

2010-2013 ACTION OUTLOOK FOR FINANCING CHEMICALS AND WASTES

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1 EXECUTIVE SUMMARY

- 1 At the eleventh special session of the UNEP Governing Council/Global Ministerial Environment Forum (**GC/GMEF**) held in Bali, Indonesia from 24 to 26 February 2010, member states adopted decision GC.SS.XI/8 on the Consultative Process on Financing Options for Chemicals and Wastes. At this meeting the UNEP Executive director was asked to continue with the Consultative Process.
- 2 The document reflects the Desk Study on Financing Options for Chemicals and Wastes, the UNPE GC/GMEF decision and discussions from the first two meetings. Important reflections arising from these sources are: the need to raise the political priority and profile of the sound management of chemicals and wastes; the complexity of the global chemicals and wastes industry; the need for greater and more predictable funding of incremental costs as well as enhanced cooperation and coordination and that these two aspects are mutually reinforcing; that the sound management of chemicals and wastes is an economic and development opportunity rather than a financial burden; and the need to focus on capacity building and technology transfer at the national level.
- 3 There are key meetings and opportunities in the next three years to develop this process. Furthermore national institutions need to take on the responsibility to identify needs and coordinate resources at the national level. This paper considers current developments and undertakes further analysis to operationalize incremental steps in the short-term period (2010-2013) and provides further thoughts about the longer-term prospects for each track. This is considered across the four tracks identified at the second meeting of the Consultative Process in Bangkok on 25-26 October 2009

MAINSTREAMING SOUND MANAGEMENT OF CHEMICALS AND WASTES INTO OTHER SECTORS OF THE DEVELOPMENT AGENDA

- 4 Development funding is a key track, and the focus should be on incorporating sound chemicals and wastes management at the planning stage through UN Development Assistance Frameworks (**UNDAF**). To support this, the costs of poor chemicals and waste management and the economic benefits of sound chemicals and waste management need to be identified and promoted. Important reports due in 2011 will help provide the data to make these arguments. These need to be widely distributed and utilised by actors in this field. The UNDP-UNEP Partnership Initiative for the implementation of the Strategic Approach to International Chemicals Management (**UNDP-UNEP Partnership Initiative**) has been the main initiative pursuing the development of this track.
- 5 Future activities include expanding the UNDP-UNEP Partnership Initiative to include wastes management, linking the agenda to Millennium Development Goals beyond Environmental Sustainability at the UN Development Group (**UNDG**) level and launching the Partnership Initiative beyond the pilot stage. Other activities include developing consistent performance indicators for the sound management of chemicals and wastes; developing a methodology to consistently assess national development progress in this area; lobbying for a UNDG thematic policy in this area; and awareness raising activities at the development policy level, involving both donors, recipient governments and other international development financing bodies (e.g. World Bank and IMF).

PUBLIC-PRIVATE PARTNERSHIPS, INCLUDING THE USE OF ECONOMIC INSTRUMENTS AT THE NATIONAL AND INTERNATIONAL LEVEL

- 6 When appropriately targeted, PPPs can provide effective thematic structures for dealing with crosscutting issues by harnessing a commercial profit motive for social benefit. The chemicals and waste management sector has characteristics which make it particularly amenable to PPPs. However, targeting PPPs requires a clearer picture of the global chemicals and wastes sectors. UNEP is producing reports by the end of 2011 that will help provide this information. The wastes management sector in particular is lacking coherent data. PPPs in the chemicals and wastes area are also an important tool for implementing green economic policies.
- 7 Raising awareness of the economic opportunity presented by PPPs on the sound management of chemicals and wastes is an important short-term activity. This should use the data from upcoming reports to develop an argument as to why the private sector should engage. The UNEP Green Economy Initiative, UNEP's Chemicals Division, UNDP's focal area on Chemicals Management, and to a lesser extent UNIDO, the World Bank and WHO are all undertaking activities to support this. These activities should be better coordinated, and more emphasis placed on wastes management as well as chemicals management.
- 8 There is a need to support and coordinate incremental funding for fundamental regulatory reforms and governmental action at the national level to support PPPs. This includes developing national laws, economic instruments and a whole of government approach that supports private sector innovation and the profitability of green industries, through implementing costs-recovery and internalisation of the true social cost of poor chemicals and wastes management. An appropriate coordination and evaluation body is needed to develop and support the implementation of PPPs at the national level. This responsibility should be placed on an existing body if possible. This body should leverage existing work and partnerships and cooperate with other processes to ensure increased coordination between PPPs, development funding and capacity building activities.

NEW TRUST FUND SIMILAR TO THE MULTILATERAL FUND (MLF)

- 9 The MLF is one of the most successful funding mechanisms in achieving its stated environmental outcomes. Its strengths include: a strong relationship to the MEA it supports (the Montreal Protocol); a funding model based on the incremental costs of phase out activities; clear responsibility between constituting bodies (e.g. countries, implementation agencies); a country programme based funding structure that includes a on-the-ground presence through 143 National Ozone Units; and a clear focus on a single substance and environmental issue. The key question is what aspects of the MLF are transferrable to a fund supporting chemicals and wastes more broadly, and if any new fund should be widely focused on chemicals and wastes management generally or only on specific activities. It is also important to consider timelines for negotiation, and how using existing institutional structures for support (e.g. the GEF secretariat) will impact on these timelines.
- 10 The two options identified through the Consultative Process are negotiating a new MLF-like fund from the ground up or using existing institutional structures (e.g. the GEF secretariat and/or advisory bodies) to create a new fund with characteristics of the MLF.

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Creating a completely new fund would take at minimum five meetings, and could face administrative issues and difficulties in defining relationships between the constituting bodies due to the differing nature of the MEAs and other bodies in this area. The ability of a new fund to attract donor funding should also be considered. Using an existing institutional structure may provide a way to avoid these issues, in a similar manner to the Adaptation Fund for the IFCCC/Kyoto Protocol. A third option - expansion of the existing mandate of the MLF - would need the agreement of the Meeting of the Parties of the Montreal Protocol. This could be an option as Ozone Depleting Substances (**ODS**) phase-out activities wind up from 2010 onwards.


- 11 A key issue is the relationship of the new fund to existing mechanisms, and if these will be rolled into or coordinated with the new fund in any manner. This also bears on what institutional structure (GEF, SAICM) is leveraged to speed up negotiations. The scope and funding criteria of the fund should also be considered. These issues should be dealt with through engaging with other processes, such as process for enhanced cooperation and coordination among the Basel, Rotterdam and Stockholm Conventions, SAICM and the negotiations for a legally binding convention on Mercury. Due to timing of these other processes negotiations should start in early 2011 with a goal identifying what aspects of the MLF and which institutional arrangements should be adopted by mid-2011, and producing a recommendation for the relevant bodies by the start of 2012.

INTRODUCING SOUND MANAGEMENT OF CHEMICALS AND WASTES AS A NEW FOCAL AREA, OR EXPANDING THE EXISTING POPS FOCAL AREA UNDER GEF

- 12 The GEF is a funding mechanism that provides funding to meet the agreed incremental costs of measures to achieve global environmental benefits across a number of areas. The GEF structures has been criticised in the past as slow to approve projects and inequitably and unpredictably allocating funding. It has recently been replenished for the fifth time (**GEF-5**) and introduced a new resource allocation system (**STAR**) to give more predictable and effective funding allocations. The operational structure of the GEF is noted as being effective at balancing representation of countries, providing secretariat support and attracting donor funds.
- 13 The GEF currently funds the Persistent Organic Pollutants (**POPs**) focal area for the Stockholm Convention. This has recently been expanded to include pilot funding for the sound management of chemicals (not wastes) and mercury. Further expansion would require amendment to the GEF instrument through the GEF Council and then the GEF Assembly, which has its next meeting in late 2013. The driving force for these amendments would be decisions of appropriate bodies (UNEP GC, the COPs of the Basel, Rotterdam and Stockholm Conventions, SAICM etc.) urging the GEF Council to recommend the amendments to the GEF Assembly. Negotiations to further expand the GEF Instrument should start as soon as possible to meet this deadline.
- 14 To assist this the sound management of chemicals and wastes needs to be more clearly linked to global environmental benefits, and data need to be gathered to produce appropriate indicators, especially for wastes management. Upcoming reports referred to in the mainstreaming and PPP tracks will assist this. As the GEF focal areas are linked to the MEAs they support, there is also a need to determine both the scope of any expansion and what body will provide this focal area with guidance on project approvals and funding priorities. Options include using an existing body such as ICCM/SAICM,

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leveraging the process on enhanced cooperation and coordination among the Basel, Rotterdam and Stockholm Conventions or developing a new advisory body via partnership or negotiations. This decision should also incorporate and leverage the ongoing negotiations for a legally binding instrument on mercury. A key consideration in negotiating such an expansion or new focal area is to avoid a reduction in overall GEF funding particularly for the existing POPs and ODS funding areas, as in real terms GEF funding has been decreasing.



