies and provide technical assistance. The World Bank is responsible for investment projects.

72. The fund is replenished every three years with the budgetary needs of the Montreal Protocol determined by the Parties. Since its inception, the Fund has been replenished five times: US \$240 million (1991-1993), US \$455 million (1994-1996), US \$466 million (1997-1999), \$440 million (2000-2002) and \$474 million (2003-2005). Since December 2002, projects implemented through the support of the MLF have achieved phase-out of 180,013 tons ODS. Project approvals since fund inception have totalled about US\$1.3 billion. Contributions to the Fund have been received at a rate of 91% of pledged levels (UNEP, 2004).

3.4.2 Assessing the suitability of the MLF model as a mechanism to achieve sustainable and predictable funding for the Basel Convention

73. **Adequacy:** Unlike other MEAs, industrialized countries negotiated the Montreal Protocol, with developing countries encouraged to sign on later. Clearly, the developed nation negotiators in making non-Article 5 (developed) countries responsible for financing the Fund recognized its global environmental benefits. Hence, the developed nation contributors (as the original Parties), having set the terms of both the MEA and the fund relative to the rules for contribution, while not obligated legally to contribute, are nevertheless motivated to do so, which helps to ensure the *adequacy* of the fund.

74. At the same time, non-Article 5 countries recognized the need for “balance” with respect to “buy-in” to the Convention. This has been advanced through shared decision-making processes between developed and developing countries. As provided for in Article 10.7, the Parties decide upon the programme budget of the Fund for each fiscal period.

75. **Equity:** *Equity* is inherent in the structure of the 14-member Executive Committee that manages the fund, whose membership is represented by seven developed and seven developing countries. Based on Terms of Reference developed in 1992,²⁷ the Executive Committee operates where possible by consensus. Where consensus cannot be achieved, decisions require a two-thirds majority of the committee, with a voting majority that comprises at least four developing country and four industrialized country members (i.e., a “double majority” process). The Executive Committee, which meets three to four times a year, develops and monitors operational policies, budgets, guidelines and administrative arrangements; determines the allocation and disbursement of resources; the establishment of criteria for project eligibility; and the review of performance reports.

76. **Accountability and transparency:** The Secretariat of the Multilateral Fund, in addition to performing a communications and liaison function, has oversight for operational expenditures (e.g., arranging for and servicing committee meetings), monitors activities of the implementing agencies, and provides reports, policy and financial papers for the consideration of the Executive Committee, in the interests of *accountability* and *transparency*. The Secretariat reporting function includes analysis of all

²⁶ Funds flowing to developed nations are greater than what would have occurred under existing commitments.

²⁷ See UNEP/OxL.Pro.4/15, annexes IX and X, 1992.

projects. The Secretariat's office and administration costs are borne by the Government of Canada, in addition to its assessed contribution, as part of a host country agreement.

77. **Predictability and sustainability:** The dynamics of donor contributions (i.e., terms set by the donors but with decisions about how contributions are allocated left to an Executive Committee in which developing and developed country nations share equal power), promotes a *high degree of predictability* and *sustainability*. As well, the types of activities funded relative to achievement of targets (specific reductions by specific dates) are themselves fairly circumscribed in nature, as opposed to an MEA with broader scope (e.g., prevention of desertification or ESM of wastes). Funding is therefore more concentrated relative to the type of activities fundable and therefore *highly predictable relative to application* and more easily managed and administrated than a fund involving support for more diverse and numerous activities.

78. **Compatibility of mandate and governance:** The MLF's highly circumscribed purpose offers *only limited opportunities (compatibility of mandate)* in support of the Basel Convention with its much broader provisions and scope. *Compatibility of governance* (control by Basel Parties) would also be extremely difficult to contemplate on many levels if integration with the MLF was contemplated. It is also highly unlikely that *political* conditions would be present to establish such integration, or a separate similar fund dedicated to the Basel Convention. This study therefore does not see a dedicated multilateral fund in support of the Basel Convention for the foreseeable future, and, as such, this option is not discussed.

3.5 Multi-purpose multilateral fund

3.5.1 Overview of the GEF

79. The Global Environment Facility (GEF), established on a pilot basis in 1991 and made a permanent body in 1994 with the adoption of the *Instrument for the Establishment of the Restructured GEF* (amended in 2000 and 2002), is the only multipurpose multilateral financial mechanism (and also the largest source of "dedicated" funding for international environmental agreements and decisions). Currently the GEF has 176 participating countries.

