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

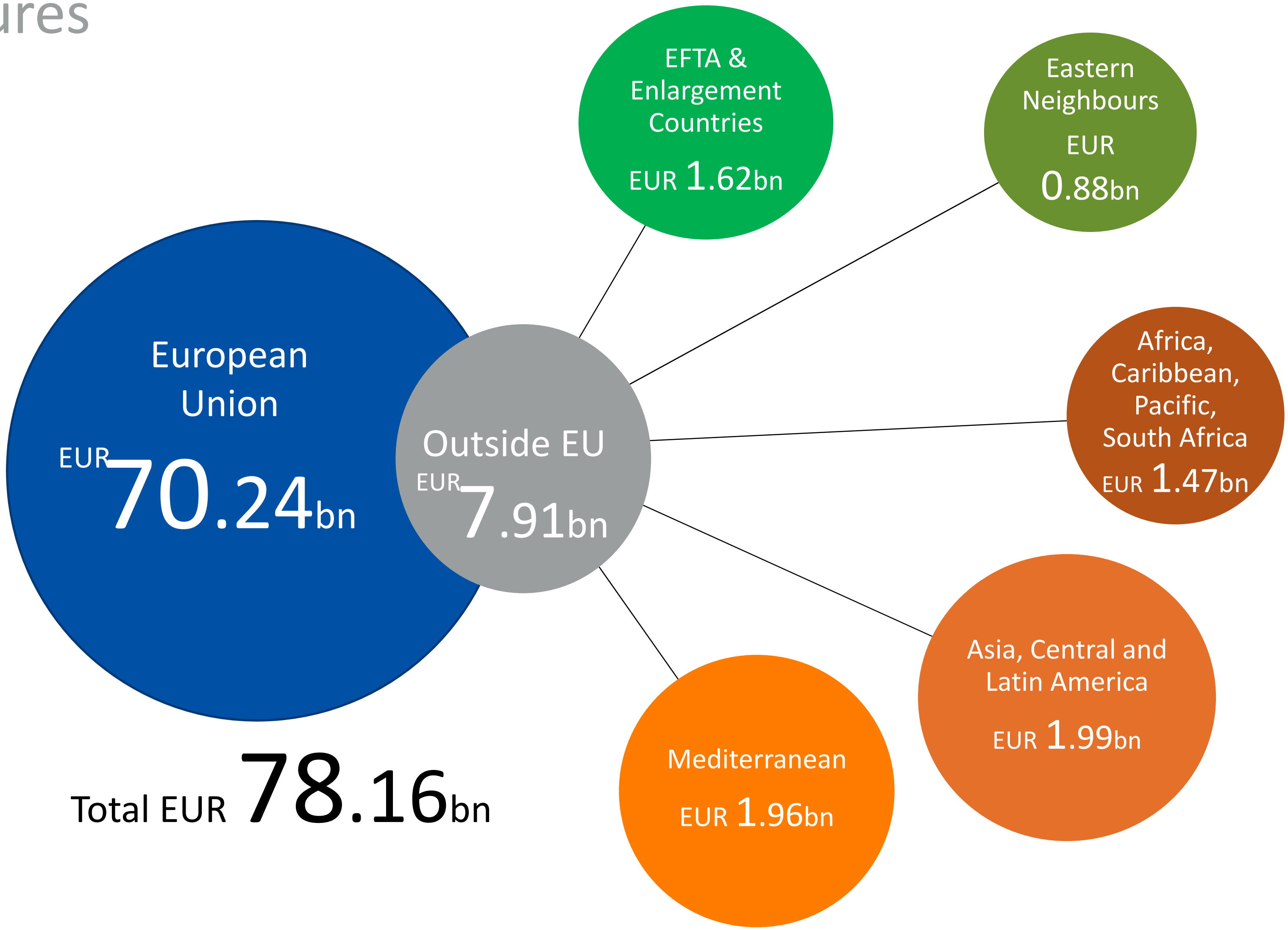
Investing in Europe's growth


EIB Group financing in 2017
European Investment Bank
The EU bank
EUROPEAN INVESTMENT FUND
EUR 78.2bn
European Investment Bank
The EU bank
EUROPEAN INVESTMENT FUND
EUR 250bn
Total investment supported

Climate finance pioneer

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:

