



Access to International, Domestic and Private Financial Resources: Innovative Financing of Solid Waste Management in African Cities

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1. The mission of UN Environment

“to provide leadership and to encourage partnership in caring for the environment by inspiring, informing, and enabling nations and peoples to improve their quality of life without compromising that of future generations”.

UN ENVIRONMENT FI 5 STEPS TO EMBED FINANCE IN SD

- National financial market reform and development plans to embrace consideration of the Sustainable Development Goals and Paris climate commitments, and vice versa.
- Financial technology mobilized to support the accelerated alignment of the financial system with sustainable development, particularly for developing countries.
- Public finance to undergo a disciplined analysis and, as required, redeployment to align to the Sustainable Development Goals and Paris climate commitments.
- Investing in awareness-raising and building key capabilities, so that the financial community can effectively implement new approaches and plans.
- Development of common methods, tools and standards to enable sustainable development priorities to be measured and incorporated into financial practice.

UN Environment perspective on cities



- Sustainable Consumption and Production
- Urban metabolism
- City level resource efficiency

Through:

- *Promoting Global City Agenda*
- *Managing Partnerships*
- *Implementing Projects and Initiatives*

Global Initiative for Resource Efficient Cities



Assist cities in identifying and monitoring their resource footprint



Links partners and cities interested in resource efficiency

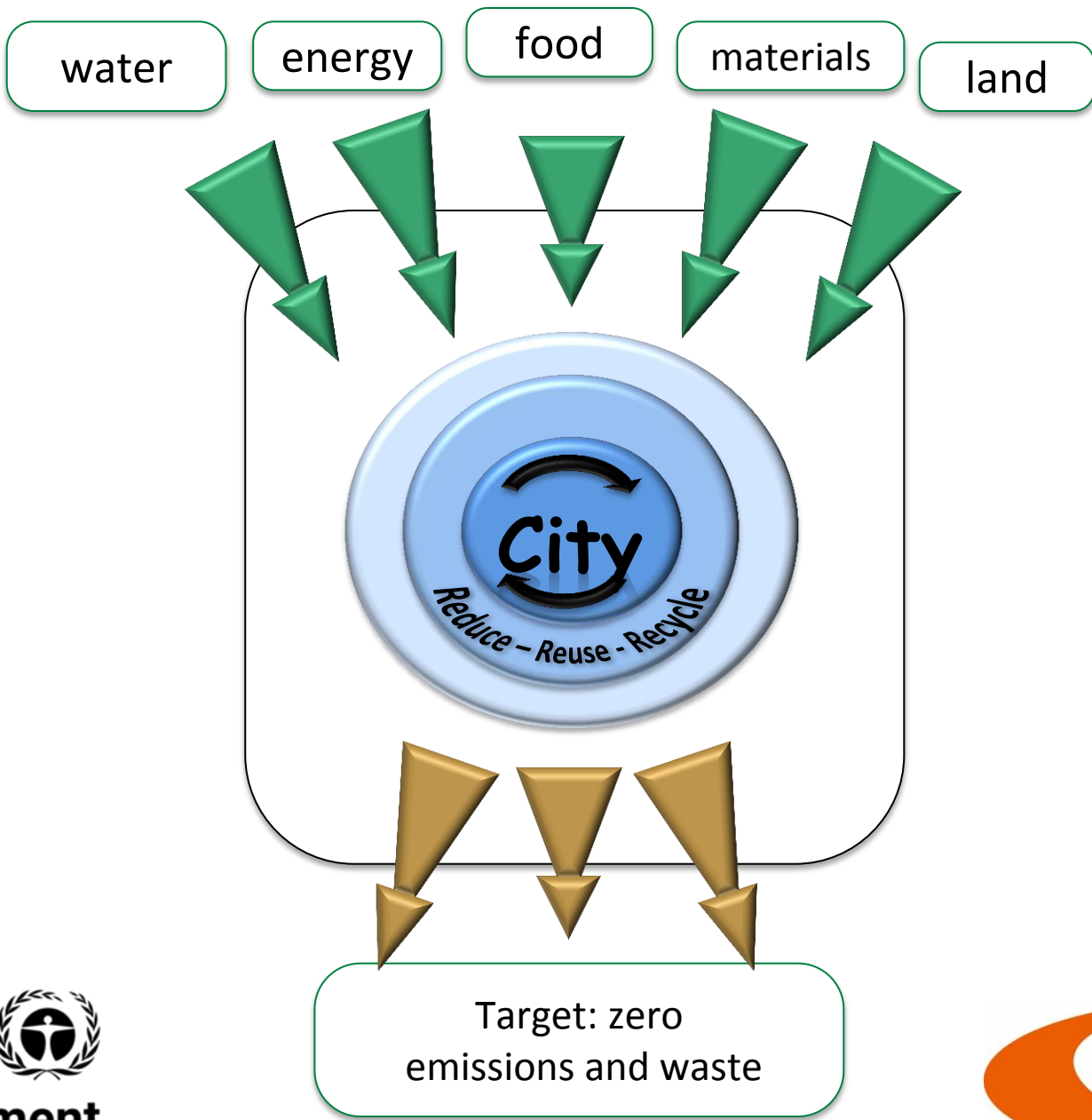


Coordinate and support the development of clear goals and targets



Provides access to expertise and support access to funding





Solid Waste Management

2. Facts & Figures:

The world's cities generation of solid waste **will increase from 1.3 billion tonnes today to 2.2 billion tonnes in 2025.**

Over the next 15 years, the world will have to invest around USD 90 trillion in sustainable infrastructure assets if it hopes for a breathable future, and much of that will be required in cities.



According to a World Bank, AfD and Cities Alliance report, some **USD 25 billion per year is required** to meet the municipal investment gap in Africa, while the **current investment capacity of African local governments is estimated at USD 10 billion over ten years.**

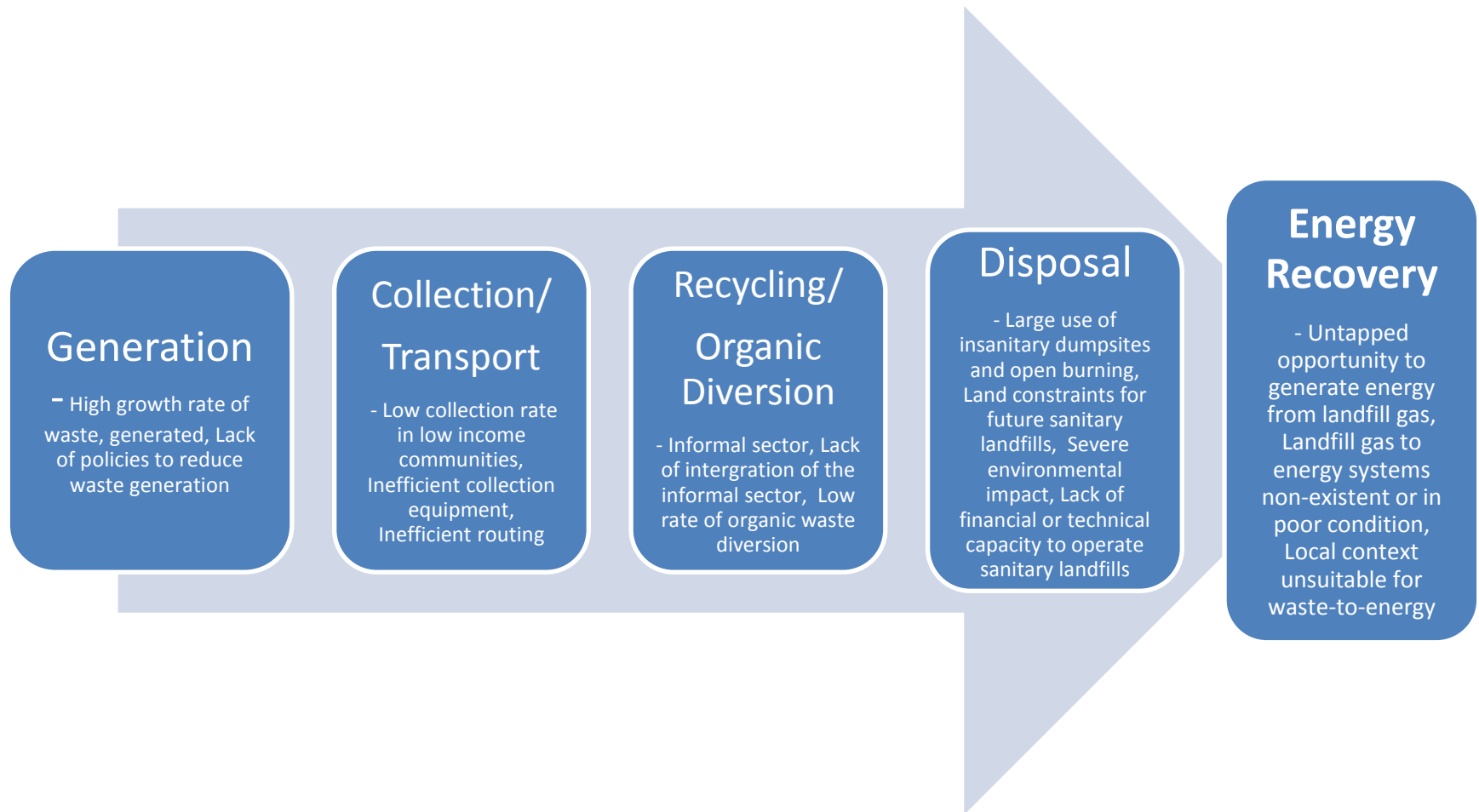
In most developing countries, solid waste services consume between **20 and 50 percent** of operating budgets for municipal services yet are unreliable, do not reach everyone, and do not provide safe disposal.

