Policy brief

From Commitments to Action: Designing a Just and Effective Financial Mechanism for the Global Plastics Treaty

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Finance will be critical to the success of the international legally binding instrument to end plastic pollution (ILBI). Experience with previous multilateral environmental agreements (MEAs) has shown that adequate and predictable finance is a key element to treaty success while treaties that fail to generate sufficient financial support, or the right kind of financial support, fail to fully deliver their outcomes. This policy brief explores various options for sourcing, managing, and disbursing finance.

Highlights:

- Finance for the international legally binding instrument on plastics should adhere to established principles, such as **Common But Differentiated Responsibilities, Polluter Pays, Precaution, and the zero waste hierarchy**.
- **Direct access** by national governments is crucial, as is simplified access by local governments and Just Transition communities such as waste pickers.
- Financial needs include **strengthening state capacity, Just Transition, waste management, growing the post-plastics economy, and cleaning up legacy waste**.
- Modalities of finance must match **recipients and implementation programs**.
- Existing financial mechanisms are inadequate; **a dedicated mechanism will best serve the international legally binding instrument.**
- Of the many potential sources of finance, **national contributions** and **a Polymer Production Fee** are the best options.

Principles for finance:

The governing principle for MEA finance is Common But Differentiated Responsibilities and Respective Capabilities (CBDR), which was laid out in the 1992 Rio Conference and is now standard in MEAs.[1] CBDR recognizes that finance must flow from developed to developing countries to ensure both the success of the treaty as well as countries' ongoing sustainable development. This reflects the fact that wealthy countries have caused the bulk of environmental problems and have the resources (financial, human

1 Tangri, Neil. 2023. "Common but Differentiated Responsibility in the Global Plastics Treaty." Scholars Strategy Network. https://scholars.org/contribution/common-differentiated-responsibility-global.

and technological) to address them, whereas developing countries have the least responsibility for having created the problems while bearing the brunt of the problem. So it is with plastic, which is largely produced in a handful of high- and middle-income countries, and whose adoption has been spearheaded by multinational firms headquartered in the developed world. Meanwhile, developing countries' waste management systems have been overwhelmed by the flood of plastic waste, while up to 60% of it is collected by the informal sector with little recognition or compensation. Additionally, some developing countries serve as receptacles for ongoing waste exports from developed countries.[2]

Finance for the ILBI must be new, additional, dedicated, adequate, accessible and predictable.

- **New and additional** finance is required because plastic is a new challenge that requires additional resources; funds should not simply be redirected from other programs.
- A **dedicated** mechanism will ensure that financing is tailored to the specific needs of the ILBI, and will be better positioned to ensure that financing is **adequate** both for the implementation and for the needs of Parties.
- Finance must be **accessible** not only to national governments but also to local governments and Just Transition communities, such as waste pickers.
- **Predictability** is important to ensure that long-term changes, whether in markets or policy environments, are seen through to completion; disruptions in financial support can doom efforts that require more than one year to complete.

The ILBI will impose new compliance obligations on Parties, including both regulatory and reporting requirements. New infrastructure, including for reuse/refill businesses and waste management, will also be required. While the compliance costs may be negligible to developed economies, they are quite significant in developing countries, particularly smaller ones with less state capacity.

Finance must also be disbursed carefully, in line with agreed environmental policy and good governance principles to ensure that it meets the objectives of the ILBI. These principles include but are not limited to:

2 Global Alliance for Incinerator Alternatives. 2019. "Discarded. Communities on the Frontlines of the Global Plastic Crisis." Global Alliance for Incinerator Alternatives. https://www.no-burn.org/resources/discarded-communities-on-the-frontlines-of-the-global-plastic-crisis; "Plastic Waste Trade Watch" Basel Action Network. https://www.ban.org/plastic-waste-transparency-project-hub/resource.

