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**International Conference on Chemicals Management****Second session**

Geneva, 11–15 May 2009

Item 4 (e) of the provisional agenda \*

**Implementation of the Strategic Approach to International  
Chemicals Management: financial and technical resources for implementation****Report on obstacles for donor contributions to support  
implementation of the Strategic Approach to International Chemicals  
Management****Note by the secretariat****I. Introduction**

1. At the informal discussions on preparations for the second session of the International Conference on Chemicals Management, held in Rome on 23 and 24 October 2008, it was suggested that the secretariat should prepare a report on obstacles that could prevent potential donors, including industry, from contributing resources to support implementation of the Strategic Approach to International Chemicals Management.<sup>1</sup> It was emphasized that the report should include possible solutions to any obstacles identified, lest it be used as an excuse for inaction. In keeping with the request made at the informal discussions, the present note discusses obstacles to donor funding of Strategic Approach implementation and potential solutions thereto within various categories of contributions: multilateral funding, bilateral funding and private funding.

2. The following overview of potential obstacles and solutions thereto is based, among other things, on the understanding that, while resources to support activities for the implementation of the Strategic Approach are, as a matter of principle, available throughout various thematic sectors, they are not fully accessed or disbursed for work on chemicals management. For example, anecdotal evidence would suggest that relatively few resources are being released or drawn from funding available through development assistance cooperation programmes.

3. The secretariat would also note that there is a shortage of information on activities undertaken in the implementation of the Strategic Approach by all stakeholders, not only Governments. The lack of information on donor contributions made, either in kind or financially, may generate disincentives to pledge additional resources as a consequence of a perceived imbalance in sharing the overall burden. A

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\* SAICM/ICCM.2/1

<sup>1</sup> Report of the informal discussions on preparations for the second session of the International Conference on Chemicals Management (SAICM/InfDisc/8), paragraph 39.

comprehensive understanding of the efforts undertaken by all stakeholders, including industry, could be beneficial in furthering a sense of shared responsibility and demonstrated commitment.

## **II. Overview of potential obstacles**

### **A. Multilateral funding**

4. The Strategic Approach lacks a dedicated financial mechanism that would offer a visible and accessible entry point for donor funding of Strategic Approach activities beyond enabling activities covered under the Quick Start Programme and its Trust Fund. Donors wishing to make financial contributions with a view to supporting Strategic Approach implementation are hence required to refer to existing multilateral funding structures and identify pertinent mechanisms. The mandates and terms of reference of existing financial mechanisms do not, however, encompass the broad scope of Strategic Approach activities and respective funding requirements. Rather, they offer funding opportunities in specific areas and hence present only limited entry points for dedicated financing of chemicals management that would correspond to the cross-cutting and mainstreaming nature of the Strategic Approach. The specificity of their funding requirements (corresponding to the specificity of the activities falling under their respective mandates) may pose obstacles to donors wishing to pursue an overall policy that corresponds to the scope of the Strategic Approach, as articulated in section II therein, which includes “environmental, economic, social, health and labour aspects of chemical safety”.<sup>2</sup> It may be particularly cumbersome for donors to provide justifications vis-à-vis domestic constituencies concerning the allocation of financial resources committed to development assistance and other sectors for activities falling under financial mechanisms that are mainly dealt with by environmental departments. It may also offer less visibility for contributions made with a view to demonstrating a commitment to the comprehensive and cross-cutting nature of the Strategic Approach.

5. As one of the few existing financial mechanisms with a substantial (potential) scope for assisting with implementation of the Strategic Approach, the Global Environment Facility (GEF) could potentially offer a source for financing Strategic Approach activities and hence a possible funding channel for donors. Notwithstanding the 2007 development of a cross-cutting strategy to encourage greater use of relevant existing GEF focal areas, such as land degradation, persistent organic pollutants and international waters, however, these windows remain limited to specific issues and themes and do not offer an opportunity to support the comprehensive nature of the Strategic Approach. Accordingly, some stakeholders have advocated the establishment of a specific “chemicals management” focal area within GEF with a view to supporting chemicals work more broadly. Even if such a focal area were established, there would remain some limitations in the application of GEF resources to the full range of Strategic Approach implementation activities since GEF funding is reserved for activities achieving global environmental benefits and can only cover “incremental costs”.<sup>3</sup> The secretariat would furthermore note the criticism voiced by some that GEF application and project approval processes are too slow and cumbersome. Similar arguments would apply to the Multilateral Fund for the Implementation of the Montreal Protocol, which is a financial mechanism dedicated to substances that deplete the ozone layer.<sup>4</sup> Its more specific mandate suggests that there is less scope for financial support to broader chemicals management work through the Fund. The secretariat notes, however, that only limited information has been made available concerning the potential for the Fund to support Strategic Approach implementation.

