

Financing the chemicals and wastes agenda

Note by the Executive Director

Addendum (revised version based on inputs received from Governments and other stakeholders in response to GC.SS.XI/8 on the Consultative Process on Financing Options for Chemicals and Wastes¹)

Policy options for financing the chemicals and wastes agenda

1. While the use of chemicals is essential and waste generation inherent to modern economies, the unsound management of both chemicals and wastes can have significant negative impacts on the environment and public health. The poor are often those most affected by such impacts. Tackling the environmental and health hazards associated with chemicals and wastes is therefore becoming increasingly crucial and, at the same time, problematic, in the light of the recent growth and globalization trends in these sectors and the limited understanding of the full risks associated with exposure to chemicals and wastes.

2. The attention paid by the international community to these challenges notwithstanding, only relatively limited resources are devoted to this area of international cooperation, resulting in a mismatch between needs and resources. A number of tracks can be pursued in an endeavour to remedy this imbalance. Most of the tracks described in the annexes to the present note, which are neither intended to cover all possible solutions nor to be prescriptive, are complementary; only a few are mutually exclusive.

3. The annexes, prepared by the Executive Director of the United Nations Environment Programme, summarize actions that could be taken to identify existing, new and additional resources to support the sound management of chemicals and wastes, including for ensuring compliance with those conventions pertaining to chemicals and wastes. They also set out the desired outcomes of those options, which were developed on the basis of the findings of the consultative process on financing options for chemicals and wastes. Particularly important within that process were the information reflected in the desk study on financing options for chemicals and wastes and the outcomes of the two consultative meetings that took place in the context of the process.² An initial version of the desk study was prepared and discussed at the second meeting in the process, before being revised and submitted to the Governing Council/Global Ministerial Environment Forum as document UNEP/GCSS.XI/INF/8. Based on comments and contributions received from Governments and other stakeholders in response to GC.SS.XI/8 on the Consultative Process on Financing Options for Chemicals and Wastes, the summary of policy options is set out in annex I to the present note and detailed policy options in annex II have been revised.

1 This revised version of the Note of the Executive Director on Policy Options for financing the Chemicals and Wastes agenda has not been formally edited.

2 The first meeting in the consultative process on financing options for chemicals and wastes was held in Nairobi on 24 and 25 July 2009. It was followed by a second meeting, held in Bangkok on 25 and 26 October 2009. The Executive Director initiated this consultative process in recognition of the need for adequate resources in the field of chemicals and wastes management, particularly with regard to strengthened capacity-building, institutional strengthening and technical assistance in the implementation of Party obligations under relevant multilateral environmental agreements, as well as of the importance of linking obligations to financial and technical assistance.

Annex I

ACTION ORIENTED SUMMARY OF POLICY OPTIONS FOR FINANCING CHEMICALS AND WASTE

A. ESSENTIAL CROSS-CUTTING TRACKS

A.1 International leadership and policy integration
Possible actions: <ul style="list-style-type: none">• Moving towards clearer and more coherent international leadership, including through SAICM.
Desired outcomes: <ul style="list-style-type: none">• Clear and coherent international leadership which promotes the effectiveness of existing regimes and programmes.
A.2 Raising political priority through awareness raising, association with other causes and mainstreaming into other sectors
Possible actions: <ul style="list-style-type: none">• Comprehensive and cross-sectoral awareness raising initiatives, at all levels, particular the political heads of States and Ministers, focusing on the dangers associated with unsound practices.• Re-conceptualizing the chemicals and wastes agenda to highlight the interlinkages between development, poverty reduction strategies, eco-tourism, health and sound chemicals and wastes management.• Introducing a more integrated approach to development interventions through mainstreaming these issues into other sectors.
Desired outcomes: <ul style="list-style-type: none">• Increased resource allocation, including budgets for environmental sound management of chemicals and wastes,• Enhanced public concern, political and financial support.• Reduced fragmentation and increased resources on the national level.
A.3 Stronger policy and regulatory frameworks
Possible actions: <ul style="list-style-type: none">• Strengthening developing countries' policy and regulatory frameworks for sound chemicals and waste management, beyond mere compliance with MEAs.
Desired outcomes: <ul style="list-style-type: none">• More sound chemicals and wastes management at a national level, with associated economic, environmental and health advantages.
A.4 Cooperation and synergies
Possible actions: <ul style="list-style-type: none">• Continued focus on enhanced cooperation and coordination between chemicals and wastes-related MEAs.• Enhancing cooperation between different ministerial sectors.• Joint planning and delivery of specific activities.
Desired outcomes: <ul style="list-style-type: none">• Cost savings and more efficient use of donor funds.• Less scope for duplication.• More harmonious policies and legislation, and more effective and efficient implementation.