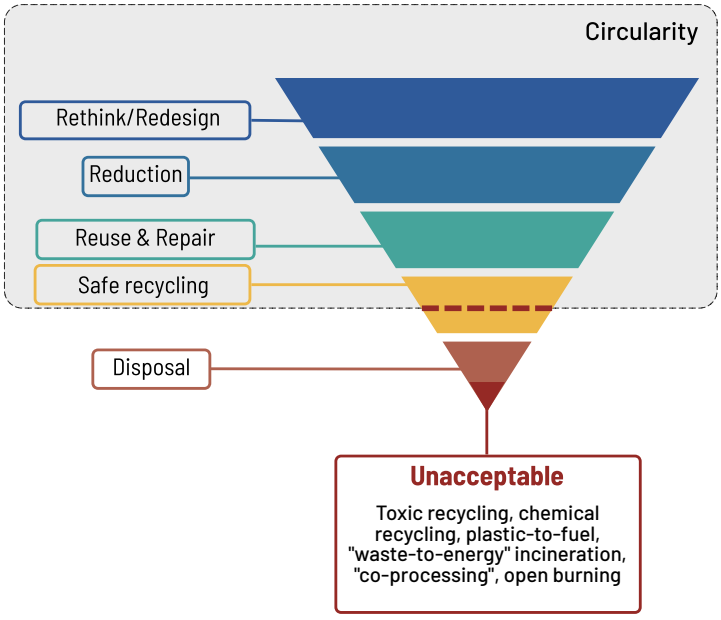
The **precautionary principle** is important given the rapidly evolving scientific landscape around plastic chemicals and the importance of avoiding regrettable substitutions.

The **principle of prevention**, embodied in the zero waste hierarchy, is central to environmental policy (1972 Stockholm Declaration) and several MEAs (MARPOL, London Convention), and provides a clear framework for prioritizing interventions to reduce plastic pollution. To date, financial support has largely gone to waste management, which lies low on the hierarchy, and in particular to incineration, which is counterproductive.[3] Aligning with the zero waste hierarchy would ensure that finance supports objectives of the ILBI while also harmonizing with other global obligations, such as the Paris Agreement. The zero waste hierarchy goes beyond the traditional waste hierarchy by including production.

The financial mechanism must of course be administered in line with good governance, in a **transparent** and **accountable** manner.

Finally, access to robust finance is an important incentive for ratification and implementation. Without assurances of appropriate financial support, developing countries will hesitate to take on new and additional legal obligations and may be pushed outside the ILBI, undermining its impact.

Figure 1. Zero Waste Hierarchy



3 Fernandes, Pedro de Aragão, Baysa Naran, Ishrita Gupta, Dharshan Wignarajah, Jake Connolly, Luke Patience, and Tinglu Zhang. 2023. "Landscape of Methane Abatement Finance 2023." Climate Policy Initiative. https://www.climatepolicyinitiative.org/publication/landscape-of-methane-abatement-finance-2023; "The Private Investment Landscape for a Global Circular Economy for Plastics: Insights from the Plastics Circularity Investment Tracker." 2024. https://www.thecirculateinitiative.org/_files/ugd/77554d_c8b288663ade48a6a6c4f811fa2308cc.pdf.

Financial needs

Strengthening state capacity to implement the treaty will be a primary goal of finance. New regulations on plastic will be administered by a range of state agencies, including customs, consumer protection, environmental health, and fisheries authorities, among others. These agencies will require significant capacity building, including awareness-raising, education, and training, as well as expanded technical and enforcement capacity.

Another clear financial need is improved waste management. Waste management is already the largest single budget item in most municipalities, and much solid waste in developing countries goes uncollected.[4] New approaches to waste management, such as zero waste, offer relatively inexpensive models for success; but they are not zero cost.[5]

A Just Transition away from plastic will also require financial support. Communities that are most impacted by, or most financially dependent on plastic, will require financial resources in order to make the transition to a post-plastic economy. This will include supporting waste picker communities as they self-organize, adapt and diversify their income base; supporting Indigenous Peoples who have been disproportionately affected by plastic pollution and seek to restore a balance with nature; fenceline and frontline communities who continue to bear the health burdens of plastic production; and workers in the plastic industry who will need to transition to new jobs and industries.[6]

Standing up the post-plastic economy is thus a major goal of the ILBI. A successful ILBI will lead to a dramatic reduction in plastic use, particularly single-use and short-lived plastics. This will open up new economic niches and create business opportunities, particularly for local businesses in the reuse/refill economy. These businesses will need support to establish themselves, test their products and business models, and scale up to meet the demand previously met by plastics.