6. Conversely, existing multilateral development mechanisms do not offer dedicated entry points for supporting chemicals management assistance (indirectly through sustainable development windows). The logic of the Strategic Approach, as referred to above, would suggest that development assistance provided, for example, to health ministries as part of capacity-building efforts could and should include preventive work on chemicals management. There is, however, a detrimental perception within donor and recipient constituencies that chemicals management is primarily an environmental issue rather than a matter linked to sustainable development, the latter providing an entry point for

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2 Overarching Policy Strategy, contained in annex II of the report of the International Conference on Chemicals Management on the work of its first session (Dubai, 4–6 February 2006), SAICM/ICCM.1/7, para. 2, lit. (a).

3 Instrument for the Establishment of the Restructured Global Environment Facility, Article 3.

4 See Article 10 of the London Amendment, as agreed by the Second Meeting of the Parties (London, 27–29 June 1990), to the 1987 Montreal Protocol.

official development assistance.<sup>5</sup> Similarly, intergovernmental institutions dealing with health issues tend to focus predominately on the curative aspects of chemicals management (e.g., once contamination has occurred) and not the preventive dimensions. The secretariat would furthermore note that during the final development of the Strategic Approach at the first session of the International Conference on Chemicals Management negotiations, it was considered by some participants that institutions such as the World Bank should not be referred to in the Strategic Approach as chemicals management work was perceived to be beyond the Bank's core mandate of poverty reduction. The World Bank was also the only one of the nine participating and observer organizations of the Inter-Organization Programme for the Sound Management of Chemicals not to be included in the Quick Start Programme Trust Fund Implementation Committee. Nevertheless, the Bank continues to be a significant player in chemicals management work with far greater fund-raising capacity than other intergovernmental organizations directly engaged with Strategic Approach implementation.

7. Moreover, the nature of the Strategic Approach as a strategic policy framework and not a legally binding mechanism is seen as detrimental to mobilizing resources in donor countries. The perceived lack of compulsion that distinguishes the Strategic Approach from multilateral legal instruments appears to pose additional barriers in mobilizing resources domestically where justifications for budgetary allocations are easier to substantiate vis-à-vis binding commitments made under international law.

8. Similarly, resources required for the implementation of activities under the Strategic Approach will compete with other priorities set for domestic budget allocation processes. In spite of the commitments made at the first session of the International Conference on Chemicals Management and reflected in the Strategic Approach documents, Strategic Approaches objectives are not yet fully recognized domestically as an important element of multilateral funding under respective development assistance frameworks.

9. The lack of importance attached thereto is, however, also a function of little demand articulated by developing countries and countries with economies in transition. In spite of its importance as a cross-cutting sustainable development issue (affecting health, worker safety, water quality and food security, among other things), chemicals management is rarely included in the list of priorities drawn up by developing countries in their consultations with bilateral and multilateral aid agencies. The lack of priority accorded to chemicals management by aid recipients when assessing needs and developing programmes with multilateral agencies may be caused by institutional and capacity issues. Those responsible for chemicals management in developing countries may not have their needs recognized in national budget and development cooperation planning vis-à-vis ministries, which receive overriding priority. For example, environment ministries will find it difficult to compete with the budgetary demands for defence, education and health. While the latter should, as a matter of theory, be capable of being recognized in national planning, the emphasis, as stated above, tends to be laid on curative rather than preventative programmes that could tackle the original problems of chemical contamination affecting, for example, maternal and children's health. Furthermore, some countries may lack the capacity to ensure that chemicals management is paid adequate attention when assessing needs and submitting applications for funding under existing mechanisms. The secretariat would note that the Strategic Approach itself tackles these challenges, offering a policy framework agreed upon at the international level to remedy them.<sup>6</sup> For example, mainstreaming the sound management of chemicals in national planning and thereby informing development assistance priorities is one of the three strategic priorities of the Quick Start Programme of the Strategic Approach.<sup>7</sup> A number of projects supported by the Programme's trust fund and facilitated through a partnership with the United Nations Environment Programme and the United Nations Development Programme are tackling this mainstreaming issue.