A.5 Synergistic use of delivery mechanisms

Possible actions:

- Joint use of existing mechanisms for the delivery of assistance, especially in the area of enabling activities across different MEAs and programmes.
- Establishment of a clearing house mechanism among the Basel, Rotterdam and Stockholm Conventions and UNEP on best practices.

Desired Outcomes:

- Cost savings and more efficient use of donor funds.
- Capitalizing on existing knowledge and institutions.
- Increased cooperation among MEA secretariats, and development of best practice guidelines for the delivery of assistance.

A.6 Cradle to grave approach

Possible actions:

- Financial support to both activities that reduce exposure to chemicals and wastes and support innovation to develop safer chemicals and minimization of waste generation.
- Expanding pilot programmes and innovative approaches such as Chemicals Leasing³.
- Providing economic and technical support to industries affected as a result of implementing conventions.

Desired outcomes:

- Increased use of more environmentally friendly processes and reduced waste outputs.
- Greater producer responsibility for the environmental effects of chemicals and wastes.

B. INNOVATIVE APPROACHES

B.1 Green economy

Possible actions:

- Identification and promotion of economic opportunities within the chemicals and waste management sector.
- Provision of funding for innovation in the chemicals and wastes management area.

Desired outcomes:

- Greater private investment for chemicals and waste management.
- Reducing costs associated with unsound management of chemicals and wastes at the source.

B.2 Exploring the use of Public Private Partnerships

Possible actions:

- Development of frameworks for the use of PPPs within the chemicals and wastes agenda, including in relation to adequate types of PPPs and governance arrangements.
- Promotion and evaluation of existing successful PPPs as best practice models.

Desired outcomes:

- Greater use of adequate types of PPPs to manage specific issues within the chemicals and wastes agenda.

³ The concept of Chemical Leasing (ChL) involves the customer paying for the benefits obtained from the chemical, and not for the substance itself. Therefore, the customer is no longer responsible for disposal of the chemical and the economic success of the supplier is not linked with product turnover. Chemical Leasing is already practiced in many OECD countries and is being demonstrated in developing countries through the National Cleaner Production Centre (NCPC) network.

B.3 Economic Instruments

Possible actions:

- Promotion of internalization of the social and environmental costs of chemicals and wastes management as a priority when setting taxes, fees and other charges.
- Assisting countries with the implementation of economic instruments to internalize the social costs of chemicals and wastes management.
- Development of guidance for national policymakers on using economic instruments for financing chemicals management.

Desired Outcomes:

- Greater financing on a national level for chemicals and waste management through economic instruments.
- Economic incentives for industry to undertake sound chemicals and waste management.

B.4 Other innovative funding mechanisms

Possible actions:

- Using innovative funding schemes such as the GAVI fund model for specific aspects of chemicals and waste management, such as the cleanup of contaminated sites.
- Earmarking funds raised through economic instruments for the sound management of chemicals and wastes.

Desired outcomes:

- Greater and more targeted financing for chemicals and wastes management.

