

Innovative Financing Approaches to Address Plastic Pollution

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The World Bank



The World Bank

A livable planet is a healthy and sustainable planet on which people can prosper

A WORLD FREE OF POVERTY ON A LIVABLE PLANET

Vision

To create a world free of poverty on a **livable planet**.

Mission

To end extreme poverty and boost shared prosperity on a **livable planet**.



WORLD BANK GROUP

Five Institutions, One Group

IBRD

The International Bank
for Reconstruction and
Development

IDA

The International
Development
Association

IFC

The International
Finance Corporation

MIGA

The Multilateral
Investment Guarantee
Agency

ICSID

The International
Centre for Settlement
of Investment Disputes

\$45.9B
Financial
Assistance

189
Member
Countries

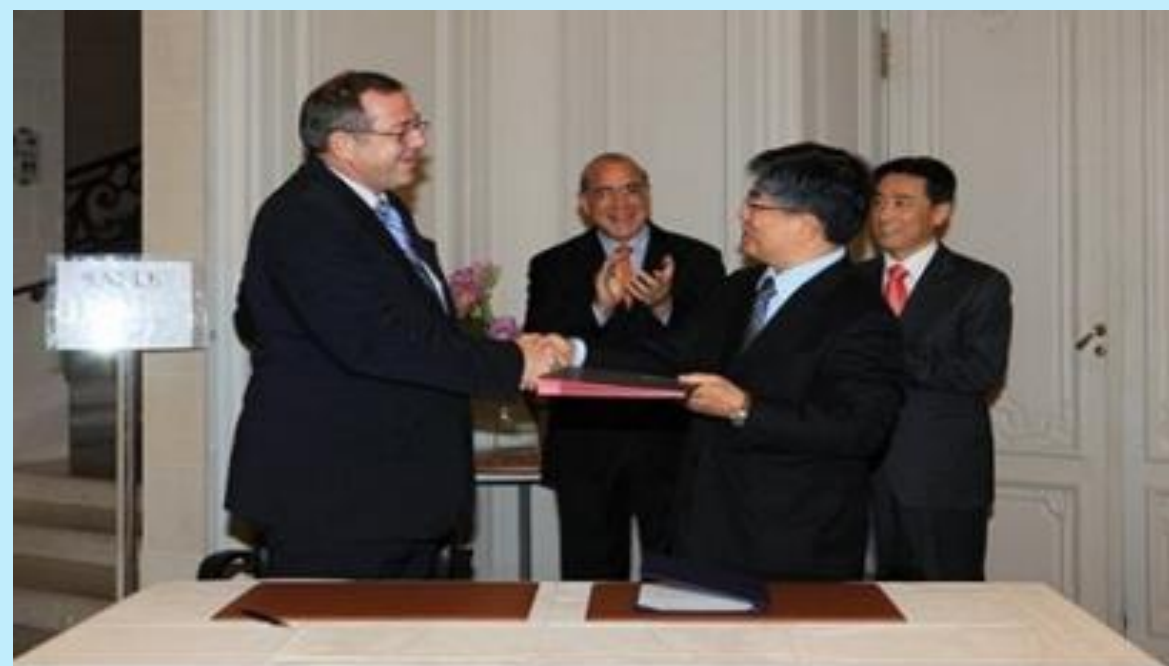
12,000
Projects

130+
Offices

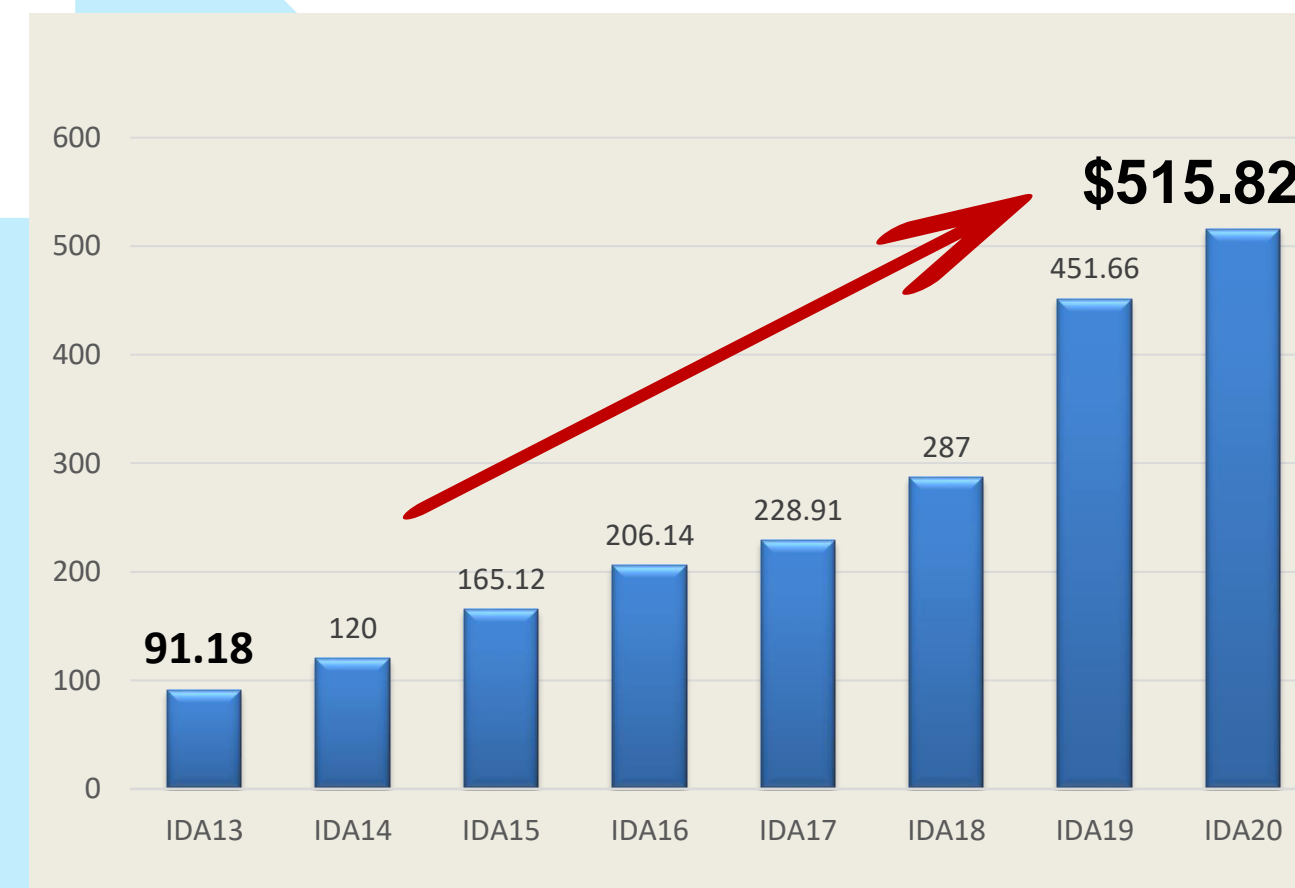
Korea-WBG Partnership



Joined the IBRD on August 26, 1955
Became a beneficiary of IDA in 1961



Became a DAC member in 2010
Transformed to a significant donor



Korea's Contribution History in IDA Replenishment (US\$ SDR)

What Does the Korea Office Do?



Knowledge Sharing

Disseminating Korea's development experience, bringing WBG global knowledge into Korea



Building Partnership

Building and strengthening partnership with the Korean government and institutions



Working with Korean Firms

Exploring business/investment opportunities in investments outside Korea with Korean firms/private sector (IFC and MIGA)



Operational Support

Expanding its role with stronger links with WBG operations to bring Korea's development experience, advantage and resource to developing countries

Stocktaking of Financial Instruments for Plastic Pollution Management

Fundamental Financial Instruments

Definition:

Tools providing upfront capital at the project's outset.