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5 The Secretariat notes that similar challenges were identified in the context of the Global Mechanism of the United Nations to Combat Desertification. See the study of possible options for lasting and sustainable financial mechanisms contained in a note by the Secretariat for the second meeting of the Conference of the Parties to the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade (Rome, 27–30 September 2005), UNEP/FAO/RC/COP.2/10, para. 175.

6 See Dubai Declaration on International Chemicals Management, paragraphs 1, 9, 26 and 27; Overarching Policy Strategy, paragraphs 17 lit. f (i) and 19 lit. c; Strategic Approach to International Chemicals Management: strategic priorities and institutional arrangements for the Quick Start Programme, Appendix I to Resolution I/4 adopted by the International Conference on Chemicals Management at its first session, para. 3, lit. (c).

7 Strategic Approach to International Chemicals Management: strategic priorities and institutional arrangements for the Quick Start Programme, Appendix I to resolution I/4 adopted by the International Conference on Chemicals Management at its first session, para. 3, lit. (c).

10. Lastly, the secretariat would note that some donors may sense a degree of donor fatigue in the absence of an equitable sharing of the funding burden between all relevant donors. While the donor base is relatively broad, as demonstrated by the diverse list of donors contributing to the Quick Start Programme Trust Fund, a small number of donors provide the bulk of the funds and do so disproportionately, relative to their gross domestic product.

## **B. Bilateral funding**

11. Obstacles and barriers to the allocation of resources to chemicals management work through bilateral funding resemble many of those referred to in relation to multilateral funding. In particular, there is a lack of priority attached to chemicals management within broader domestic resource allocation processes that are largely servicing other priorities without exploring and exploiting potential synergies (e.g., development and health). Conversely, chemicals management issues receive, as such, relatively limited attention within processes undertaken to assess domestic needs and formulating priorities that inform requests for donor assistance.

## **C. Private funding**

12. The Strategic Approach contains several references encouraging the allocation of funding by stakeholders other than Governments. For example, in the Dubai Declaration on International Chemicals Management Governments participating in the Conference pledged to “continue to mobilize national and international financing from public and private sources for the life-cycle management of chemicals”. Moreover, the Strategic Approach invited “industry ... to provide resources, including in-kind contributions, for the implementation of Strategic Approach objectives, continuing and building upon its initiatives on good corporate social and environmental responsibility”.<sup>8</sup> An additional reference to non-government funds is also made in the context of the Quick Start Programme,<sup>9</sup> in addition to the funding arrangements for the secretariat.<sup>10</sup>

13. In practice, however, declared contributions from private sources have been limited. While private stakeholders have declared contributions in kind through the Quick Start Programme,<sup>11</sup> the secretariat notes that private funding specifically for Strategic Approach implementation is yet to be received. The absence of dedicated Strategic Approach funding contrasts with the substantial overall turnover of the chemicals industry worldwide. The perceived absence of private funding may, however, result from the lack of information available on activities being undertaken by the private sector in areas that are relevant to Strategic Approach implementation. For example, many companies may be investing significantly in chemical safety programmes for their workers and clients but there is little information available on this. Furthermore, there may be a lack of awareness concerning the Strategic Approach beyond the limited circle of interlocutors and interested stakeholders, mainly at the level of global industry associations, who were directly engaged in the development of the Strategic Approach.

