PREPCOM DEEP DIVES

High Seas Alliance

UNSW Centre for Sustainable Development Reform

Briefing: BBNJ PrepCom
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The Financial Mechanism: Overview for PrepCom3

Executive Summary

The Agreement under the United Nations Convention on the Law of the Sea (UNCLOS) on the Conservation and Sustainable Use of Marine Biological Diversity of Areas beyond National Jurisdiction (BBNJ Agreement) entered into force on 17 January 2026.

To prepare for entry into force and the first meeting of the Conference of the Parties (CoP), a UN Preparatory Commission (PrepCom) met twice in 2025 (14–25 April and 18–29 August) and will meet again in March 2026 (23 March–2 April). The PrepCom process is critical for developing a well-functioning operational framework for the Agreement. Well-structured, fair, and efficient institutions will shape its long-term success and determine how quickly global ambition can be turned into tangible results for ocean protection.

The Financial Mechanism is established under Article 52 of the BBNJ Agreement to provide 'adequate, accessible, new and additional and predictable financial resources' for the implementation of the Agreement, including assistance to developing State Parties for that purpose (Art. 52(3)).

This briefing provides an overview of the BBNJ Financial Mechanism and summarizes discussions with regard to their operationalization in the context of the First and Second Sessions of the PrepCom. It highlights key areas to be addressed at PrepCom 3 and outlines some approaches for Parties to consider regarding its operationalization.

Conclusions

The Financial Mechanism comprises many interconnected parts that interact with each other and with other parts of the BBNJ Agreement; therefore, it cannot be designed in isolation. In preparation for PrepCom 3, States may wish to consider the following:

- How do the different elements of the Agreement relating to finance best fit together (role of CBTMTC, role of Finance Committee, distribution of work between Special fund and GEF)?
- How should the initial resource mobilization goal for 2030 be determined: by the sum of country needs assessments, an overall assessment of BBNJ ambition for that timescale, or a negotiated sum?
- Which steps are needed for rapid initial operationalization of key components of the Financial Mechanism (i.e., the budget, Special Fund, and Finance Committee), and which could potentially be postponed to the second CoP?

1. Financial matters on the PrepCom agenda

PrepCom 1 addressed several institutional elements of the Financial Mechanism, including financial rules governing the funding of the BBNJ CoP, Secretariat, and subsidiary bodies. The Co-Chairs' Aid to Discussions[1], presented four existing governance models on financial rules and procedures of a multilateral environmental agreement, including: the International Seabed Authority (ISA); the United Nations Framework Convention on Climate Change (UNFCCC); the Convention on Biological Diversity (CBD); the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal; 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 Minamata Convention on Mercury.

PrepCom 1

At PrepCom 1, there was convergence among delegates on a two-year budget cycle and the adoption of the UN scale of assessment as a basis for annual contributions. However, there were diverse views on model selection, working capital reserves, and payment timing flexibilities. A priority for some States was the inclusion of provisions to ensure timely contributions to the Voluntary Trust Fund to facilitate participation by least developed countries (LDCs), Small Island Developing States (SIDS), Landlocked Developing Countries (LLDCs), and other developing countries.

There was also divergence on the scope of work and the modalities of the Finance Committee, with some delegations preferring an ISA-style administrative and budgetary focus while others leaned towards the broader UNFCCC Standing Committee on Finance model, emphasizing a certain operational autonomy while retaining a link to the UN Secretariat.

A proposed Global Environment Facility (GEF) Memorandum of Understanding (MoU) was also reviewed, with emphasis on the guidance from the BBNJ PrepCom in shaping decisions and a view to indicating priorities regarding its ninth replenishment period (GEF-9)[2].

PrepCom 2

The Financial Mechanism played a key role in PrepCom 2 discussions[3]. It was addressed in a similar fashion to that of other institutional features of the BBNJ Agreement, with priority given to discussions of process, participation, decision-making and committee formats. In addition to continuation of discussions at PrepCom1, discussions at PrepCom2 also included the "operationalization of other provisions on financial resources and mechanism" (Program of Work Item II.4)[4]. The Note by the Secretariat[4] on this item covered five key areas:

- Establishment of the voluntary trust fund for developing States Parties' participation in meetings.
- Special fund[6] arrangements, including institutional setup, governance structures, contribution strategies, eligibility criteria, and application procedures.
- Guidance on the scale of assessed contributions.
- Development of overall strategies and priorities for accessing financial resources.
- Periodic review mechanisms to assess the financial mechanism's effectiveness.

