STAP SCREENING TEMPLATE

GEF ID	**11681**
Project title	**Chemicals and Wastes Financing Partnership Facility (CWFPF)**
Date of screen	**26 November 2024**
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1. Summary of STAP's views of the project

This ambitious proposal aims to "establish a dedicated finance facility to support investments in chemicals and wastes pollution (CWP) reduction/elimination and net-zero, nature positive development in key polluting sectors to foster zero-waste societies". The goal of the Chemicals and Wastes Financing Partnership Facility (CWFPF) is to add a "C&W lens" on at least $1 billion of potential sovereign loan projects through at least 6 investment projects, and at least 2 investment projects aimed as CSOs, women and youth-led business.

The proposal responds to the Global Framework on Chemicals recommendation, which calls on financial institutions to integrate chemicals and waste activities in the scope of their activities and has the potential to assemble knowledge of the C&W sphere and expertise in policies and financing.

Overall, the objective of the proposal is feasible; however, several aspects need to be strengthened, including the project rationale, which requires better clarity in some sections; the theory of change, which needs to better present a clear logic to achieving the intended impacts and the associated underlying assumptions; and the project components which require better elaboration in some aspects.

It is commendable that the proponent includes gender-specific indicators for most of the project components. The proposal also has the potential to be innovative (finance and technological innovation) and has potential for replication and scaling. In this respect, STAP encourages the proponent to develop a separate theory of change for scaling and transformation through the project.

The details of STAP's review are presented in Sections 2 and 3 of this screen.

Note to STAP screeners: a summary of STAP's view of the project (not of the project itself), covering both strengths and weaknesses.

STAP's assessment*

- □ Concur - STAP acknowledges that the concept has scientific and technical merit
  Minor - STAP has identified some scientific and technical points to be addressed in project design
- □ Major - STAP has identified significant concerns to be addressed in project design

Please contact the STAP Secretariat if you would like to discuss.

2. Project rationale, and project description – are they sound?

See annex on STAP's screening guidelines.

1. Overall, the project rationale could be made more explicit. There were instances when it was difficult to understand the points being made. For example, it is difficult to understand this paragraph on page 13: *"Long term public health costs, reduction in national cognitive ability with resulting productivity losses, natural capital value increase of the remediated systems, real estate value increase, bio-diversity regeneration and its contribution to overall natural system health, public utility cost reduction, resource availability, climate change adaption and mitigation, climate change resilience, and economic development driven by innovative technology mobilization."*

2. Systems thinking: the proposal's rationale highlights some of the root causes and challenges of chemical management, including the lack of regulatory enforcement and governance, insufficient technical capacity and knowledge gaps, inadequate and sustainable financing, complexity of global supply chains, low public awareness of risks from hazardous chemicals, and resistance of the chemical industry. However, a deeper systems analysis was not done, likely because the project itself is broad and the specifics, such as the location of specific interventions, are not yet determined. It is essential that a systems analysis be done for each project pipeline after the Financing Partnership Facility has been established and operational.

3. Uncertain futures were not discussed, possibly due to the same reason above. However, the systems analysis for specific projects should consider the drivers of change, such as economic and population growth, technological readiness (e.g., for elimination strategies, chemical alternatives), climate change, etc., and how these drivers could change in the future. This will be essential for developing robust solutions that remain valid in different plausible futures.

4. Objectives – The project's objective, "to establish a dedicated finance facility to support investments in chemicals and waste pollution reduction…" is clear and justified. This will be a unique and possibly innovative financing solution that could be replicated and scaled if successful.

5. Theory of Change (ToC) – The proposal presents a theory of change diagram supported by narratives. The ToC contains several expected elements showing the causal pathways to achieving targeted impact. However, some of the logical connections toward achieving project objectives and the underlying assumptions could be strengthened. For example, what is the justification that increased policy coherence and enforcement capacity will unlock investment potential to address C&W problems – how are policy coherence and enforcement linked to finance? Also, what is the basis for the assumption that private and public institutions are willing to support the enabling environment for establishing a C&W finance facility, and what happens if the assumption does not hold? Furthermore, it is unclear how "knowledge sharing and guidance on strategies for CWP investment" is an assumption.

Also, the proposal needs to align the assumptions listed as bullet points on page 21 with those included in the ToC diagram. On the list on page 21, more explanation is required to understand the meaning of "specialized products such as sustainability-linked loans or policy-based loans to assist governments". Will such loans assist governments or leave them with greater debts requiring repayment solutions?