2 INTRODUCTION

THE CONSULTATIVE PROCESS TO DATE

- 15 At the eleventh special session of the UNEP Governing Council/Global Ministerial Environment Forum held in Bali, Indonesia from 24 to 26 February 2010, member states adopted decision GC.SS.XI/8 on the Consultative Process on Financing Options for Chemicals and Wastes (**Consultative Process**). Among other things, the decision asks the UNEP Executive Director to continue with the Consultative Process which was first launched at the fourth meeting of the Conference of Parties to the Stockholm Convention (Geneva, 4-8 May 2009) and at the second session of the International Conference on Chemicals Management (ICCM) (Geneva, 11-15 May 2009).
- 16 After two meetings of the Consultative Process, in Nairobi from 24-25 July 2009 and Bangkok on 25-26 October 2009, the participating Governments and other key actors discussed and provided input to a Desk Study on Financing Options for Chemicals and Wastes (**Desk Study**), outlining a number of tracks for securing adequate financing in the areas of chemicals and wastes.
- 17 The discussions at the meeting in Bangkok narrowed down the number of tracks contained in the Desk Study to four tracks for possible further discussion and consideration at the third meeting of the Consultative Process. These tracks are:
- a) Mainstreaming sound management of chemicals and wastes into other sectors of the development agenda;
 - b) Public-Private Partnerships, including the use of economic instruments at the national and international level;
 - c) A new trust fund similar to the Multilateral Fund (MLF); and
 - d) Introducing sound management of chemicals and wastes as a new focal area, or expanding the existing POPs focal area under GEF;
- 18 This document is based on material from the Desk Study relating to these four tracks. It considers current developments, undertakes further analysis, attempts to operationalize the incremental steps to be undertaken in the 2010-2013 period and provides further thoughts about the longer-term prospects for each track for consideration by Governments and other key actors. Although this document will focus on four tracks, other tracks can be further explored taking into consideration that the tracks should be considered complementary and are not mutually exclusive.
- 19 The key goal of this document is to generate further discussion at the third meeting of the Process about practical steps to move the consultative process forward towards to strengthen the implementation of the chemicals and wastes agenda by increasing and facilitating the available flow of capacity and resources to adequately support the sound management of chemicals and wastes at the global, regional and national levels.

OVERALL REFLECTIONS

- 20 A number of high-level reflections and guiding principles have been identified by Governments and other key actors with regards to the Consultative Process. These include:

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- a) There is an increasing need for efforts to raise the political priority and profile accorded to sound management of chemicals and wastes and a corresponding increase in sustainable, predictable, adequate and accessible financing for the chemicals and wastes agenda.
 - b) The worldwide chemicals and wastes industry is highly complex and distributed, and management of chemicals and wastes is by definition multifaceted and interlinked with other agendas including development assistance, the Millennium Development Goals, improving human health, and global trade and employment agreements.
 - c) There is a very urgent need for better cooperation and coordination of resources across multiple approaches to the sound management of chemicals and wastes as well as greater and more predictable funding.
 - d) While such cooperation and coordination is important, there is an overall need for greater and more predictable funding of the chemicals and wastes agenda.
 - e) Funding should be more targeted towards the incremental costs of implementing chemicals and wastes management rather than operational costs, to enhance sustainability and to avoid becoming a crutch to deal with inadequate national resourcing.
 - f) The tracks identified should be coordinated to act in synergy and are mutually reinforcing, taking into account the mutually dependent relationship between increased coordination and funding.
 - g) That sound management of chemicals and wastes should not only be seen as a financial burden but also as a pathway to the generation of economic growth and support for the Millennium Development Goals.
 - h) A key focus should be better delivery of capacity building and technology transfer at the national level, alongside other activities that support the implementation of treaty obligations.
 - i) An evidence-based identification of the key needs in this area at the national level is a necessary underpinning to all tracks.
- 21 These guiding principles have informed the discussion of the four tracks examined in this document. The evaluation of each track should to be considered on two levels, namely a) how effectively it reflects these principles and b) the prospects for successful implementation. The priority given to each is a function of both evaluations; a pathway that follows these principles but cannot be implemented is not preferable.
- 22 There are key opportunities in the next three years to raise the profile and promote activities for the sound management of chemicals and wastes, particularly leading up to CSD19, Rio+20 meeting and the ongoing negotiations for a legally binding instrument on mercury.
- 23 Given the complex and multifaceted nature of chemicals and wastes, national institutions need to take on greater responsibility in identifying needs and coordinating resources and activities at the national level. In particular, incremental funding, development assistance, national environmental policy and regulatory measures (including the development of economic instruments to internalize costs) need to be linked at the national level to support this agenda.
- 24 To support this there needs to be a stronger emphasis on promoting the economic and social benefits of the sound management of chemicals and wastes management alongside the environmental benefits.

3 MAINSTREAMING OF CHEMICALS AND WASTES INTO THE DEVELOPMENT AGENDA

BACKGROUND

- 25 A key track to promoting sound management of chemicals and wastes is leveraging development funding. The goal should be to undertake development activities in a manner that incorporates sound chemicals and wastes management at the planning stage. Increased development leads to greater demand and use of chemicals as well as more toxic and complicated waste streams. Poor management of chemicals and wastes often results from development that fails to adequately take into account the negative impacts of chemicals use and waste generation. Managing these issues is often considered outside the scope of development assistance or as being too costly, and therefore is not integrated within development planning.
- 26 People in extreme poverty are often the most vulnerable to the health effects and diseases that result from poor chemicals and wastes management. When the full impact across society is considered, the cost of managing these issues 'after the fact' is generally regarded to be more than the costs associated with the implementation of sound chemicals and wastes management from the beginning.¹ Hence management of these issues integrated with development assistance can result in greater outcomes per dollar than separately funding incremental costs after the fact.
- 27 At the same time it is well recognised that activities promoting the sound management of chemicals and wastes have beneficial development outcomes. For example, in 2004 the World Bank noted in evaluating the MLF that ODS phase-out activities had provided unexpected development benefits through skills enhancement, capacity building, reduced health risks, reductions of other environmental pollutants, increased competitiveness and/or enhanced export potential at the national level.² From the wastes point of view, formalized recycling activities can create up to 10 times more jobs than waste disposal in landfills or informal recycling.³ Creating green jobs can often be 'low hanging fruit' where national economic returns far outstrip initial investment.⁴ The dual linkages between sound use of chemicals/management of wastes and good development outcomes on one hand, and the poor management of chemicals and wastes and poor development outcomes is well documented.
- 28 The following observations on the mainstreaming of sound chemicals and wastes management into development assistance are relevant for consideration by the Consultative Process:

¹ R Masey, "Building a Healthy Economy: Chemicals Risk Management as a Driver of Development", KEMI Report 2/05, The Swedish Chemicals Inspectorate, 2005

² "The Multilateral Fund for the Implementation of the Montreal Protocol Addressing Challenges of Globalization: An Independent Evaluation of the World Bank's Approach to Global Programs", The World Bank Operations Evaluation Department, 2004, paragraph 9.

