

Financing considerations to support an international legally binding instrument on plastic pollution

Webinar summary report

CO-HOSTS:



SUPPORTED BY:



Government of the Netherlands

Summary of key takeaways from the webinar conducted on April 16, 2024

Session Objectives

1. To set the scene on plastic pollution and the fundamentals of financing
2. To share the different options for financial mechanisms and resources included in the revised draft text
3. To learn from the financing of other Multilateral Environmental Agreements (MEAs) with the goals of mobilizing additional capital and improving access to capital

Speakers and Panelists

- **Chizuru Aoki**, Lead Environmental Specialist, Global Environment Facility
- **Clemence Schmid**, Director, Global Plastic Action Partnership, The World Economic Forum
- **Elizabeth Nichols**, Foreign Affairs Officer, U.S. Department of State
- **Floske Kusse**, Head of Stakeholder Engagement, Global Sustainability, ING
- **Jennefer Baarn**, Lead negotiator plastics treaty, Ministry of Infrastructure and Water Management, The Government of the Netherlands
- **Jyoti Mathur-Filipp**, Executive Secretary INC on Plastic Pollution and Head of the Secretariat, United Nations Environment Programme
- **Michael Sadowski**, Executive Director, The Circulate Initiative
- **Oliver Boachie**, Special Advisor to the Minister, Ministry of Environment, Science, Technology & Innovation in Ghana
- **Shardul Agrawala**, Head, Environment and Economy Integration Division at the Environment Directorate, OECD
- **Tao Wang**, Senior Environmental Finance Specialist, The World Bank
- **Tim Grabiell**, Senior Lawyer, Environmental Investigation Agency
- **Tina Birmpili**, Chief Officer, Multilateral Fund Secretariat, United Nations Environment Programme

Key Takeaways

The webinar opened with an introduction to the Financing Coordination Group (FCG), including its composition. The goal of the FCG is to improve the overall understanding of the financing landscape, and to catalyze the mobilization of additional capital to tackle plastic pollution. The webinar was the first in a series of knowledge exchanges the FCG is planning, which aims to provide Member States with a platform to convene and engage with their peers and industry experts. The speakers provided their perspectives on financing considerations to support an international legally binding instrument (ILBI) on plastic pollution. The key takeaways from the session are summarized below.

- [The Netherlands' expectations for the ILBI and perspective on the role of financing](#)
- [A life cycle approach and the associated costs](#)
- [Available sources and the application of finance in tackling plastic pollution](#)
- [Financing needed for Multilateral Environmental Agreements \(MEAs\) and the ILBI](#)
- [Financial mechanisms and resources included in the revised draft text of the ILBI](#)
- [Learnings and opportunities from financing existing MEAs and Development Finance Institutions](#)
- [Outcomes-based financing and its role in tackling plastic pollution](#)
- [Addressing financing gaps by improving the provision of private capital for tackling plastic pollution](#)
- [Challenges Member States face in financing MEAs through their financial mechanisms and through private capital flow \(learnings from Ghana\)](#)

The Netherlands' expectations for the ILBI and perspective on the role of financing

- The need for an ambitious legally binding instrument, with globally harmonized rules covering the full life cycle of plastics, in accordance with the UNEA 5/14 resolution.
- Curbing primary plastic production and consumption to sustainable levels, eliminating and restricting chemicals and polymers of concern in plastics as well as problematic and avoidable plastics is critical.
- Capacity building, technology transfer, improving the knowledge base, and stimulating investment in the transition to a circular economy for plastics are measures of implementation needed for the success of the ILBI.
- The playing field must shift from one that benefits polluters and laggards to one that benefits frontrunners and innovators.
- Beyond the financial mechanism of the instrument – in particular, the establishment of a fund – there is a need for all stakeholders to understand the complete funding and investments, including the sources, roles, and mechanisms available for successful implementation of the ILBI.

A life cycle approach and the associated costs

- Globally coordinated efforts and an ambitious legally binding instrument that addresses the whole life cycle of plastics is necessary to tackle plastic pollution. Upstream measures that reduce production and demand are a key element, as well as measures to improve circularity and close leakage pathways.
- Upstream policies are necessary to reduce the overall cost of inaction. If there is less plastic in the economy, there will be less need to invest in plastic collection and recycling infrastructure.
- The total cost of implementing an ambitious set of measures to nearly eliminate mismanaged plastic waste and plastic leakage into the environment by 2040 is approximately 0.5% of global GDP.

