

# Ecuador's Deposit Return System for Pet Plastic Bottles

Johnny Sebastian Viteri / March, 2022



# About this Brief

This brief is one of a series of case studies examining Extended Producer Responsibility (EPR) Systems in various locations around the globe. Produced by the Global Alliance of Waste Pickers and WIEGO, this series looks at how the growing adoption of EPR policies and systems worldwide can either threaten or improve livelihoods for informal waste pickers who have traditionally been key players in recycling and reuse.

EPR systems come in many shapes and forms and can cover a range of materials. Their primary purpose is to hold producers responsible for the environmental and economic cost of the packaging and products that they put into the market. Some systems are mandatory policies, while others are voluntary initiatives led by companies or consortiums.

Waste is not just an environmental issue—it is a valuable commodity. For waste pickers, EPR systems can be controversial because they shift both power and profit to producers or other waste sector actors, often introducing new actors who compete for materials. But in places where waste pickers are organized, EPR can be a positive disruption that has the potential to finance new or existing waste picker activities. Thus, EPR can present both risks and opportunities for waste pickers and their organizations. Without a clear understanding of EPR in different contexts, however, it can be difficult for waste pickers and their organizations to know what to demand when an EPR system is being proposed or how an existing system should be changed.

This series aims to close that knowledge gap by sharing on-the-ground, lived experience of local waste pickers and their organizations in places where some form of EPR exists. Each study concludes with a set of recommendations for improving the system to better accommodate waste picker integration.

This document presents the vision of a collaborator with RENAREC (Red Nacional de Recicladores de Ecuador, the country's National Network of Waste Pickers), based on his experience with Ecuador's Deposit Return System for PET Plastic Bottles.

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## Cover photos:

**Top** – Photograph taken in the historical centre of Quito in 2014. 63-year-old Maria Culqui has worked in informal recycling for 45 years and belongs to the inclusive recycling services association *Recicladores Unidos*.

**Bottom** – PET material (plastic bottles) recovered from the streets of the historic centre of Quito by informal recyclers who are members of the inclusive recycling services association *Recicladores Unidos* to be transported, processed and marketed to industry.

Photos: Johnny Sebastian Viteri

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# Summary

In 2011, Ecuador introduced a Redeemable Tax on Non-Returnable Plastic Bottles (IRBP), which levies USD 0.02 on every PET bottle produced and sold in the country. Entities that return these materials for recycling receive a refund. Through this refund system, the tax aims to raise awareness about the environmental benefits of reducing plastic bottle consumption—resulting in a change of consumer choices—and to increase recycling rates.

The IRBP tax has effectively led to an increase in the number of recovered PET bottles, but high rates of cross-border imports of this type of waste prevent the government from collecting real revenue from the system. Another limitation is its failure to formally integrate grassroots waste pickers. While these often collect and return recyclable materials, serving as the first link in the recycling chain, waste picker organizations remain outside the formal bottle collection sector. Within the system, grassroots waste pickers can informally sell waste but, because they fail to meet the administrative and financial requirements, cannot move into buying PET bottles formally. This case study identifies reforms needed to adequately price materials, to control for transboundary imports of materials, and to ensure that grassroots waste pickers both benefit from the redeemable tax system and integrate in a fair manner.

## Basic Case Data

- **Location:** Ecuador
- **Scale:** Nationwide
- **System type:** Mandatory Redeemable Tax on Non-Returnable Plastic Bottles (IRBP)
- **Materials:** PET plastic bottles
- **Quantity of material recovered annually through the system:** 5 billion units in 2018
- **Material destination:** Recycling
- **Number of organized waste pickers involved with formal (contractual) opportunities:** 0
- **Number of independent waste pickers informally engaging in the formal system:** Unknown

# Ecuador's Deposit Return System for Pet Plastic Bottles

Ecuador is no stranger to environmental issues. For decades, the country's economy has relied on extracting natural resources, mainly oil, which has produced negative environmental impacts. Furthermore, Ecuador generates around 4.1 million tons of waste per year, of which 61.4 percent comprise organic waste, 25 percent potentially recyclable waste (9.4 percent paper and cardboard, 11 percent plastic, 2.6 percent glass, 2.2 percent scrap) and 13.3 percent is waste of other kind. Only between 15 and 20 percent of potentially recyclable waste is recovered nationwide (PNGIDS Program, Ministry of the Environment, 2015).<sup>1</sup>

At the end of 2011, Ecuador decided to support public policies targeted at environmental protection. The Environmental Promotion and State Revenue Maximization Act, gazetted in the Supplement to the Official Registry No. 583 of November 24, 2011, provided for the introduction of a Redeemable Tax (deposit) on Non-Returnable Plastic Bottles (IRBP), equal to USD 0.02 per PET (Polyethylene Terephthalate) plastic bottle. In a region with ongoing discussions on how to grow without compromising the environment, Ecuador became a pioneer in applying mandatory levies on waste and in adopting an Extended Producer Responsibility (EPR) model.

