

# Multifaceted approaches to financing of sustainable environmental action

By Elizabeth Maruma Mrema

**Elizabeth Maruma Mrema** is Assistant Secretary-General of the United Nations and Deputy Executive Director of the United Nations Environment Programme (UNEP) since 2022. She is the co-chair of the Task Force on Nature-related Financial Disclosures, aimed at guiding companies in assessing, disclosing, and managing nature-related risks and impacts. Before taking on her current role, Elizabeth Maruma Mrema served as the Executive Secretary of the Convention on Biological Diversity from 2020 to 2022 where she shepherded global consensus on the Kunming-Montreal Global Biodiversity

Framework, a landmark agreement to protect and restore the natural world on which humanity depends. For over two decades she held various UNEP positions, including as the Director of the Law Division and the Deputy Director of the Ecosystems Division, the Executive Secretary of the Secretariat for the Convention on the Conservation of Migratory Species of Wild Animals, Acting Executive Secretary of the Agreement on the Conservation of Small Cetaceans of the Baltic, North-East Atlantic, Irish and North Seas (UNEP/ASCOBANS), and Interim Executive Secretary of the UNEP/Gorilla Agreement, all

based in Bonn, Germany. Before joining the UN Elizabeth Maruma Mrema worked with the Ministry of Foreign Affairs and International Cooperation of the United Republic of Tanzania. Lawyer and career diplomat she received several awards, including the Nicolas Robinson Award for Excellence in Environmental Law from the International Union for Conservation of Nature (IUCN) World Commission on Environmental Law in 2021 and the Kew International Award in 2022 as well as being named in Time magazine's 100 most influential people's list and the Financial Times 25 most influential women list in 2023.

## Introduction

The United Nations Environment Programme (UNEP) is the leading environmental authority that sets the global environmental agenda, promotes the coherent implementation of the environmental dimension of sustainable development within the United Nations system, and serves as an authoritative advocate for the global environment. It strives to uphold an inclusive commitment to sustainability with the mission to bring leadership and encourage partnership to care for the environment by inspiring, informing, and enabling nations and peoples to improve their quality of life without compromising that of future generations. UNEP works to bring transformational change for people and planet with core activities anchored around climate action, chemicals and pollutions action, nature action, science policy, environmental governance, finance and economic transformations and digital transformations.<sup>1</sup>

In Part One of this report, the conversation is primarily about resource flows in and out of the United Nations and provides an overview of the funding mechanisms, processes and monitoring. This contribution will bring us closer to how the world's leading environmental entity resources its own work and how it supports the activities of Member States. Unlike other UN entities, UNEP relies almost entirely on voluntary contributions from Member States, making financial planning challenging. The UN regular budget forms a smaller portion, less than 5%, supporting the core functions of the UNEP Secretariat and its coordination within the UN system.

The voluntary funding comes from three primary streams with the core Environment Fund providing essential capacity for UNEP's operations, at only about 15% of the total, which is a drop in the ocean considering the magnitude of the environmental challenges we face. The Voluntary Indicative Scale of Contributions (VISIC), introduced in 2002, encourages Member States to contribute based on their capacity with the aim of widening the funding base and enhancing funding predictability. Nevertheless, currently 90% of UNEP's core funding comes from 15 donor countries.

Earmarked contributions are provided for specific environmental action designated for specific projects, themes,

or countries, often determined by funding partners in collaboration with UNEP. They amount to around 80% of UNEP's funding, half of which is provided by various global funds such as the Global Environment Facility and the Green Climate Fund and another half by earmarked funds received from the Member States and others.<sup>2,3</sup> Additionally, to address specific and emerging environmental needs more flexibly, UNEP established thematic funds in 2022 which supports strategic priorities, including climate action, nature conservation, and pollution control.

The United Nations Environment Assembly (UNEA), with participation from 193 Member States, provides a platform to discuss UNEP's major decisions and financial commitments global environmental issues and mandates UNEP to take specific actions. The sixth session of the Environment Assembly which took place in February 2024 in Nairobi, Kenya focused on shaping priorities and actions for the coming years.

However, the implementation of these mandates depends on the availability of adequate resources, which remains a challenge, especially in the current geopolitical landscape that has affected resource allocation to the United Nations. The UN Environment Assembly also discusses the organisation's medium-term strategy and program of work. The seventh session of the Assembly to be held in December 2025 will review and adopt the next medium-term strategy for 2026 to 2029 and the program of work and budget for 2026 to 2027. Additionally, UNEP is expected to report on the implementation of previous decisions and resolutions and on the alignment of the mandates and the organization of work, ensuring to avoid overlaps among the governing bodies and other conventions as guided by the development in the new strategy. This alignment is crucial to prevent overlapping or contradictory decisions from various governing bodies with those of the Environment Assembly.