Low level of borrowing for the MSWM sector — considering high municipal spending on MSWM — is attributable to the sector's labor-intensiveness (and relatively low foreign exchange potential); most cities' failure to appreciate the true cost of MSWM services; the difficulty local governments have getting access to capital; and the failure of many cities to have strategic SWM plans or engage MSWM experts.

3. Key issues of Municipal Finance

- Problems of revenue collection at the local level
- Sub-national government autonomy
- Fiscal decentralization and municipal finance
- Municipal capacities
- Mismanagement and corruption
- Raising poverty levels
- Lack of appetite for privatisation and partnerships

4. The Solid Waste Management Value Chain: Investment Opportunities along the chain



Key components of MSWM that require funding

Components

- Strategic MSWM Plan
- Storage and Collection
- Street Sweeping
- Transfer
- Resource Recovery and Disposal
- Pilot Projects
- Hazardous Waste Management
- Institutional Strengthening
- Public Education



5. Framework Resource Mobilization for SWM

Strengthened domestic public revenue mobilisation

Mobilising private investment and developing capital markets and other financial sources

reducing illicit financial outflows and returning stolen assets

increasing official inflows, including Official Development Assistance

overall institutional strengthening including good governance

6. Sources of Local Government Revenue

Internal Sources			External Sources	
Land-Based Revenues	Non-Land-Based	User Charges	Inter-governmental transfers	Borrowing
Property taxes	Taxes on Households, vehicles, animals, etc	Service charges (water, parking, sewerage etc)	General purpose grants; Regular transfers or formula based shared taxes	From Governmental Sources
Land fees	License fees for various businesses and occupations	Administrative fees, such as building permits, registration etc.	Grants for specified purposes	From private capital markets (including inter-national markets)

6. Some financing sources and mechanisms

1. Private sector participation (PPP) - via enabling mechanisms such as Special Purpose Vehicles (SPVs)

2. Debt - combination of municipal bonds model of Senegal, Johannesburg, Infrastructure bond in Kenya

- Municipal development funds
- Pooled financing
- Credit enhanced/risk mitigation financing

3. Financing through land use (control)

4. Multilateral Banks

- Long tenor, low interest loans
- Specialized funds, usually with sector focus
- Some financing sources and mechanisms

West Africa's First Municipal Bond Enables Pro-Poor Investment in Dakar

- On 15 January 2015, the city of Dakar, Senegal issued its first-ever municipal bond as part of its model for mobilising infrastructure finance from domestic capital markets. The bond is a 7-year, tax-exempt bond amounting to USD 40 million at an offer rate of 6.6 per cent, paid semi-annually. It will finance the relocation of existing city markets to a central built marketplace, which is expected to provide improved livelihood opportunities for about 3,000 street vendors.
- This bond issuance is the first municipal bond in Senegal and West Africa. It is part of a strategy developed by the city leadership to decongest Dakar's streets and provide improved commercial space for street vendors, which make up a high proportion of the city's informal economy.
- In preparation for the bond issuance, the city formed the Dakar Municipal Finance Programme in 2011 to strategically position itself as a creditworthy issuer in the regional market, with the support of the Bill & Melinda Gates Foundation, PPIAF, USAID and AfD. The Cities Alliance manages the initiative on behalf of the Bill & Melinda Gates Foundation.

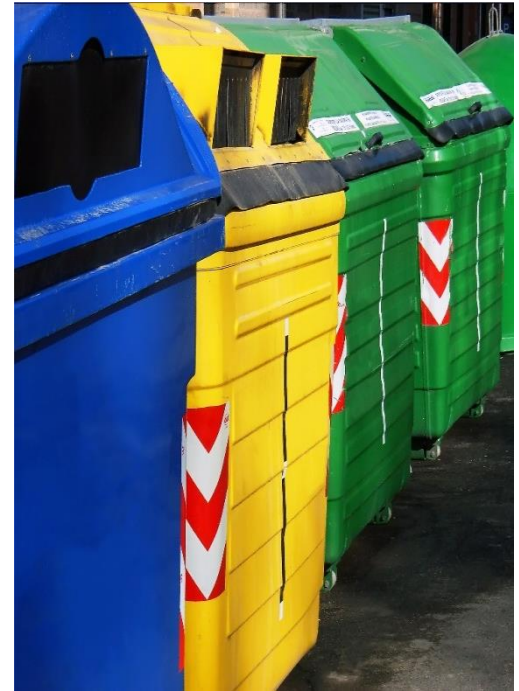
Johannesburg – after a major restructuring -has been regular in issuing bonds on the basis of ratings of AA and above. The city has also tapped into longer-term funds, issuing bonds with 15-year maturities. Similarly, in South Asia larger Indian cities have tapped local markets based on ratings and raised finance through municipal bonds, and smaller cities through pooled bonds.