Another important application of finance will be to clean up legacy plastic waste and host communities. A successful ILBI will effectively address the ongoing production of unmanageable, particularly single-use, plastic that rapidly becomes waste. But that will still leave the problem of legacy waste to deal with, whether in open dumps, strewn across the countryside, or in waterways and the ocean. Compensation funds should also flow to those most acutely affected by plastic waste, such as fenceline communities. Similarly, funds must be made available for disaster response: natural disasters can generate immense amounts of plastic waste while unnatural disasters, such as pellet spills, will also require clean-up.[7]

4 Kaza, Silpa, Lisa C. Yao, Perinaz Bhada-Tata, and Frank Van Woerden. 2018. What a Waste 2.0: A Global Snapshot of Solid Waste Management to 2050. Washington, DC: World Bank. https://doi.org/10.1596/978-1-4648-1329-0.

5 Moon, Doun. 2021. "Zero Waste Systems: Small Investment, Big Payoff." Global Alliance for Incinerator Alternatives. http://www.doi.org/10.46556/UQHQ8840.

6 International Alliance of Waste Pickers. 2023. IAWP's Vision for a Just Transition for Waste Pickers under the UN Plastics Treaty. https://drive.google.com/file/d/1K0kq3rsRNqPbF3yARI8fRdNIV1p2m47v/view.

7 Wijebandara, Vibuda. 2023. "Impact of the MV X-Press Pearl Ship Disaster on the Coastal Environment from Negombo to Benthota." Ejustice. https://ejustice.lk/impact-of-the-mv-x-press-pearl-ship-disaster-on-the-coastal-environment-from-negombo-to-benthota; Toloken, Steve. 2019. "Formosa to Pay $50M in Pellet Pollution Settlement." Plastics News, October 15, 2019, sec. News. https://www.plasticsnews.com/news/formosa-pay-50m-pellet-pollution-settlement.

Modalities of finance

Many discussions of environmental finance fail to distinguish between different modalities, such as grants, loans, concessional loans, and equity. Each of these approaches has its strengths and weaknesses; it is important to match financial needs to appropriate types of finance (see Table 1).

Public and private finance are both needed and are not interchangeable; they play different functions and support different interventions. State capacity building, for example, is a public good and ultimately must be supported from the public coffers, even if there is some involvement of the private sector through service contracts. On the other hand, zero waste and reuse/refill businesses are largely private (although public examples also exist) and can utilize a wider range of finance. In both private and public finance, it is important to avoid over-burdening recipients with debt, particularly sovereign debt.

From a finance perspective, solutions to plastic pollution, and especially waste management, have some distinct features that are not common to other global environmental problems. Most international public finance flows to national governments and the private sector, yet waste management is primarily a local government responsibility. This suggests that local governments will need access to international funds, in coordination with their national government. In particular, governments will need *ongoing* financial support; in the field of waste management, funds for major capital expenses are relatively easier to access (e.g., through concessional lending by development banks) but ongoing operating expenses are the most difficult element to support.

The informal sector plays a critical role in mitigating plastic pollution, and could do much more with adequate financial support. Currently reliant on the sales of the material they collect, waste pickers demand payment for their services; this will deliver better outcomes for both the waste pickers and society as a whole.[8] This will require that some non-governmental entities, such as waste picker cooperatives, receive direct, international financial support. In addition to waste pickers, other communities involved in a Just Transition, such as Indigenous Peoples and fenceline communities, will also need support. These non-state actors could be supported through, e.g., a Just Transition or special grants window in the financial mechanism.

