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**International Conference on Chemicals Management**

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Item 4 (d) of the provisional agenda\*

**Implementation of the Strategic Approach to  
International Chemicals Management:**

**financial and technical resources for implementation**

**Integrated approach to financing the sound management of  
chemicals and wastes: draft proposal by the Executive Director  
of the United Nations Environment Programme**

**Note by the secretariat**

1. Pursuant to its decision SS.XII/4 on the consultative process on financing options for chemicals and wastes, the Governing Council of the United Nations Environment Programme (UNEP) requested the Executive Director to prepare a draft proposal, and to seek advice thereon through a consultative process, for consideration and possible decision at the third session of the International Conference on Chemicals Management and at the twenty-seventh session of the Governing Council/Global Ministerial Environment Forum, to be held in 2013. In the outcome document of the United Nations Conference on Sustainable Development, entitled “The future we want”, heads of State and Government and high-level representatives at the Conference further welcomed the consultative process on financing options for chemicals and wastes and looked forward to the forthcoming proposal by the Executive Director.
2. The secretariat has the honour to circulate, in the annex to the present note, the Executive Director’s draft proposal for an integrated approach to financing the sound management of chemicals and wastes.
3. The Conference may wish to recall and review the related discussions of the Open-ended Working Group at its first session, held in Belgrade from 15 to 18 November 2011, and to adopt a decision on both the immediate and long-term financing of the Strategic Approach.

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\* SAICM/ICCM.3/1.

## Annex

# **Integrated approach to financing the sound management of chemicals and wastes: draft proposal by the Executive Director of the United Nations Environment Programme**

## **I. Mandate**

1. The present draft proposal by the Executive Director of the United Nations Environment Programme (UNEP) on an integrated approach to financing the sound management of chemicals and wastes was developed in response to decision SS.XII/4 of the Governing Council of UNEP, as well as to its decision SS.XI/8, in which the Governing Council recognized the increased need for sustainable, predictable, adequate and accessible financing for the chemicals and wastes agenda and the need for heightened efforts to increase the political priority accorded to the sound management of chemicals and wastes. The present draft proposal also represents the culmination of the consultative process on financing options for chemicals and wastes that was launched by the Executive Director at the fourth session of the Conference of the Parties to the Stockholm Convention on Persistent Organic Pollutants, held in May 2009.<sup>1</sup>
2. In its decision SS.XII/4, the Governing Council requested the Executive Director of UNEP, taking into consideration the outcome document of the consultative process and his final report, to prepare a draft proposal, and to seek advice thereon through a consultative process, for consideration and possible decision at the third session of the International Conference on Chemicals Management, in 2012, and at the twenty-seventh session of the Governing Council/Global Ministerial Environment Forum, in 2013.
3. In the outcome document of the United Nations Conference on Sustainable Development, entitled “The future we want”, heads of State and Government and high-level representatives at the Conference welcomed the consultative process on financing options for chemicals and wastes and looked forward to the forthcoming proposals by the Executive Director to be considered by the International Conference on Chemicals Management and the Governing Council of UNEP.
4. Advice and comments on the present draft proposal will be solicited from Governments and other stakeholders and will be presented orally by a representative of UNEP at the third session of the Conference.

## **II. Integrated approach to financing the sound management of chemicals and wastes**

### **A. Context**

5. The present draft proposal for an integrated approach to financing the sound management of chemicals and wastes addresses, in a holistic and encompassing manner, the multiple and multifaceted financing challenges facing Governments in the implementation of existing chemicals- and wastes-related conventions<sup>2</sup> and international policy frameworks on chemicals and wastes.<sup>3</sup> The proposed integrated approach might also address challenges that will be faced with regard to future chemicals- and wastes-related conventions and international policy frameworks as they are developed. It further seeks to support efforts to secure sustainable, predictable, adequate and accessible financing for the sound management of chemicals and wastes.
6. The proposed integrated approach is composed of three complementary components:
  - (a) Mainstreaming the sound management of chemicals and wastes into national development plans;

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1 Information, including outcome and background documents, on the consultative process for financing options for chemicals and wastes, of which five meetings have been held, is available from [www.unep.org/delc](http://www.unep.org/delc).