As of the second year of its entry into force (2014), this tax allowed Ecuador to attain recycling levels of plastic bottles above 100 percent, compared to the previously reported rate of 39 percent. Ecuador reached collection and processing (recycling) rates above those in Japan (72 percent), Europe (48 percent) and the United States (29 percent), according to the Ecuadorian Internal Revenue Service (SRI for its Spanish acronym). This is, however, a skewed comparison, because Ecuador achieved such high rates in part due to illegal cross-border import of PET bottles, which explains why the number of PET bottles, collected for recycling, exceeds the number sold in the country.

Between 2012 and 2014, the national treasury reported a gross tax collection of USD 83.5 million, but paid USD 96.3 million back to bottlers, importers, and collection centers because part of the containers was brought in from neighboring countries. So, to keep the system running the State spent USD 12.8 million. Analyses revealed that the tax is both an incentive and a burden and identified a need to introduce regulatory reforms to both strengthen controls and avoid market failures that might make this tax impossible to sustain.<sup>2</sup>

Understanding the value of this two-side policy, fiscal and environmental, must go beyond collection results. It is necessary to observe and assess the indirect and direct impact, as well as the outcome of the redeemable tax on plastic bottles, to determine if State action through economic instruments has in fact an impact on pollution levels. The success or failure of Ecuador's decision to integrate environmental protection into the economy through the IRBP depends on the achievement of a series of goals in different areas, ranging from collection effectiveness, the quantification of pollution level reduction, the response capacity of the polluting sectors, the development of a recycling industry, and the inclusion of most of the population in the fight to preserve the national and global ecosystem.

The IRBP Tax aims to:

- Raise awareness among the population on the environmental benefits of reducing waste caused by plastic bottles through reuse or recycling and change consumption habits down the road.
- Reduce the excessive use of plastic bottles, which pollute the oceans, the streets, and the green areas, and to design new manufacturing processes that avoid using virgin raw materials.
- Coordinate with waste managers to recover and use this type of solid waste.

The tax has encouraged recovering and recycling not only PET plastic bottles (considered a valuable material), but also other recyclable materials (paper, cardboard, plastic, glass, scrap, Tetrapak or Tetra Brik), but there is still great room for improvement in terms of consumption patterns and public awareness.

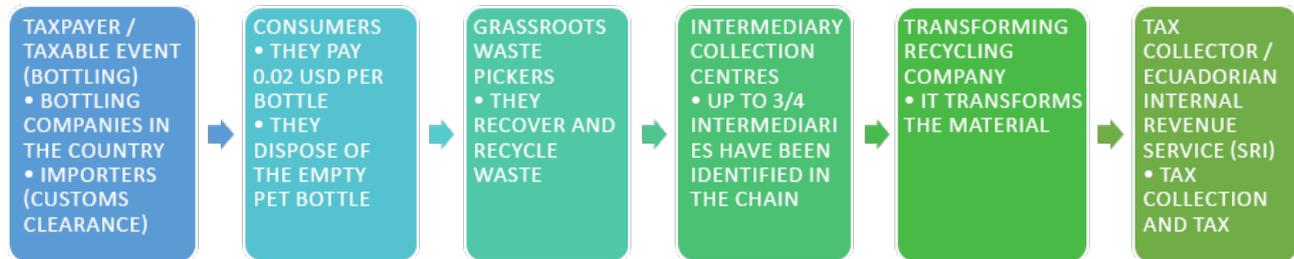
<sup>1</sup> Ministry of the Environment (*Ministerio del Ambiente*, MAE), Comprehensive Solid Waste Management Program (PNGIDS), 2015.

<sup>2</sup> *Analysis of the Redeemable Tax on Non-Returnable Plastic Bottles in Ecuador*, Universidad Andina Simón Bolívar, 2016.

# Understanding the Recycling Chain

Different actors intervene throughout the recycling chain, following the IRBP tax dynamics. These include bottlers, importers, consumers, grassroots waste pickers, intermediaries, the recycling industry, and the SRI—the State tax collection entity.

**Figure 1: IRBP Tax Cycle Actors**



Compiled by Johnny Sebastian Viteri.

To explain the tax dynamics and the interaction with different actors, we must look at the chain, starting with the events that trigger the IRBP tax. This includes basically the bottling of beverages (alcoholic, non-alcoholic, carbonated, non-carbonated, and water<sup>3</sup>) in non-returnable PET plastic bottles. The tax also applies to imported beverages when they clear customs.

Based on the “polluter pays”<sup>4</sup> principle, the Act states that bottlers and importers must pay this tax to the State when they introduce their merchandise into the market. The levy is then passed on to consumers at purchase. For instance, the price of a plastic bottle of water of USD 0.25 is therefore broken down as follows: USD 0.23 for the merchandise itself and USD 0.02 due to the IRBP levy. This way, through the consumer, the bottler or importer recovers the complete amount levied by the State when the product was introduced into the market.

Once the waste is generated, grassroots waste pickers (in informal employment) recover materials from the streets or from open-air dumps. They are therefore, as they have historically been, the first link in the country’s recycling chain.

For each plastic bottle taxed, the tariff of up to USD 0.02 is collected. This amount is afterwards fully refunded to whoever collects, delivers, and returns the bottles. The SRI<sup>5</sup> states the following:

1. Bottlers, importers, processing recyclers, and collection centers must, in turn, refund the amount of USD 0.02 to whoever collects, delivers, and returns the bottles subject to taxation (SRI, 2012).
2. If recyclers and collection centers certified by the Ministry of Industry and Productivity (MIPRO), or importers are unable to determine the exact number of bottles collected and delivered, the refund shall equal the updated conversion value of the number of non-returnable, recovered or collected plastic bottles to its equivalent in kilograms, which is updated every six months (SRI, 2012).

