Mobilising domestic finance for National Implementation Plans (NIPs)

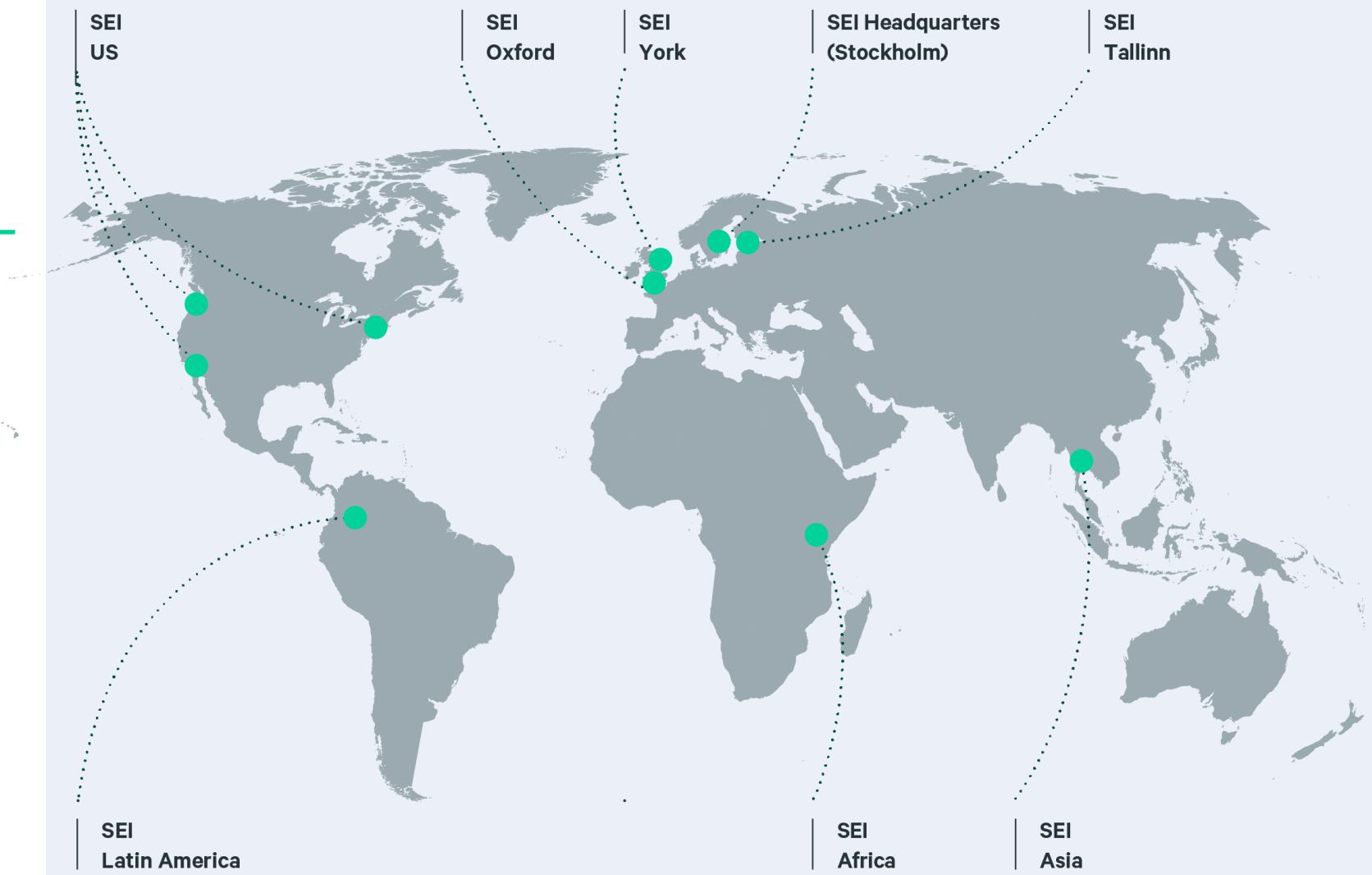
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Stockholm Environment Institute (SEI)