³ Institute of Local Self Reliance, press release, 2002, <<http://www.ilsr.org/recycling/recyclingma.htm>>

⁴ "Green jobs: Facing up to "an inconvenient truth"", *World of Work*, International Labour Organisation, No. 60, 2007, p 4, <http://www.ilo.org/wow/Articles/lang-en/WCMS_083900/index.htm>; R Masey, "Building a Healthy Economy: Chemicals Risk Management as a Driver of Development", KEMI Report 2/05, The Swedish Chemicals Inspectorate, 2005

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- a) In most countries, chemicals and waste management is only just beginning to be integrated into national development strategies and programmes;
 - b) If chemicals and waste management is included, it is often in relation to specific projects or issues rather than as an underlying principle of all development planning;
 - c) The key area for implementation of this track is the national level at the country programming stage;
 - d) The key forum for implementation of this track is the UN Development Group (**UNDG**) and the UN Development Assistance Framework (**UNDAF**);
 - e) This track needs to be jointly and simultaneously pursued by countries, donors and multilateral organizations.
- 29 There is much work needed to ensure that chemicals and wastes management is integrated into development plans as a matter of course rather than at the intervention of UNEP, UNDP or any other actor. Starting in November 2007, the UNDP-UNEP Partnership Initiative for the implementation of the Strategic Approach to International Chemicals Management (**UNDP-UNEP Partnership Initiative**) has been the main initiative pursuing the development of this track.⁵ The Partnership Initiative has developed partnerships with WHO to help establish the link between sound chemicals and wastes management and achieving the Millennium Development Goals (**MDGs**). It has also developed important guidance materials such as Integrated Guidance on the Development of Legal and Institutional Infrastructures and Cost Recovery Measures for the Sound Management of Chemicals⁶ and the chemicals (not wastes) management guideline listed in the UNDG Guidance Note for Country Teams on Mainstreaming Environmental Sustainability in Country Analyses and the UNDAF.⁷
- 30 With regards to wastes, more effort in generating data to help quantify costs and benefits is needed, as there are problems even with the basic methodology to generate comparable data sets.⁸ Some progress has been made; in June 2008 a draft report “The Basel Convention: A Cost-Benefit Analysis of Implementation” was presented to the Ninth Conference of the Parties to the Basel Convention.⁹ This outlined an economic framework for assessing the costs of inaction with regards to hazardous wastes. Countries were asked to comment on this, however further progress on this assessment is not apparent.
- 31 It is important to note that sound chemicals and wastes management has not been effectively linked to the MDGs at the UNDG level except for MDG7 – Environmental Sustainability. In reality the issue is much wider than MDG7, as chemicals and wastes management is a pathway to better realizing all the MDGs, particularly the elimination of extreme poverty, health related MDGs, and environmental sustainability. If this linkage is accepted much of the incremental costs of implementing sound chemicals and wastes management could be internalised and implemented more efficiently through development funding. It is important that that this linkage is accepted by a majority of

⁵ For further information see <http://www.chem.unep.ch/unepsaicm/mainstreaming/>

⁶ Available at http://www.chem.unep.ch/unepsaicm/mainstreaming/IntegGuidOnDevOfLegAndInstlnfra_default.htm

⁷ Mainstreaming Environmental Sustainability in Country Analysis and the UNDAF, UN Development Group, 2009, <http://www.undg.org/docs/10662/ES_GuidanceNote_FINAL.pdf>

⁸ System For Transparent Allocation Of Resources (STAR), GEF Policy Paper, GEF/P.3, 24 June 2010, Para 15-17.

⁹ Framework for economic analysis, Information Document, Conference of the Parties to the Basel Convention, Ninth meeting, Bali, 23–27 June 2008, UNEP/CHW.9/INF/33

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countries, and the crosscutting nature of chemicals waste management across the entire development agenda is clearly articulated at a high level.

- 32 Similarly, it is important that the long-term development benefits of sound chemicals and wastes management are well articulated. Without this assessment, the extra short term costs of mainstreaming chemicals and waste management can be seen as holding back economic development. In a similar sense to the United Nations Poverty and Environment Initiative (PEI)¹⁰, the first goal is to 'make the case' linking economic growth, achieving the MDGs and sound chemicals and wastes management.
- 33 The model of the PEI provides some guidance; in particular highlighting the need for a crosscutting, well funded body to promote mainstreaming in a coherent manner. The PEI also provides an example of 'organic growth' of an inter-agency partnership from a local initiative, which resulted in much greater funding.¹¹ The UNDP-UNEP Partnership Initiative seeks to use the lessons learned from the PEI, as well as the UNEP-WHO Health and Environment Linkages Initiative (HELI).¹²

2011-2013 OPTIONS FOR ACTION

CURRENT ACTIVITIES

- 34 Key initiatives are underway which can provide an evidence base to support the mainstreaming process for sound chemicals management. In particular, UNEP's Chemicals Branch is involved in the following projects:
- a) A study on the Costs of Inaction on the Sound Management of Chemicals, which will provide the information needed to raise the funding priority of sound chemicals and wastes management.
 - b) Integrated Guidance on the Development of Legal and Institutional Infrastructures and Cost Recovery Measures for the Sound Management of Chemicals in Developing Countries and Countries with Economies in Transition. This will help identify the fundamental national infrastructure that needs to be implemented to support the sound management of chemicals and wastes.
- 35 As well as this, the UNEP Global Chemicals Outlook and the Global Environmental Outlook 5 (GE05) chapter on wastes will provide valuable data about the worldwide chemicals and wastes industry.
- 36 From the wastes side, a key study will be the UNEP Green Economy Report chapter on Wastes Management. This seeks to make an economic case for greening the wastes sector and to mobilise investment by providing modelling and an evidence base that establishes link between green economy investments and economic gains and job creation. One of the key messages relevant for development assistance is that cost-benefit studies need to include assessment of both the direct costs and benefits of

¹⁰ The PEI is a partnership between UNDP and UNEP. For more information see <http://www.unpei.org/>

¹¹ The UNEP-UNDP Poverty and Environment Initiative, John Horberry, presentation at the Fifteenth Poverty Environment Partnership (PEP 15) Meeting, 1 to 5 March 2010, Malawi, <http://www.povertyenvironment.net/files/PEP15-UNDP-UNEP%20PEI.pdf>

¹² For further information see http://www.chem.unep.ch/unepsaicm/mainstreaming/UNEP_UNDP_PI_Guidance.htm

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chemicals and wastes management and the wider social costs and benefits (e.g. job creation, health benefits, poverty reduction).

- 37 To ensure that these documents reach a wide audience, generate impact and support a higher profile of the chemicals and wastes agenda they should be tabled at SAICM, the upcoming COPs of the Basel, Rotterdam and Stockholm conventions as well as raised with other development funding bodies such as the World Bank and IMF.
- 38 On the national level, the UNDP-UNEP Partnership Initiative has been active integrating SAICM's goals into the development plans of five countries, and is expanding to include a further seven. The Swedish Government and the SAICM Quick Start Programme (QSP) Trust Fund have provided funding for these projects.¹³ The UNDP-UNEP Partnership Initiative has also produced a number of key development planning documents to promote the sound management of chemicals.¹⁴
- 39 The Partnership Initiative is also developing a guidance package on the legal and institutional structures necessary to promote sound chemicals and wastes management, focusing on providing guidance and support in developing national capacity for cost-benefit analysis of the sound management of chemicals.¹⁵

NEW ACTIVITIES

- 40 In the short term, activities could involve building on the fundamental background work completed through the UNDP-UNEP Partnership Initiative. This involves integrating the materials and guidance produced by this initiative at higher levels in the development planning process, as well as promoting them on the national level. Potential activities to achieve this include:
- Widening the scope of the UNDP-UNEP Partnership Initiative to include the sound management of wastes alongside chemicals, and/or partnerships with other organisations, to become a coordinating body for mainstreaming of sound chemicals **and wastes** management into development globally.
 - UNEP, UNDP or SAICM developing UNDG approved performance indicators for chemicals and wastes management that can be used in UNDAFs to consistently assess national development progress in this area. This could also have potential

¹³ **Uganda** and **Zambia** in Nov 2007; **Macedonia** in Mar 2008; **Cambodia** in Jun 2008. **Former Yugoslav Republic of Macedonia** in Mar 2008. In 2009, activities were planned to be launched in **Belarus, Belize, Ecuador, Honduras, Kyrgyzstan, Liberia** and **Mauritania**. At the time of writing no further information was available on these projects. For more information see <http://www.undp.org/chemicals/mainstreamingsmc.htm>

¹⁴ How is the Sound Management of Chemicals related to the Millennium Development Goals (MDGs)?, 2009, <<http://www.energyandenvironment.undp.org/undp/indexAction.cfm?module=Library&action=GetFile&DocumentAttachmentID=2429>>; UNDP Technical Guide for Integrating the Sound Management of Chemicals in MDG-Based Policies & Plans, 2009, <<http://www.energyandenvironment.undp.org/undp/indexAction.cfm?module=Library&action=GetFile&DocumentAttachmentID=2535>>

¹⁵ Publications so far are: *Research Guide for Assessing National Capacities for Environmental Economics in Developing Countries and Countries with Economies in Transition*; *Curriculum Outline for a 5-Day Training Course in Economic Cost-Benefit Analysis Relevant to Policies for Sound Management of Chemicals (SMC)*; *Rationale for Economic Analysis and Implications for National Policies*; *Supplemental Cost-Benefit Economic Analysis Guide*. Documents are available from <http://www.chem.unep.ch/unepaicm/mainstreaming/UNEP_UNDP_PI_CostBenefit.htm>

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benefits in providing a dataset on the global, regional and national level of the costs and benefits of sound chemicals and wastes management.