Other questions that need clarification in the project logic include how inconsistent policies are a barrier to the treatment of waste or implementation of less hazardous chemicals; what is the logic that addressing policy inconsistencies will strengthen the decisions of financial institutions; why does the lack of monitoring data present a barrier to the funding of C&W projects; how will demonstration projects alleviate the barrier of low capacity of public/private institutions?

Overall, the ToC needs to be further strengthened to ensure a logical pathway and robust assumption to achieve the project outcome. The STAP theory of change primer can be a helpful guide when revising the ToC.

6**. Project Components**
Component 1. Decision-making frameworks for chemicals and waste pollution (CWP) investment. There is a need for more clarity on this component, including the timeline of expected outputs. For example, which jurisdiction is being targeted? Are the expected outputs (e.g., addressing policy barriers, capacity building, urban/peri-urban strategies) going to be pursued after a country seeks to access the facility, or would it be done for all countries that could access the facility at the onset of establishing it?

On the criteria for identifying beneficiaries/partners (page 22), does it mean that potential beneficiaries/partners that do not have the institutional and technical capacity to evaluate waste management needs… (criteria 4) or have systems in place for data collection and curation… (criteria 5) will not be able to

benefit? Would that be justifiable, especially since these are issues that the project should help potential beneficiaries address and capacity development is part of the project activity Output 1.2?

- Output 1.1 is a "comprehensive policy review of national and subnational policies related to C&W management." What is the scope of this ambitious activity? How will a "policy harmonization plan" be developed that respects jurisdictional authority but promotes policy coherence within a level of government? How will providing incentives or EPR schemes increase the availability of funds for waste management, etc.? (p24). How will mapping finance policy help to promote policies such as allocating a percentage of national environmental funds for local-level C&W projects?
- Output 1.2. What is the scope of assessing the capacity of local authorities to implement and enforce C&W policies?
- Output 1.3. What is the scope for "all targeted urban/peri-urban areas"? The activities are highly ambitious, if not unrealistically ambitious of "conducting a comprehensive baseline/assessment of existing urban/peri-urban sustainability strategy" and the "development/update of sustainability strategies, which will include specific goals, targets, and indicators for effective C&W management, especially related to hazardous waste management, pollution, and international chemicals conventions." (p25). Many goals and targets already exist but cannot be met, not because the goals are lacking but because of a lack of capacity and financial resources.
- Output 1.4. Again, the activities described are extremely ambitious and do not appear to draw on lessons learned from other programs. For example, how will this program enable "GEF support to address the key barriers to transformation and understanding the drivers of environmental degradation," such as reducing single-use items for consumption? How will this project "look at measures to rebuild materials supply and waste management chains to incorporate materials recovery"? (p26)

Component 2. Establish CWFPF – chemicals and wastes financing partnership finance facility that entails building a model for governance, institutional arrangements, and operating modalities. It is positive that these activities will build on "key lessons from past and ongoing partnership financing facilities" (p30). Such learning will be essential for success. GEF funds would be used to develop and promote the CWFPF, e.g., through road shows, demonstrations, and investor round tables. More details and logic of how these uses of GEF investment will help mobilize resources, and evidence that these are productive strategies, should be presented when the project is further developed.

Component 3. Line up "investment ready" projects for financing, which involves conducting feasibility studies/pilot projects in the selected five sectors/issues. The activity includes grading each potential investment, presumably relying on developing a "traffic light" grading system that was not described. Output 3.1 includes activities intended to promote the circular economy through education and case studies but does not include major technological impediments to circularity, such as the complexity plastics which curtails the ability for recycling (unless down-cycing is included but even that is insufficient to stem the load of waste plastics).

The thorough monitoring and evaluation of GEBs from pilot/demonstration projects is expected to inform future scalability and replication (page 31). However, monitoring and evaluation of GEBs will not be sufficient for replication, scaling, and, ultimately, the type of systems transformation expected through this project. Other factors are necessary, including sociocultural factors, e.g., behavior change, capacity, finance, multi-stakeholder engagement, etc. Hence, STAP encourages the proponent to conduct a rigorous analysis of how scaling can be achieved, including developing a dedicated theory of change for scaling and transformation through the project.
Pilot/demonstration projects

- Electronics (p16). Pilot and commercial plants already exist for the safe dismantling of electronics. How will this support re-using used ICT components without engaging with ICT product manufacturers? Also, note that to our knowledge, mercury is no longer part of the back-lighting system of new computer displays.