- An international non-profit research institute that tackles climate, environment and sustainable development challenges
- Multicultural teams embedded in local and regional contexts
- SEI's Finance for Sustainable Development (FSD) Programme addresses the critical need for increased sustainable economic activities and for adequate policies and finance that can enable them



Mobilising domestic financial resources for sustainable chemicals and waste management

- Sustainable management of persistent organic pollutants (POPs) requires **predictable domestic resources** that can maintain national institutions, capacity, and priority activities beyond individual projects
- Two primary financing avenues
  - **1) National budget allocation**
    - Reallocating existing national resources (rather than generating additional revenues)
  - **2) Shifting costs for the use, regulation, and phase-out of chemicals from government to industry (cost-recovery)**
    - Responsibility of the government to establish systems for mobilising resources in a credible manner
- However, **cost-recovery levels** for sustainable management of chemicals and wastes (SMCW), even in very successful cases, are usually only as high as **70%**

UN environment programme

Guidance document on Implementing Domestic Financing for the Sound Management of Chemicals and Waste

in Support of UNEP's Special Programme



General considerations for selecting financing mechanisms

1. The choice of financial mechanism needs to be **consistent with the strengths and limitations of the institutional context** in which it operate
2. **Potential to generate financing differs across measures**
    1. Cost-recovery and regulatory measures (e.g. taxes and fees) are generally appropriate for substances where a reduction of use is desirable
    2. Command-and-control measures for highly hazardous pesticides and POPs (e.g. bans) have limited potential for generating sustainable financing themselves
    3. **But: Financing raised through cost-recovery and regulatory measures can also be used to finance command-and-control measures**
        1. For example, financing raised through a fertiliser tax or annual fees on chemicals companies can be allocated to support the phase-out of POPs, including the development and use of alternatives
3. Importance of **how financial resources mobilised are allocated**
    1. Ringfencing/earmarking

Suggested criteria for selecting financing mechanisms



- Degree of stable financing
- Level of administrative effort
- Degree of resources and government capacity required
- Level of industry cooperation required
- Information required

National budget allocation for chemicals management

- Reallocating existing national resources to SMCW
- The cost of inaction and difficulties of cost-recovery need to be communicated to financial decision-makers

Degree of stable financing	High degree
Level of administrative effort	Low level
Degree of resources and government capacity required	Low degree
Level of industry cooperation required	Low level

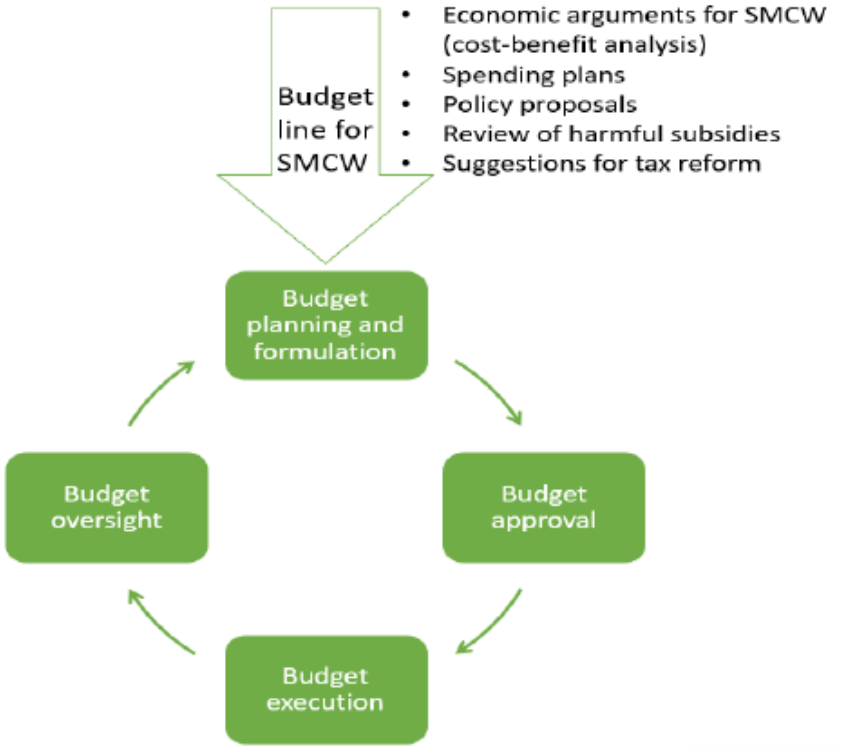


Table 7 + Figure 8, p.55

Taxes on chemicals and pollution

Taxes are mandatory payments to the government that are **not directly linked to the provision of government services**

