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Emerging policy issues: environment and development

**Consultative process on financing options for chemicals and
wastes: final report on the implementation of Governing
Council decisions SS.XI/8 and 26/7**

Report of the Executive Director

Summary

The present document is the final report of the Executive Director on the consultative process on financing options for chemicals and wastes, as requested by the Governing Council in its decision 26/7 of 24 February 2011. The report is based on, among other things, the outcome document of the fifth and final meeting in the consultative process, held in Bangkok on 6 and 7 October 2011; the co-chairs' summary of the discussions of the contact group on finance and technical assistance at the first meeting of the Open-ended Working Group of the International Conference on Chemicals Management, held in Belgrade from 15 to 18 November 2011; and multilateral and bilateral consultations with Governments and other relevant stakeholders.

* UNEP/GCSS.XII/1.

I. Suggested action by the Governing Council

1. The Governing Council may wish to consider the adoption of a decision along the lines suggested below:

The Governing Council,

Recalling its decision SS.XI/8 of 26 February 2010 and the need for heightened efforts to increase the political priority accorded to the sound management of chemicals and wastes and the increased need for sustainable, predictable, adequate and accessible financing for the chemicals and wastes agenda,

Recalling also that in that decision it requested the Executive Director to launch, in collaboration with relevant partners, initiatives to raise awareness of the importance of the sound management of chemicals and wastes using various avenues, including the media and key international opportunities such as intergovernmental meetings and public events at both the national and international levels,

Taking note of General Assembly resolution 65/162 of 20 December 2010, by which the General Assembly welcomed the consultative process on financing options for chemicals and wastes and expressed support for further efforts through the United Nations Environment Programme to continue such discussions,

Recalling its decision 26/7 of 24 February 2011, by which it requested the Executive Director to submit a final report to the Governing Council/Global Ministerial Environment Forum at its twelfth special session on the implementation of decisions SS.XI/8 and 26/7,

Recognizing the importance of an integrated approach to financing the sound management of chemicals and wastes to maximize impact, particularly at the national level,

Having considered the final report submitted by the Executive Director on the consultative process on financing options for chemicals and wastes,¹

1. *Welcomes* the outcome document of the consultative process on financing options for chemicals and wastes² and the final report of the Executive Director;

2. *Also welcomes* the constructive discussions and deliberations during the consultative process that led to its outcome, including in respect of the integrated approach to financing the sound management of chemicals and wastes described in the outcome document;

3. *Further welcomes* the co-chairs' summary of the discussions of the contact group on finance and technical assistance convened during the first meeting of the Open-ended Working Group of the International Conference on Chemicals Management, in November 2011,³ in which the participants considered possible long-term financing options for the Strategic Approach to International Chemicals Management, including elements of the integrated approach pertinent to the Strategic Approach;

4. *Encourages* the participants in other processes related to chemicals and wastes, in particular the sessions of the intergovernmental negotiating committee to prepare a global legally binding instrument on mercury and the International Conference on Chemicals Management, including the third session of the latter, to take into account the integrated approach and the final report of the Executive Director;

5. *Encourages* Governments and other relevant stakeholders to make full and appropriate use of the integrated approach, the outcome document and the final report of the Executive Director in preparing for the United Nations Conference on Sustainable Development to take place in June 2012, and other high-level international policy processes;

6. *Requests* the Executive Director, on the basis of the outcome of the consultative process and subject to the availability of extrabudgetary resources, to continue to facilitate a country-driven process for the preparation of a fully fledged proposal on an integrated approach to financing the sound management of chemicals and wastes and to submit such a proposal to the International Conference on Chemicals Management at its third session, in 2012, and to the Governing Council/Global Ministerial Environment Forum at its twenty-seventh session, in 2013, for consideration and possible decision;

1 UNEP/GCSS.XII/8.

2 UNEP/GCSS.XII/INF/7.

3 UNEP/GCSS.XII/INF/8.

7. *Also requests* the Executive Director, in collaboration with relevant partners, to continue to launch initiatives to raise awareness of the importance of the sound management of chemicals and wastes and to report on progress in the implementation of the present decision to the participants in relevant intergovernmental processes and meetings;

8. *Invites* Governments and other interested parties, including members of the private sector, to provide financial and in kind support for the process.

II. Background to the consultative process on financing options for chemicals and wastes

2. 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.