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[1] https://docs.un.org/en/A/AC.296/2025/7

[2] GEF-9 is the ninth replenishment cycle of the Global Environment Facility Trust Fund, spanning July 2026 to June 2030.

[3] See ENB Summary Report, Tuesday 2nd September 2025 – https://enb.iisd.org/marine-biodiversity-beyond-national-jurisdiction-bbnj-cop-prepcom2-briefing-note

[4] Program of Work of the Preparatory Commission. https://docs.un.org/en/A/AC.296/2025/2

[5] https://docs.un.org/en/a/ac.296/2025/18

[6] https://iucn.org/sites/default/files/2025-07/iucn_-bbnj-prepcom2_special-fund.pdf

The need for balance in the financial architecture of the Agreement was underscored by many delegates, who were unable to reach consensus on elements for provisional guidance to GEF-9. The Co-Chairs invited Parties to submit written input and submitted a letter to the GEF CEO on 10 October 2025[7]. There were discussions on the potential scope of the voluntary trust fund as well as on the funding arrangements of the BBNJ overall, including the financial rules of the CoP, the potential use of arrears, and different governing and special fund architecture approaches.

Many underscored the need to fully recognize the special circumstances of SIDS and LDCs, with a regional group calling for references to "LLDCs, geographically disadvantaged states, coastal African states, archipelagic states, and developing middle-income countries". They further called for the participation of Indigenous Peoples, local communities, and observers in the operationalization process and in the oversight of the special fund. Others highlighted the need for a cost-effective process and early operationalization of the special fund and raised concerns on its complementarity with the GEF fund, noting potential benefits of using an existing body as a potential fund host or trustee, and the potential cost implications of different oversight modalities.

What to expect at PrepCom 3

PrepCom 3 will continue to discuss finance matters, including the GEF arrangements and financial rules governing the CoP and subsidiary bodies.

The Co-Chairs have prepared a draft decision for the first CoP for the purpose of operationalizing the special fund. This was shared as an advance, unedited version[8] on 12 January 2026, for consideration at PrepCom 3.

Other finance-related documents available for PrepCom3 are:

- A further revised aid to discussions and negotiations on Financial Rules[9].
- An aid to discussions and negotiations prepared by the Co-Chairs concerning the establishment of the Voluntary Trust Fund[10].

Elements of the Financial Mechanism

What is Article 52?

Article 52 of the BBNJ Agreement establishes a comprehensive financial mechanism to provide "adequate, accessible, new and additional and predictable financial resources" for the implementation of the Agreement, including assistance to developing State Parties for that purpose (Art. 52(3)).

The financial architecture of Article 52 mentions three sources of financial contributions: obligatory contributions by States (e.g., Art. 52(2) and Art 52(4)(b)(i-ii)), voluntary contributions by States (e.g., Art. 52(4)(a)(b)(iii)) and contributions by private actors (e.g., Art. 52(4)(b)(iii)). The operationalization of these provisions should be guided by the principles that each Party shall provide resources within their capabilities (Art. 52(1)) and that financial contributions can come from diverse sources, including the private sector (Art. 52(8)).

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[7] Paragraph 84: https://www.thegef.org/sites/default/files/documents/2025-11/EN_GEF.C.70.04_Relations%20with%20Conventions%20and%20Other%20International%20Institutions%20%281%29.pdf

[8] https://www.un.org/bbnjagreement/sites/default/files/2026-01/20260109BBNJPrepComIIICoChairsAidSpecialFundAdvanceUnedited.pdf

[9] https://www.un.org/bbnjagreement/sites/default/files/2026-01/20260109BBNJPrepComIIIFurRevFinancialRulesAdvanceUnedited.pdf

[10] https://www.un.org/bbnjagreement/sites/default/files/2026-01/20260109BBNJPrepComIIICoChairsAidVoluntaryTrustFundToRAdvanceUnedited.pdf

At its core, Article 52 creates four distinct funding vehicles:

1. A general budget, including funds for the institutions created under the BBNJ Agreement (Art. 52(2));
2. A Voluntary Trust Fund to facilitate developing States Parties' participation in the Agreement meetings, with particular focus on LDCs, LLDCs, and SIDS (Art. 52(4)(a)) [DK1] ;
3. A Special Fund supported through annual contributions under Article 14(6), benefit-sharing payments under Article 14(7), and additional voluntary contributions under Article 52(4(b)); and
4. The GEF Trust Fund (Art. 52(4(c)).

