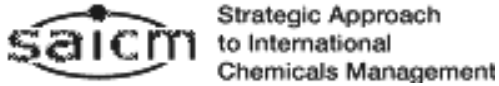




Distr.: General
21 October 2011



English only

**Open-ended Working Group of the International Conference
on Chemicals Management**

First meeting

Belgrade, 15–18 November 2011

Item 5 (b) of the provisional agenda*

**Implementation of the Strategic Approach:
Financial and technical resources for implementation**

**Outcome document of the consultative process on financing
options for chemicals and wastes**

Note by the Secretariat

The secretariat has the honour to circulate in the annex to the present not the outcome document of the consultative process from the fifth meeting of the consultative process on financing options for chemicals and wastes, held in Bangkok on 6 and 7 October 2011 as referred to in SAICM/OEWG.1/6.

* SAICM/OEWG.1/1/Rev.1.

Annex

Outcome document of the consultative process on financing options for chemicals and wastes

Introduction

1. The consultative process on financing options for chemicals and wastes was launched by the Executive Director of the United Nations Environment Programme (UNEP) at the fourth meeting of the Conference of the Parties to the Stockholm Convention on Persistent Organic Pollutants, in May 2009. The consultative process was launched to assess the current situation with regard to financing for the sound management of chemicals and wastes at the national level, including but not limited to the implementation of the obligations of parties to conventions relating to chemicals and wastes and related international policy frameworks, with a view to devising strategic, synergistic proposals for improving it.
2. The consultative process is informed by a widely shared perception that there is a gulf between what is required for the sound management of chemicals and wastes and the financial means necessary to implement it. The process is a response to the need for heightened efforts to increase the political priority accorded to the sound management of chemicals and wastes and the growing need for sustainable, adequate and accessible financing for the chemicals and wastes agenda. It takes into account the growth of the chemicals industry, shifts in production and consumption patterns and associated trends in the generation of wastes.
3. In 2010, the UNEP Governing Council, by its decision SS.XI/8, welcomed the initiation of the consultative process and requested the Executive Director to continue to lead the process and to report to the Governing Council at its twenty-sixth session on its progress. In 2011, by its decision 26/7, it acknowledged the progress made and the work carried out by UNEP and again requested the Executive Director to submit a final report on the process to the Governing Council at its twelfth special session, in February 2012 and for achieving possible decisions at the third session of the International Conference of Chemicals Management, in 2012 and the twenty seventh session of the Governing Council in 2013.
4. The consultative process, while led by UNEP, has been driven by countries. It has seen the participation of developed countries, developing countries, countries with economies in transition, intergovernmental organizations, civil society and industry. During the five meetings held between 2009 and 2011, discussions on financing the sound management of chemicals and wastes have deepened and matured, based on a series of background documents. An initial review of a wide range of financing options has moved to a more focused discussion of four specific financing tracks: mainstreaming of sound management of chemicals and wastes; industry involvement, including public-private partnerships and the use of economic instruments at the national and international levels; a new trust fund similar to the Multilateral Fund for the Implementation of the Montreal Protocol; and the establishment of a new Global Environment Facility (GEF) focal area on sound chemicals and wastes management, expanding the existing GEF chemicals focal area, or establishing a new GEF trust fund. All related documents, including background papers, are available at www.unep.org/delc.
5. The participants at the fifth meeting in the consultative process considered a proposal for an integrated approach to financing the sound management of chemicals and wastes intended to maximize its impact, particularly at the national level.
6. The present outcome document sets out the views and contributions of the participants in the consultative process based on the discussions during the five meetings in the process. While it is not intended to present a consensus view, in some areas there was a common understanding, which is reflected below.
7. It is important to note that the outcome of the consultative process is not intended to limit the options to be considered in any further discussion of financing for the sound management of chemicals and wastes.
8. The present outcome document will be submitted to the Executive Director of UNEP to inform his final report on the consultative process, which he will submit for consideration by the Governing Council/Global Ministerial Environment Forum at its twelfth special session, in February 2012.

I. Views on financing the sound management of chemicals and wastes

9. Following constructive and positive dialogue at the fifth meeting, the participants recognized that the integrated approach proposed at that meeting was the most suitable way forward for financing the sound management of chemicals and wastes at all levels, taking into account current and future agreements pertaining to chemicals and wastes management, including the Strategic Approach to International Chemicals Management.