- However, the impact of plastic pollution is uneven across different countries, resulting in the scale of action required and the projected costs being higher for developing countries. This calls for better international support for these developing countries.

Available sources and the application of finance in tackling plastic pollution

- Several sources, including international public finance (e.g., bilateral and multilateral grants and loans), domestic public finance, and private capital, are available to tackle plastic pollution.
- Public funds are and will continue to be inadequate to fully implement the treaty; involving the private sector will be key to the success of the new instrument.
- Official Development Assistance (ODA), while the most common source of development finance to curb plastics pollution, is limited, and is a resource that is unlikely to increase even in relative share of total ODA, due to competing demands.
- Private capital flows are more significant in comparison, but mobilization of additional capital and a redirecting of flows is necessary as the majority of private investments went to North America and Europe (while the challenge is more significant in emerging economies), and to recovery and recycling.

Financing needed for Multilateral Environmental Agreements (MEAs) and the ILBI

- A bold, innovative, and creative financial framework is essential for supporting developing countries in achieving plastic pollution objectives.
- There are four types of financial support needed:
 - (1) for enabling activities for implementation, including institutional strengthening and periodic reporting obligations to prioritize and set policies.
 - (2) for clearinghouse functions, including for capacity building, education, technology transfer, dedicated programs of work, and stakeholder action.
 - (3) for incremental costs related to compliance with the new commitments and obligations; and
 - (4) to cover other costs, not necessarily for compliance but to unlock financial support.
- Financial support for the first three types (enabling activities, clearinghouse functions, incremental costs), which constitute the core support structure to make the treaty work, can only be properly delivered via a new dedicated multilateral fund.
- In addition, innovative approaches toward the International Financial Institutions (IFIs) and Multilateral Development Banks (MDBs) are required to unlock private sector finance at scale. These could include: establishing a transparency platform to monitor and account for support from IFIs/MDBs; incorporating the IFIs/MDBs into the planning process for each replenishment period, setting out clear expectations on how IFIs and MDBs can support different activities in national plans with the creation of funding windows; and providing technical assistance to countries trying to access these funding windows.

Financial mechanisms and resources included in the revised draft text of the ILBI

- The Committee agreed that the revised draft text of the instrument will be the starting point and basis for textual negotiations at INC-4 and includes all Members' views.
- Part III.1 of the revised draft text focuses on financing, and touches on the complexities and variety of textual proposals currently included in the operational paragraphs. The text currently includes two main options on financing:

- Option 1 foresees the establishment of a mechanism, which shall consist of newly established dedicated Fund(s)*.
- Option 2 stipulates that the mechanism shall consist of a [dedicated Fund within] [an existing financial arrangement] [the Global Environment Facility Trust Fund] [with a view to fostering synergies with other environmental issues]*.
- The text is now firmly in the hands of Members who will continue to lead its further development at INC-4.
- The Secretariat has published document UNEP/PP/INC.4/INF2, which provides an update to INC-1 INF Document 10, presenting an overview of existing funding currently available for addressing plastic pollution, and of other recent multilateral development processes.

Learnings and opportunities from financing existing MEAs and Development Finance Institutions

- **The Global Environment Facility (GEF)**
 - consists of six funds serving six different conventions and agreements, and has disbursed around US\$ 24 billion in grants over the past 30 years, mobilizing approximately US\$ 138 billion in additional funding. For plastics, programmed US\$ 247 million that leverages US\$ 2.45 billion in the past 20 months, with expectations to do more.
 - is focusing on three main strategies: financial leveraging, supporting multiple benefits and integration, and policy support to ensure policy coherence across different sectors.
- GEF's role in supporting the implementation of the new instrument will be in response to the guidance and decisions made by the Conference of the Parties or intergovernmental negotiations. Two possible approaches can be highlighted:
 - (1) the integration of the new agreement into the existing GEF trust fund, enabling systematic and integrated programming.
 - (2) the creation of multi-trust fund programs.
 - GEF can also establish mechanisms to facilitate financing from various sources, including the private sector and philanthropies, as per the case of the Global Biodiversity Framework Fund.
- GEF's New Circular Solutions to Plastic Pollution Integrated Program, which is funded by GEF, focuses on reducing the consumption and production of single-use plastic products and packaging with low circularity, particularly in the food and beverage sector. The GEF financing of US\$ 108 million is leveraging US\$ 509 million of co-financing. The program supports projects in 15 countries, coupled with a global component, with capacity building initiatives that aim to build communities of practice around plastic sustainability topics, including harmonizing definitions, metrics, methodologies, and scaling up innovative finance options.
- **The Multilateral Fund for the Implementation of the Montreal Protocol**
 - aims at enabling developing countries to comply with the legally binding treaty's targets. Financial and technical assistance is delivered mainly through UNEP, UNDP, UNIDO, and the World Bank, with strong monitoring and reporting mechanisms.
 - has received 96% of the pledged contributions since 1991, and approved 93% of pledges received as of the end of 2023, demonstrating efficient turnaround and success in its objectives.