Finance Committee

The BBNJ CoP will establish a Finance Committee (Art. 52(14)), which is part of the Financial Mechanism, and will periodically report on and make recommendations regarding fund identification and mobilization. The Committee will consider: (a) needs assessment of developing State Parties; (b) fund availability and timely disbursement; (c) transparency of decision-making processes; and (d) recipient accountability.

The Committee must ensure appropriate qualifications and technical expertise of its members while maintaining gender balance and equitable geographical distribution. PrepCom discussions showed divergent views on whether the Committee should follow the ISA's administrative model or the UNFCCC's broader approach of a Standing Committee on Finance.

It should be noted that the Finance Committee must be created by the CoP, unlike other subsidiary bodies that legally exist once the Treaty enters into force, even though their terms of reference, modalities, and membership must still be adopted or elected by the CoP.

Several regional groups expressed a strong preference for the Finance Committee to be established at the first CoP.

Voluntary Trust Fund

The Voluntary Trust Fund's objective is to facilitate the participation of representatives from developing States – a common practice among international agreements. Specifically, a BBNJ Voluntary Trust Fund already exists to fulfill this purpose for the Intergovernmental Conferences to negotiate BBNJ (IGCs) and it has been repurposed by the UN Division for Ocean Affairs and the Law of the Sea (DOALOS) to facilitate participation at PrepCom.

During PrepComs 1 and 2, several States expressed gratitude for contributions to the Voluntary Trust Fund, though some called for more sustainable and reliable contributions. There was convergence around the Secretariat administering the Voluntary Trust Fund and the financial rules for the general budget being applied to it.

GEF Trust Fund

PrepCom 1 discussions on the draft GEF MoU emphasized the need for the arrangement to be in place for CoP 1 and to ensure GEF operations align with CoP guidance while following its existing templates. Key areas of agreement included transparent reporting requirements, simplified access procedures for SIDS and LDCs, and preference for grants over loans. Divergences emerged regarding the level of CoP oversight versus GEF operational independence. The institutional arrangement between the GEF and the CoP is a significant factor in determining the modalities of access to, and criteria for, the allocation of funding.

Additional considerations

Access to GEF funding: Reflecting on existing practice with other multilateral environmental agreements, many States expressed a need to ensure a simpler and faster access to GEF funding so that developing countries have timely support to implement the Agreement.

Guidance for GEF-9 replenishment: The GEF has indicated it would benefit from guidance on GEF-9 funding priorities and BBNJ allocation levels. The Minamata Convention provides precedent: its Intergovernmental Negotiating Committee (INC) provided provisional guidance to inform GEF-7 replenishment, which was later adopted by its first CoP. PrepCom 2 discussed "elements of possible provisional guidance to the Global Environment Facility ninth replenishment process", but they were not agreed upon[11]. After consultation with the Bureau, the Co-Chairs submitted some provisional guidance to the GEF in October 2025. The BBNJ PrepCom 3 will need to consider guidance for GEF-9 replenishment.

GEF's role in setting up the Special Fund: Funding will be required to establish the Special Fund before its modalities are finalized and implemented to accommodate funding streams. There is an opportunity for the GEF to support and facilitate the Special Fund's design and ensure the process is conducted efficiently.

Special Fund

Several operational elements need to be established before the Special Fund can be fully operationalized:
(a) The appointment of an administrative entity for financial management and fiduciary oversight; (b) The development of access instruments and simplified application procedures; (c) The establishment of hosting arrangements; (d) The creation of accountability mechanisms and risk management frameworks.

Furthermore, the Special Fund's design must reflect the broad range of sources and uses of the Financial Mechanism envisaged under the BBNJ Agreement, namely the potential role of private sources and public-private partnership delivery.

To establish the necessary institutional foundation, the BBNJ CoP must either engage an administrative entity from an existing institution or create a new entity with appropriate legal status. This decision will need to take the fund's governance structure into account, including potentially the composition and decision-making procedures of an oversight body that will provide strategic direction, unless this role is played by the CoP. There is a possibility that the Special Fund might have smaller-than-expected financial flows, at least initially. This may limit the choice of host entities, as some have minimum annual financial flow requirements. Secretariat functions need to be designated for daily operations, and decisions taken on whether the Special Fund staff will solely manage implementation, or whether other entities will be involved. Fiduciary standards need to be considered, and the potential financial implications of BBNJ management measures undertaken by existing International Frameworks and Bodies (IFBs) need to be clarified.