3. The consultative process has been informed by the 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 was initiated as 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.

4. In 2010, the Governing Council, by its decision SS.XI/8, welcomed the establishment of the consultative process and requested the Executive Director to continue leading it, to report to the Governing Council at its twenty-sixth session on the implementation of the decision and to submit a final report on the process to the Governing Council at its twelfth special session, in February 2012, with the aim of achieving possible decisions at the third session of the International Conference of Chemicals Management, in 2012, and at the twenty-seventh session of the Governing Council/Global Ministerial Environment Forum, in 2013. In 2011, by its decision 26/7, the Council/Forum acknowledged the progress made and the work carried out by the UNEP secretariat and again requested the Executive Director to submit a final report on the process to the Governing Council at its twelfth special session.

III. Outcome of the consultative process

5. The consultative process, while organized by the UNEP secretariat, 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 five meetings held between 2009 and 2011, discussions on financing sound management of chemicals and wastes deepened and matured, based on various background documents.⁴ The outcome of the consultative process is described in an outcome document (UNEP/GCSS.XII/INF/7). The paragraphs below briefly summarize the key messages set out therein.

6. The outcome document presents an integrated approach to financing the sound management of chemicals and wastes. The participants at the fifth meeting in the consultative process recognized that an integrated approach addressed the challenges of such financing and was the most suitable way forward for financing at all levels. The outcome document states that there is a need for a solution that takes into account the funding needed throughout the chemicals and wastes cluster and brings together all relevant stakeholders in an active role.

7. The integrated approach, as presented in the outcome document, is an innovative, strategic and synergistic proposal to improve financing and incorporates the key components of each of the four financing tracks identified during the process. These tracks are: 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 options between the establishment of a new Global Environment Facility (GEF) focal area on sound chemicals and wastes

4 All related documents, including background papers, are available at www.unep.org/delc.

management, the expansion of the existing GEF chemicals focal area or the establishment of a new GEF trust fund.

8. The integrated approach considers the four tracks to be complementary, and would make the best possible use of the added value of each track and maximize impact at the national level. The outcome documents notes that mainstreaming and industry involvement are necessary but not sufficient for financing the sound management of chemicals and wastes. In this context, it notes that 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. It also highlights that, 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.

9. Among the participants at the fifth meeting there was a common understanding that the integrated approach captured a mature understanding of the link between finance and compliance 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.

10. The integrated approach seeks 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, including current and future agreements pertaining to chemicals and wastes management and the Strategic Approach to International Chemicals Management.

11. The outcome document does not elaborate on who might manage the integrated approach or where it might be managed from; the focus is rather on how the approach could best be used to achieve results efficiently and effectively in the chemicals and wastes cluster.

IV. Considerations in relation to financing the sound management of chemicals and wastes and an integrated approach

12. From extensive discussions on the sound management of chemicals and wastes in intergovernmental forums in recent years it is evident that the current approach to financing in this field is insufficient and unable to meet existing and future needs for funding to tackle the challenges at the national, regional and global levels. These challenges include implementation 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 and the Stockholm Convention, in addition to the continued negotiation, ratification and implementation of a global legally binding instrument on mercury, activities under the Strategic Approach through 2020 and future international policy frameworks for the implementation of activities beyond 2020.

13. The Executive Director welcomes with appreciation the constructive and specific outcome of the discussions on financing the sound management of chemicals and wastes. He also congratulates Governments and other stakeholders on the outcome of the consultative process. He recognizes and welcomes the productive approach taken with the overall aim of identifying opportunities, options and alternatives for addressing the financing challenge. He also welcomes the constructive and critical role that industry, civil society organizations and intergovernmental organizations have played in carrying these discussions forward.

14. In considering a future solution for financing the sound management of chemicals and wastes, the Executive Director continues to encourage and support the development and conclusion of an approach that in a holistic and encompassing manner addresses the multiple and multifaceted financing challenges facing the conventions related to chemicals and wastes, future legally binding instruments and existing and future international policy frameworks on chemicals and wastes.

15. In line with the ideas put forward during the consultative process, the Executive Director suggests that a future approach fund activities required to meet obligations and voluntary commitments under existing and future legally binding instruments and those international policy frameworks on chemicals and wastes. Given this focus on enabling compliance with such obligations, any future financial solution should feature a compliance mechanism that will facilitate parallel progress on both financing and compliance. The Executive Director also suggests that it is critical for a future approach to fund enabling activities and incremental costs for activities intended to achieve global environmental benefits.

