Financing for a global circular economy

World Bank | Learning Series
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1. Sustainability as economic rationale
2. Circular value & value chains
3. Financing challenges & opportunities
4. Financing a global circular economy
Deep Dive 1
What and how to reuse: assess the amount of materials that have the potential to be reused in the region.

Deep Dive 2
Circular procurement: how to educate employees, get political approval, and set procurement criteria.

Deep Dive 3
Creating the right incentives to reuse construction materials: the role of governmental policy.

Sustainability as economic rationale
Power of the inner circle
Retain embedded value in products and materials

Reduce resource use
The global impact of dematerialisation

Sustainability as economic rationale
Source, Refine, Produce, Sell, Use, Maintain, Incinerate / Landfill
Example: Fairphone

**Modular phone** - managing assets on a modular level & lifespan extension
**Self repair & Reverse logistics** for modules
Sourcing **conflict free materials** in Congo & **worker welfare fund** in China.

**Product-as-a-Service** – Producer retains ownership of and responsibility for the product
**Long term** client relationship & cash flow generation
**Financial implications** – cash flows more important, balance sheet extension, re-interpret financial ratios

https://www.circle-economy.com/resources/the-circular-phone
Circular value & value chains

**Multiple life cycles**
Products, modules, materials in a closed system

**New connections, needs & roles**
Data sharing, track & trace, reverse logistics, services, chain director

**New value**
Value of companies and value of the chain

Challenges

- Getting started - Circular Economy 1.0
- Fit between projects and funding; government funding / (pre)seed funding / equity / debt & blended finance
- Blind spots - circular risks versus linear risks
- What do we value? Do we account for it?
- Policy and regulation
  - Lack of level playing field - externalities (e.g. tax measures)
  - Financial regulators (e.g. risk)
- How do we measure our circular progress
- Global south often the start and end of the chain e.g. raw material extraction and import of waste

Opportunities

Accenture estimated that the switch to the circular economy could unlock **USD 4.5 trillion of value globally by 2030** (2015, Accenture)

BlackRock investment fund dedicated to accelerating the global development of a **circular economy** has raised **more than $900m in its first year** (2020, Edie.net)
Financing a global circular economy

- *Everyone* has a role in the circular economy:
  - Start-ups, SME’s, corporates | venture capitalists, banks, institutional investors, government, and the supporting entities
  - Include informal economy
    *Example Ywaste*
- Access to finance is a challenge
  - Own funds are limited, grants are needed to get started, risk capital to try-out, lending to grow
  - New forms of (blended) finance needed
  - Understand circular value and new business models
  - Learning costs and transition costs
- Focus on long term value, not short term profit

*Example Ywaste, SA*
- Organic waste to compost
- Improve soil quality
- Jobs & skills creation
- Involving the informal economy through communities
Questions

1. How ready are financiers to finance the circular economy?

2. How transparent are financiers in financing the circular economy?

3. What can governments do to incentivise financing the circular economy?
Thank you

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