C. STRENGTHENING AND RETHINKING EXISTING INSTITUTIONS

C.1 New mechanisms and/or changes in mandates and/or operations of existing ones

Possible actions:

- Mainstreaming sound management of chemicals and wastes into other sectors
- Public-Private sector partnerships, including the use of economic instruments at the national and international level
- New trust fund similar to the MLF
- Introducing sound management of chemicals and wastes as a new focal area, or expanding the existing POPs focal area under GEF

Desired outcomes:

- More effective funding mechanisms, that respond to the following:
 - Appropriate governance arrangements, that ensure close ties between the governing bodies of the relevant MEAs and the bodies responsible for the allocation of funds;
 - Ease of access and quick response to funding requests;
 - Increased predictability and sustainability of funding;
 - Result oriented and needs responsive planning, that balances the need for specialization with the need for an integrated approach that realizes synergies;
 - Result oriented funding, based on the achievement of milestones according to clear timeframes;
 - Effective monitoring systems;
 - Strong country ownership; and
 - Appropriate funding model, e.g. based on global environmental benefits, incremental costs, tied to compliance or different criteria.
- Establish regional cross-border environmental sound management initiatives

Annex II

POLICY OPTIONS FOR FINANCING CHEMICALS AND WASTES

TABLE OF CONTENTS

1. BACKGROUND.....	6
2. UNDERSTANDING THE CHALLENGE.....	6
3. UNDERSTANDING THE NEEDS.....	7
4. OUTLINING POSSIBLE SOLUTIONS.....	7
<i>A. ESSENTIAL CROSS-CUTTING “TRACKS”</i>	<i>8</i>
<i>A.1 International leadership and policy integration.....</i>	<i>8</i>
<i>A.2 Raising political priority through awareness raising, association with other causes and mainstreaming into other sectors.....</i>	<i>8</i>
<i>A.3 Stronger policy and regulatory frameworks.....</i>	<i>9</i>
<i>A.4 Cooperation and synergies</i>	<i>9</i>
<i>A.5 Synergistic use of delivery mechanisms</i>	<i>9</i>
<i>A.6 Cradle to grave approach.....</i>	<i>10</i>
<i>B. INNOVATIVE APPROACHES.....</i>	<i>10</i>
<i>B.1 Green economy.....</i>	<i>10</i>
<i>B.2 Exploring the use of Public Private Partnerships</i>	<i>10</i>
<i>B.3 Economic Instruments</i>	<i>10</i>
<i>B.4 Other innovative funding mechanisms</i>	<i>11</i>
<i>C. STRENGTHENING AND RETHINKING EXISTING INSTITUTIONS.....</i>	<i>11</i>
<i>C.1 List of possible institutional changes.....</i>	<i>11</i>
5. STEPS FORWARD	12

1. Background

This policy paper has been prepared by the UNEP Executive Director as a follow up to the Second Meeting of the Consultative Process on Financing Options for Chemicals and Wastes that was held in Bangkok on 25-26 October 2009. The UNEP Executive Director initiated this consultative process to seek advice from governments and other stakeholders on how to respond to the growing recognition of the urgent need to secure adequate financial means and strengthened capacity building and technical assistance towards the implementation of the chemicals and wastes agenda, and the importance of linking obligations to financial and technical assistance.⁴

This policy paper presents options that can be pursued to identify existing, new and additional resources for supporting the sound management of chemicals and wastes, including for ensuring compliance with the chemicals and waste-related conventions. The options are developed on the basis of the findings of the first⁵ and second meetings of the consultative process, and the information reflected in a preliminary desk study that was reviewed at the second meeting of the consultative process.

The chemicals and wastes management field is highly multi-sectoral and cross-cutting and a range of UN system agencies and bodies and related partners have work programmes related to this field, including FAO, ILO, OECD, UNDP, UNIDO, UNITAR, WHO, and the World Bank. UNEP, considering its catalytic role in the field of environment, is undertaking this exercise as a facilitator and therefore this paper is intended to present ideas to the international community on possible paths forward to better financing for the chemicals and wastes agenda.

2. Understanding the challenge

The chemicals industry is central to development and human wellbeing. However, it can have significant negative impacts on the environment and public health. The poor are often those most affected by the adverse impact of such industries. Globalization has affected the chemicals industry, whose production is gradually moving to developing countries, where consumption is also increasing. In contrary, increasing consumption is not matched with up-to-date comprehensive risk assessment as a prerequisite for the registration of chemicals nationally. Waste generation is also inherent to modern economies and is on the rise in developing countries. Although accurate estimates do not exist, waste volumes are generally predicted to grow at a rate similar to GDP in the foreseeable future⁶. The amount of hazardous wastes shipped to developing countries is also on the rise. Unsound waste management can have serious impacts on water, air and soil, and can result in illness and death.