- c) Countries and intergovernmental bodies lobbying for adoption of a UNDG thematic policy on sound chemicals and wastes management.
 - d) A greater role for and linkages with SAICM within the development agenda, particularly at the UNDG level and in the development of UNDAFs.
- 41 In terms of raising the sound chemicals and wastes management to a higher level with the development agenda, the Sound Management of Chemicals and Wastes could be considered by the UNDG as a cross-cutting issue at the same level as HIV/AIDS, Indigenous Peoples, Disaster and Risk Reduction etc. This would feed into the activities of UNEP, UNDP and the WHO, who as members of the UNDG could then seek mandates from their governing bodies to undertake and pursue the sound management of chemicals and wastes. This would also promote and enable partnerships and linkages with other international bodies that fund development (such as the World Bank, IMF, and regional or national development banks) to integrate sound chemicals and waste management into their project funding criteria and priorities.
- 42 In parallel with this donors and recipient countries must play a role in raising awareness at the policy level of the need for better, sound and integrated chemicals and wastes management at the national level. Actions that could support this include:
- a) Engaging in or supporting awareness raising activities to increase the profile of chemicals and wastes issues to take account of their cross-cutting nature across the MDGs;
 - b) Support awareness raising initiatives at the local, national, regional and global level that link the costs of poor chemicals and wastes management with an economic and social case for sound chemicals and wastes management;
 - c) Identifying and seeking support for specific chemicals and wastes projects within the development of UNDAFs and ODA more generally;
 - d) Supporting UNEP, UNDP, WHO and other key actors in gaining mandates to integrate sound chemicals and wastes management as matter of course in the development of national development plans;
 - e) Requiring or urging bi-lateral and non-UNDAF development funding (e.g. World Bank and IMF) to utilise assessment tools and guidelines developed by the UNDP-UNEP Partnership Initiative, or another mainstreaming coordinating body.

OUTSTANDING ISSUES AND TOPICS FOR DISCUSSION

- 43 The single biggest problem in mainstreaming chemicals and wastes management is that the majority if not all current initiatives focus exclusively on the sound management of chemicals (and associated wastes issues), and not on wastes issues directly. This narrow focus ignores that chemicals management and wastes management are best dealt with together and are effectively the same issue. The narrow focus on chemicals appears to be related to the lack of an international framework for wastes management and subsequent institutional divisions within MEAs, UNDP and UNEP.
- 44 At the national level, the wastes sector is also significantly more scattered and disorganised than the chemicals sector. Furthermore and despite the efforts of the Basel convention international trade has scattered the costs of wastes management far from the producers of wastes, limiting the application of important principles such as 'polluter

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pays'. It is critical to successfully developing the mainstreaming and other tracks that chemicals and wastes are not divided, and instead are considered together equally as part of a 'lifecycle' approach to management of these issues.

- 45 In pursuing mainstreaming, it is important to first target countries and projects that have the greatest capacity for improving chemicals and wastes management with the least cost. Furthermore, projects that support multiple MDGs should be pursued preferentially. Particularly with wastes management, there are easily achievable gains (e.g. implementing municipal waste recycling programmes) that suffer from a lack of implementation funding and political will. The UNDP-UNEP Partnership Initiative could potentially develop assessment tools to better target mainstreaming initiatives globally. Such targeting would:
- a) Focus on development projects and sectors that are chemical and/or waste intensive;
 - b) Give preference to projects where national infrastructure for the management of chemicals and wastes exists or is being developed through funding from other mechanisms, such as the GEF, SAICM QSP or Montreal Protocol; and
 - c) Include an assessment of the political will to successfully complete the project.
- 46 At the national level coordination between development funding and other activities (such as funding incremental costs, compliance with MEAs, national legislation and developing PPPs) is important to ensure they are mutually reinforcing. UNDAFs can provide an opportunity to enable such coordination. While the UNDP-UNEP Partnership has been successful in a number of countries, it is yet to be launched on a wider scale within the UNGD. SAICM, UNEP and the secretariats of the MEAs should work with the Partnership to promote coordination, possibly through requiring the development of a national chemicals and wastes strategy as part of the UNDAF.

CONCLUSIONS AND LONG TERM OUTLOOK

- 47 Many of the short term and medium term outcomes for the mainstreaming track depend on governmental commitment and upcoming institutional developments to strengthen the sound chemicals and wastes management agenda. It is necessary to generate both donor and recipient country buy-in on the issue of sound chemicals and wastes management, and the best pathway to do this is an analysis of the economic and development benefits it provides.
- 48 In terms of providing sufficient funding for the chemicals and wastes agenda, mainstreaming alone is unlikely to provide a solution. Promoting sound chemicals and waste management at the national level is unlikely to provide lasting benefits without additional funding to support fundamental capacity building activities at the national level. Mainstreaming of chemicals and wastes management can leverage capacity building activities that are funded through other means, such as SAICM QSP, the GEF (POPs), MLF or a wider fund supporting sound chemicals and waste management. In this respect, the mainstreaming of chemicals and wastes management could provide an important track to promote ongoing work in this area, while traditional mechanisms funds provide capacity building through funding of incremental costs.
- 49 In the longer term mainstreaming of chemicals and wastes management is intimately linked with the future of enhancing coordination and cooperation among the Basel, Rotterdam and Stockholm conventions and in the chemicals and wastes cluster more

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generally. These efforts could also include any proposed international agreement to replace SAICM in 2020 and the negotiations for a legally binding instrument on Mercury. In the longer term, it is critical that the various entities that are involved in promoting sound chemicals and wastes management work in a coherent and complementary manner to establish the linkages between the development agenda and the sound management of chemicals and wastes.

- 50 Finally it is important that the chemicals and wastes-related MEAs, intergovernmental organizations, governments, civil society organizations and the private sector (as appropriate) involved in progressing sound chemicals and wastes management continue to promote the cross cutting nature of the chemicals and wastes management agenda. Further details of these activities are described in relation to Public-Private Partnerships, but equally apply to mainstreaming.



4 PUBLIC-PRIVATE PARTNERSHIPS

BACKGROUND

- 51 In the international sphere the term “Public-Private Partnerships” (**PPPs**) encompasses a wide range of relationships between the private and public sectors. The fundamental characteristic of these partnerships is that they exist to provide direct social benefit. As a result PPPs are by their inherent nature thematic structures, being well suited to crosscutting issues. It is not essential, and often not desirable for PPPs to supplant a commercial profit motive; in many cases the goal is to use commercial incentives to provide direct social benefits. Because of this, PPPs must be carefully implemented or they may simply result in a transfer of funds from the public to the private sector, or at worst undermine the social benefits they promote.¹⁶ The Desk Study provides a more detailed view of what needs to be considered in evaluating the appropriateness of PPPs and examples of some existing partnerships.
- 52 PPPs may be classed according to the following characteristics, although preferably they may include elements of all of these:
- a) Corporate philanthropy – voluntary measures undertaken by the private sector to provide benefits not only to their shareholders but to other stakeholders;
 - b) Service provision – directly using public funds to engage the private sector undertake activities in which the private sector has superior expertise or resources, are economically sustainable but have high start up costs, or otherwise can only be achieved by partnership.
 - c) Corporate responsibility – aligning commercial interests with social interests, through promoting a longer-term view of ‘profit’, incentivizing investment in socially responsible areas, and/or using regulation and economic instruments to make it commercially attractive to engage in activities that promote social benefit.
- 53 The chemicals and wastes management sector is particularly amenable to PPPs, as a number of characteristics of these two industries provide multiple opportunities for ‘no-regrets’ investments that provide both private and public benefits (for example transferring green technology to developing countries). These characteristics include:
- a) The relative concentration of the chemicals industry and the ongoing shift in chemical production and waste management from the global north to the global south.¹⁷
 - b) The proportionally low labour cost as compared to energy costs in the production of chemicals providing opportunities for technical improvements through technology transfer, as the energy intensity of chemicals production in the global south is many times higher than in the global north.¹⁸
 - c) Lower labour costs in developing countries providing opportunities for development of more labour-intensive green waste management programmes.

¹⁶ For more information on PPPs generally consider *Public-Private Partnerships for Health*, edited by M J Reich, Harvard Series on Population and International Health, Harvard University Press, 2002, in particular chapter 7: K Buse and G Walt, “The World Health Organization and Global Public-Private Health Partnerships: In Search of ‘Good’ Global Health Governance”.