80. The primary objective of the GEF is to provide new and additional grant and concessional funding to meet incremental costs of measures to achieve agreed global environmental benefits (GEF Instrument, 2004). In seeking to maximize global environmental benefits, the GEF emphasizes its catalytic role, including by: leveraging additional financial resources from the public and private sectors; and catalyzing results by innovation, demonstration and replication. Sustainability and replication of interventions are cornerstones of the GEF's operations (UNEP, 2005).

81. The GEF Instrument stipulates that in the execution of its mandate, "the GEF shall ensure the cost-effectiveness of its activities in addressing the targeted global environmental issues, shall fund programs and projects that are country-driven and based on national priorities designed to support sustainable development, and shall maintain sufficient flexibility to respond to changing circumstances in order to achieve its purposes" (GEF Instrument, 2004). In addition, the 1995 GEF Operational Strategy²⁸ notes that global and interregional projects may be funded for eligible recipient countries or for other activities promoting the purposes of the Facility and that GEF activities will be designed so as to be consistent, where appropriate, with regional initiatives.

82. To date, financial support has been provided via six focal areas, each of which was created to support a particular MEA or cluster of agreements for which the GEF is designated as an interim or permanent financial mechanism. The six focal areas and the MEAs they support are noted below:

- Climate Change* (supports the United Nations Framework Convention on Climate Change, for which GEF is an interim financial mechanism)

²⁸ The Operational Strategy, adopted by Council in 1996, is a "road map" or framework for programmatic cohesiveness and integration among the entities that participate in the GEF.

- Biodiversity* (supports the Convention on Biological Diversity, for which the GEF is the interim financial mechanism)
- International waters (supports a “mosaic” of international conventions and agreements)
- Land Degradation (supports the Convention to Combat Desertification for which GEF is a principal financial mechanism)
- Ozone Depletion (supports the Montreal Protocol of the Vienna Convention on Ozone Layer Depleting Substances as geared toward capacity of the Russian Federal and nations in eastern Europe and Central Asia to phase out ozone-destroying chemicals)
- Persistent Organic Pollutants (supports the Stockholm Convention for Persistent Organic Pollutants, for which the GEF is an interim financial mechanism)

*Countries with economies in transition (CEITs) are not eligible to receive funding under these two financial mechanisms of the GEF.

83. The GEF’s status as a financial mechanism for an MEA, and its creation of a focal area to service the agreement, are reflected in the GEF Instrument as approved by the GEF Assembly. The GEF is assisted by its three Implementing Agencies (IAs): UNEP, UNDP and the World Bank, which utilize GEF focal area guidance as developed by the MEAs. Hence, MEAs have, thus far, provided the central basis for determining “agreed global environmental benefits.”

84. Agreements between the GEF and MEA COPs are set out in Memoranda of Understanding with each COP. Typically, MOUs, as per COP guidance, specify eligibility criteria for accessing funds, provisions for reporting from the GEF Council, monitoring and evaluation of the financial mechanism, and the nature of cooperation between the GEF and MEA secretariats.

85. The GEF Secretariat consults with the COPs and Secretariats of the MEAs (or, in the case of the UNEP Regional Seas Programme, the relevant international bodies) in developing and proposing budgetary needs for a particular focal area.

86. There are three interrelated types of GEF programming²⁹: operational programmes, enabling activities, and short-term response measures. An *Operational Programme (OP)* is “a conceptual and planning framework for the design, implementation, and coordination of a set of projects to achieve a global environmental objective in a particular focal area. It organizes the development of country-driven projects and ensures systematic coordination between the Implementing Agencies and other actors”. *Enabling activities*, as defined in the GEF Operational Strategy, fulfill essential communication requirements to a Convention, provide a basic and essential level of information to enable policy and strategic decisions to be made, or assist planning that identifies priority activities within a country. *Short-term response measures* are project opportunities that while not strictly related to an operational programme or enabling activities, are sufficiently important and timely to achieve short-term benefits applicable to a focal area at a limited cost.

87. Strategic Priorities are developed for each focal area by GEF Focal Area Interagency Task Forces.³⁰ They are used to sequence responses to Convention priorities to meet the evolving needs of the Conventions and programme for synergies across various conventions, to incorporate scientific and technical advice, fill portfolio gaps, incorporate lessons learned from execution of other projects, and to respond to national priorities.

²⁹ The description of programming is excerpted from UNEP/POPS/COP.1/INF/30.

³⁰ The Task Forces are comprised of staff from the Secretariat, the Implementation Agencies, and GEF Scientific and Technical Advisory Panel (STAP) members, and are consistent with the Operational Programs (OPs) for each focal area, guidance from the conventions, and country priorities in each focal.

