How financial mechanisms and initiatives can contribute towards delivering positive environmental externalities

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A key concept for environmental economical analysis, what is it about?

• In a merchant world interactions between economical partners are usually ruled by payments or compensation: one has to pay to get services or compensate in case of non delivery.

• Yet it exists cases where there is no direct counterparties to providing services: no direct payment nor compensation. The benefit or losses are external to the stakeholders. This can be positive or negative externality. Environment was usually not merchandised and as such an externality.

• An example of positive externality is bee pollination which has been estimated at à 153 billion euros/year. Uses of neonicotinoids is considered as a negative externality, because of their impact on bees mortality. (The Global Agriculture Information Service, NASS-USDA)
How can financial initiatives or mechanism contribute to PEE

- **Impact Finance:**
  - a new trend
  - not yet an asset class

- **People first PPPs:**
  - taking the good part of PPPs

- **Start up:**
  - small is beautiful
  - making business from innovation

- **Research for innovation:**
  - to be disseminated for use by other producers.
  - spill-over effects help to reduce the costs of other producers
  - cost savings might be passed onto consumers through lower prices
# Impact Finance: an asset class

<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>DEFINITION</th>
<th>MEASURE</th>
<th>EXAMPLE – COMMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SOCIAL BENEFIT</strong></td>
<td>Main object of the project is to bring benefit in any way to citizen. It can be an innovation, a concept or a new way of doing an existing business that benefits to citizen. It has to answer to a need and a customer pain point.</td>
<td>Included in company’s act of creation as main purpose. Market study: is there a market? How to enter the market? How to stay in the market? How to grow in the market?</td>
<td>This is the widest criteria as benefits can happen in many way yet must not be misunderstood with charity projects.</td>
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<tr>
<td><strong>GROWTH</strong></td>
<td>Project has to generate local or national economic growth on a long term basis meaning being profitable and robust over a long term period.</td>
<td>Project full risk analysis Financial Robustness of Business Plan to stress test financial robustness on long term: BP over 10-15 years to include robustness to market evolutions and life cycle costs EBITDA, Project Profit and Payback.</td>
<td>These projects not yet being a separate class of assets in order to attract investors they have to be compared with ones from Private Equity &amp; Venture Cap markets.</td>
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<tr>
<td><strong>EMPLOYMENT</strong></td>
<td>Creation of long term jobs over the project duration (direct and indirect).</td>
<td>1 project = min 10 new long term jobs; Project should include program to improve employees knowhow &amp; qualification so they can improve their positions.</td>
<td>The more local the better, the more underqualified jobs created the better. The more long term the better so that people can make a future with their jobs.</td>
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<td><strong>KNOWLEDGE TRANSMISSION</strong></td>
<td>Know-how of the promoters in their fields of activity and also social education making people able to create or support new projects.</td>
<td>Project has to be based on a sector or domain knowhow and has to demonstrate that it is transferable. Social education has to be promoted on long term.</td>
<td>This can cover intern trainings, apprenticeship, etc... or be part of the project such as creation of dedicated knowledge school.</td>
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<tr>
<td><strong>CLIMATE &amp; ENVIRONMENT</strong></td>
<td>Technical aspects of the project dealing with climate impact and environment</td>
<td>No climate nor environment adverse behavior, promoting actions pro climate changes and environment protection</td>
<td></td>
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<tr>
<td><strong>GENDER &amp; DIVERSITY</strong></td>
<td>Equal treatment of people with same capacity.</td>
<td>Promote gender equity, promote social equity.</td>
<td></td>
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<tr>
<td><strong>TEAM</strong></td>
<td>Team developing and operating the project, their main stakeholders (suppliers, advisers).</td>
<td>Team leader engagement &amp; entrepreneurship, Team skills, Project’s organization. Team capacity to implement and operate the project. How do they earn their money?</td>
<td>Team is key to the success of the project and must have necessary skills and willingness to implement and operate the project, or have identified missing skills.</td>
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People First PPP: selection criteria

- Partnerships now must be evaluated according to a new set of criteria which can be perceived and actually are “quality infrastructure investments”.
  - Increasing access to all and promoting equity amongst people without restriction
  - Improving environmental sustainability, cutting CO2 emissions to move to a green economy;
  - Improving project economic effectiveness: projects must be successful, achieve value for money and have a measurable impact by removing a barrier or creating a new mechanism by integrating groups into the global market place;
  - Be replicable so that PPPs project can be scaled up and achieve the transformational impact required by the UN 2030 Agenda.
  - Providing to the local staff and governments the necessary training to do similar projects going forward; and
  - Engaging all stakeholders either directly involved in the PPP project or who might be affected directly or indirectly in the short and/or long run.
People First PPPs ensure that out of all stakeholders, ‘people’ are on the top.

• **FOCUS:**
  • improve the quality of life of the communities,
  • create local and sustainable jobs,
  • promote well-being, promote gender equality, access to water, energy, transport, and education for all,
  • promote social cohesion, justice and disavow all forms of discrimination based on race, ethnicity, creed and culture.

• **EASILY SCALABLE:**
  • small projects: strong and sustainable impact of micro PPPs
  • easy to structure to be disseminated and affordable to get value for money
  • easy to understand & transparent