¹⁷ DRAFT, Global Environmental Outlook, Chemicals and Plastics Report, para 4.2.1,

¹⁸ DRAFT, Global Environmental Outlook, Chemicals and Plastics Report, para 4.2.2

- 54 It is expected a clearer picture of the global chemicals and wastes industry will emerge following the development of the UNEP Global Chemicals Outlook and the UNEP Green Economy Report, particularly the chapter on wastes management. A preliminary version of the Global Chemicals Outlook is expected in late 2010 and the final report in December 2011.¹⁹ While there is much data on the chemicals sector, information on the wastes sector is much less readily available, due to its fragmented nature and the international trade in wastes breaking the link between producers and responsibility. The GEO5 will provide some information from a European perspective, particularly on waste flows from Europe to countries outside European borders.²⁰
- 55 The sound management of chemicals and wastes also fits clearly within the scope of the green economy agenda, including the work currently undertaken by UNEP in that regard. Sound management of chemicals and wastes is a key area that can generate both economic development outcomes and social benefits through reducing the human costs of poor chemicals and wastes management. The initial goal of the UNEP Green Economy Initiative is to provide data and models to quantify the link between green economic investments, better social outcomes and economic development. The final goal is to promote an economy where increased GDP is not dependent on increased resource use; that is a 'decoupling' of increased GDP from increased resource use. Towards this, the Green Economy is one of the two themes chosen for discussion at the upcoming Rio+20 conference alongside International Environmental Governance.
- 56 As with mainstreaming, funding incremental costs and capacity building needs to be coordinated with PPPs to make programs sustainable in the longer term. PPPs cannot be relied upon to provide funding for the incremental costs of fundamental policy/regulatory measures and institutional arrangements.²¹ Instead PPPs, although potentially globally structured, should target activities at the national and regional level to work alongside capacity building activities to promote the move towards a green economy.
- 57 While not strictly a 'PPP' the experiences of the individual units of the National Ozone Network of the Montreal Protocol could be particularly relevant in developing thematic or substance focused engagement strategies with the private sector. The Montreal Protocol's sector based approach is an example of engaging both public and private sector to face a common social goal and of prioritizing projects that have the most benefit and chances of success.

2011-2013 OPTIONS FOR ACTION

CURRENT ACTIVITIES

- 58 Awareness raising of the economic benefits and opportunities of sound chemicals and wastes management at the national level among economic policymakers, and at the

¹⁹ For more information see <http://www.chem.unep.ch/unep/psa/cm/mainstreaming/GlobChemOutlook_Report.htm>

²⁰ UNEP's GEO-5 To Address Global Environmental Challenges and Solutions., press release, UNEP, Nairobi, Kenya, 21 October 2010,

<<http://www.unep.org/Documents.Multilingual/Default.Print.asp?DocumentID=649&ArticleID=6793&I=en>>

²¹ At a minimum this infrastructure includes a basic rule of law and accountability within government, basic environmental regulatory bodies supported by appropriate laws and enforcement mechanisms and basic economic instruments relating to the cleanup of pollution that implement the 'cost-recovery' and 'polluter-pays' principles.

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international level among multi-national corporations, industry bodies and financiers (World Bank, IMF and commercial banks) is a key action in the short term. This should be undertaken alongside the mainstreaming track discussed above and many of the same considerations apply, particularly the need to ensure that wastes is included alongside chemicals.

- 59 Currently, awareness-raising activities are mainly being pursued through SAICM, the UNEP Green Economy Initiative, UNEP's Chemicals Division and UNDP's focal area on Chemicals Management. To a lesser extent UNIDO, the World Bank and WHO also are undertaking awareness raising activities, although with less focus on implementing PPPs or economic and regulatory reform to support PPPs. There is a need for greater coordination of these activities in order to generate maximum impact.
- 60 There are a number of key current and upcoming reports that can provide the basis to argue for increased private sector engagement:
- a) The Green Economy Report (first draft due February 2011) highlights the economic and social benefits of sound chemicals and wastes management. It is currently planned to include sections on the manufacturing (including chemicals) and wastes management sectors, as well as a section on enabling conditions for green economic initiatives. This will provide the data necessary to mount an economic argument to bring governments and private sector to the table in identifying opportunities for and negotiating PPPs.
 - b) The UNEP Chemicals Branch Report on the Costs of Inaction (due in October 2010) provides an assessment of the economic costs of failing to implement sound chemicals and wastes management. This can support a cost-benefit argument to finance ministries to raise the priority of funding the sound management of chemicals and wastes, particularly alongside the Green Economy Report highlighting the economic benefits compared to 'business as usual'.²²
 - c) The Global Environmental Outlook 5 will include a section on chemicals and wastes management.
- 61 As outlined in the Desk Study a number of PPPs have already been developed at the international and regional levels including such as the Africa Stockpiles Program and Solving The e-Waste Problem (**STeP**) initiative, as well as numerous activities at the regional and national levels. These programs, while potentially effective, remain somewhat fragmented from the broader chemicals and wastes management agenda. This is particularly compared to the efforts of the WHO in using PPPs to address disease reduction objectives, where the WHO now plays a crucial coordinating and evaluative role ensuring that PPP objectives are met.²³ The Basel convention has been active in developing partnerships on a thematic level; at the ninth meeting of the COP decision IX/7 adopted a Convention Partnership Programme work plan for 2009–2011.²⁴ The

²² Draft Meeting report, Steering Committee Meeting on Costs of Inaction on Sound Management of Chemicals (SMC), 28-29 April 2010, Geneva, Switzerland, <http://www.chem.unep.ch/unepsaicm/mainstreaming/CostOfInaction_IntegratedGuidance_April2010/Cost%20of%20Inaction_1st%20SC%20meeting_April2010_Draft%20final%20meeting%20report_07.06.2010.pdf>

²³ For more information see <<http://www.who.int/intellectualproperty/topics/ppp/en/>>.

²⁴ Report of the Conference of the Parties to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal on its ninth meeting, COP to the Basel Convention, Ninth meeting

work plan covers mobile phones, the existing Partnership for Action on Computing Equipment (PACE), a partnership with the Clean Development Mechanism of the UNFCCC, a mercury partnership and the development of a "Partnership Toolkit".

NEW ACTIVITIES

- 62 To support PPPs more generally there is a need to enhance coordination, evaluation and implementation of PPPs for sound chemicals and wastes management at the global and regional levels. To do this, an existing or new body in this area could act as a thematic PPP coordinating, evaluation and implementation body between international public sector agencies and governments at the global and regional levels. SAICM, if provided with the necessary mandate and means, could potentially take on such a role. However another structure, such as combined secretariat of the Basel, Rotterdam and Stockholm conventions or the administrative body of any new chemicals and wastes trust funds (discussed later) could also fulfil such a role.
- 63 The activities undertaken by a global PPP coordination, evaluation and implementation body could include:
- a) Developing a private sector engagement strategy based on the data from the Green Economy, Global Environmental Outlook, and Costs of Inaction reports;
 - b) Developing a global chemicals and wastes PPP strategy for use internally and by other intergovernmental bodies;
 - c) Identifying and developing relationships with key players in the private sector, including industry groups and multi-national corporations in these areas to generate 'buy-in' for sound chemicals and wastes management;
 - d) Identifying and developing PPP-supporting capacity building activities through GEF, SAICM QSP, ODA or bilateral agreements to fund public sector responsibilities;
 - e) A priority-based determination of the chemicals and waste management issues that PPPs may be a suitable response for, which takes into account both potential benefit and chances of success; and
 - f) Working with structures at all levels to raise awareness of the costs of poor chemicals and wastes management and the benefits and economic opportunities presented by sound chemicals and wastes management.
- 64 Any such initiative should leverage the existing work and partnerships in the chemicals and wastes area. In particular, the work of and lessons learned from the Basel Convention partnerships work programme, STeP partnership, PACE, and Africa Stockpiles Project should be considered when developing guidance for future partnerships. It is also critical to learn from other institutions and processes, not necessarily in the area of chemicals and wastes, in order to ensure that the right avenues are pursued.
- 65 It is vitally important that there is increased coordination between PPPs, development funding and capacity building activities. In many cases the opportunity for a PPP and economic development will arise from capacity building activities. For example creating an effective national environmental protection agency may require incremental funding to

develop cost-recovery and internalization based enforcement measures. At the same time this creates an opportunity for a PPP with chemicals manufacturers to implement recycling and chemical waste management.