2 Throughout the present draft proposal, the existing and future chemicals- and wastes-related conventions mentioned include, but are not limited to, the Basel, Rotterdam and Stockholm conventions as well as the future global legally binding instrument on mercury.

3 Throughout the present draft proposal, the international policy frameworks mentioned include, but are not limited to, the Strategic Approach to International Chemicals Management.

- (b) Industry involvement;
- (c) External financing.

7. Each of the three components brings financial resources to the chemicals and wastes agenda in different ways and each is critical to facilitating an integrated approach to the national implementation of obligations and activities for the sound management of chemicals and wastes. The three components are integrated in a parallel, complementary and mutually reinforcing manner and are intended to supplement and complement domestic resources mobilized by countries to implement convention obligations and other commitments at the national and regional levels, as appropriate.

8. Operationalizing the proposed integrated approach requires actions by Governments to further mainstream the sound management of chemicals and wastes at the national level, including the development, monitoring and enforcement of national regulations for the sound management of chemicals and wastes, and actions by industry, including the chemicals industry, to comply with national regulations and to manage soundly their own chemicals and wastes. The operationalization of the third component, on external financing, may require decisions to be taken by the Conference, the UNEP Governing Council, the governing body of the future host institution for the proposed integrated approach and the governing bodies of existing and future chemicals- and wastes-related conventions and international policy frameworks.

## **B. Draft proposal for an integrated approach to the sound management of chemicals and wastes**

9. The three complementary components of the proposed integrated approach, namely, mainstreaming, industry involvement and external financing, contribute to the sound management of chemicals and wastes as described below.

10. It is fully recognized that there are differences between the international policy frameworks and the requirements and status of the chemicals- and wastes-related conventions, including their membership. Such differences should be taken into account and reflected when further developing and implementing the proposed integrated approach.

## **C. Three components of an integrated approach**

### **1. Mainstreaming**

11. The mainstreaming of chemicals and wastes occurs when Governments, both recipient and donor, integrate the sound management of chemicals and wastes into their development plans and/or priorities. For developing countries and countries with economies in transition, the mainstreaming of their national chemicals and wastes priorities into the development planning processes for official development assistance funding will increase their access to significant funding for national chemicals and wastes priorities.<sup>4</sup>

12. When recipient Governments incorporate their chemicals and wastes priorities into their poverty reduction strategy papers or country assistance strategies, which feed into the development assistance process, this provides an opportunity for funding from bilateral and multilateral donors seeking opportunities to achieve the goals of the chemicals and wastes agenda. Bilateral and multilateral donors recognize the importance of such mainstreaming and respond accordingly.

13. Mainstreaming is also an important tool for recipient Governments that require enabling or capacity support and technical assistance to put in place the national regulatory frameworks and other instruments required for ratification of chemicals- and wastes-related conventions and to develop the capacity to enforce their national instruments.

14. The mainstreaming component will be implemented through the actions of Governments that set their agendas for chemicals and wastes and develop national rules and regulations to fulfil those agendas. To that end:

- (a) Governments should become parties to the chemicals- and wastes-related conventions and participate in international policy frameworks on chemicals and wastes, such as the Strategic Approach to International Chemicals Management;

- (b) Recipient Governments should develop and regularly update national chemicals and wastes plans, including related implementation plans, and incorporate those plans, as appropriate, into

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<sup>4</sup> Official development assistance funding totalled \$72.2 billion in 2008–2009 according to the Development Assistance Committee of the Organization for Economic Cooperation and Development.

their national development plans, regional cooperation plans and initiatives as well as into international development assistance processes;

(c) Recipient Governments should develop, monitor and enforce the national environmental and health standards and regulations required to meet the international legal obligations and voluntary requirements on the sound management of chemicals and wastes throughout all stages of the chemical sector value chain, including in production, commercial and consumer use, disposal and recycling;

(d) Governments should monitor and enforce compliance, including by industry, with national laws, rules and regulations for the sound management of chemicals and wastes.