10. The following represent areas of common understanding among participants in the fifth meeting:

(a) The integrated approach addresses the challenges of financing the sound management of chemicals and wastes;

(b) Guidance from the conferences of the parties to relevant multilateral environmental agreements, the International Conference on Chemicals Management and other relevant governing bodies in implementing the integrated approach is of great importance;

(c) It is important to raise the visibility of the chemicals and wastes agenda and awareness of it among policymakers and decision makers at all levels;

(d) It is important to enhance the involvement of industry in partnerships, technology transfer and capacity-building and the implementation of legally binding and voluntary approaches to achieving sound chemicals and wastes management;

(e) There is a need for a solution to the challenge of financing the sound management of chemicals and wastes that takes into account the funding needed throughout the chemicals and wastes cluster and brings together all relevant stakeholders, including civil society, in an active role;

(f) Mainstreaming and industry involvement are necessary but not sufficient for financing the sound management of chemicals and wastes;

(g) To make effective use of external financing, there is a need to set criteria such as those adopted by the Conference of the Parties to the Stockholm Convention;

(h) The integrated approach captures a mature understanding of the finance and compliance link and of the need to mobilize financial resources for, among other things, enabling activities, technology transfer and capacity-building at all levels, particularly in developing countries.

11. The following views were also expressed:

(a) There is a need to address the inadequacy of financial resources while improving the efficient use of existing financial resources;

(b) There is a need for a clear indication of who will be responsible for providing external funding for the integrated approach;

(c) There is a need to expand funding for the sound management of wastes, including but not limited to electrical and electronic waste;

(d) There is a need to provide funding for enabling activities in the field of wastes management;

(e) There is a need to enhance the involvement of the chemicals industry and other industries in the sound management of chemicals and wastes. This encompasses all those who manufacture or use products at any point in their life cycles, along with the broader business community, including those involved at any point along the complete value chain. This implies a need to recognize the principle of extended producer responsibility;

(f) The integrated approach provides for funding at multiple levels corresponding to the various conditions found in developing countries, countries with economies in transition, least developed countries and small island developing States.

A. Outcome of the consultative process: the integrated approach to financing the sound management of chemicals and wastes

12. The integrated approach to financing the sound management of chemicals and wastes is a strategic and synergistic proposal to improve financing for the sound management of chemicals and wastes at all levels, with the aim of attaining the goal agreed upon at the World Summit on Sustainable

Development that by 2020 chemicals are used and produced in ways that lead to the minimization of significant adverse effects on human health and the environment.

13. The integrated approach incorporates the key components of each of the four tracks in a complementary manner, making the best possible use of the added value of each track and maximizing impact at the national level. It seeks to use all four tracks in a coordinated manner, in contrast to the current fragmented approach.

14. The overall aim of the integrated approach is to respond to the challenges posed by chemicals and wastes management and to build upon the opportunities afforded by each track to respond to the varying needs under the conventions related to chemicals and wastes and relevant international policy frameworks.

15. There is currently no decision as to who will manage the integrated approach or where it will be managed from; the focus is rather on how the approach can best be used to achieve results efficiently and effectively in the chemicals and wastes cluster.

B. Elements of the integrated approach

16. The various elements of the integrated approach are described below.

1. What gets funded

17. The integrated approach would include, but not be limited to, funding:

- (a) Activities required to meet obligations under existing and future legally binding instruments;
- (b) Activities needed to meet identified voluntary commitments under existing and future legally binding instruments and international policy frameworks such as the Strategic Approach;
- (c) Enabling activities, institutional capacity-building, technical capacity-building and awareness-raising to meet non-mandatory commitments under legally binding instruments and international policy frameworks such as the Strategic Approach;
- (d) Incremental costs of achieving the global environmental benefits of investment projects to meet obligations under legally binding instruments, which could also address the incremental costs of non mandatory commitments leading to global benefits under those instruments as well as international policy frameworks such as the Strategic Approach.