OUTSTANDING ISSUES AND TOPICS FOR DISCUSSION

- 66 The key argument to be developed for any PPP is why the private sector should engage. This case needs to be strongly made in developing relationships, and the key focus should be to emphasize that government actions promoting the sound management of chemicals and wastes are not simply a regulatory burden but an economic opportunity. Initially the focus should be on achievable 'win-win' situations that result in greater economic opportunities for the private sector, social benefits both from better management of chemicals and wastes and economic development, and greater private sector responsibility through government regulation.
- 67 An important emphasis is on prompting countries to implement national reforms to support PPPs. For example development of a national e-waste disposal system could be supported by economic regulatory measures that require manufactures to engage in 'life-cycle' management of computers and electronics, alongside government tax breaks and development funding to support a wastes recycling industry. A key focus of this should be education; particularly in helping developing countries moving to a whole of government approach to environmental regulation that supports private sector innovation and the profitability of green industries. Where possible, indirect measures focusing on cost recovery to support national environmental regulation activities as well as internalization of the true social cost of poor chemicals and wastes management should be promoted over subsidies and government investment as these will promote more sustainable long-term solutions.
- 68 As with mainstreaming, awareness raising and publicity of the sound chemicals and waste management agenda is also important, as it will help build a case for better national regulation, increased corporate philanthropy and a greater focus on sound chemicals and wastes management. For PPPs to succeed, there needs to be more awareness of the costs of inaction and the opportunities from implementing sound chemicals and waste management at the national level, particularly beyond environment ministries and into the finance and development sectors of government.

CONCLUSIONS AND LONG TERM OUTLOOK

- 69 In the longer term, the success of PPPs depends on coordinated development of institutional capacity building activities at the national level. It is not realistic to expect the private sector to engage in activities that are contrary to their commercial interests. Hence without certain 'enabling conditions' at the national level the real costs of poor chemicals and wastes management will be not be reflected onto the producers of chemicals and wastes.
- 70 Support of incremental capacity building in relation to national regulation of chemicals and wastes is required. PPPs and the Green Economy Initiative have a role in this by generating wider government and private sector support for such changes by presenting them as an economic opportunity rather than an extra cost and a restriction on development.

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- 71 As well as this, PPPs by their nature are focused on the national and regional level. A coordinated approach to the development of PPPs that goes beyond producing guidance documents therefore needs effective international infrastructure to engage at the regional and national level. Such infrastructure exists in the regional coordination bodies of SAICM and in the Montreal Fund's National Ozone Network. It is important to leverage these existing resources to support the development of PPPs.
- 72 In a longer term, institutionalizing the role of PPPs should be included in the negotiations for further instruments that relate to the sound management of chemicals and wastes, such as a legally binding agreement on the use of Mercury. As the experience of WHO with multi-national drug companies has shown, providing representation for the private sector in instruments can be perceived to undermine the social goals of the instrument.²⁵ This can be addressed with strong external evaluation of PPPs against clearly defined social goals. However, private sector consultation and involvement in the implementation of any new instrument is important for its success.

²⁵ "The Ethics of Public-Private Partnerships", M. J. Roberts, A. G. Breitenstein, and C. S. Roberts, *Public-Private Partnerships for Health*, edited by M J Reich, Harvard Series on Population and International Health, Harvard University Press, 2002

5 NEW TRUST FUND SIMILAR TO THE MULTILATERAL FUND

BACKGROUND

- 73 The Multilateral Fund (MLF) was established at the Second Meeting of the Parties to the Montreal Protocol (London, June 1990) to provide financial and technical co-operation, including technology transfer, to Parties operating under paragraph 1 of Article 5 of the Montreal Protocol on Substances that Deplete the Ozone Layer to enable their compliance with the control measures set out in the Protocol.
- 74 The MLF funds the incremental costs of phasing out the consumption and production of ozone-depleting substances (**ODS**), in developing countries. As such it is activity focused (phasing out ODS) rather than outcome focused (GEF - global environmental benefit). It follows the principle of performance-based fund disbursement where funds are paid out only upon independent verification of ODS reduction targets being achieved as planned. There are relevant parallels between the goals of the MLF and sound chemicals and waste management (phasing out of some products, promoting alternative substances, capacity building, institutional strengthening, reporting and some sort of compensation for closing out undesired production).
- 75 This funding is distributed through four implementing agencies, the World Bank, UNEP, UNDP and UNIDO. Each agency implements different types of projects (e.g. capacity building, demonstration projects, large-scale phase out) and receives a different percentage share of funding. In addition to this, donor country parties to the Montreal Protocol can allocate up to 20% of their funding for the MLF via bilateral arrangements.
- 76 The MLF is widely viewed as one of the most successful funding mechanisms in terms of achieving its stated environmental outcomes. The strengths of the MLF that have helped it achieve these goals include:
- a) A strong and clearly defined relationship with the COP of the Montreal Protocol, resulting in a well defined programme of action and evaluative criteria for projects, linked to an independent expert assessment of funding needs;
 - b) Funding allocation based on incremental costs of defined phase-out activities rather than assessment of environmental benefit.
 - c) A country programme based funding structure (as opposed to a project based funding structure for the GEF) resulting in stable, predictable funding at the country level;
 - d) An established network of 143 National Ozone Units, funded by the MLF, countries and other agencies (e.g. World Bank, UNIDO) with associated country programmes to implement the goals of the convention; and
 - e) A focus on a single substance and environmental issue that lends itself to specific solutions (phase out, replacement of CFCs with HCFCs etc.)
 - f) Clearly delineated responsibilities between recipient countries, implementing agencies and the MLF bodies (Secretariat, Executive Committee);
- 77 An instrumental reform supporting the MLF was the implementation of a new strategic planning framework in March 2001. This was implemented in response to concerns about poor project delivery in least-developed countries, and implemented a shift from a

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central 'project based' phase-out approach to a 'sector/national' phase out approach linked to identifiable reductions in ODS.²⁶

- 78 It is important to note the difference in scale and focus between the sound chemicals and waste management agenda that is widely focused on many substances and issues, and the structure of the MLF that is focused around a very narrow group of substances with clear technical solutions. This is particularly the case with regards to hazardous wastes, which involve a large number of substances making the application of principles such as the wastes hierarchy is more important than supporting specific technical solutions on a per-substance basis. On the other hand in particular situations with specific widely used substances or groups of substances that have clear impacts and/or technical solutions the experience and structure of the MLF is a useful model.
- 79 Key questions to be considered are:
- What aspects of the MLF are transferable to a broad sound chemicals and wastes management fund and which are intimately linked to the characteristics of the MLF?
 - What chemicals and substances are suitable for an MLF-like solution and what are the prospects for an expanded MLF mandate in these areas?
 - What is the best pathway to start a new fund, what is the timeline, and how can it leverage as much as possible of the existing structures of both the MLF and GEF?
 - How can the process for a potential new fund be initiated and how can the ongoing discussions on a financing mechanism for mercury be complementary?

2011-2013 OPTIONS FOR ACTION

CURRENT ACTIVITIES

- 80 The MLF is currently predicting the total phase out of CFCs, halons and carbon tetrachloride in developing countries to occur in 2010. As further substances reach phase-out in 2015 and 2030 there is scope to use the administrative and institutional arrangements for the MLF for other substances. However as the MLF is created under Article 10 of the Montreal Protocol to finance measures under that protocol, expansion to other substances will need the agreement of the Meeting of the Parties of the Montreal Protocol. This may be difficult, given the exclusive focus of the Montreal Protocol on ODS.
- 81 While the desk study identified three possible tracks for expansion of the MLF, the first two meetings of the Consultative Process did not generate widespread support for an expansion of the existing MLF structure to include chemicals and wastes. Instead, the focus of discussion has been on what aspects and lessons from the MLF can be used for a new chemicals and wastes management fund. In broad terms there are two tracks:
- Negotiation a new MLF-type fund for the sound management of chemicals and wastes from the ground up; and
 - Leveraging an existing institutional structure (e.g. GEF, SAICM) to create a new fund with a structure similar to the MLF.

²⁶ Page 36, Report of the Thirty-Fifth Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol, UNEP/OzL.Pro/ExCom/35/67, 22 March 2002.