The Special Fund's initial resources will come from the monetary benefit-sharing modalities consisting of a '50% top-up' on budget contributions by developed states. Funding under Article 52 will be accessible to developing countries, on the basis of need (Art. 52(12). [DK1] States will need to decide whether to propose ex ante rules for allocation mechanisms for available amounts, including access for Indigenous Peoples, or whether to leave such decisions to the discretion of future Special Fund governance mechanisms.

The mechanisms and criteria for receiving contributions from other Parties, as well as the formats for increasing future resources of the Special Fund, could also be considered already. The BBNJ Treaty provides multiple avenues for this: (a) additional public and private contributions; (b) a resource mobilization goal for 2030; and (c) future MGR benefit-sharing modalities. Issues, such as the structure, timing and potential interactions between these various pathways, provide a wide range of topics for consideration. The GEF, in particular the GEF Trust Fund and the provisions referencing international financial institutions and public-private partnerships, offers important opportunities to contribute rapidly and comprehensively to the BBNJ Treaty's ambitions. Active consideration of the range of options the Special Fund provides to facilitate full engagement of developing countries is critical.

[11] https://docs.un.org/en/a/ac.296/2025/19

This raises several pertinent questions:

- What are potential modalities for each step towards the establishment of the Special Fund, and where might there be a need for additional innovation?
- Are there relevant experiences from other treaties or areas that could be used as guidance? How successful have they been in raising additional funds, efficient allocation, and implementation?
- What pathways would be most conducive to attract additional funding for the Special Fund, including from private sector sources?

Implementation through the GEF and the Special Fund

The GEF Trust Fund and the Special Fund share the same mandate scope under Article 52(6). Article 52(7) requires avoiding duplication and promotes complementarity. This was highlighted during PrepCom 1 and 2, where member states called for parallel work between the two funds, focusing on their operational and governance modalities and exploring collaboration between them.

Three main approaches were identified to achieve this:

1) Providing early guidance to the GEF Council through the MoU and CoP decisions. The updated GEF MoU includes provisions on complementarity and coherence, requiring the GEF to institute appropriate arrangements with parts of other financial mechanisms and report on effectiveness.

2) Formal joint institutional arrangements between the GEF Council and BBNJ governance structures could create joint steering or liaison bodies for collaborative assessments, project coordination, and joint programming.

3) Funding and project delineation could facilitate practical avoidance of duplication. The Special Fund could maximize annual mandatory contributions and MGR/DSI modalities, encourage private sector contributions, and develop revenue-generating mechanisms. The COP could direct the GEF to support enabling activities, capacity building, and reporting, while the Special Fund prioritizes direct access for local, regional, and national entities and establishes dedicated windows for Indigenous Peoples and local communities (IP&lcs).

Based on the negotiations and PrepCom discussions so far, there seems to be convergence that the Special Fund will focus on supporting developing countries based on their BBNJ priorities. Additional financial support for the Special Fund directly strengthens their efforts. Equally, there seems to be a convergence that the CoP should provide guidance, including how best to deliver direct access for local, regional, and national entities and for IP&lcs.

Resource mobilization goal

Article 52(11) obligates the BBNJ CoP to determine an initial resource mobilization goal for the Special Fund from all sources through 2030. In doing so, it shall consider the modalities of the Special Fund and "information provided through the capacity-building and transfer of marine technology committee".

It remains for the CoP to decide when to adopt the initial resource mobilization goal and what specific information from the CBTMT Committee to consider. Given that the CBTMT will only be fully operational once its rules of procedure, modalities, terms of reference, and membership are adopted or elected by the CoP, it could only begin providing the relevant information required under Article 52(11) by the second CoP at the earliest. Similarly, the Finance Committee's role on this issue will be decided by the CoP.

Interaction with other institutional elements

CBTMT Committee

Article 45 mandates that the CBTMT Committee review the implementation of CBTMT provisions across the Agreement, including several aspects explicitly linked to the Financial Mechanism.

> Article 45(2):
> (b) Reviewing the support required, provided and mobilized, as well as gaps in meeting the assessed needs of developing States Parties in relation to this Agreement;
> (c) Identifying and mobilizing funds under the financial mechanism established under article 52 to develop and implement capacity-building (...).

The CBTMT Committee submits reports and recommendations to the CoP (Art. 46(3)). It also has a mandate to make recommendations for follow-up activities more broadly (Art. 45)(2)(e), which could include recommendations to the Finance Committee when it considers 'the assessment of the needs of the Parties, in particular developing States Parties'.

