PPP in Solid Waste Management:
To create more Jobs and to mitigate Climate Change

European Investment Bank

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Agenda

- The EIB: The EU Bank
- European PPP Expertise Centre (EPEC)
- Solid Waste in Low- and Middle income Economies
- PPP in Solid Waste Management: Rationale and Issues
The EIB: the EU bank

Natural financing partner for the EU institutions since 1958

Around 90% of lending is within the EU

Shareholders: 28 EU Member States

Investing in Europe’s growth
EIB Group financing in 2016

- EUR 83.8bn
- EUR 280bn
- Total investment supported
Climate Finance Pioneer

• EUR 19 bn for climate in 2016

• USD 100 bn 2016-2020
The European PPP Expertise Centre

- Designed as a capacity building ‘public good’ PPP initiative
- A unique membership-based PPP expertise network
- With a mission to support the public sector to deliver sound PPPs
- Based on a membership of 41 (30 countries) – typically central PPP units of Member States and Candidate countries, the EIB and the EC
- That is ‘neutral’ in its approach to PPPs and independent of EIB lending
- An integral part of the EIB’s advisory services, providing network activities and PPP advisory support
PPP Advisory Services to the Public Sector

• **Share** good PPP practice through network activities:
  - Providing market intelligence
  - Addressing practical issues in implementing PPPs
  - Developing PPP guidance and tools

• **Assist** PPP policy development e.g.:
  - PPP legal and regulatory frameworks
  - PPP institutional arrangements
  - Processes for preparation and management of PPPs

• **Support** PPP project preparation, offering high level strategic advice, e.g.:
  - Making the PPP decision
  - PPP project analysis preparation
  - Use of transactions advisers
SW Issues in Low- and Middle Income Countries

Climate Action and Short-lived Climate Pollution «SLCPs»
Link of SWM and GHG Gas Emissions
### SWM in LMIC: Drivers and Triggers

#### I. Public Health/Envir. Protection
- SW: Public Goods, negative Externalities
- Waterborne diseases
- Groundwater pollution
- Public Authorities: Lack of awareness
- Inefficient drinking water production

#### II. Climate Change and Resources Management
- 640-760 m CO$_{2eq}$ worldwide from landfills/dumpsites
- Addressing SLCPs: mitigate near-term climate change
- Material recovery: Driver of recycling
- Recycling/Re-use: Reduction of GHG emissions
- Only 25% of recylcate recovered (Worldwide)

#### III. Business Opportunities
- 46 bn $ spent: 40 bn Market gap
- More than 150 bn needs in 2025
- 5% Urban jobs in ACP
- 15-20 million of people
- Huge potential to create jobs: Skilled and unskilled people especially the recycling industry

#### IV. EIB Role
- Climate Action: 40% outside EU!
- Providing financial means, technical Assistance,
- Play a catalytic role for the private sector
- Profound experiences within and outside Europe
- European External Investment Plan
Market and Financial Burden in LMIC

- SW expenses in ACP/OCT: USD 46 bn per annum;
- Market Gap: Additional USD 40 bn;
- Municipal Authorities:
  - Lack of technical expertise;
  - No direct Access to credit for public works;
  - No Consequences of increasing disposal fees, so landfills lose money;
  - As a consequence: Illegal dumping.

Need for sound financing framework: PPP / PSP
## SW-PPP Framework: SWOT Analysis

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<thead>
<tr>
<th><strong>Strengths</strong></th>
<th><strong>Weaknesses</strong></th>
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<td>Faster responses to investment needs</td>
<td>Market Fluctuations (recycling material)</td>
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<td>Innovative</td>
<td>Principal-Agent Dilemma</td>
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<td>Accountability for the provision of service</td>
<td>Inter-organisational Relationship</td>
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<td>Reduction of public debt</td>
<td>Lack of regulatory framework sometimes</td>
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<td>Higher financing costs</td>
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<tr>
<th><strong>Opportunities</strong></th>
<th><strong>Threats</strong></th>
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<td>EU Directives, EU Targets</td>
<td>Economic life of the assets</td>
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<td>LMIC Targets ?</td>
<td>Accessibility of Information</td>
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<td>Waste framework Directive</td>
<td>Public contract monitoring</td>
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<td>Landfill Directive</td>
<td>Lack of long-term competition</td>
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<td>Payment Mechanism: Profit sharing</td>
<td>Re-municipalisation</td>
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<td>Tight public budget</td>
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UN Climate Change Conference 2017, Bonn / Germany
PPP in SWM: Rationale and Issues

Rationale
- Faster response to the needs in environmental infrastructures, new capital investment, access to technical know-how and cost efficiency;
- Risk sharing, Innovation;
- Engine for economic growth and sustainable development;
- Opportunities for private entrepreneurs and chance for public sector to outsource non-core activities;
- Foreign Direct Investment (FDI), tight municipal budgets, transfer of managerial and technical know-how.

Issues
- Long-term Transaction costs;
- Monopoly: Public oversight requirements;
- SWM: Merit goods, non-exclusive, non-rival;
- Equal access, affordability and the guarantee of the continuity of service;
Thank you very much!!