88. Grants are provided for four types of projects:³¹
- *Enabling Activity projects* — up to \$500,000 as depending upon the Convention and pertinent focal area. Grants are processed via an expedited processing and approval procedure subject to CEO (as opposed to full Council) approval.
 - *Full-sized projects (FSPs)* — > \$ 1 million. Subject to the GEF Project Cycle and approval by the GEF Council
 - *Medium-sized projects (MSPs)* — up to \$1 million. MSPs are processed in an expedited manner, including one-step approval by the GEF Chief Executive Officer after circulation to the Council
 - *Small Grants Program (SGPs)* — up to \$50,000 for community-level initiatives that contribute environmental benefits as related to the focal areas. Grants are made directly to community-based organizations and NGOs in developing countries and are approved by the SGP at the national level, which is administered by the UNDP.

3.5.2 GEF governance

89. The GEF Assembly, which consists of representatives of all participating countries, is responsible for reviewing general policies of the Facility and is empowered to make decisions that amend the GEF Instrument, which provides the GEF's operational rules. Assembly decisions are reached by consensus. The Assembly meets every three or four years to assess the GEF's overall direction.

90. The GEF Council, as the main governing body of the GEF for issues related to operations, is responsible for developing, adopting, and evaluating the operational policies, development and oversight programs for GEF activities, directing the utilization of GEF funds, reviewing the availability of resources from the GEF Trust Fund, and cooperating with the Trustee to mobilize financial resources. The Council develops a work programme for execution of GEF activities and monitors and evaluates progress in the implementation of the work program. It also acts as the focal point for the purpose of relations with the COPs to the conventions for which the GEF is a financial mechanism, including consideration, approval, and review of the arrangements or agreements with such Conferences, receipt of guidance and recommendations from them and compliance with requirements under these arrangements or agreements for reporting to them. It also provides guidance to the GEF Secretariat, GEF Implementing Agencies and other GEF bodies.

91. The Council is comprised of representatives from 32 member countries: 16 from developing country constituencies, 14 for developed countries, and 2 members from the countries of central and eastern Europe and the former Soviet Union. The 24 constituencies from developing countries are distributed as follows: 6 for Africa, 6 for Asia and the Pacific, and 4 for Latin America and the Caribbean. The 14 non-recipient constituencies are formed through a process of consultation on the basis of contributions to the GEF. The larger donors can form their own constituencies. Consultation criteria takes into consideration, (i) equitable and balanced representation; (ii) commonality of environmental concerns; (iii) policies toward sustainable development; (iv) natural resource endowment and environmental vulnerability; and (v) contributions to the Facility. One potential problem noted with this system is that individual members may be either unwilling or find it difficult to act as genuine representatives of their constituency groups.³²

³¹ Information drawn from the following GEF sources: *Operational Policies, Templates and Guidelines* (n.d.) at http://the.gef.org/Operational_Policies/Eligibility_Criteria/templates.html; *GEF Project Cycle: An Update*, 2003, GEF/C.22/Inf.9 at http://the.gef.org/Documents/Council_Documents/GEF_C22/Project_Cycle_Update_FINAL_Nov_5_2003.pdf; *GEF Small Grants Programme website, Apply for an SGP Grant*, 2004, at <http://sgp.undp.org/index.cfm?module=ActiveWeb&page=WebPage&s+ApplyforanSGPGrant>.

³² There are an equal number of Alternate Members who are authorized to vote in place of regular members. The Member and Alternate representing a constituency are appointed by the Participants in each constituency. Each Member of the Council or Alternate serves for three-years, or until a new Member is appointed by the constituency.

92. GEF Council decisions are reached on the basis of consensus. When consensus is not possible, the Council utilizes a "double-majority" voting system that requires a 60% majority of participants (one country-one vote), as well as a 60% majority of donor support (one dollar-one vote).

93. The Council operates according to rules contained within the GEF Instrument for the Establishment of the Restructured Global Environment Facility and in the complementary Rules of Procedure for the GEF Council as adopted by the members of the GEF and its implementing agencies.

94. Independent reviews of GEF processes and progress are conducted every four years. A recent comprehensive review found that the GEF has been a catalyst for innovative programs and produced significant results to improve the global environment.

95. In response to past criticisms regarding transparency and processing times for project applications, the GEF has worked to streamline and clarify its project cycle through its communications strategy, through arrangements made for direct access by its Partner Agencies to resources to speed funding disbursement (e.g., the GEF Council agreed as per the third replenishment to accord ADB and IDB direct access to GEF resources) and other actions.³³

96. The GEF Secretariat carries out administrative functions and is accountable to the Council. A Chief Executive Office (CEO) heads it. While the GEF Secretariat receives financial support from the World Bank, its operations are functionally independent of the Bank.

