

Mobilizing private investment for the implementation of NDCs

Workshop Summary Report

December 2019



1. Introduction

This document summarizes the comments and opinions made during the workshop for the final presentation of Investment Mobilization Measures Implementation Roadmap for the Mobilizing Investment for NDC Implementation project, that was held on November 28, 2019.

The objective of this workshop was to present the results of the project: a summary of the phases of the project and the general results of each phase was given and the prioritized mobilization measures and the roadmap for their implementation were presented.

The main participants of this workshop were: the team of the Ministry of Environment (MINAM), and representatives from the national development finance corporation of Peru (COFIDE) and representatives from international development agencies (GIZ). In the days following the workshop, separate meetings with private waste management companies (Veolia and Petramas) were held.

During the development of the workshop and subsequent meetings, the participants provided feedback and contributions to complement the Roadmap document as well as insights into why they felt some of the measures have not been implemented to date.

2. Workshop key comments and notes

This section provides a summary of the feedback received during the workshop and subsequent meetings with private waste management companies (Veolia and Petramas):

2.1 Introduction and project phases:

The participants found that the methodology used throughout the project and activities conducted were appropriate and well executed. However, Veolia and Petramas commented that in order to obtain tangible benefits from the work, it is key that the Ministry of Environment (MINAM), which is the key beneficiary and political stakeholder of this project, formally indicate that the initiatives that will be implemented and take the necessary actions to do so.

2.2 Investment cases results:

MINAM indicated that it is very useful to have investment cases for final disposal in the solid waste sector. These cases have allowed them to promote the business case for investing in the construction of the Trujillo landfill. However, it has not yet been decided whether this project will be funded initially either with public or private resources.

Petramas told us that the Trujillo landfill is a project in which they could reasonably consider investing in on the basis that the same mechanism used for their site in Callao, public concession for final disposal services, be employed. With this, they would be able to provide a competitive rate that could be as close as the one presented in the case investment proposal.

MIMAN commented that the investment case for San Juan Bautista (SJB) has provided information and insight which can be used to evaluate final disposal projects in areas with high levels of rainfall and to consider different alternatives for the treatment of leachate beyond natural evaporation.

COFIDE expressed interest in disseminating the investment cases within the organization in order to evaluate them and be potential funders of the projects or similar in the future.

PwC highlighted in the workshop that the final objective of the work is to identify investment barriers and propose solution measures in improve the enabling environment for investment. The investment cases were prepared to provide high-

level information to potential investors to dimension the project, but these cases require further analysis and detailed feasibility studies by potential investors.

2.3 Barriers and mobilization measures:

Veolia and Petramas stated that they believe that the problem of inadequate services in the solid waste sector has been addressed unsuccessfully in several occasions in the past. In order for them to consider investing they would need to see a strong commitment from the public sector to address these issues and improve the environment for private investment. For these companies, investments will be attractive only if municipalities comply with commitments to make payments for the waste management services they provide. These companies agreed that the first barrier for private investment prioritized by the project team (high delinquency rates for the payment of municipal taxes by the population) was correct.

The participant comments on the survey highlighted some additional barriers and proposed solutions related to waste management stages prior to the final disposal stage that are also important for enabling adequate comprehensive solid waste management. The main points highlighted are as follows:

- a. To propose plans and strategies to close dumpsites and to solve the social problems of the population that subsisted from informal recycling of waste from such sites.
- b. Flexibility in administrative processes such as licenses and improved mechanisms to ensure payment to private companies.
- c. Corruption in the public sector and technical barriers. Petramas gave an example in which the municipality prefers to work with public funds instead of private funds because the private sector has more controls to avoid corruption.

2.4 Roadmap:

The following section includes feedback from the workshop participants on the Implementation Roadmap. It is important to note that the first two measures have a close relationship as they complement each other and that implementing one without the other would not fully achieve the expected effect of encouraging private investment. Therefore, it was recommended that the newly defined cost structures be implemented in those locations where all the stages of the waste management service are present as to maintain a standard fee for the collection of public cleaning taxes among the taxpayers.

