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Policy Based Loans for Circular Economy

Session 1.3 Circular Economy and Enabling
Environments



What are policy-based loans?

- Disbursed upon completion of policy actions
- Budget support
- Programmatic
- Strategic priority



Example

Reducing Marine Debris in Indonesia



\$1 billion between ADB, KfW, AFD

Coordinating Ministry of Maritime
and Investment Affairs

Subprogram 1 (June 2021 –
December 2023) – completed

Subprogram 2 (January 2024 –
December 2025) -ongoing



Program Design

Reform Area 1

Plastic Waste Management System Improved

- Stronger collection of waste fees and spending on waste services by local government
- Well performing waste banks incentivized
- Fishing vessels prevented from dumping fishing gear and fishing port waste facilities meeting international standards

COUNTRY OBJECTIVE

Sustainable economic development and improved environmental resilience against climate change and disasters

OUTCOME

Reduced plastic waste entering the ocean

Reform Area 2

Problematic Plastic Production and Consumption Reduced

- Expansion of incentives/requirements for producers to reduce waste
- Development of national producer fee system
- Single use plastic bans and restrictions scaled up across Indonesia
- Standards for reuse and refill and mandating recycled content

Reform Area 3

Data and Monitoring tools for Policy Making Strengthened

- National waste information system harmonized to include maritime data
- Gender data and analysis expanded
- New national action plan developed for after 2025



What are the links to circular economy?

- Establishment of mandatory extended producer responsibility
- Reuse and refill standards
- Regulation on minimum recycled content in products to promote recycling industry
- Regulation on good manufacturing practices



Pros and cons

- Systematic approach
- Sustained engagement
- Enables other interventions
- Must be paired with technical assistance
- Strong coordination