2. Mainstreaming and industry involvement in the integrated approach

18. The mainstreaming and industry components of the integrated approach are important for sustainable and long-term financing for chemicals and wastes management. These components interact with and are supplemented by external funding to cover incremental costs, the source of which remains to be determined but could include a new independent trust fund modelled on the Multilateral Fund, a new GEF trust fund, a new GEF focal area or an expanded GEF chemicals focal area. The following outlines important actions in mainstreaming and involving industry in the integrated approach:

- (a) Providing support for the mainstreaming of sound chemicals and wastes management into all relevant parts of national administration, including development planning processes and sustainable development strategies, including through institutional strengthening for national environment administrations and other areas of national administrations that play important roles in financing the sound management of chemicals and wastes. Mainstreaming should use all means available, including by raising awareness of the linkages between sound chemicals and wastes management and development, poverty and health issues; cultivating political leadership on the issue of chemicals and wastes management; promoting public and private sector support; engaging international development agencies to advocate the mainstreaming of chemicals and wastes; and engaging finance and industry ministries in the national chemicals and wastes agenda;
- (b) Striving to ensure that industry and other important stakeholders in the business community share the burden of financing the sound management of chemicals and wastes, providing support to developing countries and countries with economies in transition in, among other things, developing and implementing the legislative and regulatory frameworks required to underpin and operationalize industry involvement, with particular emphasis to be laid on emerging industries;
- (c) Undertaking activities that promote a clear definition of responsibilities between Governments and industry by developing national institutional frameworks intended to create level playing fields;

- (d) Enhancing industry support for knowledge-sharing, capacity-building and technology transfer;
- (e) Promoting the use of economic instruments wherever possible to shift the costs from the public sector to the private sector when it is appropriate that the latter should bear the responsibility for costs;
- (f) Designing and implementing incentives for voluntary initiatives and public-private partnerships and developing strategies and guidelines for building partnerships with domestic and international companies;
- (g) Optimizing the use of mainstreaming and industry involvement to meet capacity gaps and implement the Strategic Approach through bilateral cooperation and other means of external funding;
- (h) Encouraging direct and indirect contributions from industry, including through public-private partnerships;
- (i) Providing access to funding for health, poverty eradication and sustainable development through mainstreaming.

3. External funding components in an integrated approach

19. While mainstreaming and industry involvement, supported by external resources such as bilateral aid and international financial institutions, play an important role in mobilizing financial resources, decisions still need to be taken in relation to external funding components, including but not limited to a decision on where such external funding components are to be hosted. Such decisions must take into account the use of existing structures to support coordination and decision-making, to keep overhead costs to a minimum and to maximize the leveraging of complementary expertise and financial resources. The outcome of these decisions will determine how the elements below are developed. Points that are central to external funding components include:

- (a) Governance:
 - (i) Equal and regionally balanced representation from developed and developing countries in a coordination and decision-making approach is necessary to ensure that the interests of donors and recipients are well balanced;
 - (ii) With reference to a fund hosted independently, the participation of conferences of the parties, the International Conference on Chemicals Management and other relevant bodies in coordination and decision-making is necessary to ensure that the guidance of those and other relevant bodies is taken into account in funding decisions and the assessment of results;
- (b) Funding and fund replenishment:
 - (i) Sustainable, predictable, adequate and accessible financing for the agreed incremental costs of implementing the chemicals and wastes agenda is required;
 - (ii) Stable replenishment could be achieved through the United Nations scale of assessments, an approach similar to that employed by the Multilateral Fund or a pledging approach such as that employed by GEF, which could apply to an expanded chemicals focal area or a new chemicals and wastes focal area. For a new trust fund under GEF, a stable replenishment process could be developed with the GEF Council based on guidance from conferences of the parties, the International Conference on Chemicals Management and other relevant bodies;
 - (iii) A new or expanded GEF focal area should take into account all relevant needs in the chemicals and wastes cluster and serve conferences of the parties, the International Conference on Chemicals Management and other relevant bodies in a balanced way;
- (c) Operating procedures and costs:
 - (i) Efficient and effective programme and project review, approval and evaluation procedures that respond to funding requirements in a timely manner are needed;
 - (ii) External funding components should maximize coordination and minimize administration and costs;

- (d) Access to and use of funds:
 - (i) Access to, and the distribution and use of, resources for implementing activities should be balanced and effected through predefined and agreed criteria;
- (e) Performance-based targets:
 - (i) Performance-based targets for activities funded through external components are essential for sustained, predictable, adequate and accessible financing for the chemicals and wastes agenda, in particular for activities related to verifiable compliance;
 - (ii) Performance-based targets for activities funded through external components could enable the evaluation of results and the improvement of procedures through lessons learned.

