

## Fact Sheet

# Financial Mechanism Options



## INTRODUCTION

To deliver an International Legally Binding Instrument (ILBI) to end plastic pollution will require mobilising substantial financial resources from a variety of sources to achieve its objectives. This may include leveraging new multilateral finance from developed (donor) countries to developing (recipient) countries party to the new agreement, accessing existing multilateral and bilateral finance and ensuring flows of private sector finance. The coordinated, predictable, adequate, and timely delivery of these financial resources will be the challenge when designing the financial mechanism for the International Legally Binding Instrument (ILBI).

In the negotiations to date, there has been overall support for a comprehensive approach to means of implementation and a financing mechanism to provide an enabling framework, assisting parties in meeting their obligations. However, there are divergent views on the structure of the new mechanism. In broad terms, there are three preferences that have been expressed by members and highlighted in the Options for Elements paper provided to INC-2<sup>1</sup>.

- Establishing a new dedicated plastics multilateral fund or funds through the new instrument.
- Expanding an existing multilateral fund to provide sustained funding for the implementation of the plastics treaty, with some members expressing a preference for the Global Environment Facility (GEF)
- Considering a hybrid approach that combines elements of the above options.

## Relevance to the Pacific Context

The Pacific SIDS will likely incur increased costs when implementing and complying with the new agreement, which may place an increased economic burden without an effective financial mechanism.

- SIDS remain a special case for sustainable development in view of their unique and vulnerabilities. The special circumstances of Pacific SIDS constrain the ability to mobilise domestic resources.
- Pacific SIDS are traditionally recipient countries of multilateral funding.
- Access to existing bilateral and multilateral finance for development can be cumbersome and resources are not delivered in a timely fashion.
- Pacific SIDS are particularly vulnerable to legacy plastic waste washing ashore on ocean currents, with the costs of clean up born by local authorities. Pacific people therefore bear a disproportionate financial burden for plastic pollution.

<sup>1</sup> SIDS special case is defined largely by small size, extreme isolation, limited and narrow resource bases, geographic dispersion and isolation from markets, diseconomies of scale, capacity limitations, susceptibility to climate change and natural disasters and global crises.



## KEY CONSIDERATIONS

When deciding on the most appropriate financial mechanism to deliver the flows of financial resources necessary to achieve the objectives of the ILBI, the following should be considered to determine the activities requiring financial support, and on what terms any financing be provided.

### ACTIVITIES TO BE FUNDED

#### Financial Support to the Secretariat

Any global agreement on plastic pollution will require a secretariat for its day-to-day operation. Typical expenses in this regard include employee salaries, office maintenance and services, conference services and travel, public awareness and communications and programme support.

#### Financial Support to Developing Countries and Economies in Transition

A global agreement on plastic pollution could also provide strategic and targeted financial support from developed countries (donor countries) to developing countries and economies in transition (recipient countries).

The various activities that could be funded are described in the following two categories:

- **Enabling activities** are those necessary to pave the way for, or enable, compliance with the ILBI. In various multilateral environmental agreements, enabling activities are considered as critical to delivering the objectives of the agreement and could include:



Institutional  
Strengthening



Reporting and  
Monitoring



Policy Development,  
including national  
action plans and  
extended producer  
responsibility  
schemes



Capacity  
Building and  
Training



Pilot and  
demonstration  
projects

- **Incremental costs** refer to extra expenses related to compliance with the ILBI commitments. Such incremental costs cover both compliance with the control measures in the Convention, and compliance with subsequent decisions adopted by the Conference of Parties. Examples of incremental costs of compliance with the new instrument include, inter alia:



cost of establishment of manufacturing facilities or conversion of existing manufacturing facilities to comply with criteria on product design equivalent to capacity lost, including: capital cost; operating cost; including the cost of raw materials; and the cost of retraining



cost of technology transfer, according to mutually agreed terms





## Terms of Funding

Funding may be provided on a grant basis, through other forms of concessional financing, or through new and/or innovative financing.

## Financial Mechanism

### Dedicated Multilateral Fund

Setting up a dedicated fund, similar to the Multilateral Fund under the Montreal Protocol (MLF) could have numerous benefits.