16. The discussions on finance at the recently concluded meetings of the conferences of the parties to the Basel, Rotterdam and Stockholm conventions, the third session of the intergovernmental negotiating committee to prepare a global legally binding instrument on mercury and the first meeting of the Open-ended Working Group of the International Conference on Chemicals Management showed significant convergence and in some cases overlapped with the elements of the integrated approach, as signified during the consultative process.

17. As confirmed by the discussions both during the consultative process and at the first meeting of the Open-ended Working Group, the Executive Director finds that a long-term solution to financing the sound management of chemicals and wastes also needs to make savings in administrative costs in order to enable the allocation of greater resources to the implementation of activities at all levels. The continued fragmentation of financing risks undermining the strengthened implementation that could be obtained through enhanced coordination and cooperation.

18. The Executive Director therefore believes that the integrated approach presents insightful considerations and suggestions to be considered in tackling the challenges posed by chemicals and wastes management. He fully supports the idea that mainstreaming and industry involvement are integral and necessary in taking on the increasing challenges in relation to sound management. There is also a need for better and more efficient and effective use of external financing, whether through GEF, the Multilateral Fund or a possible combination of the two.

19. To conclude the consultative process with a possible decision at the third session of the International Conference on Chemicals Management and the twenty-seventh session of the Governing Council/Global Ministerial Environment Forum as envisaged in Governing Council decision SS.XI/8, the Executive Director encourages Governments, through a country-driven process and with the continued participation of industry, civil society and intergovernmental organizations, to develop a fully fledged final proposal on an integrated approach to financing the sound management of chemicals and wastes. Such an approach should at a minimum encompass existing instruments and international policy frameworks on chemicals and wastes and anticipate the needs of future instruments or frameworks.

20. The Executive Director suggests that any further discussions should be based on the outcomes of the consultative process and of the discussions on finance in other forums, including the meetings of the conferences of the parties to the Basel, Rotterdam and Stockholm conventions, the sessions of the intergovernmental negotiating committee to prepare a global legally binding instrument on mercury (including the current intersessional work on financing) and the first meeting of the Open-ended Working Group of the International Conference on Chemicals Management. Attention should also be paid to the process related to enhancing cooperation and coordination among the Basel, Rotterdam and Stockholm conventions and the entire chemicals and wastes cluster (as addressed in Governing Council decision 26/12), the Global Chemicals Outlook process and the study on the cost of inaction in respect of the sound management of chemicals (described below). There is also a need to take into account the outcomes of the preparatory meetings for the third session of the International Conference on Chemicals Management and the outcome of the evaluation of the Quick Start Programme, among others.

21. The Executive Director believes that work on the proposal should be completed by mid-2012 to enable it to be considered, for possible decision, by the International Conference on Chemicals Management at its third session. Without prejudice to the further negotiating processes, the Executive Director suggests that, if the proposal were completed by the time of the session, it might be considered by Governments at the fifth session of the intergovernmental negotiating committee to prepare a global legally binding instrument on mercury.

V. Raising awareness of the sound management of chemicals and wastes

A. Contribution to the compilation document for the United Nations Conference on Sustainable Development

22. As requested by the Governing Council in its decisions 26/3, 26/7 and 26/12, the UNEP secretariat has provided input on enhancing cooperation and coordination in the chemicals and wastes cluster, including in the area of financing for chemicals and wastes, as part of its input into the compilation document that will lead to the draft outcome document for the United Nations Conference on Sustainable Development, to be held in Rio de Janeiro, Brazil, in June 2012. The UNEP secretariat suggests that the participants at the Conference invite Governments to build upon the existing work on enhancing cooperation and coordination among the conventions related to chemicals and wastes to

develop a strategy for the long-term sound management of chemicals and wastes and to support its implementation by countries, in partnership with other related processes such as the Strategic Approach. In undertaking such work, Governments are invited and encouraged fully to integrate considerations on the financing of chemicals and wastes into their policies.