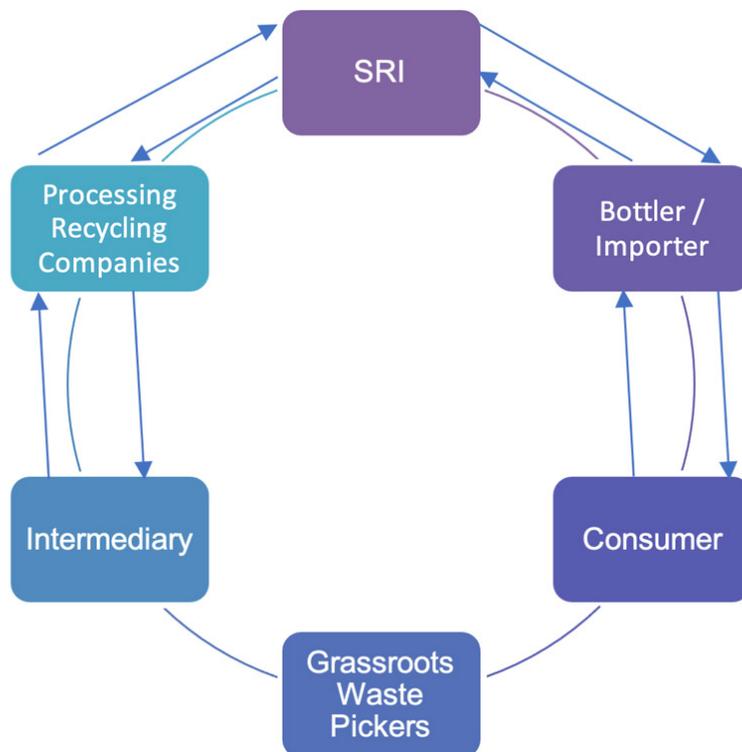
<sup>3</sup> The IRBP tax is not applied to dairy products and medicines packaged in non-returnable plastic bottles.

<sup>4</sup> The polluter pays principle stipulates that the cost of managing pollution, to prevent environmental or human health impairment, must be borne by the polluter.

<sup>5</sup> Ecuadorian Internal Revenue Service (SRI): State tax collection entity handling all the information and statistics concerning the different taxes levied, available at: <https://www.sri.gob.ec/>

The Mechanism Flow Diagram in Figure 2, prepared by the SRI, allows to visualize the tax dynamics and how the various actors interact within the IRBP model.

**Figure 2: The IRBP Tax Dynamics**



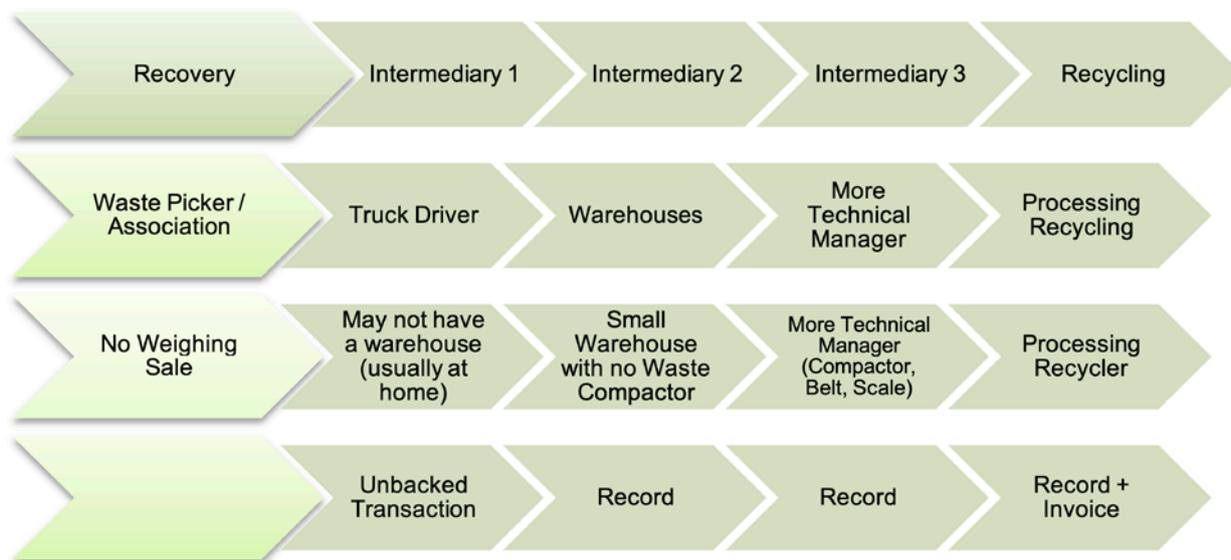
**Source:** SRI

According to the Act, the USD 0.02/bottle “shall be fully reimbursed to whoever collects, delivers, and returns the PET plastic bottles”.<sup>6</sup> It follows that waste pickers should be the main social beneficiaries of this EPR model.

