

PPP in Solid Waste Management

EIB Approach to support Circular Economy and to mitigate Climate Change



European Investment Bank

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Agenda

- **The EIB: The EU Bank**
- **European PPP Expertise Centre (EPEC)**
- **EIB Priorities outside the EU**
- **External Investment Plan: The 3 Pillars**
- **Example: ISWM in Jujuy Argentina**
- **SWM in Low- and Middle Income Countries**
- **PPP in SWM**

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 2017



EUR **78.2bn**



EUR **250bn**

Total investment
supported

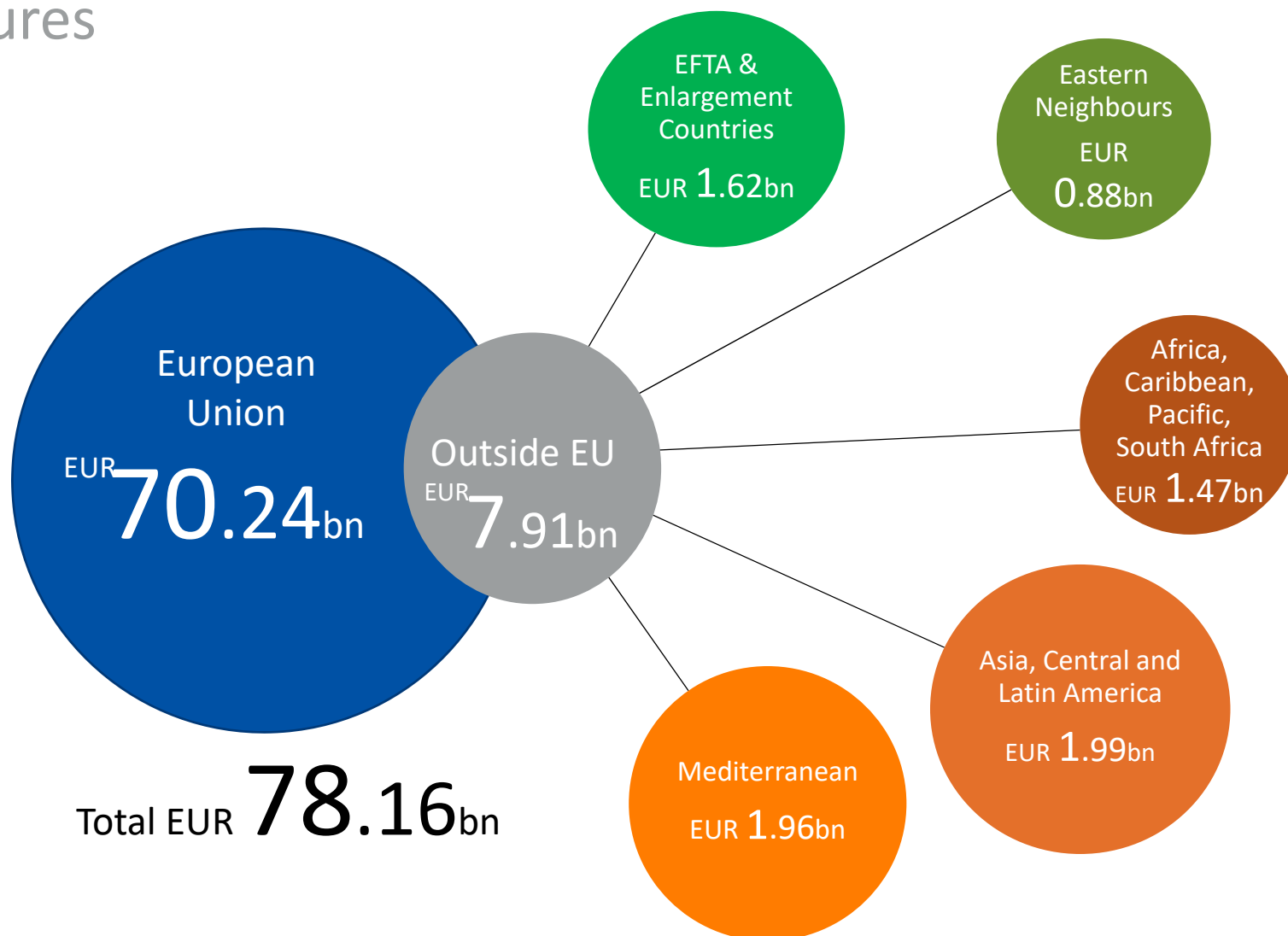
Climate finance pioneer

EUR **19** bn
for climate
in 2017

USD **100** bn
2016-2020

EIB Group financing in 2017: EUR 78.16bn

Signatures



The European PPP Expertise Centre

PPP Advisory Services to the Public Sector

- **Share** good PPP practice through network activities:

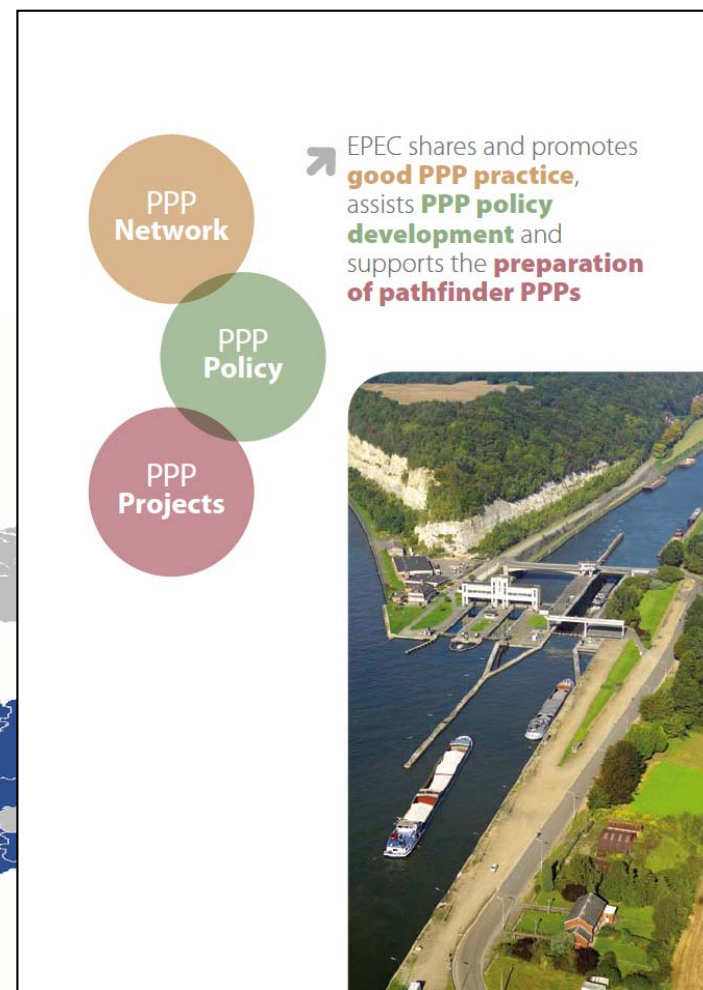
- Providing market intelligence
- Addressing practical issues in implementing PPPs
- Developing PPP guidance and tools