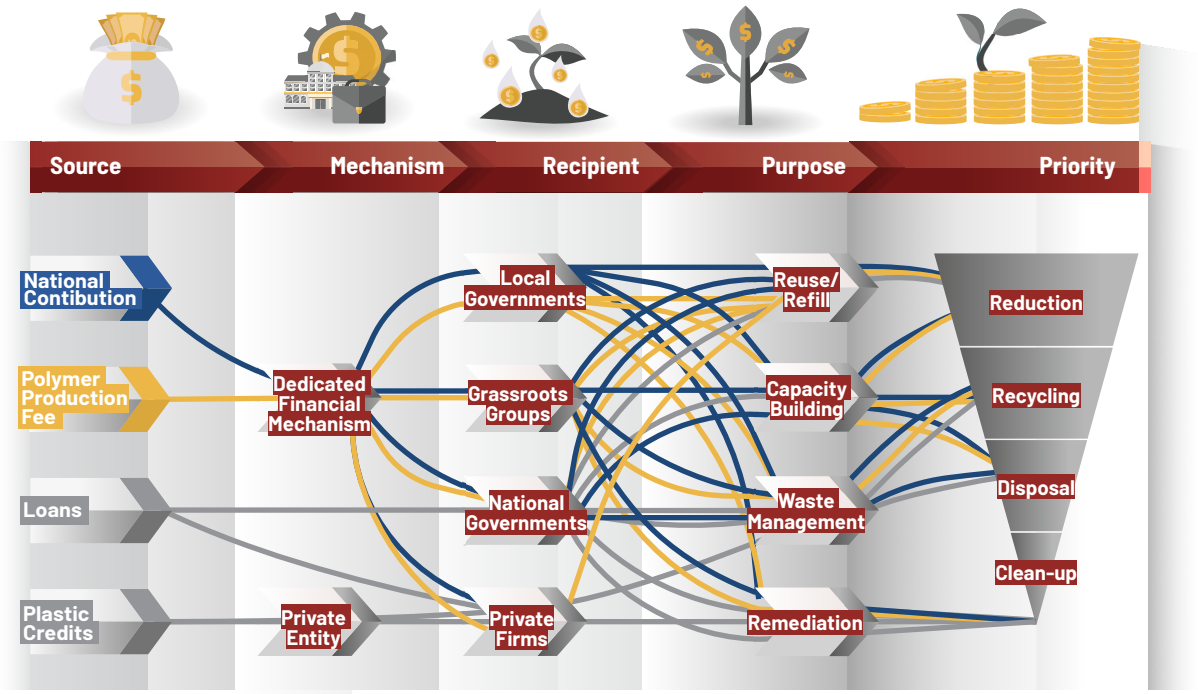
8 International Alliance of Waste Pickers. 2023. IAWP's Vision for a Just Transition for Waste Pickers under the UN Plastics Treaty. https://drive.google.com/file/d/1K0kq3rsRNgPbF3yARI8fRdNIV1p2m47v/view.

Table 1. A simplified typology of financial modalities and their uses

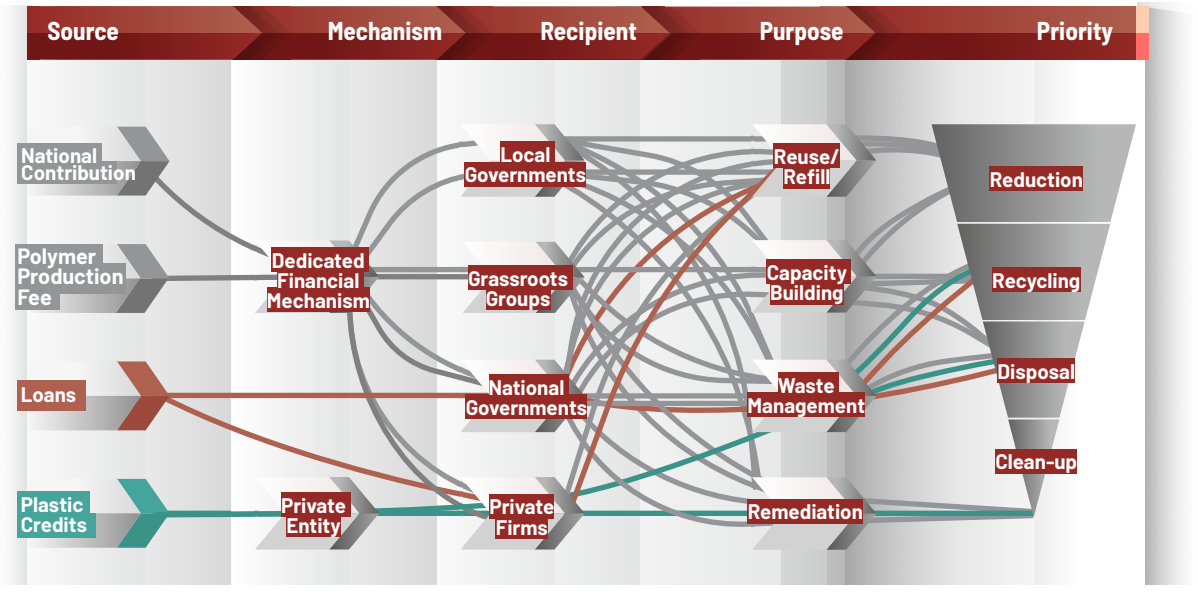
Modality	Source	Recipient	Appropriate uses	Notes
National contributions (grants)*	Public	Public	• State capacity building, including compliance and enforcement • Waste management • Remediation of contaminated sites	The bulk of funds in most financial mechanisms serving treaties.
Philanthropy (grants)*	Private	Private	• Organizing waste picker cooperatives • Retraining/livelihood restoration • Pilot projects for waste management	Tends to be a relatively small but flexible form of financial support.
Polymer Production Fee*	Private	Public, private	• All uses	A new, potentially very large source of general-purpose finance.
Commercial loans	Private	Public, private	• Expanding reuse/refill/ zero waste businesses	The most expensive form of finance, as both capital and interest must be repaid. Only appropriate for projects that generate revenue.
Concessional lending	Public	Public, private	• Piloting and expanding reuse/refill/zero waste businesses • Waste management infrastructure	Offered by international financial institutions and some overseas development aid agencies. Capital needs to be repaid but interest rates are low.
Equity	Private	Private	• Reuse/refill/zero waste businesses	Impact investors are motivated by environmental benefits but also need to see financial returns.
Taxes	Public	Public	• Waste management operating expenses • Legacy and disaster waste cleanup	Provides predictable, ongoing funding but can be politically challenging.
User fees (including EPR)	Private	Public or private	• Waste management operating expenses • Legacy and disaster waste cleanup	Predictable but must be structured correctly.
Offset credits	Private	Private	• Legacy waste cleanup	Creates a perverse incentive for more waste generation and waste burning.