C. Implementing an integrated approach

20. The integrated approach is innovative because it proposes to make full use of mainstreaming and industry involvement and to build on the best practices of the Multilateral Fund and GEF. The integrated approach could benefit from a coordination and decision-making approach that would serve as a driving force to, among other things, establish guidelines focusing on the implementation of legally binding obligations under conventions related to chemicals and wastes and relevant international policy frameworks and access to available funding.

21. Such guidelines could among other things:

- (a) Focus on capacity-building and compliance activities in developing countries and in countries with economies in transition that most urgently need financing solutions;
- (b) Support the financing of pilot investment projects that would allow the development of procedures and criteria for future investment activities;
- (c) Support the use of existing guidance on legal and institutional infrastructures and cost-recovery measures for the sound management of chemicals in developing countries and countries with economies in transition;
- (d) Support the mainstreaming of sound chemicals and wastes management into national development plans and other relevant development processes;
- (e) Establish performance targets for funding compliance-related activities, capacity-building and investment projects;
- (f) Promote and advance cooperation with relevant development and implementing agencies with expertise and resources to expend resources and co-finance capacity-building activities;
- (g) Provide for funding for developing countries and countries with economies in transition at a level that is commensurate with demonstrated efforts, in line with previously agreed targets, on activities to mainstream chemicals and wastes and the involvement of industry at the national level;
- (h) Support streamlined administrative procedures and practices;
- (i) Support reviews and evaluations to assess regularly the effectiveness of the integrated approach and reporting on the results to conferences of the parties, the International Conference on Chemicals Management and other relevant bodies;
- (j) Support reviews and assessments of country compliance with legally binding obligations under conventions related to chemicals and wastes and relevant international policy frameworks.

D. Next steps

22. With the aim of advancing the integrated approach to financing the sound management of chemicals and wastes, with regard to next steps the participants at the fifth meeting in the consultative process:

- (a) Agreed to submit comments on the background document for the fifth meeting entitled “A proposal for an integrated approach for financing sound management of chemicals and wastes” (available at www.unep.org/delc). The comments are to be annexed to the report of the fifth meeting;

(b) As an aid to understanding, requested UNEP to create a matrix presenting an overview of the commitments areas for funding taking into account the views expressed at the fifth meeting and input from the secretariats of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal, the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, the Stockholm Convention and the Strategic Approach, to complement and further elaborate on the activities listed under the heading “What gets funded”. The matrix will also provide further elaboration on what gets funded by whom;

(c) Requested the co-chairs of the fifth meeting to submit the outcome document of the consultative process to the Executive Director of UNEP;

(d) Invited the co-chairs and UNEP to raise awareness of the outcomes of the consultative process at forthcoming meetings under the conventions related to chemicals and wastes, the Strategic Approach and the intergovernmental negotiating committee to prepare a global legally binding instrument on mercury, among others;

(e) Invited Governments to adopt, based on the final report to be submitted by the Executive Director of UNEP to the UNEP Governing Council/Global Ministerial Environment Forum at its twelfth special session, an ambitious decision that advanced the integrated approach with the aim of adopting decisions at the third session of the Intergovernmental Conference on Chemicals Management, in 2012, and the twenty-seventh session of the Governing Council/Global Ministerial Environment Forum, in 2013;

(f) Invited Governments and the Executive Director of UNEP to make use of the outcome document and the Executive Director’s final report in preparing for the United Nations Conference on Sustainable Development, in June 2012, and other high-level international policy processes;

(g) Invited other processes related to chemicals and wastes to take into account the outcome document and the final report of the Executive Director of UNEP, as appropriate, in their discussions and consideration of financing the sound management of chemicals and wastes;

(h) Agreed to consider, in determining the next steps in the time leading up to the twenty-seventh session of the Governing Council/Global Ministerial Environment Forum, in 2013, a timetable, organization of work and issues that remained to be discussed at upcoming meetings.