- Lessons learnt from the Multilateral Fund for the Implementation of the Montreal Protocol are customized to the Montreal Protocol and Member States should consider relevancy to ILBI. The six lessons learnt are:
 - (1) predictable and stable grant fundings to developing countries to enable them to comply with the Protocol.
 - (2) engagement and accountability from every donor and recipient country with a robust governance structure – national ozone officers in every country and every project designed with a strong capacity building element.
 - (3) an incremental cost approach by paying the industry to ensure continuity in business and to ensure that jobs remain at the national level; looking beyond the environmental impact to address the social and economic aspects based on national circumstances.
 - (4) going to specifics by providing the countries with assistance in the preparation, implementation, and monitoring of every project.
 - (5) a focus on efficiency and cost consciousness – it costs the Fund 7 cents of a dollar to mitigate one tonne of CO₂-eq.
 - (6) a dedicated partnership and passionate people within the Secretariat, the Executive Committee (the governing body of the Fund), the national ozone officers, bilateral and implementation agencies.
- The key to the success of the Fund is the principle that environmental benefits go hand in hand with social and economic benefits and business continuity at the national level.

Outcomes-based financing and its role in tackling plastic pollution

- Outcomes-based financing is a funding approach that ties financial resources to predefined outcomes or results, for example reduced plastic waste or avoided plastic production.
- It requires the outcomes to be measured and verified before funding is released, which ensures clear accountability and encourages investments toward environmental and social impacts.
- As an example, the recent US\$ 100 million Plastic Waste Reduction-Linked Bond issued by the World Bank offers a financial return based on verified reductions in plastic waste and carbon emissions in projects in Ghana and Indonesia.
- To replicate this financing instrument effectively, it is important to raise awareness, incorporate proven outcomes-based financing into financing options, establish robust governance structures, and foster partnerships and collaborations.

Addressing financing gaps by improving the provision of private capital for tackling plastic pollution

- To realign financing flows and scale private financing, we need to make this transition part of business as usual, integrating these investments in day-to-day credit decisions.
- Through the treaty, there is a need for an ambitious, clear, and measurable objective, which allows banks to use common financial instruments, such as sustainability-linked loans, to finance plastic pollution solutions.
- If the externalities can be priced and clear time-bound goals set, private finance will follow to finance the transition pathway for plastic pollution reduction.

Challenges Member States face in financing MEA through their financial mechanisms and through private capital flow (learnings from Ghana)

- MEAs need dependable and predictable financial mechanisms to operate effectively. A need exists for a reliable, sustainable, and steady flow of funding into the mechanism. Annual contributions and payments from Member States must be complemented by a variety of other funding sources.
- Challenges faced by Member States:
 - Developing Member States, in particular, face issues with inadequate and unpredictable funding.
 - Bureaucratic delays, stringent accessibility requirements, and co-financing conditions are challenging for developing Member States to meet, and they result in unpredictability in funding and delays.
 - In instances when funding is available after the challenges are overcome, some Member States lack the capacity to utilize the funds.
 - Accessing private capital financing for MEAs presents additional hurdles for developing Member States.
- Unavailability and delays can lead to a loss of trust among the Member States, including about the transparency and accountability of the MEA.
- Findings from existing research emphasize the importance of creative and innovative funding mechanisms, including from the private sector, particularly from those whose economic activities contribute to environmental pollution.

The webinar closed with the importance of bold, innovative, and coordinated action across a complex reality, noting that social and economic benefits must align with environmental goals. There is a need for a comprehensive understanding of how diverse actors and solutions fit together in the financing landscape, and these conversations are expected to continue at INC-4 and beyond.

Selected Questions and Answers

Question: Could you share a few examples of what closing leakage pathways looks like? Aren't designs for circularity and enhanced recycling already falling under closing leakage pathways?