1. Debt
2. Equity
3. Grants
4. Green, Blue, Social, Sustainable Bonds
5. Mezzanine Finance
6. Microfinance

Fiscal and Economic Policy Instruments

Definition:

Schemes primarily initiated by government

1. Levies and taxes
2. Extended Producer Responsibility (EPR)
3. Deposit Refund Schemes (DRS)
4. Waste collection fees
5. Debt-for-nature swaps

Outcome-based Tools

Definition:

Finance is provided only after agreed-upon results are achieved and verified.

1. Outcome bonds
2. Plastic credits
3. Program for results
4. Sustainability-Linked Bond

Risk Mitigation Tools

Definition:

Tools that help reduce potential financial loss or project uncertainties

1. Guarantees
2. Insurance products

Cross-cutting Funds/Facilities

Definition:

Ways to pool, structure and channel finance

1. Dedicated funds and facilities
2. Blended finance
3. Revolving funds/credit facilities, special purpose vehicles
4. Public Private Partnership PPP

EXAMPLES

- Plastic Credit
- Plastic Bond



Plastic credit



A transferable unit representing a specific quantity of plastic product that is collected and managed, recycled or avoided from use.



A results-based financial tool that can connect public- and private- sector finance with specific activities that address plastic pollution.



The plastic crediting mechanism puts a value on plastic pollution reduction - environmental benefit.

How do plastic credits work?



1. Pollution reduction project implementation

Revenue from plastic credit sales financially supports the project.

Project owners carry out plastic pollution reduction activities

Key stage

Main actors



2. Plastic credit certification process

Projects undergo certification against a plastic crediting standard.