* These sources could flow through the financial mechanism of the ILBI.

Figure 2. Visual summary of financial modalities



National contributions and Polymer Production Fees are the preferable financial modalities which can ensure effective implementation of upstream solutions.



Loans and plastic credits are less preferable financial modalities as they primarily support downstream measures, whereas the ILBI must prioritize upstream measures.

Institutional Structure

Many Member States have articulated a preference for a new, dedicated financial mechanism to serve the ILBI. A conference room paper submitted by 62 Member States lays out the mechanics and funding priorities of such a mechanism. Experience with the Montreal Protocol shows that a dedicated fund has been instrumental in achieving the success of that treaty. In comparison with larger mechanisms that serve other treaties, such as the Global Environment Facility or the Green Climate Fund, a targeted fund will be more agile, more accessible. In addition, it can offer direct access and less overhead, and should be less vulnerable to the political pressures that accompany large, high-profile funding mechanisms.

A dedicated financial mechanism can also be tailored to the specific needs of the ILBI, rather than accepting the institutional and procedural constraints of existing mechanisms. The new mechanism should include national direct access and access by local governments, waste pickers, and other Just Transition actors (see Table 2). **These options do not exist at the Global Environment Facility, which only disburses funds to eighteen international agencies.**[9] Similarly, the new mechanism should employ a variety of funding modalities as appropriate to the end user and purpose of the funding. In contrast, development banks primarily provide loans which must be repaid from the public treasury. A new mechanism will also offer the opportunity to improve on existing safeguard policies.

In addition, a dedicated mechanism should create a compliance assistance program to assist developing countries in meeting their reporting obligations under the ILBI. This program can facilitate the exchange of best practices and capacity-building, thereby fostering a climate of trust, which is essential to the success of the ILBI.

Some funds to address the plastic crisis will continue to flow outside of whatever financial institution serves the ILBI. These include bilateral (government-to-government) funds; development bank (concessional) lending for waste management; philanthropic funding to civil society; and private funds, such as those raised by plastic credit markets. While these funds may be helpful, their management will lie outside the purview of the ILBI and will not be bound by the priorities and safeguards that the instrument and its mechanism will establish. As such, the ILBI should clearly differentiate between funds that serve the instrument and other, private or parallel funds. Failure to do so in the field of climate finance has led to immense confusion about the total amount of climate finance available and an understanding of what it supports and fails to support.

9 The eighteen agencies include development banks, UN agencies, and global NGOs. In addition, the GEF has a small grants program for civil society with an average grant size of $25,000.