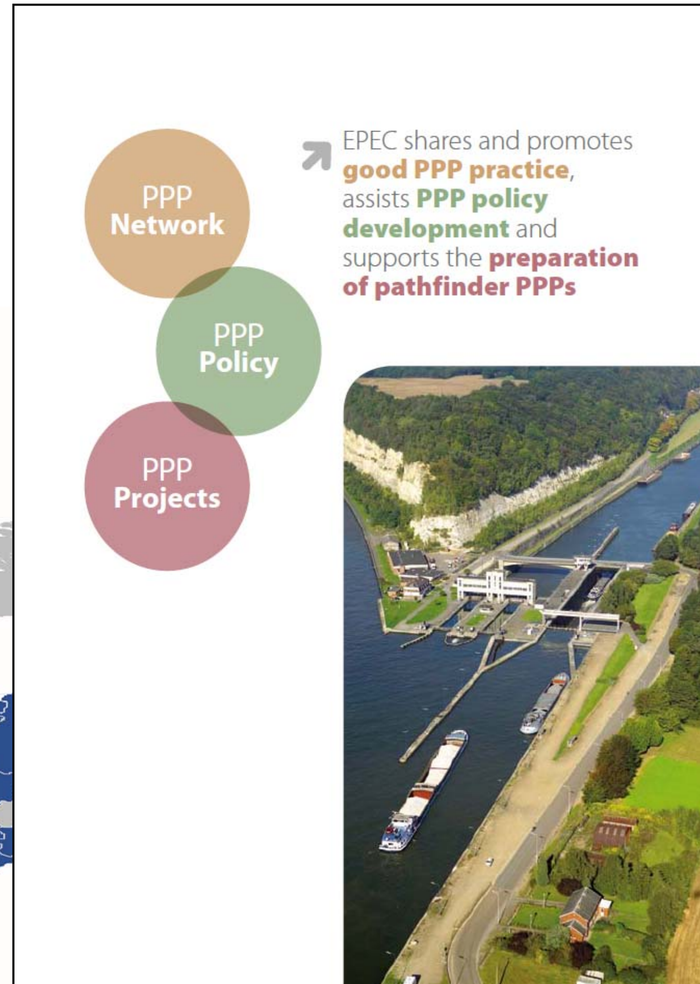
- Providing market intelligence
- Addressing practical issues in implementing PPPs
- Developing PPP guidance and tools

•**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 developping countries

EIB products: We help catalyse investment

LENDING	BLENDING	ADVISING
Loans But also: Guarantees Equity participation	Combining EIB finance with grants, i.e. from the EU budget: - High impact finance - Higher risk projects for innovation	Prepare, evaluate and support the implementation of projects/ investment programmes Support for public/private partnerships Capacity building

Attracting FUNDING for long-term growth

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

European External Plan (2017)
- EFSD
- Africa Investment Platform
- Neighbourhood Investment Platform