- Project registration
- Project validation
- Verification
- Credit issuance

Standard setters design the plastic credit certification process

Validation / Verification bodies carry out audits



3. Plastic credit sale and retirement or transfer

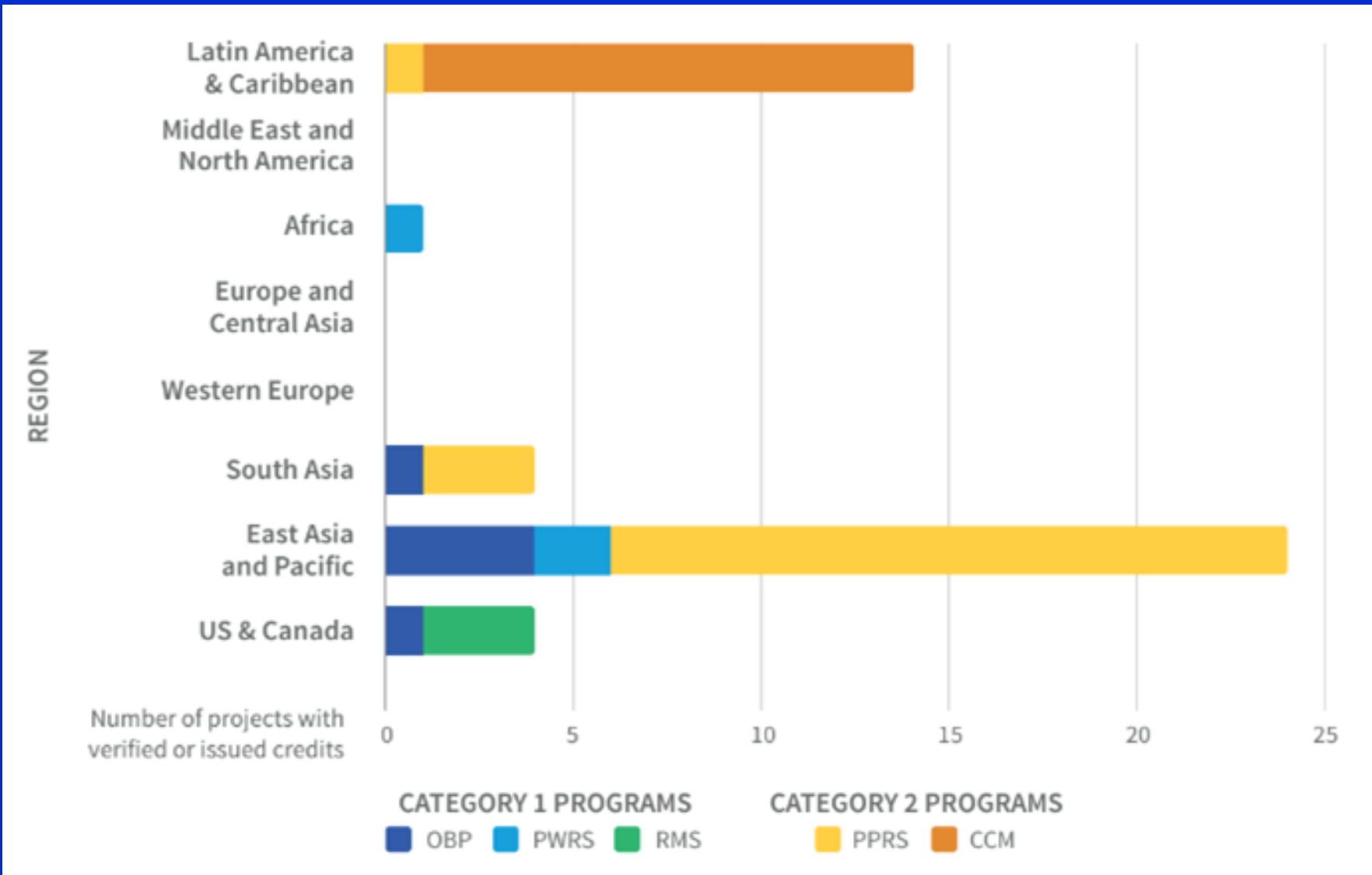
Plastic credits can be purchased by compliance or voluntary buyers.

Sellers transfer plastic credits to final buyers or traders / brokers

Brokers / traders acquire plastic credits to resell

Final buyers purchase plastic credits and make claims

Projects with verified and issued credits



160 projects across 48 countries
75,665 plastic credits
 (as of December 2023)