A. Establish measures to increase the collection of public cleaning taxes through public services receipts (light/water):

The need for implementing this measure was supported by the participants. PwC clarified that it is very important to promote this measure under the development of a specific law. Under current conditions, it would be very difficult to promote and implement agreements between municipalities and

companies for the collection of taxes because there is no obligation for companies.

MINAM stated that it will evaluate the promotion of a law to specifically promote the collection of taxes on water and electricity bills internally. The case of Chancay, where the collection of municipal taxes doubled, was highlighted as an important case that refutes the promotion of this measure. In the Minister of Environment was also quoted in a public interview saying that this would be a measure that the Ministry will promote.

It was jointly concluded that in Peru there is a lack of tax awareness but if facilities are provided by to enable the payment of regular taxes for waste services and monthly payments for other services (such as household water or electricity) at the same time, the population may be more likely to make these payments with less resistance.

Another conclusion from the session was that at the national level there are a large number of public electricity distribution companies, so it would be easier to channel a state policy related to these types of agreements and promote them in state companies.

B. Develop a methodological framework for the calculation of municipal public cleaning arbitration at the national level:

MINAM has tried in the past to propose a study for the development of a methodology for calculating the cost of comprehensive solid waste management services. The recent Law on Solid Waste Management actually includes the issuance of a cost guide, however due to the lack of resources it has not been achieved. MINAM stated that this would require a large deployment of field work and there are insufficient public funds to support this. MINAM mentioned that they would value additional donor funded technical assistance in this area and they would like to understand if IKI could provide future support to fund a specific study for this.

A conclusion emerging from the discussions on this measure was that it must be clearly defined which elements of the waste management cycle should be included in the methodology for calculating costs for the collection of municipality taxes. For example: that current legislation establishes that recovery activities and recycling are elements that should not be covered by taxpayer money, but the participants agreed that activities necessary for the operation of landfills, such as the treatment of leachate, should be passed on to the taxpayer.

Another conclusion was around the dependence between the first measure and the second. There was a consensus that both must be promoted simultaneously

to have the desired impact. In the case of Chancay, for example, the implementation of the first measure worked, but not having considered all the costs of the solid waste management, insufficient money for the operation of a new landfill has been raised.

C. Application of the Work for Taxes (OxI by its acronym in Spanish) mechanism for the implementation of final disposal infrastructure:

Petramas agreed with this measure, but also indicated another option for direct financing. Petramas raised the concern that if the government directly finances a landfill construction project, it would likely take more time and the cost would be higher. Petramas proposed that any resources that the government intends to invest should be deposited in a trust account, and that a private waste operator with more experience in the construction of landfills (such as Petramas) directly finance the final disposition infrastructure. After construction, a municipality could pay the waste operator a fee per ton of waste disposed with money from the trust account while the municipality implements the collection of payments through electricity and water bills.

It was agreed that in order to achieve a proper implementation of the proposed Investment Mobilization Measures, it is of vital importance that the Central Government, through MINAM, have integrated and multilevel participation and support the coordination and advancement of the steps identified for each roadmap.

3. Survey results

This section summarizes the main results from a survey carried out at the end of the workshop and in the subsequent meetings which asked participants for their feedback. Appendix 1 contains the details of the responses received:

1. All participants (100%) concluded that the **information developed in the workshop improved their understanding** of the benefits of investing in and developing infrastructure projects for final disposal of solid waste.
2. 43% of the participants believed that the **information presented in the workshop is new to them** or provided new findings / knowledge related to the implementation of solid waste infrastructure projects.

The problem of this sector is moderately known by the main actors, even some of the solutions have already been raised at different times, however, the participants are aware that not much progress has been made in the implementation of such measures.

3. All the non-state actors consulted (development banks and private companies) **plan to develop, finance or invest in infrastructure projects for final disposal** of solid waste in the near future (1 - 3 years).

MINAM did not answer this question because their role is to technically evaluate if waste sector projects are viable and do this with regard to the integrated management of solid waste.

The representative from GIZ gave a negative answer, since they have no knowledge on these types of projects being developed in Peru.