- **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




EIB Priorities outside the EU

Private sector development 

Social and economic Infrastructure

Security of energy supply 

Environmental sustainability 

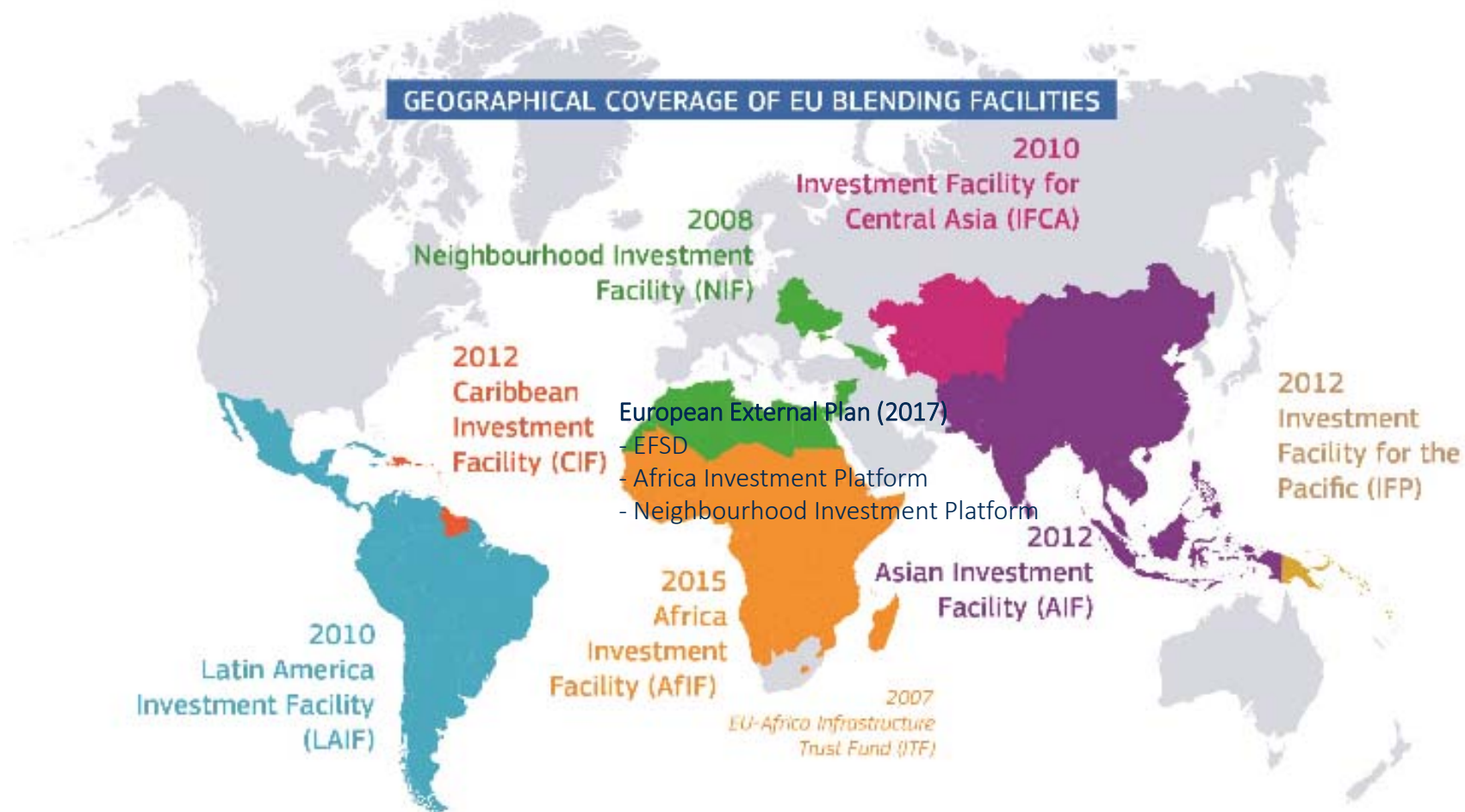
 support the implementation of the EU external policy, promote sustainable growth and employment

Climate Action: transversal policy 28% of EIB loans in developing countries

EIB products: We help catalyse investment

LENDING	BLENDING	ADVISING
<p>Loans</p> <p>But also:</p> <p>Guarantees</p> <p>Equity participation</p>	<p>Combining EIB finance with grants, i.e. from the EU budget:</p> <ul style="list-style-type: none"> - High impact finance - Higher risk projects for innovation 	<p>Prepare, evaluate and support the implementation of projects/ investment programmes</p> <p>Support for public/private partnerships</p> <p>Capacity building</p>
Attracting FUNDING for long-term growth		