14. Assuming that additional resources are available within industry, several obstacles can be identified with regard to the making of dedicated contributions to Strategic Approach implementation beyond lack of awareness. First, industry is already subject to domestic tax regimes and contribution schemes that may nurture resistance among stakeholders to offer additional contributions at the international level. Moreover, funding Strategic Approach implementation may not be perceived as offering direct or indirect economic returns, such as through marketability of initiatives and production savings. Providing financial support to Strategic Approach activities through channels such as the Quick Start Programme Trust Fund may also be seen as offering less control and scope for influence in view of the involvement of various stakeholders. Industry may therefore prefer directly supporting specific projects with tangible results for which they may gain clearer recognition.

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8 Overarching Policy Strategy, para. 19, lit. (b) (iii).

9 Strategic Approach to International Chemicals Management: strategic priorities and institutional arrangements for the Quick Start Programme, Appendix I to Resolution I/4 adopted by the International Conference on Chemicals Management at its first session, paragraph 5 (“The Programme should help to identify and pave the way for activities that can be assisted by the private sector, including industry, and other non-governmental organizations [...]”; furthermore, the programme is to “invite [...] private cooperation”).

10 Overarching Policy Strategy, para. 19, lit. (f) (iii).

11 See annex B of the note by the Secretariat on industry contribution to the implementation of the Strategic Approach, prepared for the second Strategic Approach donor’s meeting held in Paris, 11 February 2008, available at <http://www.saicm.org>.

### III. Potential solutions

#### A. Multilateral funding

15. There appears to be considerable scope for improving the implementation of Strategic Approach objectives in relation to mainstreaming chemicals management throughout frameworks for development assistance and placing it higher on the overall development agenda of recipients and donors. The Conference may wish to reinforce its commitment expressed at its first session in this regard. Such a commitment could be followed by additional awareness and capacity-building activities. The secretariat notes that the Quick Start Programme is designed to help to identify and pave the way for activities that can be assisted through, among other things, multilateral cooperation.<sup>12</sup>

16. Moreover, access to multilateral funding could be enhanced through the further promotion of an understanding as to the cross-cutting nature of sound chemicals management. That would include awareness-raising among policy stakeholders in the health and development sectors concerning the significance of sound chemicals management for public health and prevention, together with sustainable development.<sup>13</sup>

17. In addition to the implementation of measures already envisioned in the Strategic Approach in relation to the obstacles cited above, the establishment of a sustainable funding mechanism, whether based on existing arrangements or beyond, could offer additional impetus for donors to provide and recipients to request dedicated funding for chemicals management activities. Specific solutions that the Conference may wish to consider range from broadening existing mechanisms, such as GEF or the Multilateral Fund, or the creation of new mechanisms.<sup>14</sup>

18. The existence of mechanisms will not by itself yield additional resources, however, so would need to be accompanied by a corresponding commitment to contribute financial resources. A sharing of the donor burden between all Strategic Approach stakeholders would facilitate the forging of such a commitment.

19. In the absence of a long-term financial mechanism dedicated to Strategic Approach implementation, several immediate solutions would appear feasible for supporting sound chemicals management activities. First, greater use could be made of the Quick Start Programme framework by benefiting from the potential of Quick Start Programme funding as collateral for larger projects for which GEF and other funding is sought. Using the Quick Start Programme in that sense would contribute towards unlocking available resources by solving the co-financing requirements that applicants may otherwise find difficult to comply with. Similarly, it could be explored whether other existing mechanisms would offer scope for funding activities that contribute to Strategic Approach implementation – for example, whether some broader chemicals management work could be associated with Multilateral Fund ozone projects. Likewise, the engagement of multilateral funding structures with broad mandates, such as the World Bank, in Strategic Approach implementation could be encouraged. In addition, existing funding and application procedures could be modified with a view to render them more flexible so that broader chemicals management objectives could fall within the scope of activities eligible for funding. Lastly, application procedures could be simplified and further assistance provided for enhancing accessibility.