For example, in the last Assembly, a High-level Dialogue on public and private finance systems was held to focus on creating enabling conditions to align these systems with sustainability and development goals. This event provided a unique opportunity for global leaders to discuss strengthening the push to mainstream sustainable finance and integrate green economics into sectoral, institutional, legal, and regulatory frameworks.

Other notable outcomes were the Ministerial Declaration led by the Minister of Environment of the Kingdom of Morocco and the adoption of 15 resolutions. This included a significant financial sector resolution related to the sound management of significant financial sector resolution related to the sound management of metal, mineral resources, chemicals and waste.<sup>4</sup> It requests UNEP to facilitate coordination between the new global framework on chemicals and other institutions to strengthen the implementation of multilateral environmental agreements at the national level. Another resolution addresses combating sand and dust storms, asking UNEP to facilitate dialogue between development sectors and financial institutions to explore gaps and solutions.<sup>5</sup>

An important resolution in the current geopolitical climate relates to environmental assistance and recovery in areas affected by armed conflicts. This includes incorporating the issue into the development of UNEP's next medium-term strategy and addressing concerns related to conflict and its connection across various aspects of the strategy. The Assembly also adopted resolutions to strengthen climate change, nature action, and pollution action through multi-stakeholder initiatives and to link science to policy and decision-making in line with the mandate of the organisation. Another notable resolution calls for UNEP to enhance its engagement with the UN development system at regional and country levels, increasing its country presence within existing resources but highlighting the need for additional resources.

In the context of the urgent need to tackle the planetary crisis balancing the objective of the requirement of a clean energy transition with environmental protection, particularly with regards to mining for essential minerals has become critical. UNEP is at the centre of supporting Members States as the world is intensifying its energy transition. This is a point that was emphasised at the 28<sup>th</sup> meeting of the Conference of the Parties (COP 28) in 2023.<sup>6</sup> The call to move away from fossil fuels is crucial if we are to stay below a 2°Celsius increase by 2050. Achieving this target will require over 3 billion tons of minerals and metals for energy transition technologies, including solar energy storage.

This transition offers significant opportunities, particularly for developing countries rich in these minerals and metals. By investing in sustainable development, we can ensure that sustainability strategies are in place to secure these supplies. It is essential to foster trust and ensure a just transition, benefiting communities and promoting economic diversification. This approach will create value-added opportunities for producer countries, rather than following colonial models where benefits were historically concentrated in the global North. Additionally, we must avoid pollution and biodiversity loss to meet commitments under frameworks such as the Kunming-Montreal Global Biodiversity Framework is an outcome of the 2022 United Nations Biodiversity Conference and the Minamata Convention on Mercury.<sup>7,8</sup>

Politically, it is crucial to design products for repair and remanufacturing, covering their entire lifecycle. Statistics indicate that around 50 million tons of e-waste are generated annually, yet only 20% is properly recycled.<sup>9</sup> Specific actions are being taken within the UN system to support a just energy transition. The UN Secretary-General recently launched a multi-stakeholder panel on critical energy transition minerals, mandated to develop a set of common and voluntary principles aimed at building trust and accelerating the transition to renewable energy.

These principles will be a key component of the UN framework on just transition for critical energy transition minerals, currently being prepared by the Secretary-General's working group on transforming extractive industries for sustainable development. This working group, led by UNEP and involving the UN regional economic commissions, is collaborating with entities such as the Intergovernmental Forum on Mining, Minerals, Metals, and Sustainable Development, and the World Bank.<sup>10</sup> The framework is part of a broader UN effort to support mineral-producing developing countries in building long-term institutional capacity in the mineral sector, promoting responsible mining, and ensuring sustainable use of minerals and metals. This topic was high on the agenda at the recent UNEA-6, where a resolution on responsible and sustainable extraction was adopted.

Governments need to strengthen and harmonise policy frameworks to encourage responsible extraction and sustainable use of energy transition minerals. The mining industry must work towards coherent standards and frameworks for responsible mining, developing multi-stakeholder settings with credible verification mechanisms. It includes managing health risks, promoting gender and social justice, and protecting human rights to a clean, healthy, and sustainable environment.

We encourage companies along the value chain to ensure they source minerals responsibly and design products for circularity. Electric vehicle manufacturers, for example, can gain market advantage by positioning themselves as users of responsibly sourced minerals and metals. By taking these steps, we can ensure an equitable energy transition that mitigates climate change, reduces air pollution, protects nature, and fosters growth and wealth creation in developing nations for the benefit of people and the planet.