3.5.3 GEF replenishment

97. The GEF is financed by contributions from GEF members (currently 176 nations known as Contributing Participants) in four-year replenishment cycles. While developing nations comprise the majority of participants, historically OECD donors have contributed more than 60% of funding. Typically, donor resources contributed to the GEF (and other international funds) are drawn from ODA (official development assistance) budgets of the donor countries.

98. The contributing participants for GEF replenishments determine via negotiations the basis for burden sharing and the total amount of contributions to the GEF. To date, all decisions arising from negotiations have been taken by consensus.³⁴ As a starting point for negotiations, the GEF prepares a programming document that recommends amounts required to fund the activities of the different focal areas. Allocation of pledged funds, as well as the overall amount pledged might also be subject to donor negotiations, after which the GEF Council formally determines how donor pledges will be allocated. There is no "earmarking" of funds to specific focal areas or projects by individual donors. Replenishments are typically accompanied by policy recommendations, which form the basic guidelines to the GEF during the replenishment period.

99. Since inception of the GEF Trust Fund, cumulative resources made available for Council allocation amount to US \$ 6.5 billion, of which \$US 5.9 billion (about 89%) has been allocated to GEF work programs, fees, and corporate budgets. A balance of \$ 622.4 million was available to Council for future allocations as of 5 March 2005 (GEF, 2005).

100. During negotiations on the first replenishment (1994-1997) \$2 billion was contributed to the restructured GEF. Under the second replenishment \$2.75 billion was provided for the period of July 1998 to June 2002, with contributions from 36 nations, including 13 recipient nations. During the last replenishment in 2002 (GEF III replenishment covering the period 2002-2006) 32 donor nations pledged US \$3 billion, of which the greater portion was pledged by OECD nations.

³³ As described in the GEF Action Plan.

³⁴ At each meeting, the Council elects a Chairperson from among its members for the duration of that meeting. The position of elected Chairperson alternates from one meeting to another between recipient and non-recipient Council Members. However, the Chairperson does not vote.

101. Allocations to the six focal areas under the replenishment were as follows:

• Biological Diversity	US \$960 million
• Climate Change	960 million
• International Waters	430 million
• Land Degradation	250 million
• Ozone Depletion	50 million
• POPs	250 million

102. The last (GEF III) replenishment provides some indication regarding donor follow-through on pledges with 75% paid by the November 2004 deadline for receipt of contributions, provided by 22 out of 31 pledging donors. (Donors who request extensions under this provision are not deemed to be in arrears. Four donors had availed themselves of the provision to delay payment of the third tranche until June 30, 2005.) Total arrears for GEF III amount to US \$21.8 million, composed of payments from five donors. Arrears from previous replenishments amount to US \$147.1 million. Taking into consideration all replenishments to date, the World Bank observes that were all donors current on their GEF obligations, the resources available for Council allocation would be US \$1.13 billion instead of US\$622.4 million (GEF, 2005).

103. The GEF IV Replenishment period (2006-2010) is currently underway, with a series of meetings to be concluded by the end of 2005. Among the issues being discussed within the framework of GEF IV is the development of a Resource Allocation Framework, which is intended to provide additional performance monitoring and increased predictability in the allocation of resources to countries (GEF, 2005).

104. In addition to resources, the GEF's leveraging ability brings significant additional resources to the activities its supports. Overall, the GEF indicates that for every dollar committed by donors, \$3 additional dollars are leveraged (GEF, n.d.).

3.5.4 Assessing the multilateral, multipurpose fund

105. **Adequacy:** An analysis of the GEF's history of replenishments indicated that political will (willingness to pay) is the main driver, rather than a systematic analysis of need relative to the global environmental issues addressed by the GEF focal areas. Therefore, *adequacy* of funds provided is difficult to determine.

106. **Predictability, sustainability and equity:** Thus far, the small core of donors (OECD nations) has appeared committed to funding the GEF and its financial mechanisms providing *fairly high predictability* as a source of funding with *equitable* access. Donor confidence in the structure of the GEF, inclusive of its system for decision-making (via the Council, Assembly and with respect to determining burden sharing during negotiations) and procedures for accessing and disbursing its funds has enhanced its *sustainability*.

107. **Accountability and transparency:** The GEF has a high degree of *accountability* based on procedures that have evolved over time and which are set out in the GEF Instrument and also operational procedures approved by the GEF Council. The GEF has continued to make improvements in *transparency*.