Answer: These are three different pillars that contain different policy measures in our modeling analysis, although some measures (like Extended Producer Responsibility) can fall under more than one pillar. Design for circularity, for example, includes eco design criteria, recycled content standards, and EPR schemes. Closing leakage pathways includes well-functioning waste collection systems and treatment infrastructure, municipal litter management, sea-based leakage sources (like abandoned fishing gear), etc.

Question: On the analysis of the costs of dealing with plastic pollution, have you also worked on estimating the *saved* costs in terms of the pollution avoided through those investments?

Answer: We have not done this because this would require a comprehensive analysis of the avoided market and non-market damages of plastic pollution as a result of these investments.

Question: How is it that in the models of the Nordic Council of Ministers/Systemiq (Global Rules Scenario) and PEW (Breaking the Plastic Wave), the reduction of plastic pollution leads to savings when compared to the business-as-usual scenario but not in your model? Is action really more costly than inaction?

Answer: It depends upon what specific policies are modeled and how they are modeled. But I believe the Nordic Council report, while pointing to savings in countries with well-developed infrastructure (as a result of lower waste generation), also points to investment needs higher than the baseline in other countries.

Question: Can you give more insight about why the financing through IFIs did not work in the previous MEAs, and why it can work through the shared possible frameworks?

Answer: That is a big question, and happy to discuss later. In short, historically, we have witnessed a disconnect between the funding required to meet the objectives of a treaty, in terms of scale and coordination, and the windows made available by IFIs and MDBs. Here, we have an opportunity to create a more coordinated and ongoing relationship between the governing body and IFIs/MDBs to plan for the needs identified in national plans.

Response: Thank you very much for your answer. I am interested in this conversation, because we as a private finance institution are benefiting a lot from the funds made available by the IFIs or development banks who give funding with better conditions for the transformation of our clients. Without that, we are quite limited with resources, apart from innovative finance solutions, which I am not so familiar with.

Question: How is the Global Climate Transition funding working? Can this framework be used, though it hasn't seen much traction?

Answer: We will discuss learnings from the other MEAs in the panel discussion.

Question: Establishing a newly dedicated fund... It always sounds great to make one body responsible and accountable for one problem and its resolution... but isn't there a risk that this would duplicate existing efforts? Rather can we have an overview of all funds available – who does what and invests how/where? More transparency and cross-initiative governance would be really helpful...

Answer: In my opinion, a newly dedicated fund is a sine qua non for a robust financial landscape and the provision of financial support for enabling activities, clearinghouse functions, and incremental costs (on a grant basis), as evidenced by the decades-long experience of the Montreal Protocol. But certainly, just creating a new fund is not the end of the story. We must consider its governance, replenishment, mandate, etc., to ensure it is fit for purpose.

Question: As shown, there is considerable private finance dedicated to plastics management. Could the participants comment on the role of blended finance approaches to leverage private finance and direct it into the most needed areas (solutions and geographies).

Answer: Thank you for the question. Indeed, there is an important role for blended finance to play. Just to provide you with one example, the Global Plastic Action Partnership and The Circulate Initiative have drawn up a case study on how blended finance was used to support an Indonesian recycler to scale up. Details are available through this link:

https://www.thecirculateinitiative.org/files/ugd/77554d_e2bbec97047f40e5891d346a82d24fcc.pdf?index=true

Question: I run a PET bottle waste collection centre in a local community in Nigeria. I hope to clean up my local environment and its surroundings from waste pollution as my contribution to fighting climate change. Do GEF grants cover Nigeria, and how can one access them?

Answer: Nigeria is one of the 15 countries in the Circular Solution to Plastic Pollution Integrated Program.

Question: I had exactly the same question for Costa Rica and found all the necessary information on the GEF's website. For Nigeria, you can use the following link:

<https://www.thegef.org/projects-operations/country-profiles/nigeria>

Answer: The brief on the integrated programs can be accessed from:

<https://www.thegef.org/newsroom/publications/gef-8-moving-toward-equitable-nature-positive-carbon-neutral-and-pollution>

Please then click on "Circular Solutions to Plastic Pollution" for a two-page brief.

Question: Where can we find more detailed information about this outcomes-based bond?

Answer:

<https://www.worldbank.org/en/news/press-release/2024/01/24/world-bank-s-new-outcome-bond-helps-communities-remove-and-recycle-plastic-waste>

Question: How soon can we replicate this in Kenya?

Answer: Happy to follow up after the webinar, knowing more about your situation and seeking potential collaboration opportunities.