Price: 140 to 670 US\$ per unit

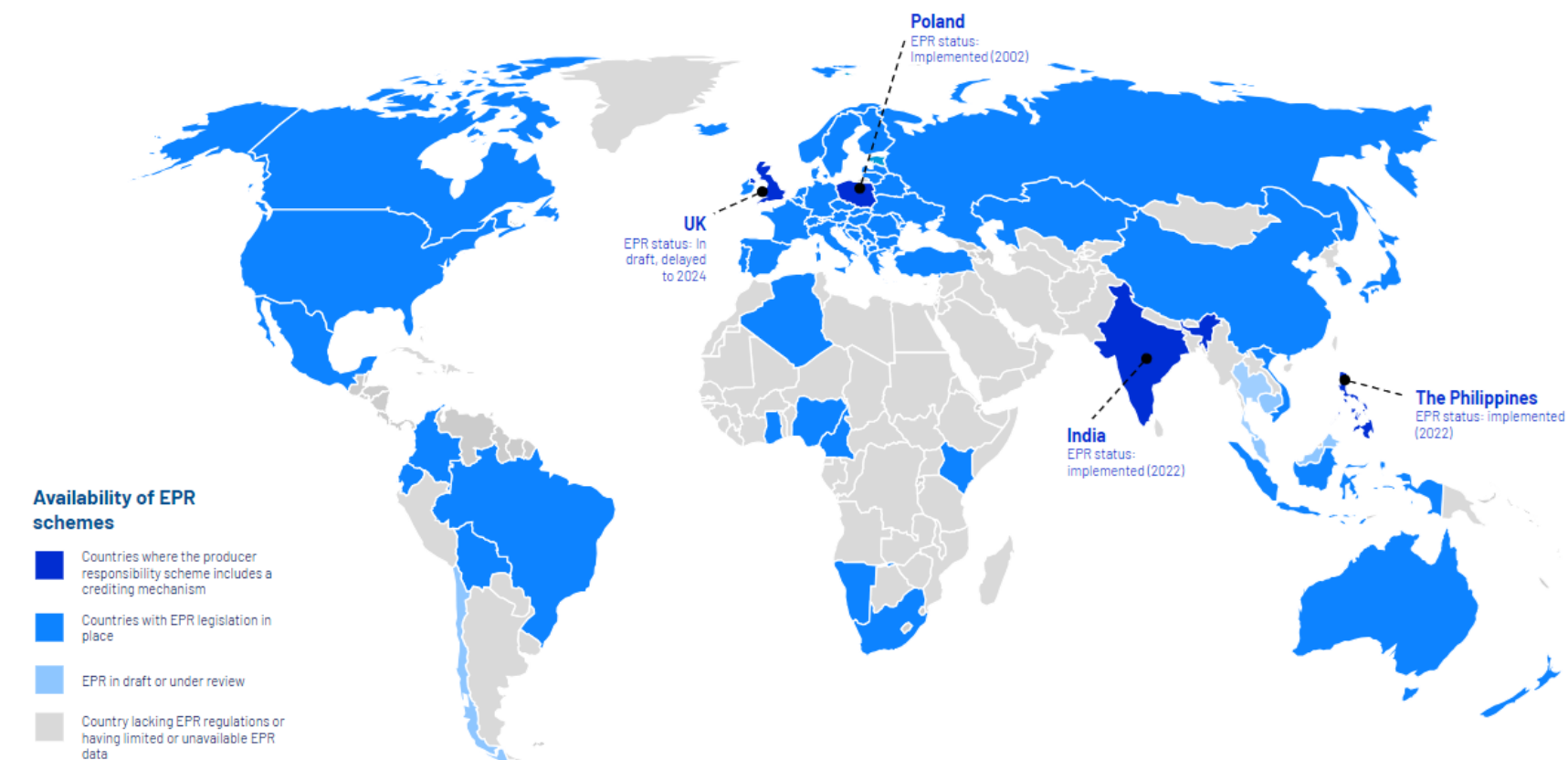


EAP and LAC have highest number of issued/verified credits

Plastic crediting in EPR schemes

- ❑ Plastic credits can be **integrated in EPR schemes**
- ❑ Obligated parties can **purchase plastic credits** (verified results) to meet part of their obligations
- ❑ Finance from the plastic credit purchase can **directly benefit the plastic reduction projects**
- ❑ Plastic crediting **does not displace the need for holistic EPR schemes**, sustained investment in waste management or other long-term efforts and commitments