However, they sell whatever they collect to an intermediary buyer. Throughout the chain, up to three intermediaries have been identified between grassroots waste pickers and the so-called “processing recycling” industry. This intermediation between waste pickers and the processing company means that the earlier receive only a portion of the USD 0.02 refund, as will be discussed later. The benefits of trading high-value materials are transferred to intermediaries and to the rest of the chain, while waste pickers remain inadequately compensated—working in poor conditions.

<sup>6</sup> Art. XX.- Rate: For each plastic bottle taxed, the tariff of up to USD 0.02 shall be exacted. This value shall be fully refunded to whoever collects, delivers, and returns the bottles. Hence, the adequate collection mechanisms shall be established for both the private and public sectors, as set forth by the relevant regulations.

**Figure 3: Intermediary Chain from Recovery (Grassroots Waste Picker) to the (Processing and Recycling) Company**



Chain from Recovery of the IRBP Tax

Grassroots waste pickers have been collecting waste in Ecuador for decades, contributing to environmental protection through the recovery and proper management of waste generated by the various cities across the country. And because they recover materials, they have always been an essential part of the system, but before the introduction of the IRBP tax in 2012, they had not benefited substantially, nor had they improved their economic conditions. This lack of recognition and profit led waste pickers to organize through assemblies led by Ecuador’s National Network of Waste Pickers (RENAREC). Founded in 2008, it gives voice to approximately 20,000 waste pickers and more than 50 waste picker organizations nationwide.<sup>7</sup> RENAREC advocates for their integration through inclusive national policies, as well as through local and inclusive recycling plans at the municipal level.

## Qualifying for an IBRP Refund

To comprehend the challenges faced by waste pickers, we must understand the requirements to qualify for an IRBP tax refund.

Who can request an IRBP Tax refund?

- Natural persons
- Legal persons (for example, waste pickers’ organizations)
- Collection centers, bottlers, and importers
- Recycling centers (the processing industry)

To receive a tax refund, beneficiaries must meet the following conditions:

- Hold a registration and authorization certificate granted by the MIPRO.
- Be registered and active in the National Taxpayers Registry (RUC).<sup>8</sup>
- Have no tax liabilities or obligations pending.
- Have signed and submitted a responsibility agreement to the Tax Administration (in this case, the SRI).
- Be no subject to disqualification because of termination of a responsibility agreement (Environmental Promotion Act, 2012).

<sup>7</sup> “Regional Initiative for Inclusive Recycling - 2015” Study

<sup>8</sup> National Taxpayers Registry (RUC): Tax identification document granted to taxpayers that enables them to conduct economic activities.

Regarding IRBP regulations, some challenges have been identified for grassroots waste pickers:

1. The requirements to be entitled to reclaim a tax refund are complex both for waste pickers' organizations and for the popular and solidarity economy sector. Only large companies (processing recyclers) can reclaim the tax thanks to their size and capacity. Out of the 17 companies registered and authorized to reclaim the tax, there is not a single grassroots waste pickers association.
2. Waste pickers do not possess enough working capital or economic power to purchase equipment or facilities and expand their role in recycling by doing so.
3. Most waste pickers and their organizations do not have storage spaces or warehouses and must therefore accept the first offer received for the collected material, rather than profiting from higher prices for higher volumes or from upswings in the market price.
4. Waste pickers lack the necessary equipment, machinery, and transportation to move large amounts of material.

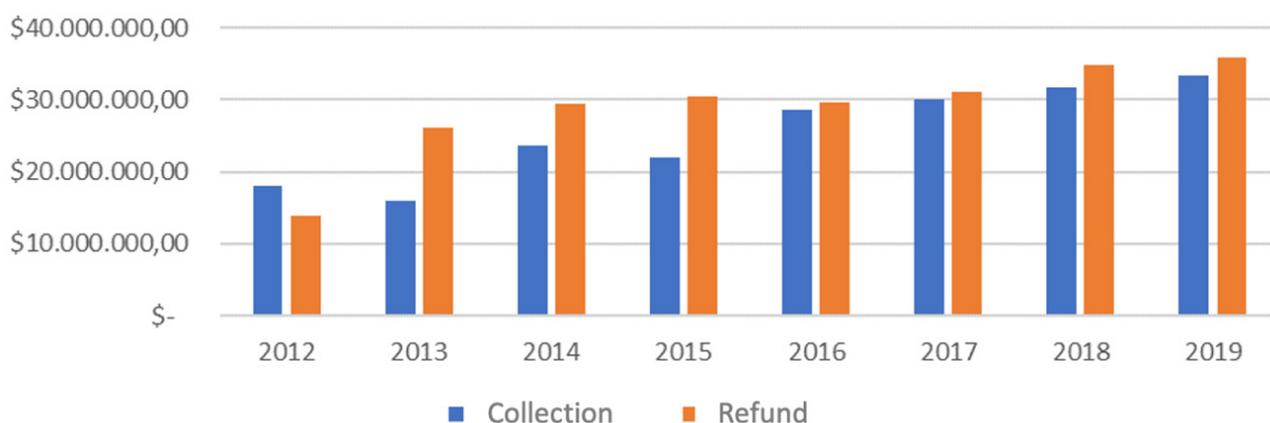
According to a table published by MIPRO (2018), which lists the entities authorized to reclaim a refund under the IRBP scheme, only industries that process recyclable materials have benefited from it. Since the introduction of the tax in 2012, this list has not included a single waste pickers' organization. This suggests an urgent need for inclusive reforms to laws and regulations so that these establish requirements that are compatible with waste pickers' reality, allow for their registration and monitoring, and enable them to reclaim the tax refund. It is also important to create the necessary operating conditions to make the actual inclusion of waste pickers into the model a reality.<sup>9</sup>