108. **Compatibility of mandate:** The funding currently available through the GEF is very constrained relative to the scope of wastes addressed by the Basel Convention and associated ESM life-cycle activities for these wastes (i.e., existing focal areas do not apply to the majority of listed hazardous (or other) wastes listed in the Convention). However, as noted in the RMS, there are significant synergies for work under GEF focal areas, most notably, a) POPs wastes under the POPs focal area, b) solid wastes as these pertain to prevention, stabilization and reduction of greenhouse gases from waste management facilities consistent with the climate change focal area, and c) ESM of wastes relative to the International Waters focal area. Hence there is notable *compatibility of mandate* for many of the wastes addressed by the Convention. It should be noted that the instrument of GEF, as amended by the 2002 GEF Assembly, provides that at paragraph 3 that "the agreed incremental costs of activities to achieve global environmental benefits concerning chemicals management as they relate to the above focal areas shall be eligible for funding. The agreed incremental costs of other relevant

activities under Agenda 21 that may be agreed by the Council shall also be eligible for funding insofar as they achieve global environmental benefits by protecting the global environment in the focal areas.”

109. **Compatibility in governance:** Compatibility between the GEF and the Basel Convention is fairly low, because the GEF is not currently a financial mechanism for the Convention and does not, as a result, take guidance from the COP in any of its focal areas. There is however recognition of the Convention’s role with respect to wastes, inclusive of explicit mention of synergies in the draft Operational Programme for the POPs focal area. The manner in which the GEF works with the COPs of other conventions indicates that there is nothing significant of a structural nature that would prevent similar involvement of the Basel Convention COP in the event that there was political will to have the GEF serve as a financial mechanism for the Convention.

110. **Political feasibility:** It would be feasible with relatively low transaction costs to explicitly broaden the Basel Convention’s access to GEF funding consistent with (in synergy with) the mandates and strategic priorities of current GEF focal areas. There is currently nothing of a legal nature that would prevent this. However, the prospect of adding a waste management focal area at the GEF is considerably less *politically feasible* in the current context. Another approach that could be considered is for the Basel Convention to be covered by GEF activities under a “chemical cluster” approach at the GEF. The ongoing Strategic Approach to International Chemicals Management (SAICM) initiative could potentially advance this option, probably in the medium-term (i.e., likely after the current GEF replenishment cycle). It is yet unclear as to the *political feasibility* of this option coming out of the SAICM process. Were the GEF to become home for a mechanism serving a “cluster” of chemical MEAs and agreements, resources would likewise need to be significantly greater than for those servicing a single MEA.

4.0 Recommendations

111. Based on the foregoing analysis contained in this study, an addendum to “*Mobilizing resources for a cleaner future: implementing the Basel Convention*”, it is recommended that the Parties actively pursue a strategic approach to funding that strengthens and makes more effective use of the existing Basel Convention Trust Fund and the Basel Convention Technical Cooperation Trust Fund complemented by programme-specific fund mechanisms and the GEF, as each of these are suited to different types of activities required for Basel Convention implementation (e.g., operational and related activities versus programmatic priorities), and with the overall objective of enhancing the predictability and sustainability of resources for Convention implementation. The options discussed below, which would require modifications to the status quo, elaborate on this recommendation:

4.1 Basel Convention Trust Fund

112. Consider clarifying the scope of the Basel Convention Trust Fund (a multilateral financial mechanism that is already at the disposal of the Basel Convention Parties) such that it addresses the full range of core operational activities with which the Secretariat is tasked by the Convention and COP decisions, inclusive of reporting as a specific budgetary items the cost of attendance and associated Secretariat preparation for Convention Meetings (COP and subsidiary meetings); costs associated with assistance on project development (consultancies, etc) as may be required to prepare concepts/proposal outlines, etc. costs associated with the provision of guidance and assistance to the BCRCs, and costs associated with developing, initiating, monitoring and facilitating the Basel Convention partnership and resource mobilization programmes.

113. Consider enlarging the scope of this trust fund to include operational support for the BCRCs. The scope should be reviewed at each COP to determine if core operational activities have been expanded and, if so, to determine whether funding is adequate or requires adjustments in line with new demands. The scope should clearly allow for use of funds to be used to leverage external support as consistent with fund priorities (e.g., via the GEF or other funds that may become available to support globally-based chemical activities).

4.2 Basel Convention Technical Cooperation Trust Fund

114. Consider amending the scope of the Basel Convention Technical Cooperation Fund to more clearly accord with COP priorities, namely:

- National/regional capacity building projects for compliance with the Basel control system, national reporting obligations and ESM goals, coordinated, as appropriate, by the BCRCs;
- Participation costs of developing countries; and
- Emergency assistance.

115. Consider converting the basis of funding for the Basel Convention Technical Cooperation Fund to a negotiated general fund, or, if the fund continues to be based on donor-contributions made at the discretion of individual Parties and other donors, consider establishing a minimum fund contribution amount (perhaps over \$100,000 USD) to help manage transaction costs.