Question: Are EPRs not a main financial mechanism to include in the Plastic Treaty? It has shown it works in all countries where it is operational. What is preventing all countries from at least incorporating EPR obligations in their legislative framework, to create a more certain investment environment?

Answer: EPR schemes are something that we hope to see in the treaty as part of the national plans. Through financial support for enabling activities, in particular for policy development, coupled with technical assistance from implementing agencies, we could promote EPR schemes as an important part of treaty implementation. The governing body could further adopt guidelines on EPR schemes to outline best practices to inform these EPR schemes.

Question: OP0 also includes a “no-text” option (OP0 Alt). Why is the INC Secretariat saying that there is nothing bracketed there?

Answer: For the slides, the intention was not to preclude all options available. There is a no-text option available for OP0. What was meant was that there are no bracketed textual proposals in that operative paragraph. Other OPs have a no-text option, but still have heavily bracketed text.

Question: Is Egypt one of the GEF beneficiary countries, speaking about NGOs?

Answer: The list of 15 countries that form part of the Circular Solutions for Plastic Pollution Program:

Africa: Burkina Faso, Morocco, Nigeria, Senegal, South Africa

Asia: Cambodia, India, Laos, Philippines

Latin America: Brazil, Costa Rica, Peru

SIDS: Cook Islands, Dominican Republic

ECA-ME: Jordan

There are other projects and programs that address the plastic agenda.

Question: What are the financial mechanisms available to fight plastic pollution?

Answered live

Question: Could the speakers please discuss the likelihood of a plastic pollution fee being included in the instrument?

Answered live

Question: We find that the lack of finance for circular plastics solutions is one of the main barriers to solving the plastics pollution crisis. Investment in virgin plastics production still exceeds that of recycled plastics. A finance mechanism is expected to be included in the treaty but, while this mechanism will provide some urgently needed support for developing countries to tackle mismanaged waste and open burning, would there be a significant increase in private financing for higher-value circular plastics opportunities in the value chain?

Answered live

Question: Given the pressing issue of sustained plastic pollution, is there any economic instrument currently being planned or funded to address this problem?

For example, a price correction factor could be applied for plastics in some countries, favoring the circularity of plastics recovered from the environment to make them more competitive against virgin polymers at a lower price. These economic instruments could discourage the production of single-use plastic. Recovered plastic has costs for its recovery and conditioning to return to the economy and for encouraging its recovery versus the production of virgin polymers.

Answered live

Key Resources

- › Organisation for Economic Co-operation and Development (OECD)
 - › Navigation page of [OECD publications on plastics](#), which contains insights on plastic flows, projections to 2040 and 2060, policy scenario analysis, and insights on the costs of the transition at macro regional level.
 - › [Extended Producer Responsibility: Basic facts and key principles](#) (2024)
 - › [Towards Eliminating Plastic Pollution by 2040: A Policy Scenario Analysis](#) [Interim Findings] (2023)
 - › [Cost and financing for a future free from plastic leakage](#) (2022)
- › The Circulate Initiative
 - › [Country Fact Sheets on Investments to Tackle Plastic Pollution](#) (2024)
 - › [Plastics Circularity Investment Tracker](#) (2023)
 - › [Key findings from the global edition of the Plastics Circularity Investment Tracker](#) (2023)
- › United Nations Environment Programme Finance Initiative (UNEP FI)
 - › [Pollution](#)
 - › [Redirecting Financial Flows to end Plastic Pollution](#) (2023)
 - › [Diving Deep: Finance, Ocean Pollution and Coastal Resilience](#) (2022)
 - › [Unwrapping the risks of plastic pollution to the insurance industry](#) (2019)
- › World Bank
 - › [World Bank Group and the Intergovernmental Negotiating Committee on Plastic Pollution Process](#) (2024)
 - › [The Intergovernmental Negotiating Committee on Plastic Pollution | World Bank Expert Answers Extra](#) (2023)
 - › [How the World Bank Group is addressing marine plastic pollution](#) (2023)
 - › [Waste Management and Circularity](#) (IFC)
- › World Economic Forum
 - › [Unlocking the Plastics Circular Economy: Case Studies on Investment](#) (2022)
 - › [NPAP Ghana Financing Roadmap](#) (2022)

Contact Us

The Circulate Initiative

Shamina Mohamed
Communications Manager
smohamed@thecirculateinitiative.org

Umesh Madhavan
Research Director
umadhavan@thecirculateinitiative.org