## **2. Industry involvement**

15. Financial resources for the chemicals and wastes agenda will be generated by the involvement of industry in an integrated approach when, inter alia, industry internalizes the costs of complying with chemicals and wastes regulations; economic instruments are used to recover and shift costs to the private from the public sector; industry transfers technology; industry pays taxes to Governments; and industry takes innovative steps to “green” chemicals and wastes throughout their life cycles.

16. The availability to the chemicals and wastes agenda of financial resources arising from the involvement of industry will depend upon the relationship between the legal and administrative authorities of each sovereign Government and industry. Industry involvement in an integrated approach cannot be governed through international agreements or financial mechanisms established by those agreements.

17. This component would be implemented by industry in response to the enforcement and monitoring of legal and administrative requirements put in place by sovereign national Governments. Among the most important actions that industry, including the chemicals industry, may take are:

(a) To internalize the costs of meeting national chemicals and wastes standards by complying with national laws, rules and regulations with respect to all stages of the chemicals and wastes sector value chain, including production, commercial and consumer use, disposal and recycling;

(b) To transfer, as appropriate, technology, best practices and expertise to industries and Governments to further enhance the sound management of chemicals and wastes;

(c) To enter into public-private partnerships that support the chemicals and wastes agenda internationally and nationally, in particular in developing countries and countries with economies in transition;

(d) To take innovative steps to “green” all stages of the chemicals and wastes sector value chain, including production, commercial and consumer use, disposal and recycling, and to implement such innovations by promoting national economic incentives;

(e) To assess the hazards, potential exposures and risks of chemicals to be marketed and used and provide information on chemicals and safe practices to Governments and the general public, including consumers.

## **3. External financing**

18. External financing complements the components of mainstreaming and industry involvement through a financial mechanism to support recipient countries in implementing their legal obligations and other commitments for the sound management of chemicals and wastes.

19. The external financing component would comprise two elements: the first would be the establishment of national chemicals and wastes units<sup>5</sup> in all recipient countries, and the second would be the creation of an integrated chemicals and wastes focal area under the Global Environment Facility (GEF). This would require the existing GEF persistent organic pollutants focal area to be restructured for inclusion within the integrated chemicals and wastes focal area.

20. The new integrated chemicals and wastes focal area could be modelled on one of the existing funds hosted by GEF, such as the Adaptation Fund, the Least Developed Countries Fund or the Special Climate Change Fund. It should include specific structures and operating procedures, which are tailor-made for the focal area, including for governance, project approval, funds distribution and access, the type of activities to be funded and the relationship between funding and compliance.

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<sup>5</sup> The proposed national chemicals and wastes units would be modelled on the successful national ozone units established under the Montreal Protocol on Substances that Deplete the Ozone Layer.

## **D. Establishing national chemicals and wastes units<sup>6</sup>**

21. The proposed integrated approach would encompass national chemicals and wastes units to be established within the existing chemicals and wastes institutional arrangements at the national level. The units would serve as focal points for chemicals and wastes issues in recipient countries.

22. Establishing such units would immediately enhance capacity in recipient countries. The units would be established with a view to, inter alia, addressing some of the challenges identified by recipient countries with regard to accessing funding from the existing GEF-managed focal areas. In particular, the units would play an important role in assisting with access to finance at all levels to support the sound management of chemicals and wastes.

23. The national chemicals and wastes units would serve as the focal point in recipient countries for the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal, the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade and the Stockholm Convention on Persistent Organic Pollutants, as well as for preparatory activities to support the ratification of future global agreements, such as the global legally binding instrument on mercury. The units could also serve as the focal point for other existing and future international frameworks.