For example, a Post-Rio+20 review of environmental governance within the United Nations system conducted by the UN Joint Inspection Unit identified that, with the exception of the Montreal Protocol, most MEAs have few dedicated resources for capacity-building<sup>ii</sup>.

A previous report had also noted that “The capacity-building assistance provided by the MLF is an exceptional but tangible example of a model of a financial mechanism to fully meet incremental costs for normative activities”<sup>iii</sup>.

Setting up an independent, standalone mechanism would have the benefit of having its own dedicated executive committee and secretariat, operating under the authority of the new ILBI and would report directly to the governing body of the new instrument, ensuring funds are directed in a coordinated manner towards the implementation of the ILBI as it evolves over time. Such a mechanism could also prioritise those with the greatest need, in particular considering the special circumstances of SIDS and Least Developed Countries (LDCs).

### Expanding an Existing Multilateral Fund

Expanding an existing multilateral fund, such as the GEF may also present some benefits, such as avoiding the additional resources and time associated with the establishment of a new mechanism and helping to promote an integrated approach with other global environmental issues of concern.

Ensuring that funds are delivered in a predictable and timely manner will be key to supporting recipient countries in meeting their obligations under this instrument. However, in its provisional review of financial resources and mechanisms, UN Environment found “little coordination in bilateral funding in overall funding strategies or in project funding at the national level”, leading to redundancies and inefficiencies.

Where existing multilateral funding is available, many countries encounter challenges in accessing funds. Difficulties are also found to exist in coordinating national budgets and plans, where countries are increasingly dedicating their own funds, with various funds and initiatives, where countries are receiving significant international funds to combat plastic pollution.

The Overview of existing funding currently available for addressing plastic pollution provided to INC-1 (UNEP/PP/INC.1/9) highlighted that while challenges are easing, there are challenges with accessing multilateral and bilateral funds in a coordinated manner. This is likely to remain the case in the coming years, particularly as existing multilateral funds, such as the GEF have increased demand through other conventions and frameworks.



## Considering a Hybrid Approach

A 'hybrid' approach to designing a financial mechanism could offer the benefits of both approaches outlined above. Establishing a dedicated fund could allow for the delivery of the new, additional, stable, accessible, adequate, timely and predictable manner.

The creation of a window to an existing fund could help leverage existing resources and expertise while maintaining a unique identity and purpose for the multilateral fund.

Such a hybrid approach could also allow for access to other options presented by member states

## Other Sources of Finance

The measures above can be considered the core of the financial mechanism, there are several other sources of financial resources which may be given consideration to form part of the overall financial package within the new treaty.

These include:



The establishment of a globally coordinated fee on the production of plastics, similar to the Ghana proposal for a Global Plastic Pollution Fee (GPPF)<sup>v</sup>.



The establishment of an additional fund dedicated to tackling existing pollution in the environment and the remediation of legacy plastic waste, targeted specifically at supporting vulnerable countries and small island developing States that bear a heavy burden of legacy plastics.

Other fiscal measures adopted by local and national governments to finance plastic-waste management. Including waste management fees on households and other end-users, deposit-refund schemes, extended producer responsibility (EPR) schemes, plastic taxes and levies, advanced disposal fees, green public procurement and policies promoting secondary markets for recycled materials.

## SUMMARY

The financial mechanism within the new ILBI will undoubtedly be crucial in mobilising the necessary resources to end plastic pollution. Ensuring it is fit to deliver Pacific Island Countries the necessary support requires due consideration.

<sup>i</sup>UNEP/PP/INC.2/4. [Available here.](#)

<sup>ii</sup>JIU/REP/2014/4. [Available here.](#)

<sup>iii</sup>JIU/REP/2008/3. [Available here.](#)

<sup>iv</sup>UN Environment, Draft Provisional Summary of the Inventory of Technical and Financial Resources and Mechanisms for Supporting Countries in Addressing Marine Plastic Litter and Microplastics, 53(a), [Available here.](#) UN Environment, Draft

<sup>v</sup>Ghana pre-session submission to INC-2. [Available here.](#)



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