Many waste picker organizations are not registered in the RUC (the National Taxpayers Registry) and those who are registered prefer to remain inactive because it entails tax obligations. Waste pickers' income fluctuates between USD 180 and USD 210 per month,<sup>10</sup> not enough for them to keep up with RUC tax obligations.

## Economic Performance of IRBP

Through the full refund of what it collects, the IRBP tax seeks to promote and encourage the recycling of non-returnable plastic bottles. According to the SRI, between 2012 and 2019, the IRBP collection equaled USD 203.5 million approximately, while the system reimbursed around USD 231.4 million, revealing the complexity of the system. (In 2020, IRBP collection totaled USD 247 million approximately).

COLLECTION vs. REFUND – IRBP TAX



During the first year of implementation, the IRBP tax collection recorded an increase in the total refund, over the amount collected, of 47 percent compared to the previous year (2011–12). Although it is true that the subsequent years also show an increase in the difference, such upsurge is not as substantial as it was for the first year. Moreover,

<sup>9</sup> It is of paramount importance to include the term “Grassroots Waste Picker” (*reciclador de base*) and its meaning in the Act and its Regulations. In the glossary of terms used in the Act, the occupation of grassroots waste pickers is not mentioned, despite being the most important actors in the model, given that they recover material from the streets and from open-air dumps, and then reinsert it again into the production line.

<sup>10</sup> IRR Study, 2015.

the 2015–16 period is the only year in which the difference decreased by 3 percent. Unfortunately, due to problems within the system, the State reimburses more than it collects, mainly because of the number of plastic bottles illegally introduced across the border (smuggled from Peru and Colombia) and to the duplication of records during transactions.<sup>11</sup>

To maintain the system’s fiscal viability, the State is forced to change the conversion factor by—paradoxically—modifying the number of plastic bottles estimated to equal a kilogram of material, while keeping the price per container unchanged since 2012 (one bottle is worth USD 0.02).

This conversion factor changes every six months and keeps decreasing the number of containers or bottles supposed to equal each kilo. Therefore, in 2012, 44 bottles were estimated to equal one kilo, which was worth USD 0.88. But by 2019, as a rule, one kilo consisted of only 15 bottles, for which a USD 0.30 fee was paid. Hence the downward trend in the price paid per each container that was recovered.

VARIATION OF THE ECONOMIC VALUE OF THE IRBP TAX  
2012 – 2020



Compiled by Johnny Viteri

VARIATION OF NUMBER OF PET BOTTLES/KG OVER TIME



Compiled by Johnny Viteri

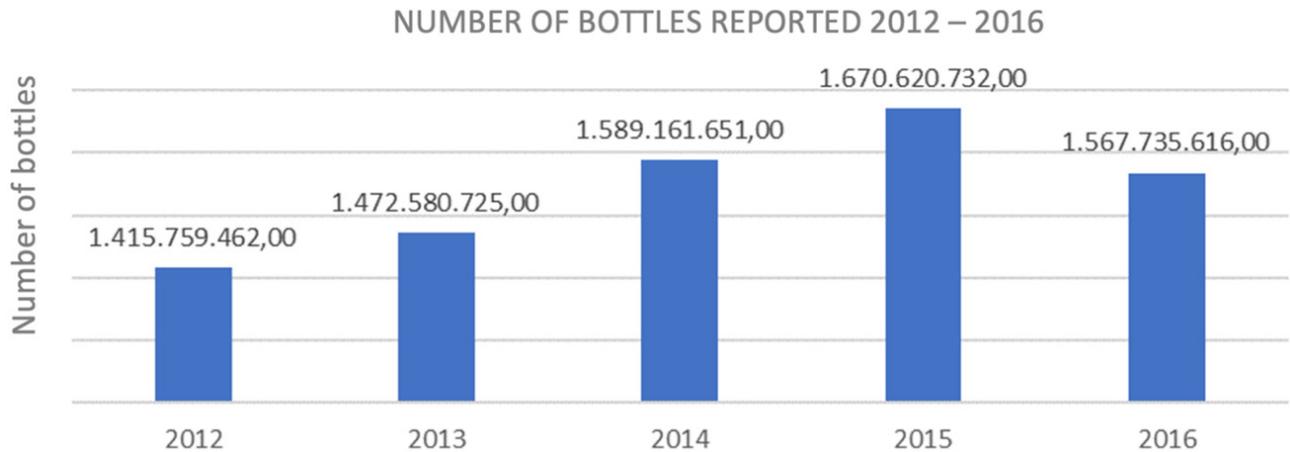
The measure mentioned above was paradoxical for two reasons. First, there is a gap between the actual number of containers in a kilo of material and the number accepted by the system. Second, the industry tends to reduce the grammage in the weight of PET bottles, i.e., in real life the lower the bottles’ grammage, the higher the number of containers in a kilo.