24. The national chemicals and wastes units would promote and enhance the mainstreaming of chemicals and wastes into national development plans and priorities, regional development plans, through cooperation with regional centres, and international development assistance plans, which would enhance access to development assistance funding. The units would also be responsible for promoting efforts for and reporting on industry compliance with recipient country legislative, regulatory and administrative requirements for the sound management of chemicals and wastes.

25. The units could also promote and facilitate the development of national legislative, regulatory and administrative requirements for the sound management of chemicals and wastes in response to legally binding convention obligations and other commitments.

26. The units would participate in the development of needs assessments for the chemicals- and wastes-related conventions and international policy frameworks, as appropriate, as well as in the development of workplans for the ratification of new conventions and other commitments in the context of complying with international frameworks and conventions to achieve the sound management of chemicals and wastes.

27. The units may be requested to report annually on the achievement of performance targets based on annual workplans.

28. National chemicals and wastes units would collaborate among themselves and with national ozone units, national GEF focal points and the regional centres of the chemicals- and wastes-related conventions.

## **E. Establishing an integrated chemicals and wastes focal area**

29. A new GEF integrated chemicals and wastes focal area, as the second element of the external financing component of the integrated approach, would subsume the existing persistent organic pollutants focal area and could significantly expand the financial resources available for chemicals and wastes without diminishing the resources available for persistent organic pollutants-related activities.

30. The integrated chemicals and wastes focal area would require sustainable, predictable and adequate financing in order to enhance the sound management of chemicals and wastes in recipient countries. Accordingly, Governments would work through relevant GEF procedures and processes to establish the integrated chemicals and wastes focal area and ensure that sufficient resources were available under it. In order to provide information for GEF replenishments, recipient Governments would participate in needs assessments undertaken by each of the conventions and international frameworks covered by the integrated chemicals and wastes focal area. Replenishment for the focal area would take place through the regular GEF replenishment process.

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<sup>6</sup> The national ozone units established under the Montreal Protocol cost the Multilateral Fund for the Implementation of the Montreal Protocol less than \$8 million annually. Expenditure on the units represents most, if not all, of the funding that the majority of recipient countries have received from the Fund since its inception. Similarly, for GEF, the top 20 recipient countries of GEF funding have received 84 per cent of the funding for persistent organic pollutants, while the other recipient countries have shared the remaining 16 per cent of the funds allocated to persistent organic pollutants.

31. Funding through the integrated chemicals and wastes focal area would be made available<sup>7</sup> to support individual recipient countries:
- (a) To prepare for and become a party to existing and future chemicals- and wastes-related conventions and international policy frameworks on the sound management of chemicals and wastes;
  - (b) To achieve compliance with legal obligations for existing and future chemicals- and wastes-related conventions;
  - (c) To obtain capacity-building support to facilitate mainstreaming and industry involvement at the national level;
  - (d) To implement commitments under existing and future chemicals- and wastes-related conventions and international policy frameworks on the sound management of chemicals and wastes;
  - (e) To develop their national chemicals and wastes agendas and develop, monitor and enforce the environmental and health standards and regulations required to effectively implement those agendas.
32. The integrated chemicals and wastes focal area would be complemented by actions taken by Governments to mainstream the sound management of chemicals and wastes and to create national regulations for such sound management with which industry must comply. Financial resources for the chemicals and wastes agenda derived from mainstreaming and industry involvement would emanate from national efforts to mainstream chemicals and wastes and the enforcement of each sovereign Government's legal and administrative authorities.
33. The integrated chemicals and wastes focal area should be flexible in order to provide financial resources to support the implementation of commitments to existing and future chemicals- and wastes-related conventions as well as voluntary requirements of existing and future international policy frameworks on the sound management of chemicals and wastes.
34. The integrated chemicals and wastes focal area would establish mechanisms to ensure that resources were or could be allocated to specific conventions and international policy frameworks.
35. The integrated chemicals and wastes focal area could have the following characteristics:
- (a) Funding provided by all parties and other stakeholders,<sup>8</sup> as appropriate within their capabilities, as well as through a stable and predictable replenishment process under GEF;
  - (b) A governance structure specific to the focal area whose formal relationship with the GEF Council would need to be defined;
  - (c) A relationship with the governing bodies of the chemicals- and wastes-related conventions enabling them to provide guidance and support, including on decisions related to project funding, and receive accounts of results;
  - (d) A relationship with the governance bodies of the international policy frameworks;
  - (e) A system of funding and compliance with performance agreements that supports the achievement of results and provides funding for multi-year investments aimed at replacing obsolete manufacturing technologies or installing capital equipment required to achieve the sound management of chemicals and wastes.
36. The integrated chemicals and wastes focal area would operate on the basis of administrative and operating procedures tailor-made for it.