Addressing the environmental and health hazards associated with chemicals and wastes is therefore becoming more and more crucial and at the same time problematic in light of the recent trends highlighted above and of the limited understanding of the full risks associated with exposure to chemicals and waste.

The international community has undertaken various efforts at the global level to develop international control regimes. As a result, several international agreements and non-legally binding instruments are currently in place, and an additional agreement on mercury is being developed. Each agreement deals with a specific part of chemicals and/or waste management, and in some cases, only focus on specific groups of chemicals, with the exception of the Strategic Approach to International Chemicals Management (SAICM) which has a very broad scope.

Notwithstanding the long recognition of this challenge and the international regimes concluded, only relatively limited resources are devoted to this area of international cooperation. This mismatch between needs and resources became particularly clear when it caused a standstill in negotiations for a compliance mechanism in the context of the Stockholm Convention during the fourth Conference of the Parties in May 2009. This was just the tip of the iceberg; one dimension of the general problem of inadequate funding in this area of environmental management is the relatively low political priority attached to this matter, as compared to other issues such as climate change and poverty reduction.

4 Additional information on the consultative process can be found on the UNEP website: <http://www.unep.org/environmental-governance/Events/ConsultativeProcessonFinancingOptionsforChem/tabid/1635/language/en-US/Default.aspx>

5 The first meeting of the Consultative Process on Financing Options for Chemicals and Wastes that was held in Nairobi on 24-25 July 2009.

6 United Nations Environment Programme - Industry as a partner for sustainable development: waste management, 2002

Recently, efforts have taken place among the Parties to the Basel, Rotterdam and Stockholm Conventions to pursue the advantages associated with synergies among different MEAs in this area and to bring coherence to international environmental governance. The process is ongoing and in February 2010, the first simultaneous extraordinary meetings of the Conferences of the Parties to the Basel, Rotterdam and Stockholm Conventions will take place in Bali, Indonesia.

3. Understanding the needs

Many countries do not possess the capacity and know-how to manage harmful chemicals and wastes in a safe and environmentally sound way. There is either a poorly developed or no system at all for the registration of chemicals. Similarly, an up-to-date and comprehensive risk assessment is not of the prerequisites for registration, and border control personnel neither have the expertise nor the equipment to randomly verify samples for the authenticity of chemicals imported into the country. Developing countries' needs for assistance can be broadly divided into two categories: those related to building and enhancing capacity⁷ and those related to investment activities which could include, for example, economic and technical support to restructure the affected industries⁸ and the construction of infrastructure for collection and treatment of wastes from all sources.

To further elaborate the specific interventions that are needed to achieve safe and environmentally sound management of chemicals and waste, a global assessment/review of obligations and implementation plans under relevant MEAs and activities could be conducted--taking into account national priorities and internationally agreed goals (e.g. Agenda 21, MDGs, and other relevant frameworks). A bottom-up, country-based approach might help clarify the size of the gap between the mandate and the resources, requested or available, which is widely felt but difficult to substantiate with. Considering that a huge variety of stakeholders are involved in the production, handling, use and disposal of chemicals and wastes, as well as the legal, control and enforcement structures, it is important to understand the respective roles of relevant stakeholders to ensure that the critical stakeholders are involved in an assessment exercise and any following steps. One way of approaching this could be to prepare and send a questionnaire to all potential stakeholders with a view to obtaining coherent and focused information on the landscape of chemicals and waste activities.

4. Outlining possible solutions

A number of tracks can be pursued to try and address the mismatch between needs and resources. Most of the tracks listed here, which are not intended to cover all possible solutions nor to prescribe solutions, are mostly complementary and only a few are mutually exclusive.