Taxes on chemicals

- **Differentiated**: Tax rate varies with the risk or hazard of a chemical
- **Flat rates**: Single rate is applied across the board regardless of the specific risks of the products concerned

Pollution taxes

- Applied to **chemicals released into the atmosphere or water systems**
- For example, air pollution taxes to reduce levels of nitrogen oxide and sulphur dioxide emissions, which in turn reduced levels of acid rain

- Revenue from taxes should be earmarked for chemicals management
- Financing from taxes can be volatile
- Likely to generate more revenue when there is a significant national industry
- **Example: Pesticide tax in Mexico**

Differentiated and flat-rate chemicals taxes

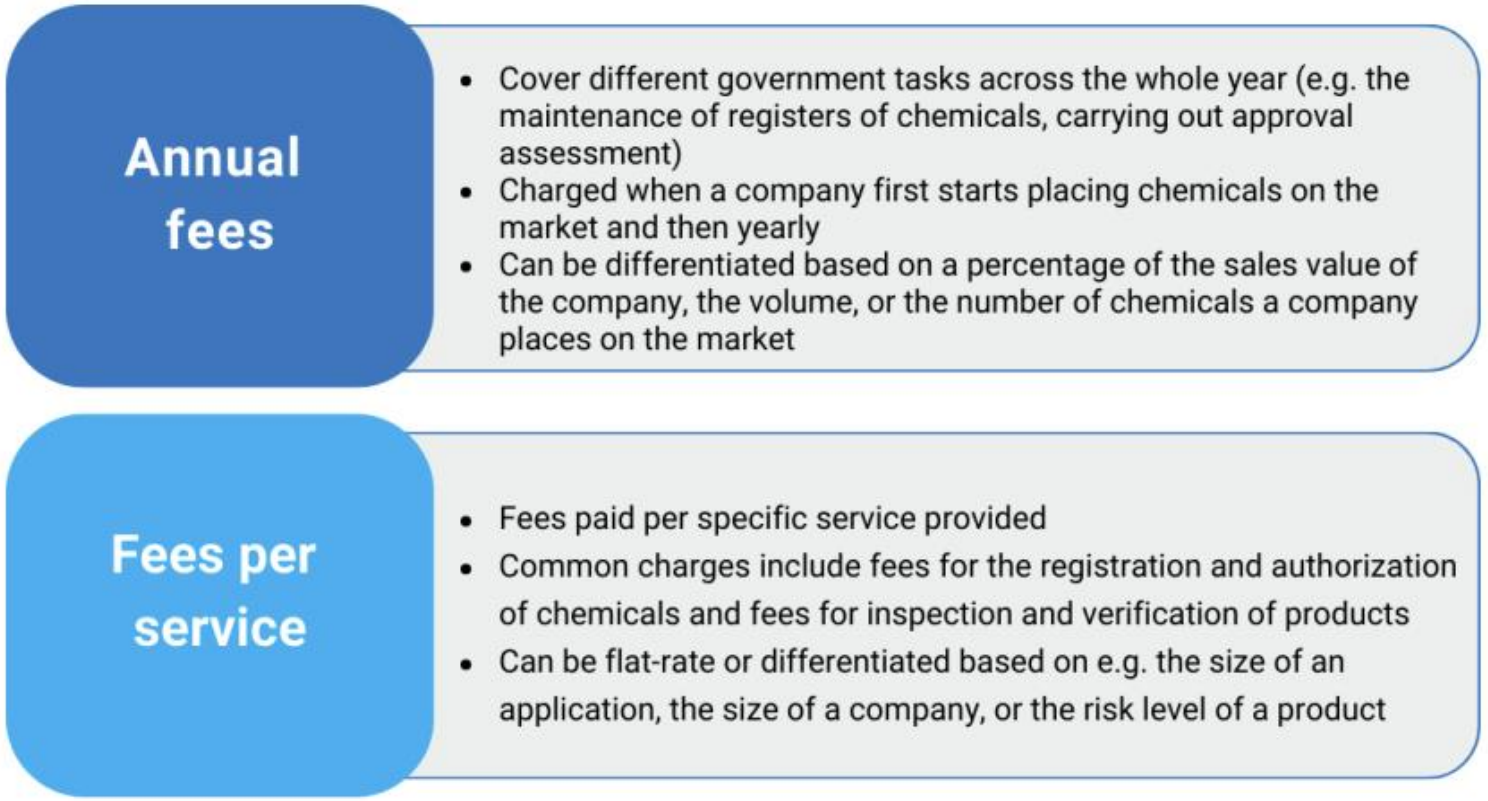
	Chemicals tax – flat rate	Chemicals tax - differentiated	Pollution tax
Degree of stable financing	Medium degree	Medium degree	Medium degree
Level of administrative effort	Low level	Medium level	High level
Degree of resources and government capacity required	Low degree	Medium degree	High degree
Level of industry cooperation required	Medium level	Medium level	Medium level

