Unlocking Financing for Organic Waste Management: Insights from the Financial Readiness Framework

15 January 2025, Webinar Question & Answer

Several audience questions that were submitted during the webinar were not able to be answered live. GMI is providing written responses compiled from the panel.

1. **Question:** How do you integrate in your project risk analysis the waste generation maintenance or even increase towards waste-to-energy capabilities instead of other potential upstream technologies that could eliminate/reduce organic waste and create an asset lock-in?

   Response: The respondents collectively emphasize the complexity of integrating long-term project risks related to reducing organic waste. They highlight the need for immediate action to address methane emissions from organic waste, balanced with long-term planning and consistent government policies. Effective strategies should include prevention, behavior change, and valorization of waste. Clear policy frameworks and long-term goals are crucial to inform and reduce risks for investors and the private sector. Examples like Chile's ban on organic waste disposal in landfills illustrate the importance of strong policy signals.

2. **Question:** A lot of financing risks seem to have a strong correlation with government budget and policy commitment, particularly for basic services such as separate waste collection and fees. Does the Financial Readiness Framework emphasize this kind of issue, highlighting that some activities to manage organic waste require local governments to approach this from an essential public service perspective that requires a certain budget commitment before the private sector can come in with bearable risk?

   Response: The Financial Readiness Framework primarily provides guidance rather than specific recommendations. It provides a structured process to help stakeholders understand how to finance organic waste management projects, improve bankability of projects, and identify potential risks. The Framework emphasizes developing a business plan, nurturing partnerships and diversifying revenue streams, but it does not prescribe specific actions or recommendations. Appropriate actions need to be tailored to local geographic and political situations.

   The Framework highlights the need for strategic partnerships and regulatory policy that supports effective waste management. However, it does not directly mention the role of local governments to approach waste management from the essential public service perspective with budget commitments prior to private sector involvement.

3. **Question:** Does this framework include co-benefits (e.g. job creation, local food production, drought) and account for potential cost savings from transportation, avoided cost of buying chemical fertilizer, landfill tipping fee/airspace cost, etc.?

   Response: The Financial Readiness Framework does not explicitly dive into many of the potential co-benefits referenced in this question. However, the Framework emphasizes integrating environmental and social responsibility practices into project design that could attract investors and also improve the bankability of waste management projects. The

Framework mentions that co-benefits, such as job creation, are considerations for financial support from development banks.

4. **Question:** It is interesting to see that operational cost is often the bigger issue for sustainability of a project, knowing that waste management is cost-centered and labor-intensive, especially in a 10-20 years' time frame. On top of that, some technologies that offer the biggest climate benefit (source-level intervention such as home composting) don't really generate income but pose very low cost. The same with community/backyard composting or micro/plasma-level black soldier fly farms as the capacity tends to be low. Any insight from the speakers on how we can get these kinds of decentralized solutions financed?

   Response: The analysis needs to be long-term and consider the capital expenditure as an investment that will result in cost savings in the future. For example, for home composting ImplementaSur has estimated a range for pay-back between 4 to 8 years. This is the period during which the municipality or sponsor is able to "save" the funds invested. After that, the total cost for collection, transport and treatment goes down to zero for the organic fraction since it is now managed by the generator.

   Another consideration to keep in mind is the difficulty and cost of verifying climate impact when composting is conducted within private households. For instance, it would be challenging for municipal governments to confirm whether a household has disposed of their organic waste at home for home composting instead of placing it in the residual waste bin. This includes estimating the quantity of organic waste, determining where the compost is used, and assessing its quality.

5. **Question:** Considering that the reduction of greenhouse gases is a major objective of these initiatives, why do we continue to see projects promoting open-air composting technologies or those that do not actually carry out the composting process in a closed bunker?

   Response: Both types of technologies, open-air composting and aerated bunker composting, can reduce greenhouse gas emissions when the baseline alternative is waste disposal. A key consideration when evaluating different mitigation is the abatement cost. Aerated bunker composting, in some cases, could be significantly more expensive than open-air composting. With the same investment, greater reductions can often be achieved by implementing alternatives with lower abatement costs.

6. **Question:** How could the framework assist projects in Africa?

   Response: The Financial Readiness Framework is high-level, designed to provide a broad structure that can be tailored to meet specific local needs and contexts. This flexibility allows stakeholders to adapt the framework to align with regional priorities, market conditions and project specific requirements.

7. **Question:** Does the Catalytic fund work in the U.S.?

   Response: Catalytic Finance Foundation does not work in the U.S. at the moment.