



ZERO WASTE BONDS

ACCELERATING THE
ZERO WASTE TRANSITION
AT THE LOCAL LEVEL

JUNE 2022

www.zerowasteurope.eu



ZERO WASTE EUROPE

Zero Waste Europe is the European network of communities, local leaders, experts, and change agents working towards the elimination of waste in our society. We advocate for sustainable systems and the redesign of our relationship with resources, to accelerate a just transition towards zero waste for the benefit of people and the planet.

www.zerowasteurope.eu

Our work on New Financing Models

Building on the current momentum for new financing models, our initiative aims to ensure:

- The quality of investments we are trying to leverage in order to create systemic changes;
- Positive social impact by putting reusable systems in the centre of the solutions' agenda; and,
- The creation of conditions for these systems to scale across Europe whilst supporting cities and municipalities committed to move towards zero waste.





A Social Impact Bond (SIB) is a tripartite contract between a grant (public sector authority or governing authority - the Outcome Funder), social providers, and private investors, where the financial risk is transferred to private investors, and where repayment and return on investment are contingent upon the achievement of desired social outcomes.

THE CHALLENGE

Our Zero Waste Cities work, which actively helps cities to define holistic zero waste strategies, showed us there is a clear need for reshaping capital for a circular economy - notably, by directing available funding streams towards the right waste management solutions.

We know that most cities with existing waste disposal may need a small amount of funds to update/improve their current systems; to achieve that goal, they need financial mechanisms that can adapt to different environments and realities while still embedding a community-driven focus.

While the private sector alone is unlikely to get return on investments by investing in zero waste projects that are implemented at a local level (municipal, regional), we believe that a social impact bond could help accelerate the transformation by transferring the risk to private investors.

This would still provide public institutions playing the role of the outcome funders with the guarantee to pay based on achievement and performance objectives.

Although an impact bond is referred to as a bond, it is not a fixed income instrument. It is an outcomes contract between parties.

THE PROGRAMME/ SOLUTION

Our aim is to provide the necessary financial means to cities and municipalities for scaling up alternatives of biowaste collection and treatment - thus moving away from landfilling and incineration options; creating more sustainable environments; and creating collaborative financial ecosystems.

Our first business case was to identify key biowaste management solutions that could be implemented in a 5-year frame; capable of adapting to any environment with a high potential outreach; and with the potential to be scaled at the EU level.

Our internal assessment, which was carried out under the tutelage of Dalberg Management Consulting, led us to believe that decentralised community composting is the first stepping stone towards materialising these tangible and sustainable changes, as:

- It helps to build resilient communities;
- Increases public awareness;
- It provides cost transparency; and
- It's seven times greener than incineration or landfilling.

Framing the scaling of this programme within a Zero Waste Bond (ZWB) will create rewarding models which progressively reduce waste. It will also create a precedent by transitioning a maximum of cities to zero waste in five years regardless of the ecosystem's maturity; as well as foster a sense of innovation for cities and municipalities that, most of the time, appeal to more traditional funding approaches that don't have room for experimentation and have limited scaling capacity.





THE BIG PICTURE

Setting up a ZWB is to pioneer a vision that empowers every institutional body, as well as citizens, to reclaim their environments.

ZWBs go beyond bringing the zero waste to a social level: scaling the use of these outcome-based contracts encourages service providers to achieve improvements in social outcomes for specific populations, including:

- Improved waste management practices;
- Tax benefits;
- Improved quality of life, both health- and environment-wise;
- Training and employment opportunities.

Through greater collaboration and synergies between private and public actors, ZWBs contribute towards more effective solutions to address complex social issues.

KEY REASONS TO INVEST IN ZERO WASTE BONDS

- Turn the circular frame model into the new standard.
- Help limit climate change:
 - On its own, composting - an age-old practice used around the world - could cut methane emissions from solid waste by 78% by 2030.
 - If not properly managed, this bio-waste streams pose significant environmental and economic threats. Biodegradable waste, including bio-waste, is a key source of greenhouse gas (GhG) emissions from landfill sites, corresponding to about 3% of the total EU GhG emissions.
- Create new opportunities for proven, low-maintenance, cost-effective, circular technologies.
- Support compliance with the EU Waste Framework Directive (targets defined already in 2018), which introduces new goals on recycling and preparation for reuse: by weight, at least 55% by 2025; 60% by 2030; and 65% by 2035.
- An opportunity to earn a return on investment whilst contributing to social change.



SUMMARY - ZERO WASTE BONDS

PROJECT OVERVIEW

SECTOR(S): Waste Management

COUNTRY/REGION: Europe (locations TBC)

STAGE OF DEVELOPMENT: Early stages - existing POC

PREDICTED LAUNCH: Q1 2023

DEVELOPMENT PHASE DURATION: 18 months

PROJECT DURATION: 5 years

INVESTMENT: €5,000,000-45,000,000
(excluding yearly ROI investment)

FINANCIAL DETAILS: Co-creation process with all partners, feasibility assessment & design period to create the prototype model. Currency (€)

INVESTMENT VEHICLE(S): Social Impact Bond

IMPACT: Over 26 million kg of bio-waste averted from landfilling and incineration. Composting alone, an age-old practice used around the world, could cut methane emissions from solid waste by 78% by 2030

SELECTION OF PROVIDERS: in collaboration with our Members, and with Cities and Municipalities

OUTCOME FUNDERS: TBC

SERVICE PROVIDER(S): Zero Waste Europe and local entities

EVALUATORS: TBA

OTHER PARTNERS/STAKEHOLDERS: Mission Zero Academy (MiZA), who will be providing a template for measuring impact

KEY CHALLENGES

- Ensuring commitment and capabilities of local partners and government.
- Securing outcome funding; and outcome funders, although prospective funders have been receptive to this SIB.