116. Consider requesting that UNEP reduce or abolish its 13% per annum support cost in the light of the limited size as well as the nature and purposes of the fund, taking into account the relevant practices of UNEP-administered conventions, projects and other conventions.

117. Consider extending the life for both Basel Convention trust funds to a four-year period to enhance predictability in the programming framework and allow time for resources to be pledged, and projects to be started.

4.3 Programme-specific fund mechanisms

118. Consider adopting a policy requiring that programme-specific fund mechanisms for which the SBC has a lead role support selected priority areas of activities as endorsed by COP decisions.

119. Consider investing resources to enhance the capabilities and capacities of the Basel Convention to become a founding partner in partnership-based programmatic trust funds that are focused on global priorities and have good prospects to attract resources from multiple sources, including the private sector.

4.4 The GEF

120. Consider, in *addition* to the GEF-related actions already contained in the proposed Basel Convention RMS that the Basel Convention COP call upon the GEF to:

- Within its operational programmes, explicitly expand upon opportunities for the Basel Convention to become involved in waste management project activities that are consistent with the mandates of current GEF focal areas; or
- Become a financial mechanism in support of Basel Convention implementation; or
- Establish a “chemicals cluster” focal area that would include a range of applicable Basel Conventions activities, perhaps in context of the SAICM or a similar initiative.

4.5 Bilateral funding

121. Consider directing the Secretariat and BCRCs (as coordinated by the SBC) to make periodic and systematic submissions of projects to donors in priority areas as agreed to by the COP and promote annual pledging conferences/donor consultations for chemical and waste conventions so as to improve synergies and efficient use of resources with respect to donor resources. The COP could consider requesting that UNEP likewise systematically promote chemicals and waste projects and other projects

promoting synergies among the Basel Convention and other MEAs (e.g. on energy efficiency in relation to work of the Convention on Climate Change; destruction of ozon-depleting substances in relation to work of the Montreal Protocol) during its consultations with bilateral donors to promote coordination in international chemicals management.³⁵

³⁵ This option arises from the RMS proper, and as linked to the discussion in this addendum of programme-specific funds in this addendum.

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Appendix 1

COP 6 Terms of Reference for Basel Trust Funds

COP 6 UNEP/CHW.6/40: Appendix to Decision VI/41 Financial Matters

Appendix I

TERMS OF REFERENCE FOR THE ADMINISTRATION OF THE TRUST FUNDS FOR THE BASEL CONVENTION ON THE CONTROL OF TRANSBOUNDARY MOVEMENTS OF HAZARDOUS WASTES AND THEIR DISPOSAL

1. The scope of the Trust Fund for the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (hereinafter referred to as the Basel Convention Trust Fund) is to provide financial support for the ordinary expenditure of the secretariat of the Basel Convention.
2. The scope of the Trust Fund to Assist Developing Countries and Other Countries in Need of Technical Assistance in the implementation of the Basel Convention (hereinafter referred to as the Technical Cooperation Trust Fund) is to provide financial support in particular for:
 - (a) Technical assistance, training and capacity-building;
 - (b) Basel Convention Regional Centres;
 - (c) Appropriate participation of the representatives of developing countries Parties and of Parties with economies in transition;
 - (d) Cases of emergency and compensation for damage resulting from incidences arising from transboundary movements of hazardous wastes and other wastes and their disposal.
3. The financial period of both Trust Funds will be a biennium consisting of two consecutive calendar years.
4. The trust funds shall be administered by the Executive Director of the United Nations Environment Programme (UNEP), with the approval of the Governing Council of UNEP, pursuant to the Financial Regulations and Rules of the United Nations.

Contributions

5. The appropriations for the Basel Convention Trust Fund shall be replenished by:
 - (a) Contributions made by the Parties to the Convention, by reference to the table attached as an appendix to the budget, including additional contributions and contributions from any new Parties, which are to be added to the table;
 - (b) Contributions from States not party to the Convention, other governmental, intergovernmental and non-governmental organizations and other sources.
6. The appropriations of the Technical Cooperation Trust Fund for this period shall be financed from voluntary contributions made by the Parties and the non-parties to the Convention, intergovernmental and non-governmental organizations and other sources.
7. The contributions referred to in paragraph 5 (a) above are to be based on the United Nations scale of assessments for the apportionment of the expenses of the United Nations.
8. All contributions are due to be paid in the year immediately preceding the year to which the contributions relate.
9. All contributions shall be paid in United States dollars or their equivalent in a convertible currency into a bank account to be designated by the Executive Director, in consultation with the Executive Secretary of the Convention secretariat.