Table 2. Institutional Characteristics of Financial Mechanisms

Institution	Under direction of the Conference of Parties	National direct access	Simplified municipal access	Access by Just Transition communities
Dedicated financial mechanism	✅ Yes	✅ Yes*	✅ Yes*	✅ Yes*
Global Environment Facility	❌ No**	❌ No	❌ No	✅ Yes
Green Climate Fund	❌ No	✅ Yes	❌ No	❌ No
Bilateral support	❌ No	✅ Yes	✅ Yes	✅ Yes

* Prospective, depending on the design of the financial institution.
** In practice, the GEF operates with a high degree of autonomy from the conventions it serves.

Sources of finance

The prevailing source of funds for most MEAs has been from developed country governments. This reflects the principle of CBDR, which recognizes that these societies have benefited economically from unsustainable development and should now share that largesse with countries that have suffered its ill effects. In the case of plastics, the primary plastic producing countries – some of which are still classified as "developing" countries despite high incomes and levels of industrialization – should share the financial burden and contribute to the financial mechanism. This would be consistent with the CBDR principle, which also calls for support from those countries most responsible for pollution.

At the corporate level, the Polluter Pays Principle applies. Raising funds from the private sector is appealing for several reasons. The plastic crisis has largely been driven by a relatively small number of firms in the

petrochemical and consumer goods industries. These are highly profitable firms with both the ethical responsibility and the financial means to bankroll governments' implementation of the ILBI. Reducing the demand on national governments can also alleviate concerns about donor fatigue. However, attempts to catalyze funding from the private sector, such as through market-based incentives or public-private partnerships, have met with very limited success.[10] The experience with the Adaptation Fund, which relies on a levy on carbon credit sales, shows that national finance will continue to be required.

Raising funds from the private sector is challenging and requires precise institutional design to ensure that the funds serve the public interest rather than the donors' or polluters'. In particular, public entities, such as a dedicated financial mechanism, must ensure that available resources are directed to the highest priorities and that they avoid greenwashing companies' contributions. Care must be taken to ensure that funds raised from polluters do not become a license to pollute nor create a perverse incentive to continue production and pollution. Three main approaches to raise resources from the private sector have been proposed: Extended Producer Responsibility (EPR) charges, a Polymer Production Fee (PPF), and plastic credits.

Extended Producer Responsibility schemes are widespread, with over 350 laws in force worldwide. There is considerable variation in design and details, some of which are quite important to the policies' effectiveness. In essence, EPR requires firms to take responsibility for their products or packaging at end of life (i.e., after use by the final consumer). They may accomplish this by paying a third party, usually a Producer Responsibility Organization, to collect the items in question. EPR schemes have been credited with improving collection and, in some cases, recycling rates, but much of the collected waste is landfilled or incinerated. Because EPR fees are keyed to the amount of product the company puts into the market, they do not raise funds to deal with legacy waste or broader systemic changes. Poorly-designed EPR systems can also be counterproductive by starving both the informal sector and the public waste authority of valuable fractions of the waste stream, while leaving the least-valuable fractions behind. "Eco-modulated" EPR schemes vary the fee according to the material used; this is designed to incentivize firms to design their products and packaging for end of life, e.g., by eliminating hazardous additives or switching to reusable or recyclable packaging. However, little evidence exists for the effectiveness of this approach in driving design changes, or in driving reuse or other forms of prevention.[11] A set of harmonized standards for EPR systems has been

10 Beattie, Alan. 2024. "The Magic Pony of Private Finance Fails to Fund the Global Green Transition." October 17, 2024. https://www.ft.com/content/481dc5c3-5239-44f8-919e-f6246532cee1.

11 "The Pros and Cons of EPR: Lessons from France." 2023. Global Alliance for Incinerator Alternatives. https://www.no-burn.org/ko/resources/the-pros-and-cons-of-epr-lessons-from-france; "Extended Producer Responsibility." 2024. OECD. April 17, 2024. https://www.oecd.org/en/publications/extended-producer-responsibility_67587b0b-en.html.

proposed which would facilitate the implementation of best practices and standardized reporting. EPR schemes generally operate within one country; extending EPR internationally would require a significant, new legal architecture. For example, in order to serve the international legally binding instrument, EPR charges for goods or packaging shipped internationally would have to be forwarded to the global financial mechanism.

A Polymer Production Fee would require firms that produce primary plastic polymers (or perhaps all plastic polymers) to pay a uniform, per-tonne fee on production. A fee of just US$60 to 90 per tonne of polymer would raise US$25 to 35 billion per year.[12] A fee this low would be unlikely to have a significant impact on overall production levels, which would have to be controlled through other policies; its sole purpose would be to raise funds. A uniform fee applied globally would eliminate any concerns about comparative advantage and avoid the problem of delocalization (where manufacturing shifts from more-regulated to less-regulated countries).