As a result, grassroots waste pickers must work harder, spending more hours to complete one kilogram of bottles, for which they are paid less because of the declining conversion rate. This is an ongoing struggle to maintain their income levels or otherwise see them drop.

<sup>11</sup> Other contributing problems identified in the system include unbacked transactions and the signing of blank records.

# Environmental Factors

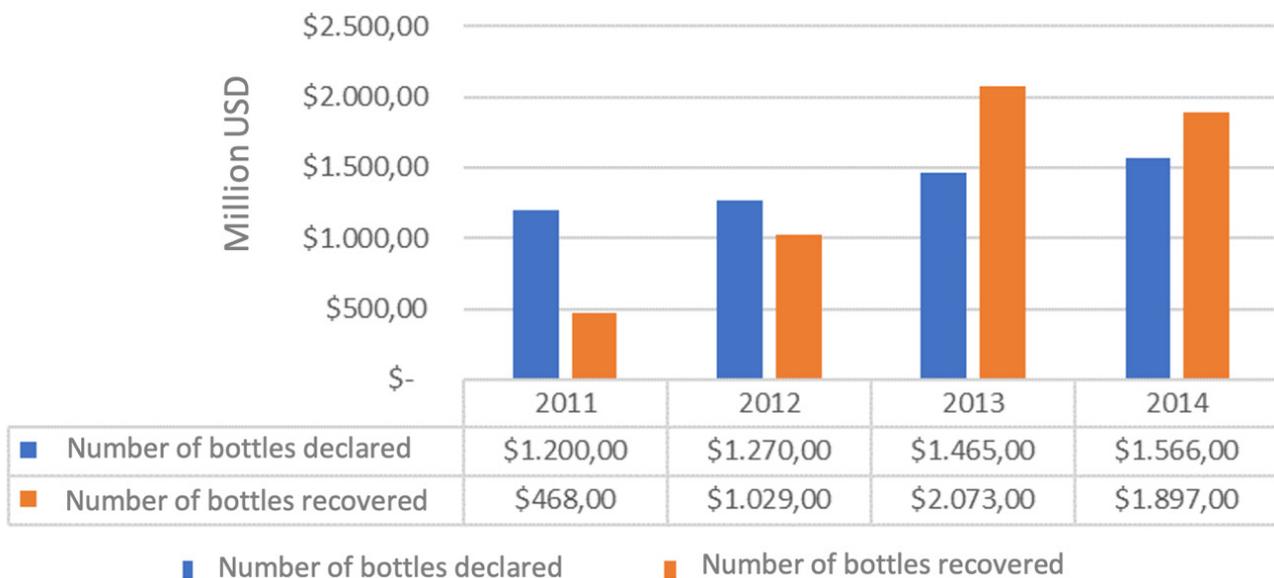
In Ecuador, as in the rest of the world, the production of plastic bottles is a serious environmental issue that needs to be urgently addressed. According to the SRI, between 2012 and 2016, approximately 7.715 billion plastic bottles were introduced into the market.



Source: SRI

The IRBP tax failed to meet its stated non-tax objectives, such as a change of consumption patterns or the adoption of substitute goods. During the first year of implementing the IRBP tax, 1.415 billion of non-returnable plastic bottles were manufactured; the subsequent year, production reached 1.472 billion, a 3.86 percent increase in bottles. Between 2013 and 2014, bottle manufacturing grew by 7.34 percent, the largest rise since the tax was implemented. The growth between 2012 to 2016 was 9.7 percent, and—if projected to 2020—it is estimated that roughly 15.4 billion bottles were introduced into the market. It is noteworthy that the manufacturing of non-returnable plastic bottles grew at the same rate as its main economic sector: the beverage industry.

## DECLARED vs. RECOVERED BOTTLES



The current consumption rate will result in an amplified demand for PET bottles, as well as greater pressure on the EPR system to manage natural resources as well as the responsible disposal of waste.

Ever since the IRBP tax came into effect, there has been no increase in the levy itself. Its low tariff and permanent transfer along the chain has made it socially acceptable to both bottlers and consumers. However, the tax does not encourage replacing PET bottles with other returnable containers, such as glass bottles.

Additionally, the IRBP tax did not trigger a change in consumer preferences or in bottling companies' manufacturing schemes. There were even distortions regarding the number of declared bottles that was acknowledged by the State.

**Figure 4: Regulations of the Redeemable Tax on Non-Returnable Plastic Bottles**

- 1 Bottlers and importers shall declare and pay the tax until the fifth working day of the subsequent month following the taxable event. Importers shall include this in their Customs Declaration.
- 2 To settlement the due tax, bottlers shall multiply the number of bottled units by the corresponding rate—a value from which the number of recovered bottles transferred to either the recycler or to a collection center shall be deducted.
- 3 The SRI shall exclusively reimburse collection centers, recycling centers and certified importers for the tax amount multiplied by the number of recovered or collected bottles, or their equivalent in kilograms.
- 4 Consumers have the right to a refund from bottlers and collection centers if and when they deliver the bottles clean and waste-free.