B. Information provided at intergovernmental meetings

23. Information on the progress and direction of the consultative process was disseminated for consideration in connection with relevant intergovernmental processes during 2010 and 2011, including through side events at the twenty-sixth session of the Governing Council/Global Ministerial Environment Forum and at the meetings of the conferences of the parties to the Rotterdam and Basel conventions at their meetings in Geneva and Cartagena, Colombia, respectively. Those side events afforded an opportunity for high-level discussions on financing options for chemicals and wastes. The composition of the panels at the side events varied and included the co-chairs of the consultative process, the Executive Secretary of the Basel, Rotterdam and Stockholm conventions and government and UNEP representatives.

24. Information on the consultative process was also conveyed to the intergovernmental negotiating committee to prepare a global legally binding instrument on mercury at its second and third sessions, in Chiba, Japan, in January 2011 and Nairobi in October 2011 and to the Open-ended Working Group of the International Conference on Chemicals Management at its first meeting, in Belgrade in November 2011. The relevant information was also provided to the Commission on Sustainable Development at its nineteenth session, in February and March 2011, by the co-chairs of the consultative process, and to the GEF Council at its fortieth meeting, in May 2011, by the Executive Secretary of the Basel, Rotterdam and Stockholm conventions.

25. Moreover, references and statements made by Governments and other key stakeholders regarding the consultative process and its usefulness in further considering options for financing chemicals and wastes during general and finance-specific discussions at the above-mentioned meetings, as captured in the respective meeting reports, indicate a heightened awareness of the consultative process and its usefulness in the various discussions on a strategic approach to financing the sound management of chemicals and wastes.

26. The contact group on finance and technical assistance that met during the first meeting of the Open-ended Working Group of the International Conference on Chemicals Management discussed the long-term financing of the Strategic Approach. The group's discussions represented the first deeper consideration of the outcome of the consultative process and the integrated approach by Governments and other key stakeholders. The participants recognized that there was a need to look at all sources of funding, to use existing resources more efficiently and to consider how to integrate funding strategically to reduce administrative costs and ensure the allocation of at greater resources to implementation at the national level. The details of the contact group's discussions can be found in the co-chairs' summary (SAICM/OEWG.1/19).

27. The need to deal with financing issues within the chemicals and wastes cluster specifically in relation to the preparation of a global legally binding instrument on mercury was identified at regional preparatory meetings for the third session of the intergovernmental negotiating committee. Participants at the regional meetings under the Strategic Approach to review the outcomes of the second session of the International Conference on Chemicals Management and to prepare for the first meeting of the Open-ended Working Group also considered the issue of financing the sound management of chemicals.

28. The Executive Director has taken the opportunity afforded by bilateral and intergovernmental meetings over the past two years to share information on the consultative process and to invite reflection on needs, expectations and next steps. He has also discussed the process during the regular consultations between the UNEP secretariat and donor Governments and sought feedback.

29. Furthermore, as part of the UNEP programme of work, particularly the subprogrammes on harmful substances and hazardous wastes, resource efficiency and environmental governance, work to raise awareness of the importance of the sound management of chemicals and wastes continued in close collaboration with the Basel, Rotterdam and Stockholm conventions and other partners and stakeholders, including the Partnership for Clean Fuels and Vehicles, the Global Alliance to Eliminate Lead in Paints, the Global Mercury Partnership and the Global Partnership on Waste Management. UNEP also provided technical support for regional preparatory meetings for the various intergovernmental and other meetings that took place in 2011.

30. UNEP is currently contributing to raising the awareness of decision makers of the sound management of chemicals and wastes through three assessment processes. First, it is working on the UNEP Global Chemicals Outlook, which is set to be published in 2012, with the support of the Governments of Norway and Sweden and in collaboration with Governments from developed and developing countries, participating organizations of the Inter-Organization Programme for the Sound Management of Chemicals, the Organization for Economic Cooperation and Development, the private sector and civil society, among others. The Outlook aims to provide a coherent framework for setting priorities to support an integrated and comprehensive chemicals policy.

31. The Global Chemicals Outlook is complemented by the UNEP initiative on the cost of inaction, which is supported by the Government of Sweden. This initiative aims to produce, for the first time, a more complete picture at all levels of the environmental and human health costs of the failure to introduce, improve and enforce policies to support the sound management of chemicals.

32. Lastly, the fifth report in the Global Environment Outlook series includes a chapter dedicated to chemicals and wastes that takes the complete life cycle into consideration, bringing together expertise from both the chemicals and wastes fields. It will be published in time for the United Nations Conference on Sustainable Development.