Another important advantage of this approach is that polymer production is highly concentrated, with 75% occurring in just ten countries; this greatly simplifies the administration and enforcement of a fee (By contrast, levying a fee, whether through EPR or other means, on all plastic products would require a global administrative structure). Fees raised in major polymer-producing countries would be forwarded to the financial mechanism (minus a small administrative percentage). Fees raised in developing countries whose polymer production is below a certain threshold could be retained by the national government and dedicated to addressing plastic pollution domestically.

An important and necessary part of a PPF would be a border adjustment charge. This charge would be levied against imports of plastic polymer or plastic products from countries that are not compliant with the PPF requirements. Many countries are likely to be non-compliant, particularly in the early years of the ILBI, either because of failure to sign, failure to ratify, or failure to properly enforce PPF provisions. A border adjustment charge set at twice the prevailing PPF rate would incentivize polymer producing countries to come into compliance while continuing to raise funds.

Plastic credits are a relatively novel, unregulated, and poorly-deployed scheme patterned after carbon credits. They are tradable assets that usually represent one tonne of plastic waste recovered from the environment or recycled. Companies that wish to burnish their image buy these credits and advertise themselves as "plastic neutral" or similar claims. These markets are essentially unregulated but recently, the

12 Fletcher, Steve, David Azoulay, Mark Barnaba, Luisa Cortat, Carolyn Deere Birkbeck, Kimberley Botwright, Tim Grabiel, Ilona Millar, Ambuj Sagar, and Mark Spicer and Sophie Degagny. 2024. "The Polymer Premium: A Fee on Plastic Pollution." Minderoo Foundation. https://cdn.minderoo.org/content/uploads/2024/04/21232940/The-Polymer-Premium-a-Fee-on-Plastic-Pollution.pdf.

Philippines and India have begun integrating them into existing EPR policy frameworks. Plastic credits flow from private firms to private actors (firms or NGOs) and thus do not contribute to government budgets. They have been roundly criticized for many of the same problems that continue to bedevil carbon credits: lack of additionality, lack of safeguards for affected communities, encouraging the burning of plastic waste, high transaction fees, and overall poor governance.[13] In addition, by creating a financial flow to private entities to address plastic waste in the environment, plastic credits create a disincentive to addressing the plastic pollution problem at source.

The dedicated financial mechanism will have to rely primarily on national contributions, including periodic replenishments, and a global PPF. Two distinct sources will provide greater stability and predictability to the mechanism. While EPR fees may be important in providing national-level finance, there is no clear path to internationalizing EPR policies. Plastic credits do not offer a credible form of finance. Other sources, such as bilateral aid and concessional lending from development banks, can complement core funding that flows through the dedicated mechanism, but should not replace it.

Conclusions

The success of the ILBI will depend, to a significant degree, on the provision of new, additional, dedicated, adequate, accessible and predictable financial support. This requires not only raising a sufficient quantity of funds, but ensuring that the institutional structures, modalities, and sources are appropriate to the needs and recipients. The most promising approach is a newly-designed, dedicated financial mechanism that ensures direct access by eligible developing countries, local governments, and relevant grassroots groups, such as waste pickers, Indigenous Peoples, fenceline and affected communities. This mechanism should be empowered to use a variety of financial instruments, including grants and concessional loans, as appropriate to the project and recipient in question. It should draw from a variety of financial resources, including, at a minimum, national contributions and a Polymer Production Fee. In any case, careful attention will need to be paid to institutional design to ensure that finance supports the agreed objectives of the ILBI and the critical actors within it.

13 "Smoke and Mirrors: The Realities of Plastic Credits and Offsetting." 2023. Break Free From Plastic and Global Alliance for Incinerator Alternatives. https://www.breakfreefromplastic.org/smoke-and-mirrors; "Plastic Credits White Paper: Exploring the Risks and Uncertainties with Plastic Credit Schemes." 2024. Fauna & Flora. Eunomia. https://www.fauna-flora.org/wp-content/uploads/2024/05/2024MAY29_Eunomia-Plastic-Credits-White-Paper-v4.0.pdf.

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