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7 It is envisioned that under the integrated chemicals and wastes focal area, sufficient resources would be made available to implement the full range of eligible activities and that a distinction would be made and balance achieved between resources for activities to implement obligations under conventions with defined financial mechanisms, activities to implement obligations under conventions without defined financial mechanisms and activities to implement voluntary commitments.

8 Other stakeholders include, but are not limited to, direct funding from industry, non-governmental organizations, foundations and other private sector sources of financing.

## 1. Governance

37. The governance structure for the integrated chemicals and wastes focal area would be specific to it, with a formal relationship with the GEF Council that has yet to be defined.
38. The governance structure for the focal area should include a limited number of representatives (e.g., five) from each of the chemicals- and wastes-related conventions as well as appropriate representation from the international policy frameworks to be covered by the focal area. Representatives from industry and non-governmental organizations may be able to participate as observers in the meetings of the governance structure, if so decided by the participating Governments.
39. The focal area governance structure will ensure that appropriate relationships are established and maintained with the governing bodies of the relevant chemicals- and wastes-related conventions and international policy frameworks. A relationship between the governance structure for the focal area and the GEF Council would promote efforts to strengthen GEF and ensure coherence with GEF policies, as appropriate.
40. The governance structure would be guided by and report to the governing bodies of the chemicals- and wastes-related conventions and international policy frameworks that it covers.
41. It would be responsible for overseeing the implementation of financing priority requirements as decided by the conferences of the parties to the conventions and the international policy frameworks.
42. It would oversee the development of new, efficient and streamlined project approval and review procedures to facilitate access to financing by recipient Governments.
43. Implementing entities and/or executing entities<sup>9</sup> could be chosen by the integrated chemicals and wastes focal area governance structure to implement the focal area. Funding might also be accessed directly by countries if procedures for doing so were developed and implemented.
44. The integrated chemicals and wastes focal area governance structure would establish independent evaluation processes to evaluate the effectiveness of the results of funding under the focal area against priorities established by the conferences of the parties and national and regional, as appropriate, performance targets and in terms of the sound management of chemicals and wastes.

## 2. Support to the integrated chemicals and wastes focal area governance structure

45. A small team within GEF would be dedicated to the integrated chemicals and wastes focal area, providing support to, servicing and implementing the decisions of its governance structure, as appropriate.
46. The duties of the team would include the effective, efficient and smooth operation of the integrated chemicals and wastes focal area and responsibility for maintaining continuing cooperation with the broader GEF secretariat.
47. The team would consult and cooperate with Governments, the secretariats of the chemicals- and wastes-related conventions and international policy frameworks for the optimal implementation of the focal area.

## III. Concluding remarks

48. Once the operational details have been developed by representatives at the third session of the Conference and the twenty-seventh session of the UNEP Governing Council, an integrated approach to financing the sound management of chemicals and wastes could come into effect as soon as the requisite decisions have been adopted by the relevant governing bodies.

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<sup>9</sup> Implementing entities and executing entities must demonstrate competency in the sound management of chemicals and wastes and financial management, including adherence to international fiduciary standards. The implementing and executing entities may make arrangements for project preparation and execution by other international organizations, agencies or banks, depending on these institutions' comparative advantages.