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**August 06, 2025**

**Azul Policy Proposal for INC-5.2: Proposed Addition to Article 11**

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**Proposed Addition to Article 11 – A New Transparency Mechanism and Legal Classification of Contributors**

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**11.4 Legal Determination of Developed, Developing, and Transitional Country Status**

The Intergovernmental Negotiating Committee, recalling its mandate to develop a legally binding instrument to end plastic pollution, including measures for financing implementation; Guided by the principles of transparency, equity, and proportionality; Noting the need for a robust and impartial process to determine Parties' relative economic capacity, Decides that:

1. The Secretariat, in consultation with relevant international financial and statistical institutions (including the World Bank, UNDP, and OECD), shall develop a draft classification mechanism based on internationally recognized, empirical economic indicators;
2. The mechanism shall be designed to categorize Parties into contribution tiers to the Plastics Elimination Fund proportionate to their economic capacity;
3. Draft proposals for the classification mechanism shall be circulated to all Parties at least 60 days prior to consideration at the next negotiating session;
4. The classification mechanism shall be procedural in nature and without prejudice to future decisions on the specific financial obligations of Parties.

**11.4.1 Purpose and Scope**

In order to ensure transparency, equity, and proportionality in the determination of Parties' contributions to the Plastic Elimination Fund, a binding, evidence-based economic classification mechanism is hereby established, drawing upon internationally recognized empirical methodologies.

#### 11.4.2 Classification Methodology (EXPY Index)

The classification of Parties as developed, developing, or in transition shall be determined on the basis of the Export Complexity Index adjusted for income (“EXPY”), calculated in accordance with the methodology of Hausmann, Hwang, and Rodrik (2007), as follows:

$$\text{EXPY}_{(c)} = \sum_p [(X_{cp} / \sum_c X_{cp}) \times \text{PRODY}_{(p)}]$$

Where:

- (a)  $X_{cp}$  represents the value of exports from country  $c$  in product  $p$ ;
- (b)  $\text{PRODY}_p$  is defined as the average per-capita income of all countries exporting product  $p$ , weighted by each country’s revealed comparative advantage in that product.

#### 11.4.3 Legal Categories

- (a) Developed Country: Any Party whose EXPY value is equal to or greater than the seventy-fifth (75th) percentile of the global distribution;
- (b) Developing Country: Any Party whose EXPY value is equal to or less than the fiftieth (50th) percentile of the global distribution;
- (c) Transitional Country: Any Party whose EXPY value lies between the fiftieth (50th) and seventy-fifth (75th) percentiles.

#### 11.4.4 Periodicity and Transparency

- (a) The classification shall be updated every five (5) years;
- (b) All results, including underlying datasets and the applied methodology, shall be published in open-access, machine-readable formats on a digital portal administered by the Secretariat.

#### 11.4.5 Linkage to Financial Obligations

Financial obligations of the Parties to the Plastic Elimination Fund shall be directly linked to their classification under paragraph 11.4.3. Developed countries shall assume contributions proportionate to their productive capacity as measured by the EXPY index, in accordance with the principle of common but differentiated responsibilities and respective capabilities (CBDR-RC).

#### 11.4.6 Technical Review and Reconsideration

- (a) A standing independent Technical Review Committee, with equitable regional representation and meaningful participation of affected communities, shall verify all EXPY calculations;
- (b) Parties may submit, within six (6) months of publication, a request for reconsideration of their classification;
- (c) Decisions on such reconsiderations shall be taken by the Conference of the Parties (COP), based on the recommendation of the Technical Review Committee.

#### 11.4.7 Prohibition of Non-Additional Credits and Subsidies

- (a) No Party shall be eligible to receive credits, subsidies, or any form of financial support for the production, use, or partial disposal of plastics that does not result in a real, additional, verifiable, and permanent reduction of plastic waste;
- (b) Double counting, “greenwashing,” or any accounting practice enabling fictitious reductions while maintaining or increasing subsidies to plastic production or fossil fuels is expressly prohibited;
- (c) Credits for plastic management shall be granted solely for actions that demonstrably prevent plastic generation, enable community financing, or ensure safe, permanent disposal, and shall not offset or justify the continuation of subsidies to the plastics industry. If violated there shall be restitutionary methods for said communities.

**Technical Reference:** Hausmann, R., Hwang, J., & Rodrik, D. (2007). *What You Export Matters*. *Journal of Economic Growth*, 12(1), 1–25. <https://doi.org/10.1007/s10887-006-9009-4>