Table 7: Taxes on chemicals (flat rate and differentiated) and pollution, p.58-59

Fees per service and annual fees for chemicals

Fees are **payments for services** provided by government agencies that aim to cover the cost of providing those services

- Requires
  - **Legislative basis** for introducing fees
  - Establishment of **enforcement and compliance mechanisms**
  - Assessment and calculation of **all relevant costs** to be covered
- Fees are **more easily earmarked** to relevant government agencies, making financing for chemicals management more secure



Fees per service and annual fees for chemicals

	Annual/Regulatory fees	Fees per service
Degree of stable financing	High degree	High degree
Level of administrative effort	Medium level	High level
Degree of resources and government capacity required	Low degree	High degree
Level of industry cooperation required	Medium level	Low level

Table 9: Fees (annual/regulatory and fee per service), p.64-65

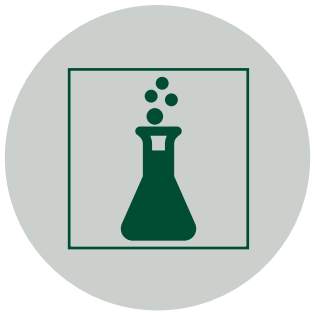
Considerations for implementing different kinds of fees



Fees can encourage industry to **reduce the use of and replace industrial chemicals of concern and POPs** with less toxic chemicals and approaches



Starting with one kind of fee and **phasing in others over time** supports sustainability



Registration and authorisation fees **directly contribute to regulating the chemicals placed on the market** and require fewer resources than fees for inspection and verification activities.



Fees also provide the agency with **comprehensive data on the state of the chemicals market**, an essential input for the SMCW.

Import fees/licenses for chemicals that enter a country

Import licence or permit fees are paid for the **right to import and place chemicals on the domestic market**



Address import control rather than market surveillance



Should be informed by chemical industry data obtained from the national chemical register



Usually involve an assessment of fees payable based on the application for the import licences or permits



For example, calculated based on the volume or hazardousness or value of the chemical in question



Need to align with relevant international trade regulations

Considerations for implementing import fees

- Most appropriate when significant quantities of chemicals **are imported**
- To encourage reduction and substitution of hazardous chemicals and pollutants, **fees can be set comparatively higher and increasing over time**
- Can build on existing border control infrastructure
- **Example**: Import fees on pesticides in Kenya

	Import/permit fees
Degree of stable financing	Medium degree
Level of administrative effort	Medium level
Degree of resources and government capacity required	High degree
Level of industry cooperation required	Medium level

Table 14: Import/permit fees, p.71-72

Further alternatives and guidance to explore



Other green financing mechanisms to explore

Payments for Ecosystem Services

Extended Producer Responsibility (EPR) Schemes



Importance of **monitoring, following-up, and revising**



Relevant resources

The **Biodiversity Finance Initiative (BioFin) pre-feasibility assessment** to screen prospective financing solutions

Keml guidance on financing national administration of chemicals for further guidance on assessing and selecting different cost-recovery options

Thank you!

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