- Buildings (p16). How will efforts to reduce GHG emissions, carbon footprint, etc, in the building sector interface with existing initiatives?

- Environmentally persistent pharmaceuticals and new POPs/Hg chemical additives in products (p17) have the problem description but lack examples of solutions. The possibility of a "green chemistry" innovation is necessary but insufficient to enable a transition in the market-place.

Component 4. Invest in C&W pollution reduction/elimination projects. The list of criteria for choice of projects is comprehensive and connects to enabling elements and the overall goal of the project, e.g., innovation and scalability.

Component 5. It is good that the project has a dedicated component for knowledge management, learning, and communications, which will be embedded in the key project outcomes.

7. Stakeholders: the proposal shows that several stakeholders have been engaged, and a more detailed stakeholder analysis will be carried out at the PPG stage. We encourage that stakeholder engagement should also include Indigenous Peoples and local communities (currently, the proposal did not provide an answer as to whether they were consulted). Their perspective will be beneficial for implementing some of the interventions in the project.

8. Gender: it is commendable that the proposal includes gender-specific indicators for most project components. The proposal also presents gender dimension information that focuses not only on the impacts on women but also on how they can be agents of change in the targeted sectors. STAP encourages the proponent to follow through in ensuring that the gender perspective is considered as the project is further developed and during implementation. As a small point, clarification is needed when describing women's participation in the textile industry, where that industry has 60% women in the work force (p 52).

9. Contribution to GEBs: the estimate of expected GEBs is presented and supported by an annex containing GEBs calculation notes. It is realistic that if the facility is successful, it has the potential to generate significant GEBs. However, the value of the GEBs can only be ascertained as countries, sub-national governments, and other beneficiaries/partners access the products and capabilities of the facility. Some specific details are included (e.g., replacement of MCCP in electronic cables (evaluation of the safety of replacements?) and reduction/substitution of HBCDDD in EPS insulation (not used in PU insulation) in Viet Nam) without adequate explanation to judge the veracity of the estimates. STAP encourages the proponent to follow good practices for each sector in estimating GEBs as project pipelines are being developed.

10. Policy coherence: ensuring policy coherence is one of the main components of the proposal. Given that the interventions in the proposal will cut across diverse economic sectors and different levels of government, it is essential that the program prioritizes actions to ensure policy coherence across all of the sectors. This will require engaging the different actors and ensuring that different government ministries are engaged in targeted countries. The proponent is encouraged to review the STAP paper on policy coherence in the GEF for guidance on how to address policy coherence across the project cycle.

11. Innovation: The project will promote innovation in financing mechanisms and is expected to embrace technological innovation through demonstrations/pilots. Given that innovation tends to be more risky, STAP encourages the proponent to conduct a risk assessment in line with the new GEF Risk Appetite Framework to put in place appropriate measures to address the possible risk of failure. Also, the proponent should consider how the innovation will be scaled if successful. As advised earlier, it is recommended that the proponent consider developing a theory of change for innovation and scaling of the interventions. Further, on technological innovation, the proposal mentioned AI and digital solutions in the project rationale but did not adequately follow through on their potential application in the project components. STAP encourages the use of

digital and other technologies to be based on a rigorous assessment, including cost and benefits analysis, to avoid unintended consequences.

12. Risks: the risk table will require significant revision. Currently, it does not specify the specific risks to the project but only mentions what the proponents (ADB and UNIDO) will do. It is unclear why they would do what they have proposed if the risks were not mentioned. It is also essential that the risk table is completed in line with good practice. The project should seek to address major challenges, such as the risk of extreme events and fragile or conflict situations impacting the project outcomes, through the project components. The risk table should be used to address the risks that may still occur despite good project design, and the appropriate mitigation measures for these risks should be included. Please refer to STAP's upcoming information note on "clarifying risk in GEF projects," which will be listed in the publication section of STAP's website.

Note: provide a general appraisal, asking whether relevant screening guideline questions have been addressed adequately – not all the questions will be relevant to all proposals; no need to comment on every question, only those needing more attention, noting any done very well, but ensure that all are considered. Comments should be helpful, evaluative, and qualitative, rather than yes/no.

3. Specific points to be addressed, and suggestions

Overall, this project has significant potential, although its impact depends on the financing facility's effectiveness. **STAP recommends that the proponent review and address all of the points raised in Section 2 above**.

