C40-CCAC Waste Finance Programme Webinar
in collaboration with
WASTE MANAGEMENT PPP

PERSPECTIVES FROM EMERGING MARKETS

Christopher Olobo – 5th June 2019
The provision of waste management is essential to maintaining a decent livelihood in all cities around the world.

Achieving success requires both public and private cooperation.

THE FRAMEWORK FOR PARTNERSHIPS

Photo Credit: The World Bank
RAPID POPULATION GROWTH & URBANIZATION IS INCREASING WASTE GENERATION GLOBALLY

By 2050, up to 3.4 billion tonnes will be generated annually equating to 0.74 kg/person/day

The Global Waste Perspective

Over 90% of waste is disposed in open dumps or openly burnt
Funding inadequate

Focus moving to total diversion away from landfill
Incentives provided for renewable energy

$2 trillion by 2020
Waste recovery & recycling $265 billion currently
About 800 energy from waste plants in operation
The Waste Management Chain
Factors Impacting waste management

With a focus on emerging markets

- No source separation
- No adherence to user pays principles
- Poor road networks
- Old vehicle fleets
- Fragmented collection systems

- Open dumps
- Distance to travel
- Informal waste pickers
- Slope stability
- Access control

- Waste characteristics
- Proven technologies
- Environmental protection

A WEAK REVENUE BASE IS A GREAT HINDERANCE

- Often cities in developing countries don’t have sufficient revenue sources to justify efficient handling of waste streams.
Is the private sector the answer to solving the waste management problem in developing countries?
What is the PPP?

“A partnership between the public and private sector to deliver a public service with full or partial transfer of risks to the private sector”
## Risks along the value chain from the private sector point of view... *the questions*

### Collection & Transport
- Who will pay my costs? How do I enforce?
- Can I collect any valuable waste streams to supplement income?
- Can my vehicles reach every part of the city that I need to collect from? Is it safe?
- Is there a risk that my vehicles will breakdown?
- Do I compete for the market and within the market?

### Waste Disposal
- Is there sufficient land?
- Do I have a legacy risk managing an existing disposal site?
- Who manages a transfer station?
- What is the policy on informal pickers?
- Is there a risk of slope failure?
- Can I control theft from the site?

### Waste Treatment
- Is there long term protection on my investment?
- Is the waste type and quantity guaranteed?
- Who takes the residual value if any on technology?
- What environmental standards apply?
Project Financing

Who is paying for the construction of the project facilities

**Public financing**
- Normal way of doing things!
- Constrained and budgets are not dependable

**Private Debt**
- Expensive but can be off the balance sheet
- Better risk transfer particularly during construction

**Grants**
- Best for disposal facilities like landfills which are ‘cost centers’ and don’t generate revenue

**Concession Loans**
- Support long term affordability
- Come with implementation support

**Capital Markets**
- Broaden investor base but would typically require a rating which many municipalities don’t have

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**Private Sector Impact**
- No long term interest
- Pure operator
- Short term contracts
- Flexibility for public sector

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**Private Sector impact**
- Long term interest in asset maintenance
- Long term contracts typically 10-20yrs
- Little scope of public sector change midway

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**Private Sector impact**
- Along with public sector, they may have no interest in quality and maintenance
- Little need for private sector

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**Private Sector impact**
- Typically co-finances so private equity to maintain ‘skin in the game’
- Good consideration for long term capacity

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**Private Sector impact**
- Local currency matched and greater public acceptance
- Potential bridge loan to shield construction risk
- Supports long term contracts
Project Funding
How do I recover my invested money in the long run?

Availability Payments
- Once facility is built, the private sector is paid upon availability of facility (not use)

Note
- Needs a strong public sector monitoring counterpart
- Not suitable for technology solutions

Gate Fee/ Tipping Fee
- Private sector collects a fee for every tonne of waste accepted at the facility

Note
- Can easily encourage illegal waste dumping
- Care taken to size the facility appropriately to save both interests

Collection Charges
- Households pay the private sector monthly a fee for collecting and transporting waste

Note
- Strong regulator to ensure charges are fair
- Potential unfairness across different parts of the city

Rates/ Utilities
- A waste charge on utilities e.g. water
- Property rates to cover waste management

Note
- Often regulations don’t permit this
- Expensive overheads
- Water seen as ‘free/cheap’ good which can impact willingness to pay

Third Party Revenue
- Electricity, heat
- Recycling
- Bottom ash
- Incentives

Note
- Picks up in later years so careful structuring of sharing arrangements needed
- Hard to predict so avoid guarantees unless for feedstock
02. MANAGING RISK THROUGH PROCESSES

Transitioning from public participation to private participation entails risk. How do you manage it?
Managing a process to get the right outcome

Focus on the key items to help mitigate risk

**Infrastructure:**
- Seek development partner support for capital buy down costs, closing existing dumps, constructing landfill and transfer stations.

**Institutions**
- Have the right legal and regulatory framework specifically designed for the waste management sector

**Financial Sustainability**
- Careful consideration for long term planning through the design of taxes and fee structures

**Stakeholder Engagement**
- Never under estimate the importance of total buy in across all stakeholders......remember “Not in my back yard”

**Seek knowledge**
- Make use of development partner knowledge banks and learn from other countries.
A case of Kampala Waste Management PPP

Facts about the existing situation and the PPP is being formulated

Kampala is the Capital city of Uganda

- One of fastest population growth rates in the world
- >50 collection companies operating locally
- City council collects alongside private collectors
- High unemployment & politically sensitive
- Citizens don’t pay the city for waste management
- Existing and only landfill is full – 15km from city
- 800 waste pickers operating at existing site
- >80 unsolicited offers received for energy from waste
- Excess electricity generation from cheap hydro
- City searched for 2 years to find a new location for landfill
- New landfill location nearly 40km away in undulating terrain
- New landfill in a different district from Kampala
Interested in PPP?

Consider these pre steps before signing on with any private entity

- **Know the facts**
- **Cost Benefit Analysis on PPP**
- **Transaction Advisor**
- **Competitive Selection**
- **Sign affordable contract**

### The Pre Steps

<table>
<thead>
<tr>
<th>The Pre Steps</th>
<th>Consideration</th>
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<tbody>
<tr>
<td><strong>Know the facts</strong></td>
<td>Questionnaire with 50 asks</td>
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<tr>
<td><strong>Cost Benefit</strong></td>
<td>PPP or Not? Public Sector Comparator?</td>
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<tr>
<td><strong>Transaction Advisor</strong></td>
<td>Technical, legal, financial, affordability, stakeholder engagement, E&amp;S, investor outreach</td>
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<tr>
<td><strong>Competitive Selection</strong></td>
<td>Private sector is not a charity. Also include local content</td>
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<tr>
<td><strong>Sign affordable contract</strong></td>
<td>What revenue base supports the contract being signed? What is the change/exit mechanic?</td>
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So you have signed the contract

What are some of the common management points to always consider

Really doesn’t work?
then let it go!

Build Relationship of Trust

- Development Impact
- A contract doesn’t do it all

Annual assessment and Reporting

- Collect feedback and act on it
- Penalize poor performance
- Work to make things better

Independent Assessor jointly procured

- Good for performance contracts
- Let court be last resort

Project Management Office

- Private sector equipped and so public sector must equate
- Public normally have other projects

Collect feedback and act on it
Lessons from the Past

- formulate structured ICE (information, communication, and education) activities
- Waste quantity and quality are determining factors
- flexibility in technology selection
- Political championing is necessary
- Land acquisition is critical for the success of PPP projects

Investors are also key stakeholders
Thank you

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