Certain common elements have been identified during the consultative process as key to any efforts to successfully address this problem. Appropriate governance, accessibility and reliability have proven to be the major factors of success in implementing MEAs and other international initiatives. A fundamental prerequisite for bridging the gap between growing challenges and inadequate resources is the more efficient use and systematic strengthening of already existing capacities and structures and the involvement and coordination of all relevant stakeholders. Support was in particular voiced for certain fundamental requirements, including increased and predictable funding, ease of access, quick response, a central role for synergies and a higher profile for the chemicals and wastes agenda at all levels.

A synopsis of potential tracks is given below. Further details on the tracks outlined can be found at <http://www.unep.org/environmentalgovernance/Events/ConsultativeProcessonFinancingOptionsforChem/tabid/1635/language/en-US/Default.aspx>.

7 This includes activities such as policy/legislation development, development of enforcement tools, training of customs and other officers, data collection and reporting capability, design and implementation of national compliance strategies and project development. These can also be referred to as enabling activities since they bolster the capacity of the government and other relevant institutions to manage and implement the national compliance strategy under various conventions.

8 In such cases, economic and technical support may be needed to compensate for the closure of industrial plants and the displacement of labour, in other cases, environment-friendly technology may be transferred to produce new products or to manage waste in a safe and environmentally sound manner.

A. ESSENTIAL CROSS-CUTTING “TRACKS”

A.1 International and regional leadership and policy integration

The sound management of chemicals and hazardous waste is a critical factor in achieving sustainable development objectives.

Chemicals are an integral part of modern daily life with over 100,000 different substances in use. Chemicals make up our physical world; they form the basis of life and they are the building blocks for products. Industries producing and using these substances have an enormous impact on employment, trade and economic growth worldwide. Considered by various economic sectors as an essential engine for change and innovation, chemicals and related industries can play a key role in developing sustainable patterns of consumption and production.

While chemicals are a major contributor to national economies, sound management of chemicals throughout their lifecycle is essential in order to avoid significant risks to human health and ecosystems along with their associated economic costs. Sound management of chemicals is also critical in order to optimize the operation of chemical and related industries and develop sustainable patterns of production.

Though chemicals and hazardous wastes are primarily the responsibility of individual countries, there are some aspects that can only be dealt with at the international and regional level. Global environmental problems are becoming increasingly threatening for both the environment and health, and the efforts undertaken by the international community are not yet sufficient or effective. While several global agreements and other comprehensive programmes have been established, their implementation remains problematic. Strengthening international environment governance specifically in the field of chemicals and wastes is therefore essential. This will include moving towards clearer and more coherent international leadership. The SAICM is a recent response by the international community to the need for a comprehensive and integrated approach to international chemicals management.

A.2 Raising political priority through awareness raising, association with other causes and mainstreaming into other sectors

For decisions makers and all other relevant actors to play their part in achieving more sound management of chemicals and waste, they need to understand the dangers of unsound practices and what is at stake. Awareness raising campaigns, at both international, regional and national levels, are essential to increase the political priority attached to these issues and attract resources. While many stakeholders undertake sectoral awareness programmes in line with their respective mandates, a comprehensive and across the board strategy would probably be more effective and efficient in terms of resource use. Strategies followed in other areas, including sensitive ones such as HIV prevention campaigns could be looked at as they might provide useful insights. Possible avenues to channel such campaigns in addition to the media could include international and regional events, including intergovernmental meetings, sports events, and cultural festivals. Some specific examples were provided by participants during the Second Consultative Meeting in Bangkok, including using the upcoming Soccer World Cup (in South Africa) and the Olympic Games (in Brazil).

Increasing political and financial support could possibly be best achieved by “packaging” the issues in a more attractive manner than is currently the case, e.g. through the link with human health, livelihoods, and poverty reduction, and the related MDGs as a way to increase political and financial support by associating the chemicals and wastes issue to higher priority causes. Practical steps could include highlighting the contributions of chemicals and wastes management to these issues and thus providing access to some of the funding available for these issues.