NEW ACTIVITIES

- 82 The end goal of this track would be for the Consultative Process and/or the UNEP Executive Director to raise a proposal for the development of a new fund through the processes of the most appropriate institution that also has the capacity and willingness to implement it. To ensure such a proposal is well-supported wider consultation and partnerships should be pursued through 2011, with a goal of producing a decision by late 2011 or early 2012.
- 83 The negotiations for a legally binding convention on Mercury, continuing throughout 2011 and until 2013 can provide a key opportunity to push forward the development of a new fund for the sound management of chemicals and wastes. Discussions on a financing mechanism for the mercury convention are expected to further advance at the second meeting of the Intergovernmental Negotiating Committee (INC2) on 24-28 January 2011, in Chiba, Japan²⁷. INC2 and the succeeding INCs could be used as a driver for the development of a new fund and an authoritative body to address some of the questions raised below.
- 84 To further develop this the Consultative Process should engage an appropriate body (SAICM, UNEP, UNDP, and the combined Basel, Rotterdam and Stockholm convention secretariat are all options) to begin consultation with potential institutional partners and to provide feedback to the Consultative Process on the response to such a proposal. The three meetings of the COPs of the Basel, Rotterdam, and Stockholm conventions in early 2011 are key opportunities to raise the profile of this process and foster support for it. The Consultative Process should seek a decision from these bodies if possible to support the process and provide input on their needs and how it relates to the structure of a new fund.
- 85 If this track is pursued, the Consultative Process could produce by mid-2011 a decision highlighting what aspects of the MLF should be included in a new structure and which institutional arrangements should be the focus for the development of the fund. A decision on the key aspects for a new chemicals and wastes fund could be presented for consideration at INC3 (31 October to 4 November 2011), the ICCM3 preparatory meetings and/or the UNEP GC 27.
- 86 Aspects of the MLF that may be considered for implementation in a new sound chemicals and wastes management fund are:
- a) A country level strategy and/or programme integrated into a national development strategies for the sound management of chemicals and wastes as a precondition for funding. This has the potential to be linked UNDAFs and other national plans to create a fully integrated national chemicals and waste management approach.
 - b) A focus on 'incremental costs' to support specified activities rather than evaluating projects against environmental benefit indicators.
 - c) Funding priorities and environmental goals agreed to by member countries and periodically reviewed through a consultative and consensus based executive committee with representation from both developing and developed countries.

²⁷ See <http://www.unep.org/hazardoussubstances/Mercury/tabid/434/Default.aspx>

- d) Allowing for bi-lateral and donor-targeted funds within existing funding structures and country programmes.
- e) Provision for both 'matching funds' for projects partially funded from other sources and fully-funded projects.
- f) Strong engagement and coordination with implementing agencies at the country level, not just within the chemicals and wastes or environmental agendas (for example UNIDO, World Bank, and UNDP).
- g) An incremental, sector based approach that focuses first on the most cost-effective interventions in the most inefficient industries.

OUTSTANDING ISSUES AND TOPICS FOR DISCUSSION

- 87 Creating a new MLF-type fund from the ground up is likely to take at a minimum of five meetings between parties. An ambitious timeline would involve initial meetings in 2011, with a goal of having a negotiated instrument by the end of 2013. Beyond the timeline there are a number of complexities with this option:
- a) Given the different membership and levels of international support for the Basel, Rotterdam and Stockholm conventions, issues such as country accreditation, funding allocation for activities under different conventions, and the organizational role of each MEA could dominate and/or slow down negotiations. However, focusing the fund on 'chemicals and wastes' more generally could mitigate this issue.
 - b) Developing and defining the relationships between and role of the COPs of the existing MEAs, funds (e.g. the GEF), intergovernmental meetings (e.g. SAICM/ICCM) and implementing agencies (World Bank, UNDP, UNIDO and UNEP) may delay the negotiation and implementation of the fund.
 - c) It may be difficult for a new and independent body to attract funding from donor nations as compared to existing structures with a track record of successful implementation. Conversely creation of a new fund may have advantages in avoiding governance problems other funds have encountered from the start and opening up new sources of funding.
- 88 Using the GEF, synergies process, ICCM, or the mercury negotiations to provide a representative structure and institutional arrangements to build on could reduce the time necessary to develop a new funding mechanism. This could be done in a similar manner to the Adaptation Fund for the UNFCCC/Kyoto Protocol negotiated at the recent COP15/MOP5 in Copenhagen. The adaptation fund structure involves a 16 member representative board that meets on a regular basis, with secretarial services provided on an interim basis by the GEF Secretariat. This case was unusual in that funding pledges were made at COP15/MOP5 without a formal funding structure negotiated, but it does provide a precedent for leveraging existing institutional arrangements. There are a number of issues that need to be resolved or considered by end of 2011. These issues include:
- a) The relationship of any new fund to existing funds, such as the MLF, GEF POPs/ODS focal areas and existing trust funds for the Basil, Rotterdam and Stockholm treaties. There is a tension between the need to guarantee funding from these existing sources even if they are administered by a new mechanism, and the need to 'pool' resources and have agreed funding priorities to enable full 'lifecycle' programming at the country level.

- b) Determining which body is most appropriate to provide an institutional structure for a MLF type fund on sound management of chemicals and wastes. This should involve consideration and evaluation of issues such as mandate, parities, structure of the secretariat, existing relationships, resources levels, and track record for implementation of programmes.
- c) Determining the scope of funding and the basic criteria for the new fund, in particular if funding will be based on incremental costs or if a performance indicator based on environmental or social benefit will be used.

CONCLUSIONS AND LONG TERM OUTLOOK

- ⁸⁹ The long-term outlook for this track is intimately bound up with other developments within the chemicals and wastes agenda, including the progress of the mercury negotiations, the effectiveness of the changes made in the GEF-5 replenishment, the ongoing synergies process between the Basel, Rotterdam and Stockholm Conventions, the discussions on the future of SAICM and a more consolidated approach to sound management of chemicals and wastes beyond 2020. The long-term strategy for this track needs to both influence these processes and be responsive to it. For example the negotiations at the INC1 highlighted different approaches between the negotiating parties as to how the mercury convention would be financed.²⁸
- ⁹⁰ Should the mercury negotiations result in a decision to produce a stand-alone financing mechanism, then any broad sound chemicals and waste management fund could take a more proactive role in focusing on coordination of existing funding (GEF, SAICM, MLF) and providing 'gap-filling' funding which supports fundamental capacity building at a national level for the benefit of all chemicals and wastes management MEAs. This could potentially be a replacement or succession of the SAICM QSP with a wider mandate and increased funding.
- ⁹¹ At the same time, if the implementation of STAR in GEF-5 results in more sustainable, predictable, adequate, and accessible financing then leveraging the GEF institutional structure may be a more attractive option.

²⁸ Earth Negotiations Bulletin, "First Meeting of the Intergovernmental Negotiating Committee to Prepare a Global Legally Binding Instrument on Mercury", Volume 28 Number 6 - Monday, 14 June 2010
<<http://www.iisd.ca/vol28/enb2806e.html>>

6 INTRODUCING SAFE CHEMICALS AND WASTES MANAGEMENT AS A NEW FOCAL AREA, OR EXPANDING THE EXISTING POPS FOCAL AREA UNDER GEF

BACKGROUND

- ⁹² The Global Environment Facility (**GEF**) operates as a mechanism for international co-operation for the purpose of providing new and additional grants and concessional funding to meet the incremental costs of measures to achieve agreed global environmental benefits across a number of areas. It has been replenished four times, and in 2001 the focal areas were expanded to include POPs as the GEF became the interim financing mechanism for the Stockholm Convention. In 2002, GEF became the permanent funding mechanism for the Stockholm Convention. The funding mechanism is complemented with a core budget for the Stockholm Convention Secretariat and voluntary contributions from Governments and other key stakeholders.
- ⁹³ An area of contention within GEF has been the criteria used to allocate resources. The GEF-1 to GEF-3 replenishments were criticized by Governments for being bureaucratic, slow, and failing to provide predictable funding for activities.²⁹ To help give greater consistency for recipient countries, GEF-4 introduced the Resource Allocation Framework (**RAF**), which provides a publically disclosed indicative funding level for each participating country, adjusted every two years.³⁰ This is based on two country indicators:
- a) The GEF Benefit Index (**GBI**) that measures the potential of each country to provide global environmental benefits.
 - b) The GEF Performance Index (**GPI**) that measures the capacity of each country to implement the policies and practices relevant to a successful implementation of GEF programs and projects.
- ⁹⁴ The RAF initially only applied to two GEF focal areas; climate change and biodiversity.³¹ In early 2010, the Fourth Overall Performance Study of the GEF (**OPS4**) concluded that the RAF had generated improvements in certainty of funding allocations, but identification and approval of projects remained a difficult and slow process.³² To address the perceived problems with RAF the GEF-5 replenishment will adopt a new approach called the System for Transparent Allocation of Resources (**STAR**).³³ Unfortunately POPs has been excluded from STAR due to a lack of adequate data sets,

²⁹ In particular, Governments were concerned that environmental benefits of projects were assessed individually rather than within an overall framework.