Technical Assistance pillar of the **External Investment Plan**

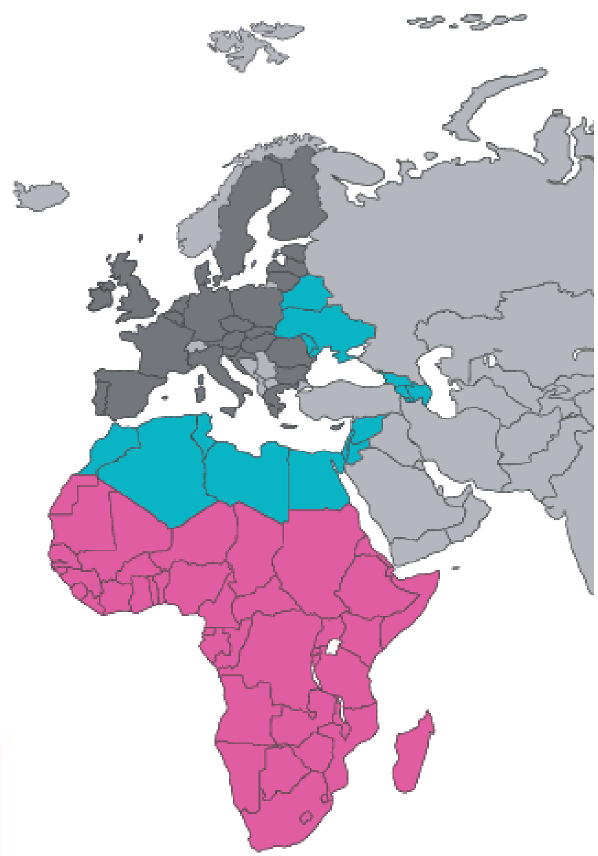
Improve investment climate

Encourage private investments

Focus on jobs and growth

Contribute to Sustainable Development Goals

Tackle some of the root causes of migration



EU neighbourhood countries

Sub-Saharan Africa

Three pillars of the EIP, including Technical Assistance

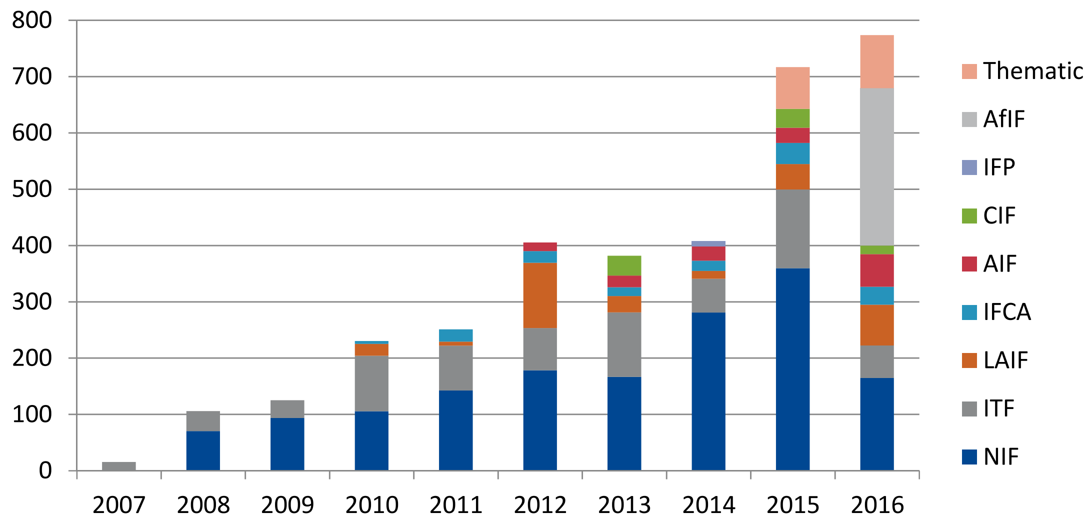
In the EIP context, the aim of technical assistance is twofold:

- 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).

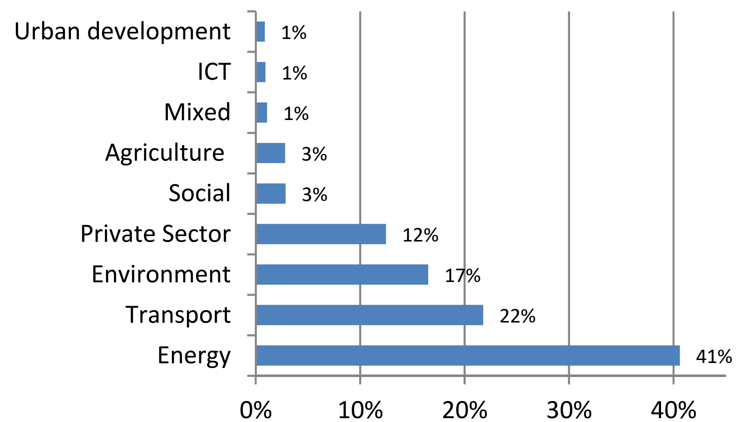
Source: EC

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

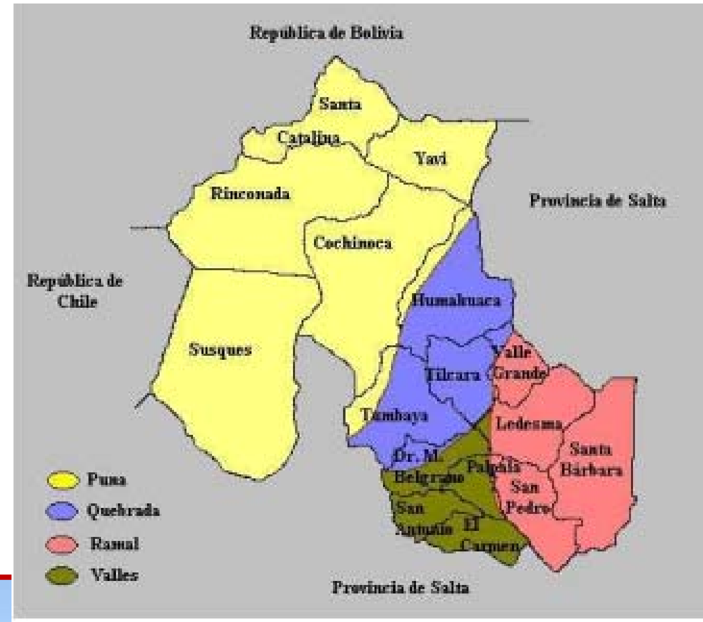
€ 57.3 billion

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
  - o Very low collection rate (15%), generally no selective waste collection
  - o Disposal in dumpsites
  - o 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:
  - o reduction of greenhouse gases
  - o 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:
  - o Investment leverage ratio is 7.7:1
  - o FI leverage ratio is 4.95:1
- Job creation:
  - o Temporary employment: approx. 2500 person-years during the implementation period
  - o 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	**Weaknesses**
Faster responses to investment needs Innovative Accountability for the provision of service Reduction of public debt	Market Fluctuations (recycling material) Principal-Agent Dilemma Inter-organisational Relationship Lack of regulatory framework sometimes Higher financing costs
Opportunities	**Threats**
EU Directives, EU Targets Sustainable Development Goals in LMIC Waste framework Directive Circular Economy target Payment Mechanism: Profit sharing Tight public budget	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 <u>may</u> 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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