In addition to better packaging the issues, a more integrated approach to development interventions could be pursued through mainstreaming these issues into other sectors. At the national level, in addition to achieving integration at the project levels, this is also achieved in development policies and plans. Even when governments recognize these interlinkages, management of these areas at the national level remains fragmented. It is also important for donors and multilateral organisations to promote the mainstreaming of sound chemicals and waste management through their own development activities. Efforts in this direction might need to be accompanied by capacity building to increase the understanding of the interlinkages between the chemicals and waste sector and poverty, health, and other sectors, as well as of development planning processes and knowledge sharing on successful case studies.

A.3 Stronger policy and regulatory frameworks

As developing countries play a rapidly increasing role in the manufacturing and use of chemicals, strengthening of their policy and regulatory frameworks for chemical safety and waste management will be important, and will lead to economic, environmental and health advantages for all concerned. This should not be limited to policies and legislation needed to ensure compliance with MEAs, but include to the extent possible all aspects of chemicals and waste management. Capacity building and technical assistance in the development and implementation of policy and regulatory frameworks is therefore needed.

A.4 Cooperation and synergies

Substantive savings can be achieved through enhanced cooperation and coordination. While this is not a disputed concept, the achievement of progress in this area meets many difficulties, including for instance: the different nature and focus of different conventions; differing membership; desire to maintain management autonomy; and difficulties in accounting and reporting. Nonetheless, the chemicals and waste related MEAs have engaged in a synergies process which so far has been quite successful.⁹

A.5 Synergistic use of delivery mechanisms

In addition to the synergies in the areas of management, political direction and administrative procedures, mechanisms for the delivery of assistance, especially in the area of enabling activities, could be used in a cost effective manner by capitalizing on synergies across different MEAs and programmes. Existing delivery mechanisms include among others the National Ozone Units (NOUs) and the Regional Ozone Networks, almost entirely sponsored by the MLF, the regional centers established under the Basel and Stockholm Conventions¹⁰, the UNEP and FAO Regional Offices, and other relevant regional institutions that could be identified through further research.

Expanding the mandate of the NOUs to advance the goals of the other conventions could be advantageous in terms of limited additional costs, however, there are concerns that overburdening these institutions could make them less effective. Even so, NOUs could be looked at as an example of a well-functioning system to be replicated in the context of the chemicals and waste related conventions. At the regional level, the Basel and Stockholm Conventions' regional and coordinating centres, following an assessment and review as necessary of their effectiveness, could be promoted as hubs or key delivery mechanisms for the waste and chemicals conventions, and include protocols or programmes at the regional level to achieve economies of scale, to enhance capacity for resource mobilisation and to develop stronger technical capabilities for addressing the life-cycle management of chemical, including issues like enforcement and compliance¹¹.

Additional avenues include the promotion of the establishment of a clearing house mechanism among the Basel, Rotterdam and Stockholm Conventions and UNEP on best practices; and the development of a common (Conventions and UNEP) information, public awareness and knowledge management strategy.

9 As part of renewed efforts to bring coherence to international environmental governance, Parties to the Basel, Rotterdam and Stockholm Conventions established the Ad hoc Joint Working Group in 2008 to explore synergies among the three conventions. At the subsequent COPs, the respective Conventions agreed to focus on synergising activities in five areas: organizational issues in the field, including coordinated use of regional offices and centres; technical issues, including national reporting, and compliance mechanisms; information management and public awareness issues; administrative issues, including joint managerial functions, resource mobilization, and financial management and audit functions; and decision making, including coordinated meetings, extraordinary meetings of the COPs and review arrangements. Key areas of focus for the synergies effort is resource mobilisation, and cost savings through cooperation.

10 These regional centres were established under the Basel and Stockholm Conventions as delivery mechanisms for the promotion of environmentally sound management of respectively chemicals and wastes and for assisting in the implementation of and compliance with the respective Conventions. The systems set up under the Basel and the Stockholm Conventions however are very different, especially in respect of how the regional centres are nominated. Based on a review of their effectiveness, efforts could be made to make them vehicles for creating synergies and addressing capacity building needs as well as technology transfer in a more integrated way and with a wiser use of resources.