*Source: Ecuadorian Internal Revenue Service (SRI). Compiled by the author.*

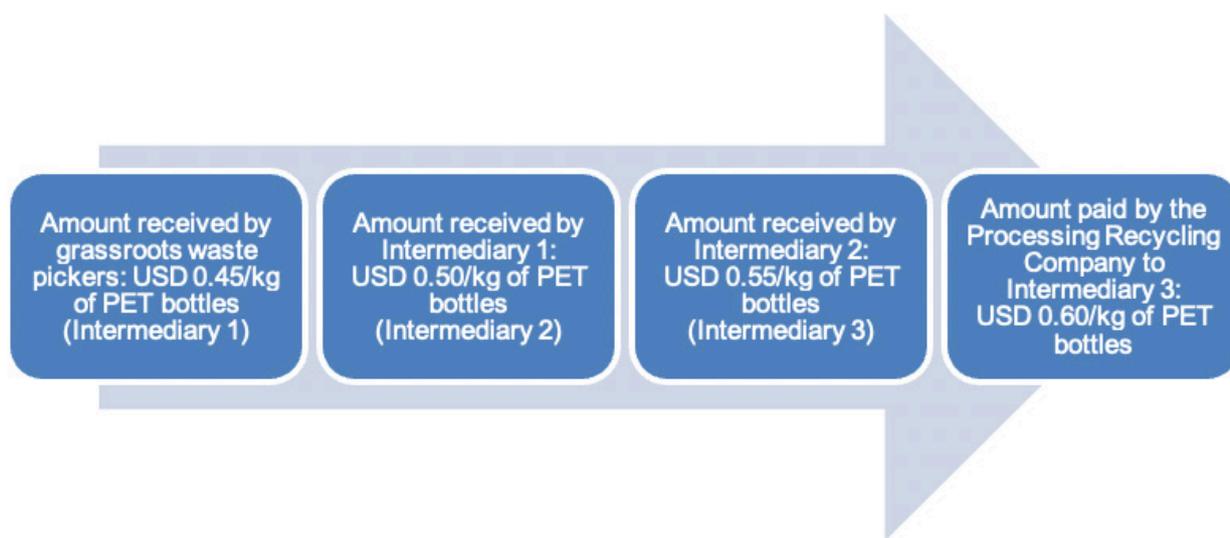
## IRBP Tax Effectiveness

The amount of tax collected from bottling (the taxable event) and the amount refunded gave the State a negative balance of USD 12.8 million between 2012 and 2014, which shows that fiscal support was required to keep the system operating. This does not comply with the EPR principle implicit in the IRBP tax—contained in all “green taxes”. The Act upholds that the State must refund the amount for the recovered plastic bottles, but fails to set a ceiling on such reimbursement.

Environmental and tax authorities hold different opinions regarding the effectiveness of taxation in the environmental field. Before implementing the tax, the Ministry of the Environment estimated that 1.2 billion produced or imported bottles circulated in the country, with a recycling rate of 39 percent. Once implemented, collection and recycling levels increased to 81 percent in the first year, 141.5 percent in the second year, and 121.1 percent in the third year, which would imply that the environmental objective—of reducing pollution caused by non-returnable plastic bottles—was achieved.

However, socioeconomic benefits for grassroots waste pickers have not materialized. In 2019, the SRI established a conversion factor of 15 PET bottles per kilogram, equivalent to USD 0.30/kg (in 2012, this factor was set to 44 PET bottles/kg, equivalent to USD 0.88). The total value per kilo for the processing recycling companies was USD 0.60. Because they are placed at the beginning of the value chain, waste pickers receive USD 0.45/kg, in most cases paid by the intermediary (Intermediary 1 in Figure 5). Each intermediary receives a higher amount than the previous one, and this sum does not include the payment of other parallel activities (label removal, sorting, and baling), until the material reaches the processing recycler, who pays the final intermediary USD 0.60/kg.

**Figure 5: Distribution of the PET Bottle Recovery Price per Kilogram**



Compiled by Johnny Viteri

This way, grassroots waste pickers receive 77.1 percent (USD 0.45) of the total value per kilo (USD 0.60), paid by processing and recycling companies, while intermediaries obtain higher prices on account of the value added (USD 0.15/kg for label removal and sorting, for example), until eventually reaching 100 percent of the market value.

RENAREC insists on the need to ensure that waste pickers benefit directly. Elbia Pisuña, Vice-President of the organization, commented on what the IRBP model really meant for RENAREC members when the conversion rate for the number of bottles per kilo was much higher: “We thought that the entirety of the two cents [per bottle] would be given to grassroots waste pickers and not to the industries. The project implied a good profit for waste pickers, but it ended up making our work more difficult. Before, we were 1,500 waste pickers in the city, and now we are more than 4,400. Everyone wants to recycle nowadays, even schools and industries. On top of that, intermediaries, who own the collection centers and can deliver the bottles, pay us 54 cents without acknowledging the labeling and sorting tasks. They receive USD 0.85 from the companies. So, who wins? It has been excellent for nature and for the environment, but for us, not so much” (Elbia Pisuña, personal interview, May 21, 2016).