DEVELOPMENT CHALLENGE

A combined lack of internal resources, expertise, and right funding stream can result in wrong and detrimental bio-waste management in cities and municipalities, leading to climate change. Setting up a new financial mechanism to directly fund solutions and programmes with the capacity to adapt to different environments can help cities and municipalities improve/upgrade their existing waste management systems, positively impacting their ecosystems.

TARGET POPULATION

Urban and Rural communities in Europe.

TARGET BENEFICIARIES

Over 700,000 people in 5 years, potentially reaching 1,000,000.

INTERVENTION

Comprehensive strengthening of the bio-waste management system with adaptable and innovative low technology, including training of local human resources, capacity expansion at local level, and alignment with European targets/directives.

RATIONALE FOR INSTRUMENT

- The alignment of financial and social returns creates incentives for waste management to work more efficiently.
- Risk capital to drive innovation and promote innovation in implementation, pro-active performance management, real-time data collection and analytics.
- Focus on outcomes, flexibility to learn and adapt delivery models overtime. Gathering of evidence and data.

OUTCOME METRICS*

1. Number of trainings completed.
2. Number of decentralised compost sites built.
3. Number of Professional Trainees.
4. % of the candidates remaining in the role after 2 years.
5. Amount of waste composted/averted (tons).

*These are not definitive outcomes but examples.

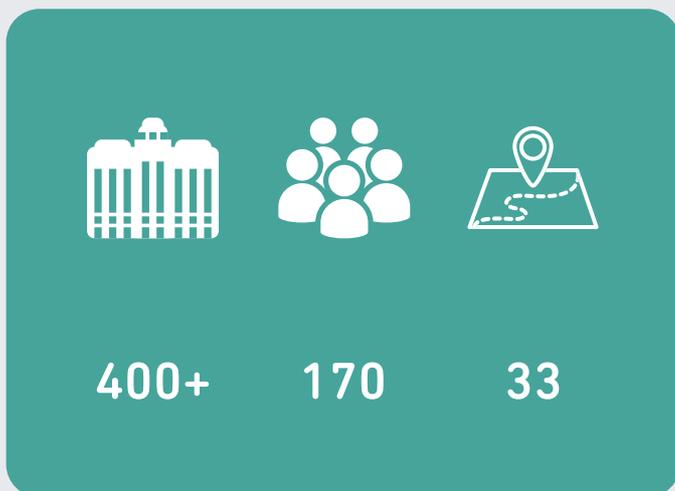
ROLE OF DOMESTIC GOVERNMENT

Steering committee member and outcome funder.

HOW WE WORK

MOVEMENT BUILDING

- BFFP: Global movement envisioning a future free from plastic pollution with more more than 11,000 organisations and individual supporters from across the world.
- MiZa: First trademarked certification process for cities looking to implement zero waste strategies and circular economy principles.
- Rethink Plastic: An alliance of leading European NGOs, with thousands of active groups, supporters and citizens in every EU Member State.



ENABLING CONDITIONS

2018 - Waste Framework Directive:

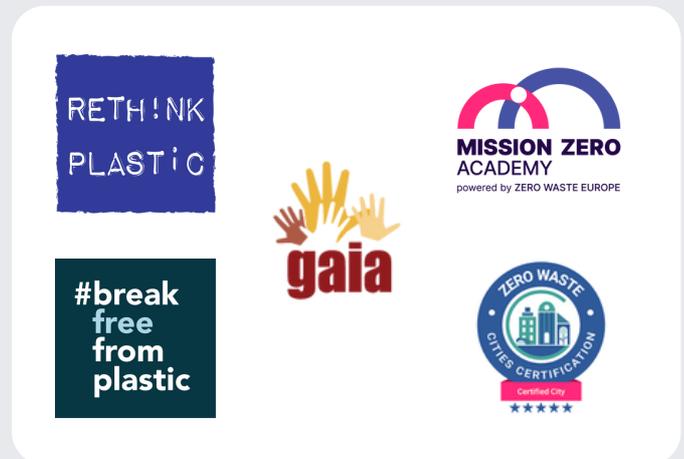
- Recycling target increased from [50% to 65%](#)
- Separate collection of bio-waste and textiles
- Extended Producer Responsibility Ecomodulation

2019 - EU Single-Use Plastics Directive:

- Putting plastics in spotlight
- Pushing for a focus on [prevention and reuse](#) instead of recycling and end of pipe
- Main idea: ban or replace the most littered plastic items

2021 - Residual Waste Cap:

- Prioritisation of biological treatment
- Called for not providing EU funding for waste incineration



IMPLEMENTATION

Zero Waste Europe is part of the [Global Alliance for Incinerator Alternatives \(GAIA\)](#), which is a worldwide alliance of more than 800 grassroots groups, non-governmental organisations and individuals in over 90 countries, whose ultimate vision is a just, toxic-free world without incineration.

We work with more than:

- 400 cities and municipalities across EU
- 170 local groups
- 33 members spread across 27 EU countries sharing common values and objectives and working together for a zero waste future.

OUR IMPACT

- ✓ **Influencing and coordinating** key EU directives
- ✓ **Incineration kept out** of numerous funds and regulations
- ✓ **Waste-to-energy excluded** from the COVID-19 Recovery & Resilience Facility
- ✓ **Creation of world's first** Zero Waste Cities Certification

JOIN US

If you are an impact investor, wish to take part in our initiative or want more information about the technicalities of the bond, do not hesitate to reach out to:

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