³⁰ Resource Allocation Framework (RAF), GEF Website, undated <<http://www.thegef.org/gef/node/1738>>

³¹ The GEF Resource Allocation Framework, GEF/C.27/Inf.8/Rev.1, October 17, 2005

³² Fourth Overall Performance Study of the GEF: Progress Towards Impact, GEF Evaluation Office, April 2010, <<http://www.thegef.org/gef/node/2079>>, p 2

³³ The main differences of STAR compared to the RAF are: a) Vastly simplified eligibility criteria; b) Removal of the "50% rule" that limits countries to using 50% of their allocation within the first two years; c) Removal of 'country group' allocations; d) Increased flexibility for countries with small allocations to reduce transaction costs by applying allocations across focal areas; e) Creation of a 'floor' level funding for each area; f) Modifications to simplify the GPI and GBI and increase their transparency; g) A low GDP 'premium' factor for GPI to increase funding availability for countries with low GDP per capita

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and the emerging program on sound chemicals management (including mercury) was excluded due to its pilot nature.³⁴

- ⁹⁵ Despite shortcomings in funding allocations, the GEF has been noted as being effective particularly in its operational structure. The governance structure involves multiple UN agencies in different roles (UNEP, UNDP, World Bank), a widely representative assembly and a council that gives greater representation to developing countries (16) than developed countries (14). A key advantage of using the existing GEF structure is that donor countries are familiar with its structure and budget allocations. It may be easier to lobby for increases of existing donor budgets than to seek allocations for a new unknown fund. Conversely some donor countries have additional funds available for new initiatives and difficulty justifying an increased contribution to an existing structure.

2011-2013 OPTIONS FOR ACTION

CURRENT ACTIVITIES

- ⁹⁶ An important recent development is that the GEF-5 replenishment is planning (at the timing of writing) to taking a wider interpretation of the GEF instrument to support the sound management of chemicals more generally beyond POPs and ODS. At present, this wider interpretation does **not** specifically include wastes. The GEF-5 Programming Document developed by the GEF Secretariat as presented at the sixth GEF-5 Programming meeting on 12 May 2010 notes that the GEF instrument can finance “foundational capacities for sound chemical management more generally” that support both POPs and ODS as well as the goals of SAICM.³⁵ To support this it proposes to include piloting sound chemicals management and mercury reduction as objective alongside phasing out POPs and ODS.³⁶ The GEF Council is expected to consider and adopt a chemicals strategy at its upcoming meeting in November 2010. As indicated above, it is important to stress that this currently only covers sound chemicals management, and that wastes is only indirectly considered.
- ⁹⁷ The above “expansion” resulted from the second ICCM 11-15 May 2009 adopting resolution II/3 on Financial and Technical Resources for Implementation, which urged the GEF Assembly to consider expanding its activities related to the sound management of chemicals to facilitate SAICM implementation while respecting its responsibilities as the financial mechanism for the Stockholm Convention.³⁷

NEW ACTIVITIES

- ⁹⁸ Taking into consideration that the GEF has expanded the POPs window to include an funding objective to pilot funding for other substances (mercury) and sound chemical and wastes management, it is worth further exploring the options under GEF, Two legal pathways to achieve this are outlined in the Desk Study:

³⁴ System For Transparent Allocation Of Resources (STAR), GEF Policy Paper, GEF/P.3, 24 June 2010, para 15-17.

³⁵ GEF-5 Programming Document, GEF/R.5/31/CRP.1, as presented at the Sixth Meeting for the Fifth Replenishment of the GEF Trust Fund May 12, 2010 para 112.

³⁶ Ibid, para 120.

³⁷ Report of the International Conference on Chemicals Management on the work of its second session, International Conference on Chemicals Management Second session Geneva, 11–15 May 2009, SAICM/ICCM.2/15, res. II/3

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- a) Creation of a new focal area on sound management of chemicals and wastes; or
 - b) Expansion of the existing POPs area.
- 99 Both pathways would require an amendment to the GEF Instrument. Amendment to the GEF Instrument needs to be first recommended by the GEF Council to the GEF Assembly and then passed by the GEF Assembly. As discussed previously the GEF Council has considered amendments to the GEF Instrument on the urging of other international bodies. Appropriate bodies include COPs of the Basel, Rotterdam and Stockholm Conventions, SAICM and the UNEP Governing Council.
- 100 As the GEF Assembly only meets every 4 years and recently met in May 2010, the closest opportunity to amend the GEF instrument is at the end of 2013, near the end of the GEF-5 Replenishment. This provides a timeframe to begin intergovernmental consultations to raise a proposal to amend the GEF instrument, based on the evaluation of the pilot funding for mercury and sound chemicals and wastes management. In order to produce a decision among these bodies a negotiation process should be started on a similar timeline to the Multilateral Fund option discussed previously. In essence this process involves many similar issues to the Multilateral Fund track.

OUTSTANDING ISSUES AND TOPICS FOR DISCUSSION

- 101 In real terms GEF funding has decreased while the number of conventions and the responsibilities under them has increased³⁸. Unless expansion into a new area is likely to bring increased funding, beneficiaries of existing GEF funding are likely to resist the expansion into chemicals and wastes management more generally. Specifically, an expansion of the POPs area is not likely to be supported unless the existing GEF funding for the implementation of the obligations under the Stockholm Convention is ensured.
- 102 Global environmental benefit is fundamental to the GEF providing incremental funding for an environmental issue. During the GEF-5 process the argument was raised in response to SAICM's urging to expand the POPs focal area that chemical management is fundamentally a local issue. This is also reflected in the decision to exclude POPs from the STAR on the basis of a lack of a dataset to determine GBI. In order to support the argument for utilizing GEF as a funding mechanism for the broader chemicals and wastes agenda there must be further demonstration of the global environmental benefits of the sound management of chemicals and wastes.
- 103 Pathways could include:
- a) Making linkages between the sound management of chemicals and wastes and:
 - i. the Millennium Development Goals, in particular the goals focusing on human health, sustainable development and poverty;
 - ii. wider human health benefits at the country level; and
 - iii. increased economic development and the national level.
 - b) Highlighting the trans-boundary movement of chemicals, through products, raw materials, and wastes as the global aspect of sound management of chemicals and wastes.

³⁸ Fourth Overall Performance Study of the GEF: Progress Towards Impact, GEF Evaluation Office, April 2010, <<http://www.thegef.org/gef/node/2079>>, p 34.

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- c) Emphasizing the 'life-cycle' nature of the chemicals and wastes agenda, and that local, regional, and global benefits cannot be achieved without a global approach.
 - d) Developing an evidence base through existing programmes and existing funds.
- 104 The GEF focal areas are intimately linked with the COPs of the MEAs they support (Stockholm, UNFCCC, etc.), particularly for guidance on project approvals, funding priorities etc. As there is no single MEA covering chemicals and wastes, a way of defining the scope and priorities of the new 'chemicals and wastes' focal area is needed. Pathways could include:
- a) Using an existing framework like ICCM/SAICM or its successors for determining global and possibly regional environmental priorities with respect to sound management of chemicals and wastes. This would have to incorporate existing treaties as well as identifying priority areas for development of new and expanded MEAs.
 - b) Using the process on enhanced cooperation and coordination among the Basel, Rotterdam and Stockholm Conventions, including possible future joint activities and decision making, as a way to provide guidance to the new focal area.
 - c) Developing a new body to provide guidance for a new or expanded GEF focal area through an internationally accepted process, which could include representation from development agencies, existing and emerging MEAs (Basel, Rotterdam and Stockholm Conventions as well as Mercury, SAICM etc.), national governments, civil society and UN agencies.

CONCLUSIONS AND LONG TERM OUTLOOK

- 105 The effectiveness of the pilot GEF funding for chemicals and wastes management and mercury will be a key influence of the feasibility of this pathway. This pilot funding of safe chemicals and waste management and mercury could provide a pathway forward towards a more general chemicals and wastes focal area within the GEF. However, the issues relating to ensuring the independence of the treaties and avoiding a net reduction in their funding remain.³⁹
- 106 An evaluation of the effectiveness of STAR in addressing the perceived inflexibility and slow approvals process of GEF-4 will be important in developing country support for an expansion of the GEF to include sound chemicals and wastes management. The next major evaluation of this process will likely be the mid-term review of the GEF-5 replenishment, due in 2012.
- 107 Unless the linkage between global environmental benefit and the sound management of chemicals and wastes is clearly articulated it is unlikely that GEF will be able to provide significant contribution to funding this agenda. However, in relation to specific areas with clearly defined global environmental benefit, such as POPs, mercury and trans-boundary movement of chemicals and wastes the GEF could provide substantial funding support.

³⁹ For example see ICCM2: "While there was support for widening the GEF chemicals window, it was recognized that GEF was one of many sources of financing and that the scope of its mandate was problematic." SAICM/ICCM.2/15, Annex V, paragraph 8(f)