Overview of EPR schemes with/without a crediting mechanism

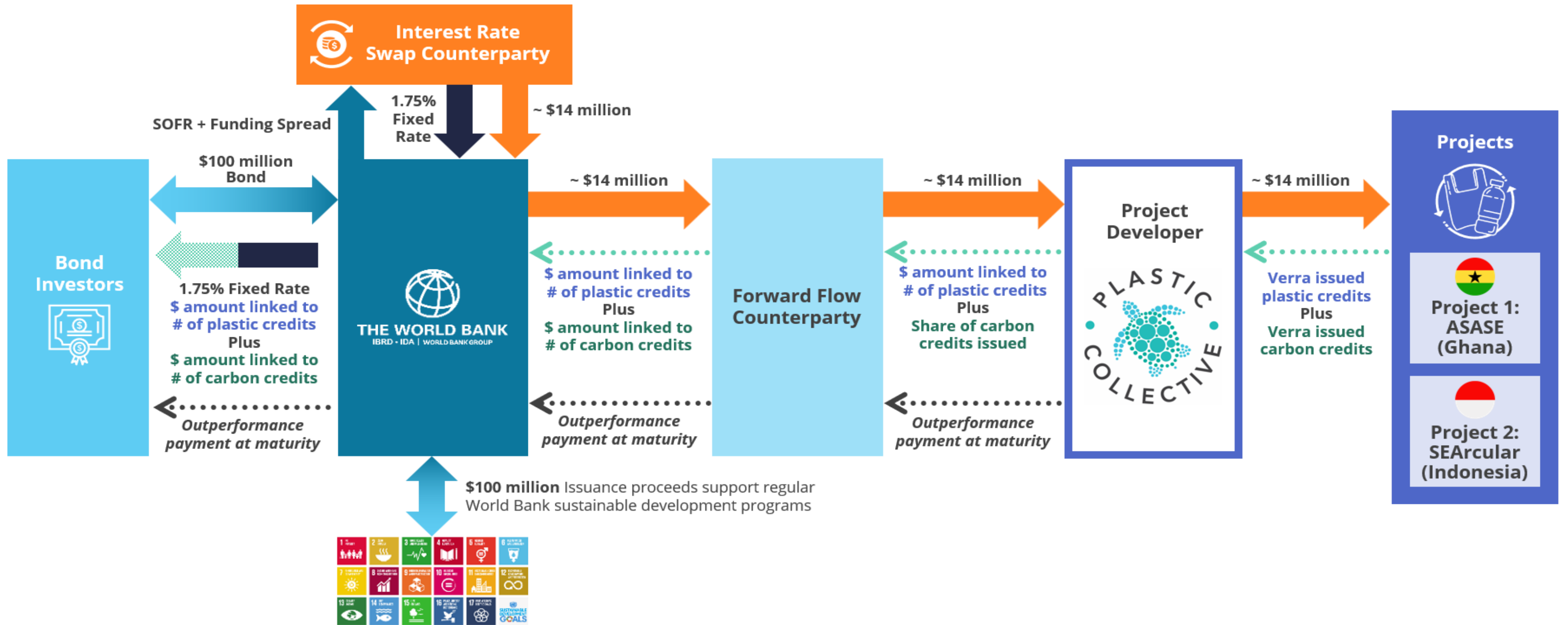


**Countries with plastic crediting in EPR schemes:
India, the Philippines, Poland, UK**

Key Findings and Lessons Learnt

1. **Good potential as a results-based financing mechanism:** enhance MRV, inject accountability and drive funding towards environmental and social impacts
2. **Nascent state of development: a need to enhance governance, ensure robustness of methodologies and enforcement** (e.g., minimum requirements, common principles, guidelines for responsible use and claims)
3. Voluntary basis, uncertain demand: **explore compliance market to realize its full potential** (e.g., integrate into EPR)
4. Provide **technical assistance and capacity support** to marginalized groups and informal workers
5. Explore applying plastic credits to support **upstream solutions**
6. Plastic crediting is **NOT** a panacea – **it's one of the instruments in the toolbox, and should not displace other efforts**

World Bank Plastic Reduction-Linked Bond



Plastic Bond Structure

- 7 year \$100mn bond
- Full principal protection and 1.75% fixed coupon
- Bond proceeds used for WB operations
- Investors forego a portion of coupons (4%-1.75%)
- **Foregone coupons converted to \$14mn to support two plastic collection and recycling projects in Ghana and Indonesia**
- Revenue of **plastic & carbon credits** partially used to pay back bond investors

Two Projects:

ASASE Foundation, Ghana

Expansion of plastic collection and recycling sites to increase processing capacity

SEArcular, Indonesia

Installation of a food grade PET recycling production line



THANK YOU!

감사합니다

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