Blending EU grants for **external cooperation** -EU Regional blending facilities



Technical Assistance pillar of the External Investment Plan

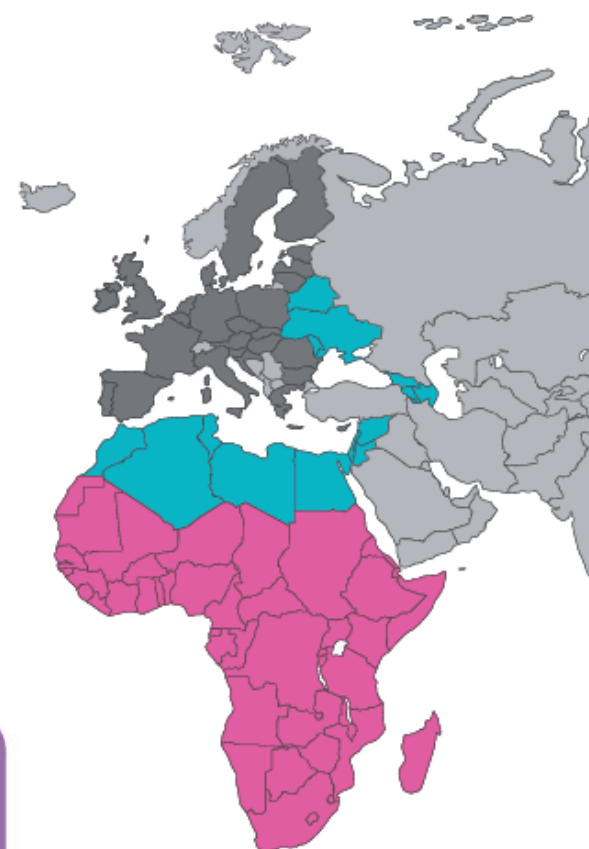


Three pillars of the EIP, including Technical Assistance



In the EIP context, the aim of technical assistance is twofold:

- to maximise the quality and impact of the investments mobilised with the help of the EFSD (pillar 1); and
- to promote a conducive investment climate with and/or in support of partner countries and in close cooperation with the private sector (pillar 3).