4. 71% of the participants believed **there are other more critical points in the integral management of solid waste** than those mentioned in this event.

However, the answers refer specifically to phases prior to final disposal in the chain of integrated solid waste management such as: **Waste reduction, source segregation and waste collection systems**. Participants do not mention major critical points in the final disposal phase of solid waste.

5. All participants (100%) believed that **they will apply / discuss / consider the findings and results discussed** in this event in their work or organization.
6. All participants (100%) believed that **if the recommendations proposed in this workshop are implemented** by the Government in order to improve the enabling environment, **investments would be encouraged** towards landfill projects in Peru.

7. 86% of the participants believed that this event **helped them or the organization that they represent strengthen or establish relationships, build a network** with other organizations or forums for the development of landfill projects.

4. Appendix 1 - Details of evaluation survey responses

Institution	1. Did this event improve your understanding of the benefits of investing in and developing infrastructure projects for final disposal of solid waste?	Justify your answer	2. Is the information presented in this event new to you or did you provide new findings / knowledge related to the implementation of solid waste infrastructure projects?	3. Do you plan to develop, finance or invest in infrastructure projects for final disposal of solid waste in the near future (1 - 3 years)?	4. Do you think there are other more critical points in the integral management of solid waste than those mentioned in this event?	If yes, your answer please provide detail	5. Will you apply / discuss / consider the findings and results discussed in this event in your work or organization?	If yes, your answer please provide detail	6. In your opinion, if the recommendations proposed in this event are implemented by the Government to improve the enabling environment, would investments be encouraged towards landfill projects in Peru?	7. Has this event helped you or the organization that represents strengthen or establish relationships, build a network with other organizations or forums for the development of landfill projects?	Comments or suggestions
COFIDE	Yes	The context, regulations, gaps and roadmap are basic inputs to understand the sector.	Yes	Yes	No		Yes	Department meeting / committee.	Yes	No	
MINAM	Yes		No	N/A	Si		Yes		Yes	Yes	
MINAM	Yes		Yes	N/A	No		Yes		Yes	Yes	
GIZ	Yes	The information presented provides clarity on how private investment can be encouraged for NDCs.	Yes	No	Si	Remove dumps	Yes	Will explain the content and results to his team because it will be very useful	Yes	Yes	Fund studies on solid waste management with international information. Update progress in solid waste management in other regions of the country.

Institution	1. Did this event improve your understanding of the benefits of investing in and developing infrastructure projects for final disposal of solid waste?	Justify your answer	2. Is the information presented in this event new to you or did you provide new findings / knowledge related to the implementation of solid waste infrastructure projects?	3. Do you plan to develop, finance or invest in infrastructure projects for final disposal of solid waste in the near future (1 - 3 years)?	4. Do you think there are other more critical points in the integral management of solid waste than those mentioned in this event?	If yes, your answer please provide detail	5. Will you apply / discuss / consider the findings and results discussed in this event in your work or organization?	If yes, your answer please provide detail	6. In your opinion, if the recommendations proposed in this event are implemented by the Government to improve the enabling environment, would investments be encouraged towards landfill projects in Peru?	7. Has this event helped you or the organization that represents strengthen or establish relationships, build a network with other organizations or forums for the development of landfill projects?	Comments or suggestions
Petramas	Yes		No	Yes	Yes		Yes		Yes	Yes	
Veolia	Yes	Mainly environmental and quality of life	No	Yes	Yes	Corruption and technical barriers	Yes	Make Tax Works with Private Public Association	Yes	Yes	The measures must be executed (implemented)
Veolia	Yes		No	Yes	Yes	Flexibility in administrative processes such as licenses. Mechanisms to ensure payment to private companies	Yes		Yes	Yes	Currently, to apply a mechanism of Co-financed Private Initiative, the procedures are very degrading. Other alternatives could be evaluated.
Yes	7		3	4	5		7		7	6	
No			4	1	2					1	
N/A				2							
Total	7		7	7	7		7		7	7	
% Yes, without N/A	100%		43%	80%	71%		100%		100%	86%	