11 They could also be used to promote the use of economic instruments to internalise environmental externalities, to establish regional procurement programmes, to promote investment opportunities in clean technologies, and promote knowledge and understanding of other ways to attract funding or generate resources that can in turn be re-invested in promoting sustainable waste and chemicals management. This would include project development training programmes. Strengthened regional centres could also work on practical activities such as regional import agreements with chemicals suppliers. In such cases take-back arrangements could be agreed upon, preventing the build-up of unused chemicals. In order to increase the ability of developing countries and countries with economies in transition, efforts could be made also in advance of any compliance issues, on capacity to design project proposals and access existing finances and generate new ones.

A.6 Cradle to grave approach

One of the fundamental changes that can contribute to achieving more sustainable management of chemicals and wastes is a shift from only focus on chemicals and wastes when they have already caused environmental harm, to a pro-active approach that examines how chemicals cause environmental harm and how wastes are generated. Such a shift involves taking a 'cradle to grave' approach to chemicals and waste management rather than simply looking at the end point. Financing options must support both activities that reduce exposure to chemicals and wastes, and activities that support innovation to develop safer chemicals and the minimization waste generation. This could include extending innovative pilot programmes such as Chemicals Leasing¹², as well as providing economic and technical support to industries affected as a result of implementing conventions.

B. INNOVATIVE APPROACHES

B.1 Green economy

Economic opportunities could be pursued in these sectors to contribute to poverty reduction. There is a need to look at the management of chemicals and wastes not only as a financial burden but also as a possible pathway to the generation of economic growth. This could include efforts to create jobs and income from waste and chemicals management-related activities, developing clean technologies to minimise the use of raw materials in the chemical industry, or technologies to better dispose of hazardous wastes; generate income through better sorting and recycling of wastes; creating job opportunities for clean up programmes; making funds available for technical innovation, etc.

B.2 Exploring the use of Public Private Partnerships

There is increased recognition of the need to make use of public private partnerships (PPPs) and involving the relevant industries in the advancing the sound management of chemicals and waste.. This approach has been followed to some extent in the SAICM, in which the chemicals industry associations actively participate and contribute in-kind. Another example is the Partnership Programme of the Basel Convention, currently featuring a partnership on the management of obsolete mobile phones, and one on management of obsolete computer equipment.

The use of PPPs can be a viable mechanism for advancing rules for implementation (e.g. development of voluntary codes of practice) and service provision (e.g. funding research into new and improved production methods); but only when certain minimum criteria are met. These relate to: the type of problem being addressed; complementarities in respective goals; appropriate governance arrangements, to ensure the promotion of the overall social goal as a priority to other interests at stake, and that all parties are accountable for their actions (or inaction)¹³.

B.3 Economic Instruments

Economic instruments, which usually use market incentives and disincentives in order to influence production and consumption behaviour, can be used to internalise the environmental externalities and/or to fund the implementation of obligations under the relevant agreements¹⁴. In the area of chemicals and wastes, cost internalisation could increasingly become a priority, with fees or tax structures designed specifically to internalise externalities from poor chemicals and wastes management. The cost to society of providing for proper chemicals

12 The concept of Chemical Leasing (ChL) involves the customer paying for the benefits obtained from the chemical, not for the substance itself. Therefore, the customer is no longer responsible for disposal of the chemical and the economic success of the supplier is not linked with product turnover anymore. Chemical Leasing is already practiced in many OECD countries and is being demonstrated in developing countries through the National Cleaner Production Centre (NCPC) network.

13 Börzel, T. A. and Risse, T. "Public-Private Partnerships: Effective and Legitimate Tools of International Governance?" in Grande, E and Pauly, L. W (eds.), *Complex Sovereignty: On the Reconstitution of Political Authority in the 21st Century*, 2002

14 Economic instruments for chemicals and wastes include: waste generation fees (essentially similar to a utility charge); waste disposal/tipping fees; environmental product levies on items that are difficult to dispose of (e.g. bulky or hazardous items); deposit refund schemes, involving a sum per unit paid by the producer or importer to the government, with a percentage of the deposit refunded when the product is disposed of correctly; environmental bonds, where an entity undertaking an environmentally dangerous activity (e.g. chemical production) pays a sum to the government which is refunded if the activity meets certain targets or standards; and tax incentives and disincentives, including granting subsidies and concessions to environmentally sound products and alternatives.