#### B. Bilateral funding

20. Similarly to the solutions identified in relation to multilateral funding, placing chemicals management higher on the development agenda of recipient and donor countries will be key in ensuring that chemicals management activities are adequately funded. The Quick Start Programme is, among other things, designed to mainstream the sound management of chemicals in national strategies and thereby inform development assistance cooperation priorities and to offer assistance in identifying

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12 See Strategic Approach to International Chemicals Management: strategic priorities and institutional arrangements for the Quick Start Programme, Appendix I to Resolution I/4 adopted by the International Conference on Chemicals Management at its first session, para. 2.

13 For a discussion of the linkages between official development assistance, health and chemicals management, see the information paper prepared by the Strategic Approach secretariat for the second donor's meeting held in Paris, 11 February 2008, available at <http://www.saicm.org>.

14 See the note by the Secretariat on long-term financing for implementation of the Strategic Approach, prepared for the second session of the International Conference on Chemicals Management (Geneva, 11–15 May 2009), document SAICM/ICCM.2/12.

activities that can be assisted through bilateral cooperation.<sup>15</sup> Building on the lessons learned thus far and with a view to ensuring continuation, the Conference may wish to consider the extension and expansion of its mandate beyond the seven-year time limit.

21. Access to bilateral funding could be enhanced through the further promotion of an understanding as to the cross-cutting nature of sound chemicals management. For example, additional capacity-building and awareness-raising activities could support effective means towards that end. Moreover, measures to generate further incentives for inclusion of sound chemicals management among the development goals in national Governments' sustainable development, country assistance and poverty reduction strategy papers should be taken. For example, the costs that a developing country may incur if it does not adopt and implement sound chemicals management practices, such as environmental clean-up costs, medical costs and lost worker productivity, could be identified.<sup>16</sup>

### **C. Private funding**

22. With regard to private funding, it would seem imperative to obtain first a more comprehensive understanding of the contributions already made by non-governmental stakeholders, such as industry and private foundations, towards the implementation of Strategic Approach objectives. Based on such understanding, areas for additional contributions could be explored jointly by all Strategic Approach stakeholders.

23. With regard to industry, creative approaches are necessary to satisfy the specific premises of industry engagement, such as considerations as to cost-effectiveness and innovation, and to explore leverages for building on corporate social responsibility and their public recognition. Additional incentives need to be generated for industry to contribute through international mechanisms to Strategic Approach objectives, rather than bilaterally. Offering recognition of and opportunities to demonstrate corporate responsibility could be further explored. Contributing to the implementation of Strategic Approach objectives should not be seen as yet another layer of multilateral bureaucracy, but as a means to demonstrate commitment to sound chemicals management. Similarly, the linkages between the Strategic Approach and existing platforms for promoting public-private cooperation and corporate responsibility could be strengthened. For example, cooperation and engagement with the United Nations Global Compact could offer an opportunity to overcome some of the obstacles identified.<sup>17</sup> Moreover, the costs of unsound chemicals management should be further studied and calculated with a view to assessing the benefits of sound chemicals management in terms of long-term profit and productivity. Lastly, the secretariat observes that enhanced participation by industry representatives would enable a better understanding of the respective needs and thus potential solutions to increase industry engagement.

### **D. Secretariat fund-raising**

24. The secretariat notes in that regard that it could undertake additional efforts to work towards the expansion and diversification of the Strategic Approach donor base in the intersessional period. Subject to the availability of additional staff in the secretariat, such efforts could focus on tapping new sources such as foundations, industry, regional development banks, Governments of newly industrialized economies and Governments of developed countries that have so far been absent from the donors list, in addition to encouraging existing donors to contribute more in proportion to their capacity. This would require a sustained, sophisticated, well-targeted and more direct fund-raising effort.

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15 See Strategic Approach to International Chemicals Management: strategic priorities and institutional arrangements for the Quick Start Programme, appendix I to resolution I/4 adopted by the International Conference on Chemicals Management at its first session, paras. 2 and 3. lit. (c).

16 See the study of possible options for lasting and sustainable financial mechanisms contained in a note by the Secretariat for the third meeting of the Conference of the Parties to the Rotterdam Convention (Geneva, 9–13 October 2006), UNEP/FAO/RC/COP.3/13, para. 108.

17 For more information on the United Nations Global Compact, see <http://www.unglobalcompact.org/Issues/Environment/index.html>.