## Encouraging the private sector

To this effect UNEP actively engages with the private sector to mobilise financial resources and to encourage environmentally sustainable practices in their activities and operations. This is especially critical in the agricultural and industrial sectors, where there is a need to shift from activities that harm the environment to those that protect and conserve it. Our goal is not only to secure financial resources but also to ensure that these resources are used to foster environmental sustainability. UNEP manages several specialised funds and initiatives in collaboration with the private sector, particularly in the areas of green energy and sustainable land use.

For example, the Seed Capital Assistance Facility (SCAF), is a multi-donor trust fund that supports private sector investment and development companies working in high-risk frontier markets in Africa and Asia. The SCAF shares project development costs and seed financing with private equity funds, venture capital funds, and project development companies to make finance available during

the development phase of projects promoting climate-friendly technologies. Since its launch, SCAF has supported the development of 2.5 gigawatts of new renewable energy capacity across 18 countries in Asia and Africa, providing US\$ 20 million in funding which leveraged US\$ 4 billion from 24 investment funds and development companies in the private sector.<sup>11</sup>

Another example is the AGRI3 Fund, created by UNEP together with Rabobank and other partners, including the Dutch Entrepreneurial Development Bank.<sup>12</sup> This fund supports the transition to sustainable agriculture by providing credit, risk management tools, and technical assistance to projects that prevent deforestation, stimulate reforestation, and promote sustainable agricultural production and value chains. These efforts aim to reduce carbon emissions and improve rural livelihoods.

In addition to innovative transactions, UNEP's Finance Initiative (FI) has established critical sustainable frameworks within the finance industry, including the Principles for Responsible Investment, Principles for Sustainable Insurance, and Principles for Responsible Banking.<sup>13</sup> These frameworks have seen significant adoption, with over 50% of the global banking industry now committed to the Principles for Responsible Banking. Notably, 90% of these banks have embedded sustainability oversight at the board or chief executive officer (CEO) level, and 79% have systems to identify and monitor the most significant impacts of their financing. Since 2021, all banks under this initiative report annually, with 277 banks having benefited from individual annual review meetings and receiving confidential feedback reports for their CEOs.

The Finance Initiative also includes a Civil Society Advisory Body and has helped establish the new Environmental Risk Disclosure Framework, including the Task Force on Nature-Related Financial Disclosures (TNFD).<sup>14</sup> This task force is expecting over 400 global corporations and financial institutions to start issuing nature exposure reports for the first time, having committed to the TNFD recommendations.

## Public finance drives systemic change across sectors

UNEP believes that mobilising financial resources for environmental protection also requires changing the norms of the financial system. Public finance and an enabling macroeconomic policy environment are essential for sustainability, supporting foundational investments, policies, and innovations needed to address the triple planetary crisis. Public finance can drive systemic change across sectors, align financial and trade systems with sustainable goals, and support green job policies, sustainable infrastructure planning, and resource-efficient industrial policies. The entity is actively involved in creating policy frameworks by engaging public finance institutions to establish and implement policies that drive the greening of the economy. For example, UNEP supports finance ministers to put sustainability at the heart of financial and economic policies, and we are encouraged by the increasing number of countries establishing climate finance units within their finance ministries.

Finally, seeing a critical need for creating favourable conditions for private sector participation in environmental projects. This can be achieved through guarantees, subsidies, and other financial instruments that make environment-related projects more attractive to private investors. A notable example is the Sustainable Finance Facility in Mongolia, which serves as a model of public-private partnership to mobilise private sector investment.<sup>15</sup>

In moving from working at the policy level to access climate finance is crucial for implementing climate adaptation and mitigation projects in the global South, UNEP has an important role in opening access to the Green Climate Fund (GCF) and the Global Environment Facility (GEF). This includes supporting Member States in overcoming barriers. These efforts are multifaceted, addressing both opportunities and barriers in accessing these critical funds. As a founding member of the GEF and a key partner of the GCF, UNEP leverages its strategic position to advocate for the needs of developing countries, ensuring their unique challenges are considered in funding decisions. Countries are assisted to develop a robust pipeline of projects that are ready for funding, involving comprehensive planning

and alignment with both UNEP's medium-term strategies and the specific requirements of the GCF and GEF.

UNEP acts as a bridge between countries and funding bodies, ensuring clear communication and alignment of projects with the strategic priorities of the GCF and GEF. Coordination with various national and regional offices helps streamline project submissions and approvals. The work can range from the provision of technical assistance to countries to develop high-quality project proposals that meet the stringent criteria of the GCF and GEF to support project design, feasibility studies, and alignment with national climate strategies and plans. Capacity-building programs are conducted to enhance the skills of national stakeholders, enabling them to effectively manage and implement climate projects. This is crucial for sustaining long-term climate resilience and adaptation efforts.

