



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

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Positive environmental externalities

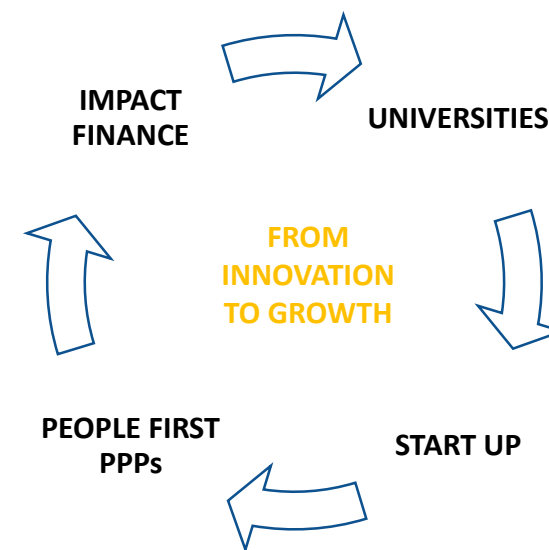
A key concept for environmental economical analysis, what is it about ?

- 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

CRITERIA	DEFINITION	MESURE	EXAMPLE – COMMENT
SOCIAL BENEFIT	Main object of the project is to bring benefice 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.	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? Clients' analysis: who are the clients/users?	This is the widest criteria as benefits can happen in many way yet must not be misunderstood with charity projects
GROWTH	Project has to generate local or national economic growth on a long term basis meaning being profitable and robust over a long term period.	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	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 & Venture Cap markets
EMPLOYMENT	Creation of long term jobs over the project duration (direct and indirect).	1 project = min 10 new long term jobs; Project should include program to improve employees knowhow & qualification so they can improve their positions.	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
KNOWLEDGE TRANSMISSION	Know-how of the promoters in their fields of activity and also social education making people able to create or support new projects.	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.	This can cover intern trainings, apprenticeship, etc...or be part of the project such as creation of dedicated knowledge school.
CLIMATE & ENVIRONMENT	Technical aspects of the project dealing with climate impact and environment.	No climate nor environment adverse behavior, promoting actions pro climate changes and environment protection	
GENDER & DIVERSITY	Equal treatment of people with same capacity.	Promote gender equity, promote social equity.	
TEAM	Team developing and operating the project, their main stakeholders (suppliers, advisers).	Team leader engagement & entrepreneurship; Team skills; Project's organization. Team capacity to implement and operate the project. How do <u>their</u> <u>earn</u> their money?	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



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

<http://www.uneceppp-icoe.org/people-first-ppps/what-are-people-first-ppps/>

26-28 June 2018, Genoa, Italy