Effective cooperation between the Finance Committee and the CBTMT Committee can help determine the resources needed to fulfill capacity-building support and technology transfer, especially for developing countries, LDCs, LLDCs, and SIDS, to implement the Agreement.

Access and Benefit-Sharing Committee (ABSC)
As the oversight body for access and benefit-sharing from marine genetic resources (MGRs) and their digital sequence information (DSI), the ABSC's mandate contains an explicit link to the Financial Mechanism, namely that the ABSC may make recommendations to the CoP on 'matters relating to [Part II of the Agreement] in relation to the financial mechanism established under article 52' (Art. 15(3)(e)). The ABSC, for instance, could suggest timelines and estimate payment levels expected from monetary benefit-sharing of MGRs and DSI. It could also project how these would change under new monetary benefit-sharing modalities that the CoP can adopt in the future under Article 14(7).

Secretariat and other bodies
The institutional arrangements in relation to the Secretariat and other bodies may also be relevant for establishing the Financial Mechanism and its institutional arrangements, both structurally and practically. The funding of the Secretariat and other institutions is provided by the budget, and payment arrangements will reflect potential institutional links to the UN. The current financial rules for the general trust fund contain options for it to be managed by the head of the Secretariat, provided it is an independent entity, or by the host UN entity if the Secretariat is hosted by an existing UN agency. Parties will need to establish Financial Mechanism modalities that either align with or operate independently from existing structures.

Conclusions and next steps

The Financial Mechanism comprises many parts that interact with each other and with other components of the BBNJ Agreement. Therefore, it must not be designed in isolation. Given the number of documents, the technical nature of the issues to be discussed, and the limited time available, States may wish to consider the following overarching questions:

1) How do the different finance-related elements of the Agreement best fit together? For example, what is the role of the CBTMT Committee in relation to the Finance Committee, and how should work be distributed between the Special Fund and the GEF?

a) How to effectively and equitably operationalize the Special Fund?

The Special Fund will receive mandatory contributions from developed countries and requires operational frameworks for institutional arrangements, access modalities, and allocation criteria.

b) How can cooperation and coherence be achieved across the different BBNJ funding streams?

The Special Fund needs to be set up in a way that optimizes its usefulness for developing states, whilst avoiding duplication.

c) How can adequate and predictable funding flows be ensured?

Once the budget is set and the scale of assessed contributions to the Special Fund is clear, the task will be to establish the initial resource mobilization goal through 2030 to facilitate additional voluntary contributions.

2) Should the initial resource mobilization goal through 2030 be determined by the sum of country needs assessments, an overall assessment of BBNJ ambition for that timescale, or a negotiated sum?

On a practical level, States may wish to consider which steps are needed for rapid initial operationalization of key components of the Financial Mechanism (i.e., the budget, Special Fund, and Finance Committee) and which could potentially be postponed to the second CoP. Article 52 of the BBNJ Agreement provides Parties with multiple pathways to ensure the Financial Mechanism effectively delivers on its goals. It may be beneficial to consider whether an adaptive approach would be preferable (i.e., targeting rapid, pragmatic operationalization with subsequent adjustments and using existing bodies where possible) or whether a comprehensive approach should be taken (i.e., ensuring all aspects are fully integrated from the outset). Deciding which approach to take will depend on how Parties prioritize different aspects of the Financial Mechanism, such as whether they prefer to:

- Focus on activation
- Focus on impact and scale
- Focus on operational modalities, including access[12] and involvement of IPLC[13]
- Focus on sources of finance, including MGR and DSI[14] and private industries[15]
- Focus on coherence and cooperation with the GEF and other ABNJ finance initiatives[16]
- Focus on the delivery of BBNJ objectives
- Focus on effectiveness and coherence[17]

PrepCom 3 will provide guidance based on the priorities and pathways chosen.

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[12] https://www.unsw.edu.au/research/centre-for-sustainable-development-reform/research/ensuring-equitable-efficient-access-special-fund-article52-BBNJ
[13] https://www.unsw.edu.au/research/centre-for-sustainable-development-reform/research/ensuring-sustained-involvement-of-indigenous-peoples-implementation-BBNJ
[14] https://iucn.org/sites/default/files/2025-02/iucn-bbnj-dsi-policy-brief-web.pdf
[15] https://www.unsw.edu.au/research/centre-for-sustainable-development-reform/research/opportunities-mobilise-funding-from-private-entities-high-seas-conservation
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High Seas Alliance

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