UNEP is accredited to both the GCF and the Adaptation Fund, allowing direct support to countries in accessing these funds. This end-to-end support, from project conception to implementation, ensures that projects adhere to environmental and social safeguards.

The procedures for applying to the GCF and GEF are often complex and resource intensive. Developing a full project proposal can take several years and significant financial investment, posing a challenge for many developing countries. Projects must meet strict environmental, social, and technical criteria to qualify for funding, which includes demonstrating clear climate benefits, sustainable development impacts, and adherence to environmental safeguards.

Developing countries often struggle with the technical and financial requirements needed to secure these funds. Moreover, projects must meet high standards of environmental sustainability, which can be challenging for countries with limited technical expertise and resources. The rigorous criteria ensure quality but also create barriers to entry. Many countries, especially in the global South, lack the institutional capacity to develop and manage large-scale environmental projects. This includes deficiencies in areas like project management, financial planning, plus monitoring and evaluation.

To overcome these barriers, UNEP continues to provide comprehensive support and advocate for simplified access procedures and enhanced capacity-building initiatives. By doing so, UNEP aims to ensure that countries in the global South can effectively leverage climate finance to achieve their adaptation and mitigation goals.

Since UNEP's core resources are dependent on voluntary contributions the importance of the Environment Fund as a central element in UNEP's ability to spearhead multilateral environmental initiatives, particularly amidst the current global environmental crises. It is the financial backbone that supports UNEP's core activities, enabling the organisation to implement its mandates effectively across various environmental sectors. UNEP can respond swiftly to emerging environmental challenges by providing flexible funding which is crucial in addressing urgent issues such as climate change, biodiversity loss, and pollution.

The fund supports capacity-building initiatives and technical assistance that helps nations to enhance their environmental governance, implement sustainable practices, and meet international environmental standards. By demonstrating UNEP's capacity to manage and implement effective programs, the Environment Fund helps attract additional funding from various donors, including governments, private sector entities, and other international organisations.

Resources from the Environment Fund enables UNEP to support countries in the coordination and implementation of multilateral environmental agreements, such as the Paris Agreement on Climate Change and the Convention on Biological Diversity.<sup>16,17</sup> It ensures that UNEP can provide the necessary support and oversight to countries striving to meet their international commitments.

Yet, despite its critical role, UNEP faces several challenges in fostering effective multilateral collaboration in the context of increasingly complex global environmental issues. Since the beginning, UNEP has had the mandate as convening decisive authority to bring different stakeholders together to deal with issues which Member States could not tackle on their own. However, we also see in the last couple of years other issues and tensions have come in also influencing the discussions at our UN Environment Assembly.

An example is the conflict in Ukraine or ongoing conflict in Gaza and the state of Palestine. UNEP immediately looks at the environmental impact of the conflict where we are competing with the urgent needs of saving lives, with humanitarian support, because people need to eat today and therefore environment can hold on. We need to support people to get into a safer place and therefore we can deal with the environment later. In the meantime, delayed environmental consideration means also creating more damage for the people, the planet and the area today and in the future. These environmental issues at times tend to be used as proxies for other differences. It can be positive by using environment or negative in terms of delaying taking action on environment. Another impact can be the inability to avoid the slowdown of environmental debate and the urgency to address environmental issues.

## Conclusion

UNEP tries to bring in an even stronger voice of science, evidence of common denominators to the debate and to the decision making because environmental crisis we know they do not know borders. This is where the scientific evidence base becomes key for decision makers to be able to take decisions especially on environmental crisis matters which are not only national issues, but they also know no borders. UNEP has been working in terms of building and strengthening the capacities of many countries, especially the vulnerable countries, in meeting their environmental commitments. Championing the work of the UN, UNEP has been advising countries to making the case to access funding from the available sources such as the Green Climate Fund, the Global Environment Facility, the Adaptation Fund and others. This is how we can both support the countries with our own funding but also support direct investment in the countries. International Financial Institutions and donors can better support these efforts by including environmental sustainability aspects in their decision making on financial support.

## Endnotes

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- 1 Read more about the UNEP at <https://www.unep.org/about-un-environment/why-does-un-environment-matter>.
- 2 <https://www.thegef.org>.
- 3 <https://www.greenclimate.fund>.
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- 8 United Nations Environment Programme, 'Minamata Convention on Mercury', August 2017, <https://minamataconvention.org/en/documents/minamata-convention-mercury-text-and-annexes>.
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- 17 See note 7.