10. The secretariat shall acknowledge all pledges and contributions and shall inform the Parties once a year of the status of pledges and payments of contributions.
11. Contributions from States that become Parties after the beginning of the financial period shall be made *pro rata temporis* for the balance of the financial period.
12. Contributions not immediately required for the purpose of either trust fund shall be invested at the discretion of the United Nations and any interest so earned shall be credited to the funds.

Budget

13. The budget estimates covering the income and expenditure for each of the calendar years constituting the financial period to which they relate, prepared in United States dollars, shall be submitted for approval at the regular meeting of the Conference of the Parties to the Convention at least 90 days prior to the meeting for submission to the Conference of the Parties.
14. The estimates for each of the calendar years covered by a financial period shall be specified according to objects of expenditure and shall be accompanied by such information as may be required by, or on behalf of, the contributors and such further information as the Executive Director of UNEP may deem useful and advisable.
15. The decision of the Conference of the Parties on the budget, including contributions thereto, shall be made by consensus prior to the commencement of the financial period it covers.
16. Adoption of the budget by the Conference of the Parties shall constitute authority to incur obligations and make payments for purposes for which the appropriations were approved and up to the amount so approved. Commitments against the resources of the trust funds may be made only if they are covered by the necessary income. No commitments shall be made in advance of the receipt of contributions.
17. The Executive Secretary may make transfers within each of the main appropriation lines of the approved budget. The Executive Secretary may also make transfers between such appropriation lines up to limits, which the Conference of the Parties may set as appropriate.

Funds

18. The Basel Convention Trust Fund shall be managed by the Executive Secretary of the secretariat of the Basel Convention. All resources under paragraphs 5 (a) and 5 (b) above shall be credited to the Basel Convention Trust Fund and all expenditures included in the approved budget shall be charged to the Fund.
19. Within the Trust Fund there shall be maintained a working capital reserve at a level to be determined from time to time by the Conference of the Parties by consensus. The purpose of the working capital reserve shall be to ensure continuity of operations in the event of a temporary shortfall of cash. Drawdowns from the working capital reserve shall be restored from contributions as soon as possible.
20. The Technical Cooperation Trust Fund shall be managed by the Executive Secretary of the secretariat of the Basel Convention and shall receive voluntary contributions under paragraph 6 above.
21. At the end of a calendar year of a financial period, the Executive Director shall transfer any uncommitted balance of appropriations to the following calendar year.

Accounts and audit

22. All funds governed by the present terms of reference shall be subjected to the internal and external audit process of the United Nations.

23. At the end of each calendar year of a fiscal period, the Executive Director shall submit to the Parties the certified accounts for the year and a report of activities under the Convention. The Executive Director shall submit the accounts for the two-year financial period audited by the Board of Auditors of the United Nations as soon as practicable.

Programme support costs

24. Programme support cost will be charged by UNEP for the services provided to the Conference of the Parties, its subsidiary bodies and the Convention secretariat from the funds referred to in paragraphs 5 (a) and (b) and 6 above under such terms as may from time to time be agreed upon between the Conference of the Parties and UNEP, or in the absence of such agreement, in accordance with the general policy of the United Nations.

General provisions

25. In the event that the Parties wish both trust funds to be further extended, the Executive Director of UNEP shall be so requested by the Parties at least six months earlier. Such extension of both trust funds shall be subject to the approval of the UNEP Governing Council.

26. Any amendments to the present terms of reference shall be adopted by the Conference of the Parties by consensus.

Appendix 2

Glossary of Types of Multilateral Voluntary Financial Mechanisms

This appendix provides a typology of multilateral financial mechanisms that are or could potentially be applicable to the Basel Convention. It is important to recognize that multilateral financial mechanisms can include a mix of the types generally characterized below.

General purpose trust funds— negotiated fund with scale of assessments

General purpose trust funds are typically applied to ordinary expenditures associated with institutional support, such as for international organizations and convention secretariats. Examples of institutional support include institutional infrastructure (facilities, equipment), staffing, administrative overhead, operational costs, and logistical support, such as funding the attendance at meetings of participants from developing countries and CEITs.

General purpose funding mechanisms of this type can also be used to support program objectives (e.g., the UNEP Environment Fund, which is the principal source of financing for implementation of core UNEP activities). Theme-based or program objectives are determined by the membership served by the fund (e.g., Parties to a Convention as represented by the Conference of the Parties).

The contributions of individual Parties to these funds are typically based upon an agreed, negotiated level of funding, which is then apportioned according to a formula such as the UN General Assembly scale of assessments, as is the case for the UNEP Environment Fund and the Trust Fund for the Basel Convention and other MEAs³⁶. Such funds often attempt to be inclusive involving contributions from developed and developing nations alike, but the majority of funding support typically comes from developed nations.