Other considerations as the proposal is developed further include:

Consider the likelihood of identifying and recovering pollution costs from responsible parties (p 13)

The proposal should avoid balancing the cost of pollution management, often borne by society because those costs are externalized by producers, with tools that could help with pollution management (p 13).

The proposal should provide clarity in several of the text and words used, especially in the project rationale section. For example, statements such as "legacy pollution, whilst typically not presenting a dynamic risk" (p13) should be clarified. The proposal should also be "fact-checked" as several assertions are questionable (e.g., current use of PBDEs in textiles, current use of mercury in computer screens, use of HBCDD in polyurethane foam, that reducing POPs (i.e., PFAS) in textiles involves "minor process change", that bioplastics are a preferable choice to conventional plastics and will not have adverse impacts on food production).

Note: number key points clearly and provide useful information or suggestions, including key literature where relevant. Completed screens should be no more than two or three pages in length.

*categories under review, subject to future revision

ANNEX: STAP'S SCREENING GUIDELINES

Project rationale

1. How well does the proposal explain the problem and issues to be addressed in the context of the **system** within which the problem sits and its drivers (e.g. population growth, economic development, climate change, sociocultural and political factors, and technological changes), including how the various components of the system interact?

2. Does the project indicate how **uncertain futures** could unfold (e.g. using simple **narratives)**, based on an understanding of the trends and interactions between the key elements of the system and its drivers?

3. Does the project describe the **baseline** problem and how it may evolve in the future in the absence of the project; and then identify the outcomes that the project seeks to achieve, how these outcomes will change the baseline, and what the key **barriers** and **enablers** are to achieving those outcomes?

4. Are the project's **objectives** well formulated and justified in relation to this system context? Is there a convincing explanation as to **why this particular project** has been selected in preference to other options, in the light of how the future may unfold?

5. How well does the **theory of change** provide an "explicit account of how and why the proposed interventions would achieve their intended outcomes and goal, based on outlining a set of key causal pathways arising from the activities and outputs of the interventions and the assumptions underlying these causal connections".

    - Does the project logic show how the project would ensure that expected outcomes are **enduring** and resilient to possible future changes identified in question 2 above, and to the effects of any conflicting policies (see question 9 below).
    - Is the theory of change grounded on a solid scientific foundation, and is it aligned with current scientific knowledge?
    - Does it explicitly consider how any necessary **institutional and behavioral** changes are to be achieved?
    - Does the theory of change diagram convincingly show the overall project logic, including causal pathways and outcomes?

6. Are the project **components** (interventions and activities) identified in the theory of change each described in sufficient detail to discern the main thrust and basis (including scientific) of the proposed solutions, how they address the problem, their justification as a robust solution, and the critical assumptions and risks to achieving them?

7. How likely is the project to generate global environmental benefits which would not have accrued without the GEF project (**additionality**)?

8. Does the project convincingly identify the relevant **stakeholders**, and their anticipated roles and responsibilities? is there an adequate explanation of how stakeholders will contribute to the development and implementation of the project, and how they will benefit from the project to ensure enduring global environmental benefits, e.g. through co-benefits?

9. Does the description adequately explain:

    - how the project will build on prior investments and complement current investments, both GEF and non-GEF,
    - how the project incorporates **lessons learned** from previous projects in the country and region, and more widely from projects addressing similar issues elsewhere; and
    - how country policies that are contradictory to the intended outcomes of the project (identified in section C) will be addressed (**policy coherence**)?

10. How adequate is the project's approach to generating, managing and exchanging **knowledge**, and how will lessons learned be captured for adaptive management and for the benefit of future projects?

11. **Innovation and transformation:**
    - If the project is intended to be **innovative:** to what degree is it innovative, how will this ambition be achieved, how will barriers and enablers be addressed, and how might scaling be achieved?
    - If the project is intended to be **transformative:** how well do the project's objectives contribute to transformative change, and are they sufficient to contribute to enduring, transformational change at a sufficient scale to deliver a step improvement in one or more GEBs? Is the proposed logic to achieve the goal credible, addressing necessary changes in institutions, social or cultural norms? Are barriers and enablers to scaling be addressed? And how will enduring scaling be achieved?

12. Have **risks** to the project design and implementation been identified appropriately in the risk table in section B, and have suitable mitigation measures been incorporated? (NB: risks to the

durability of project outcomes from future changes in drivers should have been reflected in the theory of change and in project design, not in this table.)