Municipal Solid Waste Infrastructure Finance

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Overview

1. Why cities?

2. City finance challenges

3. Considerations for funding and financing projects

4. City examples
About C40

• Network of biggest cities in the world
• 91 cities in membership:
  • 15% of world population
  • 25% of world GDP
• Long term partner of CCAC and MSWI
• Committed to sharing knowledge and learning with a wide range of cities and partners
Deadline 2020

• Cities are major emitters of GHGs, including SLCPs from waste
• C40 research with Arup called Deadline 2020 shows the impact cities will have on success of Paris Agreement
• Business as usual scenario for GHGs cannot be allowed to happen
• Cities have to act fast!
Why cities?

• Mayoral powers to take action
• International agreements are made by governments, but will be implemented locally
• The battle against climate change will be won or lost in cities!
The financing challenge

- Finance is reported by cities as one of the biggest barriers preventing climate action
- Mayors have a strong vision and commitment to act, but need the finance to make this possible
City finance challenges

• Lack of capacity to turn ideas into projects
• Cost of project preparation
• Lack of awareness of needs of investors
• Competing priorities
• Fees and taxes set too low and not collected
• Limited powers to raise funds
• Poor creditworthiness and financial management
• Lack of certainty on revenues
• Political considerations – city and national level
City finance challenges

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**Note** – lack of available finance is *not* a challenge – there is lots of money available for well-prepared projects!
Cities must focus on both Financing and Funding:

**FINANCING**

- Finance Source 1
- Finance Source 2
- Finance Source 3

  Financial Instrument 1 → Financial Instrument 2 → Financial Package

**FUNDING**

- Project
  - Demand Org.
  - Implementing Org.

  Service Provision → Users
  - Other revenues – tax, transfers etc
  - User charges

Where will the money come from to build the project?

How will the financing be repaid once the project is in operation?
Project Financing

- Own source revenues
- Other sources of revenue
- Debt
- Equity
- Combination
How to Finance Urban Infrastructure?

- What are the basic options for urban infrastructure finance?
- What financing can be provided through the private sector?
- What additional financing can be provided through the public sector?
- What additional financing can be provided through international organizations?
What are the basic options for urban infrastructure finance?

- Local taxes
- Non-tax sources (e.g. fees, tariffs, charges, fines)
- Municipal Revenues
- Unconditional grants (non-earmarked)
- Subsidies
- Loans (debt)
- Intergovernmental Transfers (grants)
- Earmarked (for particular purposes)
What financing can be provided through the private sector?

- General obligation bonds
- Project bonds
- Municipal bonds
- Corporate bonds
- Bonds (debt)
- Green/climate bonds
- Social impact bonds
- Construction or service contract
- Lease arrangement
- Concession
- Joint ventures/partial divesture
- Public-Private Partnerships (PPPs)
- Infrastructure Investment Funds (equity and debt)
- Privatization/Full Divesture (equity)
- Private Risk Mitigation (debt and equity)
- Crowdfunding (equity or debt)
What additional financing can be provided through international organizations?

- Concessional Loans (debt)
- Financing Facilities (debt and grants)
- Loans (sometimes at concessional rates)
- Technical assistance grants
- Challenge funds
- Viability gap funding (grants or concessional loans)
- Export credit agencies (generally debt)
- Private Sector Loans and Equity (debt, equity, grants, guarantees)
- Green and Climate Funds (debt, equity, grants, guarantees)
- Risk Mitigation (debt and equity)
- Carbon Finance and Emissions Trading (equity)
- Sharia-Compliant Finance (debt and equity)
  - Equity-based: Mudarabah and Musharakah
  - Debt-based: Istina’a
  - Lease-based: Ijarah
What additional financing can be provided through the public sector?

Municipal Development Funds (MDFs) and Government-Owned Development Financing Institutions (DFIs) (debt, guarantees and grants)

- Tax exemptions
- Pooled Financing (debt)
- Viability Gap Funding (grants or debt)
- Public Risk Mitigation (debt and equity)
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Project Funding
Three Ts of revenue raising – sustainable sources of funding for cities

- **Tariffs** (user charges)
- **Taxes**
- **Transfers** (non-repayable funds from other layers of government / other governments)
What options exist for funding urban infrastructure?

- User Fees
- Revolving Funds
- Land Banking/Pooling
- Air Rights
- Development Charges
- Value Capture
- Public-Private Partnerships (PPPs)/Outsourcing
- Bonds Funded by New Charges or Asset Sales

Revenue Support (from higher levels of government)
What options exist for funding urban infrastructure?

- **User Fees**
  - Per-use charge
  - Periodic flat rate
  - Consumption rate

- **Land Banking/Pooling**

- **Revolving Funds**

- **Air Rights**
  - Impact fees
  - Development Charges
  - Tap/linkage fees (connection fees)

- **Value Capture**
  - Betterment levies
  - Land value increment tax
  - Property taxes

- **Revenue Support** (from higher levels of government)

- **Public-Private Partnerships (PPPs)/Outsourcing**
  - Operating contracts or leases

- **Bonds Funded by New Charges or Asset Sales**
  - Proceeds bond
  - Municipal bond
City examples

- **Johannesburg / Mexico City** – Green bonds
- **Tokyo and Washington DC** – Trading schemes
- **Lagos** – Carbon credits
- **Cape Town** – AfD (French development agency) loans
- **South African cities** – Tax collection success
- **London / Amsterdam / Toronto** – Green funds
- **Colombian cities** – Findeter
- **São Paulo** – Land value capture
- **Boston** – Renew Boston Trust
- **Copenhagen** – Measuring societal benefits
Potential support partners

NGOs – C40 / WRI, etc
Development partners, GIZ, AfD
Universities
CCAC MSWI

Knowledge & Cap. dev

Project preparation facilities
C40 Cities Finance Facility, CDIA
Bilateral donors

Use caution!

Project development

Demand side institutions

Transformational Projects

Finance Credit Enhancement

MDBs, JICA/AfD, others

Private sector finance

Bilateral donors

Use caution!
C40 Cities Finance Facility

• A project to support cities to prepare green infrastructure projects to the point of financing
• Partnership of C40 and GIZ in delivery
• Supported by:
  • German Federal Ministry of Economic Cooperation and Development (BMZ)
  • UK Government
  • USAID
• Currently focusing on Transport, Adaptation and Energy – looking for support to move into Waste
• Recently published guide for cities on finance available at www.c40cff.org
Thank you

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