The Parties or their designated representatives determine the size and priorities for these funds, and costs for operation of the mechanisms are borne by the contributing Parties. Typically, a budget is developed based on line items consistent with the fund's purposes and identified priorities for a particular funding period (biennium, five-year, etc.), as agreed to by the fund participants collectively (e.g., the COP of an MEA). With respect to the process for contributing, each donor nation and entity, consistent with the negotiated formula, pledges an amount that it plans to contribute.

Specialized trust funds—donor driven

These trust funds typically involve donor countries separately (i.e. as opposed to in a formal negotiating process) determining how much they will contribute and for what purpose. Generally, all or most contributions to such a fund are "earmarked" for a specific purpose or purposes as determined by the donor in its own interests, and with the expectation that other nations will share this interest.

Donors to these types of funds may and usually do place specific restrictions on how funds are allocated in support of priorities. For example, the donor may determine that funds it provides are applicable to a particular region, to particular types of activities in support of a priority, and will be available for a circumscribed period only. Such funds may not be shifted to other uses, hence are non-discretionary from the perspective of the fund implementing body and countries or organizations that might wish to access these donor resources.

These funds are typically administered by an existing international organization (e.g. host organization) for purposes of providing a mechanism to receive and disburse additional donor resources in support of the organization's overall work program. The costs for operating these funds can be built into the annual operating budget of the host organization or offset by way of administration fees charged to contributions to the fund or both.

³⁶ Some modifications in the UN formula have emerged regarding the Trust Fund for the Basel Convention, in part reflecting that negotiated assessments are still at the discretion of national governments.

Programme specific trust funds—partnership based

These types of trust funds typically involve a single theme responding to a perceived high priority global or regional need, generally arising out of an international or regional forum. Thus, for example, the 2002 Johannesburg World Summit on Sustainable Development (WSSD) gave more prominent emphasis to partnerships.

Programme specific, partnership trust funds are typically established by the fund's key sponsors, with invitations extended to other partners in the expectation that new partners will be financial contributors to the fund. The partners pledge funds that contribute towards meeting a budgetary target (e.g., as set by the "lead" sponsors) in support of activities proposed to implement the program objective. Partners may include a mix of government donors, private sector entities (e.g., industry associations), non-governmental organizations (NGOs) and foundations. Donors can attach conditions to their pledges.

These types of trust funds are typically administered by an existing legal entity such as an international financial institution (IFI) with funds accounted for separately from the IFI's own resources. The IFI makes financial and administrative arrangements with donors leading to grant funding for the specified program priorities of the fund. The distribution of funds is generally based on country-driven demand but may be limited to a specific region or group of recipient nations for a variety of practical reasons and/or based on eligibility or performance criteria that are built into the fund's design to create incentives in support of the objectives of the fund program. Administration fees are typically charged to contributions to the fund to cover the administration costs of the fund.

Programme-specific trust funds —donor based

These trust funds typically involve a single or limited number of themes responding to a perceived high priority global or regional need, generally arising out of an international or regional forum. One or a few donors typically establish them with funds administered by an existing legal entity such as an IFI with funds accounted for separately from the IFI's own resources. Administration fees are typically charged to contributions to the fund to cover the administration costs of the fund. Conditions of eligibility and operation are variable, as determined by the donors.

A dedicated multilateral financial mechanism manages a fund focusing on supporting the implementation of one international agreement or programmatic theme. Generally, those served by the fund (e.g., Parties to an MEA) determine its purpose, priorities and operative parameters.

All Parties to the international agreement or program that is being supported by the fund negotiate the fund's size for a standardized replenishment period. Contributions by individual donors are set by an agreed scale of assessment (e.g., the UN General Assembly scale of assessments).

A separate institution established specifically to administer the multilateral fund is one unique characteristic of this type of financial mechanism for purposes of the typology used in the study. The costs for operation of the mechanism are borne by contributing Parties.

Multi-purpose multilateral financial mechanism—negotiated fund with scale of assessment

A multi-purpose, multilateral financial mechanism administers a fund or funds that supports projects implemented under more than one international agreement, and/or for global activities outside the scope of any agreement, including activities cross-cutting to various agreements. The size of the fund is negotiated and agreed between donors, and apportioned according to a scale of assessment.

This type of multilateral financial mechanism has its own set of governance structures, operating procedures, and guidelines applicable to all of its activities, and which generally can accommodate other international agreements brought into the mechanism at a later date. However, the governing bodies of each of the agreements served by the multi-purpose mechanism also provide overall guidance regarding the priorities that will be funded for that specific agreement, and the eligibility requirements for accessing funds (e.g., Party or signatory to the MEA) allotted to support implementation of the agreement. The costs for operation of the mechanism are borne by the contributing Parties.