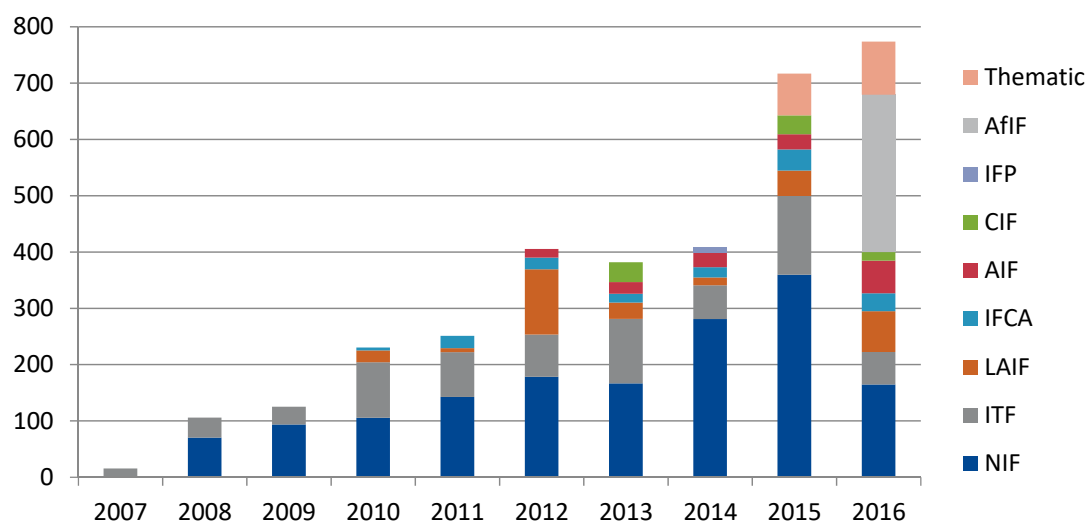


- EU neighbourhood countries
- Sub-Saharan Africa

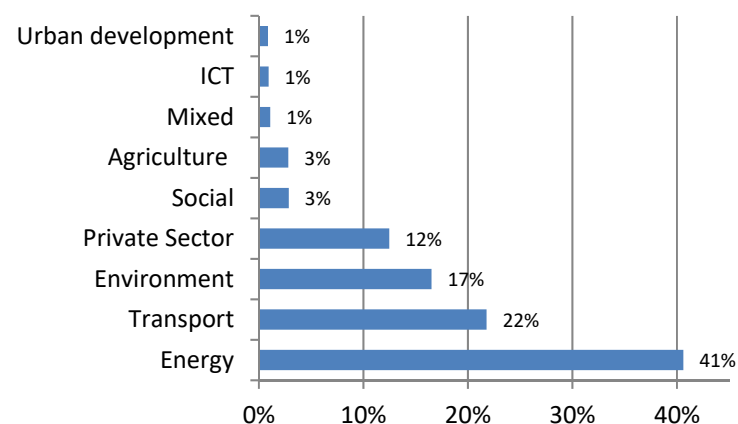
Source: EC

Blending operations under EU Regional Blending Facilities (2006-2016)

Annual grant approvals (in € million)



Grant approvals by sector (in %)



All facilities grant approvals to 380 operations
€ 3.4 billion
 Average: € 9 million per operation

EFIs financing to approved projects ^{1 *}
€ 26.2 billion
 Leverage: 7.7/1

Total investment amount
€ 57.3 billion
 Leverage: 16.8/1

¹ Regional Banks (AfDB, IADB, CDB, ADB, ...) and WB/IFC are NOT included
 Source: presentation EC, Working Party on Development Cooperation December 7th, 2017

Integrated Solid Waste Management in Jujuy /Argentina

Project need

- Current solid waste management situation in the province
 - Very low collection rate (15%), generally no selective waste collection
 - Disposal in dumpsites
 - Increasing costs of urban sanitation, sanitation treatment, water purification

Main project objectives:

- **Improve the quality of life** of the population in the Province of Jujuy
- **Tackle climate-change** related issues:
 - reduction of greenhouse gases
 - proper management of urban solid waste.

LAIF grant:

- **IG** – close financing gap of project cost
- **TA** – project preparation, implementation & monitoring and strengthen capacity of Promoter



SWM Jujuy / Argentina: LAIF added value

Type / Sources	EU Blending facilities	Financial institutions	Non blended financing (including partner country(ies)/beneficiary)	Total (€M)
Technical assistance	3			3
Investment Costs	8	14 (IADB) + 42.2 (EIB)	20.2 (Gov of Jujuy)	84.4
Communication and audit	0.35			0.35
Total Uses (€M)	11.35	56.2	20.2	87.75

- LAIF grant contributes to environmental and social benefits:
- Direct additionality LAIF grant - Project scale, timing and project sustainability:
 - LAIF grant will close financing gap of project cost and ensure all project components completed hence IWMP operational in due time.
- Financial leverage:
 - Investment leverage ratio is 7.7:1
 - FI leverage ratio is 4.95:1
- Job creation:
 - Temporary employment: approx. 2500 person-years during the implementation period
 - Permanent jobs: approx. 200 jobs.

SW in LMIC: Market and Financial Burden

- 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, inadequate disposal

Need for sound financing framework: PPP / PSP

SW-PPP Framework: SWOT Analysis

Strengths

Faster responses to investment needs
Innovative
Accountability for the provision of service
Reduction of public debt

Weaknesses

Market Fluctuations (recycling material)
Principal-Agent Dilemma
Inter-organisational Relationship
Lack of regulatory framework sometimes
Higher financing costs

Opportunities

EU Directives, EU Targets
Sustainable Development Goals in LMIC
Waste framework Directive
Circular Economy target
Payment Mechanism: Profit sharing
Tight public budget

Threats

Economic life of the assets
Accessibility of Information
Public contract monitoring
Lack of long-term competition
Re-municipalisation

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;

Key Messages

- Major needs and investment opportunities: Increase lending (private, public, PPP, etc.);
- Use waste as a resource: Circular Economy;
- Strengthen energy recovery, and tackling of climate change;
- Consider climate change related parameters and risks in our economic project appraisal criteria;
- Circular Economy entails
 - Technological and process innovation
 - Financial innovation may also be required to create the financial products that can sustain Circular Economy-related investments
- Investment Plan for Europe: Creation of a window of opportunities for assessing whether new financial instruments could be better tailored to Circular Economy-related investments
- Joint EU-EIB financial instruments such LAIF / AfIF/ EIP could be used to support EU's policy on circular economy and enable further transition



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