Private Sector participation

Private sector participation (PSP):-

- ❖ Can bring in capital and expertise
- ❖ Focus on operation, not overall responsibility for planning, monitoring etc.
- ❖ Open, competitive bidding
- ❖ Clarity on tasks, risks and cost recovery
- ❖ Various forms of PPP – contracting, concession (BOO, BOT), franchising, open competition/free subscription

The private sector has the potential to increase significantly the efficiency of solid waste service delivery.



International Funding in Support of SWM

- **Global Climate Fund:** The Fund is a unique global initiative to respond to climate change by investing into low-emission and climate-resilient development. GCF was established by 194 governments to limit or reduce greenhouse gas emissions in developing countries, and to help adapt vulnerable societies to the unavoidable impacts of climate change.
- **The Global Environment Facility:** Through its strategic investments, the GEF works with partners to tackle the planet's biggest environmental issues. GEF funding focuses on helping to reduce poverty, strengthen governance and achieve greater equality between women and men.
- **The Climate Technology Centre and Network (CTCN):** Promotes the accelerated transfer of environmentally sound technologies for low carbon and climate resilient development at the request of developing countries. CTCN provides technology solutions, capacity building and advice on policy, legal and regulatory frameworks tailored to the needs of individual countries.
- **Switch Africa Green:** Supports 6 countries in Africa to achieve sustainable development by engaging in transition towards an inclusive green economy, based on sustainable consumption and production patterns, while generating growth, creating decent jobs and reducing poverty. The objective will be achieved through support to private sector led inclusive green growth.
- [Cities Climate Finance Leadership Alliance \(CCFLA\)](#). A concerted effort to bolster mechanisms to localize climate finance. Launched under former U. N. secretary-general Ban Ki-moon in 2014, the alliance is made up of 48 NGOs, research centres, foundations, public and private banks, central governments, U. N. agencies, and networks of local and regional governments. CCFLA plays a key role in identifying and helping to address gaps in knowledge, capacity, resources and working practices in cities and other subnational levels.

Multi-lateral, Regional and Local financial institutions

Multilateral and Regional development banks

Need to dedicate funds to support SWM, climate action and ensure that every policy and project funded is “climate-proof”.

Specialized funds to assist in capital market access:

The FEC, Fonds d'Équipement Communal (Morocco),

FEICOM, Fonds Spécial d'Équipement et d'Intervention Intercommunale (Cameroon)

ADM, Agence de Développement Municipal (Senegal).

Local Financial Institutions

Key actors, as well. In the long run, they will need to be empowered to develop domestic, tailored-made financial solutions for cities, while channeling international climate funding to the local level.

8. Financing SWM in underserved areas/informal settlements



Constraints to funding of pro-poor SWM projects

- Lack of capacity to address the concerns of the poor
- Lack of integrated, holistic solid waste management plans
- Lack of capacity at LGU level in community project development, financing and implementation and operation
- Most African local governments have limited access to capital markets and private sector finance for infrastructure projects.
- Slow rate of decentralization
- Difficulty for funders/investors to engage directly with cities as clients
- Too many players in a holistic SWM system - No structures for encouraging private service of the poor - No structures for community participation
- Pro-poor urban infrastructure regarded as being
 - Too small investments – too high transaction costs
 - Complex and multi-sectoral
 - High risk – small or no revenues



9. Some key Lessons

- An integrated approach in addressing SWM is crucial to access increased funding
- Significant changes are needed in urban economic and financial governance, planning and management arrangements to develop cities' capacity to finance and provide essential infrastructure and services.
- Collecting sufficient baseline information is essential to developing a bankable SWM project
- Active involvement of all stakeholders from the early stages of project preparation pre-requisite for success.
- Getting the project prerequisites right, in early project implementation stages, is essential.
- Investments are needed to build the technical and functional capacity of municipal and utility finances that are key to sustaining operation, maintenance and capital replacement of basic infrastructure
- Capital investments in environmental infrastructure need longer-term financing to facilitate affordability and mitigate the large size of these investments.
- Improving SWM services (3 R's) does not always require more staff, more vehicles, more equipment, or bigger landfill space.

THANK YOU