### **Disadvantages of the system for grassroots waste pickers:**

- Since 2012, the conversion factor has been changing every six months, always following a downward trend—waste pickers receive less for the material they collect.
- The biannual decrease in PET value has a direct impact on waste pickers’ revenue, as the IRBP represents around 50 percent of their total income.
- Currently, grassroots waste pickers do not receive the full tax refund.
- Legal reforms are needed to ensure that the concepts and terms of “inclusive recycling” and “grassroots waste pickers” are included in the law.

### **Risks to the IRBP model:**

- Low control capacity throughout the chain challenges its fiscal viability (illegal entry of PET bottles over the border, unbacked transactions, the signing of blank records, and records duplication).
- The tax may be too fiscally and operationally complex and might disappear.

### **Advantages:**

- Since the tax was introduced in 2012-2013, there was an increase in the recovery of materials containing PET plastic, as well as other recyclable materials.
- When compared to other materials, PET is one of those with the highest market value.
- In some cases, the IBRP refund represents 50 to 60 percent of a grassroots waste picker’s monthly income.

## Recommendations:

- Improve controls throughout the chain.
- Set up a technical committee to review the sources of information and the method that defines the IRBP tax conversion factor to ensure that the number of bottles estimated to be contained in a kilo of PET is fair and accurate.
- Collect samples nationwide to contrast this information.
- Create the conditions for the tax to benefit grassroots waste pickers.
- Provide operational conditions and empower popular and solidarity economy organizations, especially those of grassroots waste pickers, for these to access government procurement and tendering and to provide recyclable waste management services.
- Set a ceiling on the amount refunded to the processing recycling companies—one that does not exceed the amount collected by the State from bottling—to prevent further damage to the national treasury.

## Alternative or Complementary Solutions

Other international cases present alternative scenarios with possible solutions to the issues raised by the IRBP tax. Like Ecuador, many other countries have implemented tax regulations to stop the use and subsequent pollution of plastic bottles that were based on the deposit return initiative. On the other hand, many others have introduced a duty as a mere tax collection measure—i.e., there is no refund for returning plastic bottles.

Having said this, and compared to international experiences, Ecuador is not the worst case in terms of environmental fiscal policies. However, reforms are needed to ensure that benefits reach waste pickers, and to improve controls throughout the chain. New legislation would ensure meeting these goals and would go beyond the Environmental Promotion and State Revenue Maximization Act, which focuses on environmental taxes. New legislation would allow tax authorities to have a deeper understanding of the reality of these issues and their possible solutions. Besides the need to link State institutions, it is necessary to engage the Ministry of the Environment, which has never been involved in the IRBP or its objectives, despite being the authority in charge of managing environmental issues and having a series of programs and projects that can be tied together with the goals of the IRBP Tax—such as the National Comprehensive Solid Waste Management Program, among others.

On the other hand, the IRBP tax necessarily requires reforms to the way in which it operates and to the way in which the tax is collected. While it is true that the refund for plastic bottle recovery has enabled the development of the recycling industry, the country is facing payments that are higher than the collected income, so it is not sustainable over time.

In doing so, Ecuador could consider, in the future, creating a special fund that replenishes from tax income, but which may be used for other purposes, for instance, grants geared towards grassroots waste pickers and bottlers, aimed at innovation and inclusive recycling plans.

# Epilogue

In 2021, the Constitutional Court declared the 2011 tax reform unconstitutional, meaning that the deposit return system for PET plastic bottles in Ecuador will be phased out.

The Court ruled that the Environmental Promotion Act will remain in force until 2023 to allow time for the approval of new legislation. After 10 years of analysis, it declared the tax reform—i.e., the Act itself—, which came into force in November 2011, unconstitutional. This was one of the most important tax reforms promoted by President Rafael Correa's Administration, as it increased the Tax on Foreign Currency Outflows (*Impuesto a la Salida de Divisas*) from 2 to 5 percent.

Due to all the legal loopholes that this declaration may cause, as well as its impact on the State's tax revenue, the Court decided that the ruling will not enter into force immediately. The constitutional body ruled that the legislation will remain in force until December 2023 to give the Executive time to send a new tax reform for the purpose of correcting the loopholes that will open.



Photo: Johnny Sebastian Viteri

## ABOUT GLOBAL REC

The Global Alliance of Waste Pickers is a network of waste picker groups representing more than 300,000 workers from 100+ organizations across 34 countries. Visit [www.globalrec.org](http://www.globalrec.org)

## ABOUT WIEGO

Women in Informal Employment: Globalizing and Organizing (WIEGO) is a global network focused on empowering the working poor, especially women, in the informal economy to secure their livelihoods. We believe all workers should have equal economic opportunities, rights, protection and voice. WIEGO promotes change by improving statistics and expanding knowledge on the informal economy, building networks and capacity among informal worker organizations and, jointly with the networks and organizations, influencing local, national and international policies. Visit [www.wiego.org](http://www.wiego.org)

*Photo : Lago Agrio, September 2018. Andres Limaico is a waste picker and a member of the ASOSERAL waste picker association. The association focuses on organizational strengthening and recycling route management, in cooperation with the municipality of Lago Agrio.  
Photo by: Johnny Sebastian Viteri*