and wastes management services is normally many times lower than the cost to society of poor chemicals and wastes management (e.g. in case of accidents, or widespread health problems)

B.4 Other innovative funding mechanisms

Several innovative funding mechanisms were established in other sectors, for instance addressing public health problems, some of which share the characteristics of PPPs. Some of these, for instance the Global Fund for Vaccines and Immunisation (GAVI) Fund, the International Finance Facility for Immunisation (IFFIm) and the Earth Fund could be explored and when appropriate positive features exported to the chemicals and wastes field. Funds no longer in existence such as the Canada POPs fund could also be looked at. Details about these mechanisms are provided in the Desk Study.

C. STRENGTHENING AND RETHINKING EXISTING INSTITUTIONS

Several funding mechanisms exist that already fund activities in the areas of chemicals and wastes. These include: bilateral and multilateral aid, including aid channelled through cooperation agencies and multilateral organizations (e.g. UNDP, UNEP); global financial institutions, such as the World Bank; environment dedicated financial institutions, such as the GEF, the Multilateral Fund and the Strategic Approach to International Chemicals Management, which includes a financial strategy as well as a specific funding institution, the Quick Start Programme.

These institutions go a long way in financing this field but they do not cover everything needed. It is clear therefore that either additional mechanisms are needed and/or changes in the way these mechanisms operate and to their mandates might need to be made. The Desk Study already referred to in this paper presents a series of optional tracks in more detail. These are summarized below.

C.1 List of possible institutional changes

- Mainstreaming sound management of chemicals and wastes into other sectors
- Public-Private sector partnerships, including the use of economic instruments at the national and international level
- New trust fund similar to the MLF
- Introducing sound management of chemicals and wastes as a new focal area, or expanding the existing POPs focal area under GEF

However, it is important that, in considering pursuing the tracks listed above or a combination of them, key requirements be met. These have been identified by the consultative process as central to identifying adequate and efficient financing for chemicals and wastes management:

- A comprehensive and coherent policy framework ensuring the participation of a broad range of stakeholders;
- An appropriate hosting institution taking into account the comparative advantages of existing institutions and consideration of possible advantages of establishing a new organization;
- Appropriate governance arrangements ensuring close ties between the governing bodies of the relevant MEAs and the bodies responsible for the allocation of funds for effective and needs-responsive funding arrangements;
- Ease of access and quick response to funding requests;
- Predictability of and sustainability of funding;
- Appropriate planning that is, *inter alia*, result oriented, needs responsive, and balances the need for specialization with the need for an integrated approach that realises synergies;
- Result oriented funding, based on the achievement of milestones according to clear timeframes;
- Effective monitoring system;
- Strong country ownership; and
- Appropriate funding model, e.g. based on global environmental benefits, incremental costs, tied to compliance or different criteria.

5. Steps forward

The Meeting in Bangkok outlined a series of steps for moving the consultative process forward.

It was suggested that the Executive Director of UNEP bring this process to the attention of relevant forums, including the UNEP's Governing Council/Global Ministerial Environment Forum at its eleventh special session and the simultaneous extraordinary meeting of the conferences of the Parties to the Basel, Rotterdam and Stockholm conventions, both to be held in Bali from 22 to 26 February 2010, but also at other meetings such as the individual meetings of the Conferences of the Parties to the Basel, Rotterdam and Stockholm conventions in 2011, the preparatory meetings for the third session of the International Conference on Chemicals Management and the Global Environment Facility.

It was suggested that the consultative process continue, basing its work on the outcomes of the special session of the Governing Council/Global Ministerial Environment Forum and other relevant international processes, and be finalized by the third session of the International Conference on Chemicals Management, which is tentatively scheduled for 2012.

An important step that could be undertaken in the immediate would be investing in awareness-raising initiatives relating to both the consultative process and the importance of the sound management of chemicals and wastes, using appropriate avenues including the media and key international opportunities, such as intergovernmental meetings and public events. While UNEP could take the lead in this, support from relevant partners would be essential.
