



Can we make money from waste?

By 2050, half the world's population will live in Asia and the Pacific. Each year, Asian cities' total population increases by as many as 44 million people. In their wake are millions of tons of solid waste.

The People's Republic of China alone produces almost 150 million tons of waste every year, with the figure rising 8% to 10% annually. India generates about 133,760 tons of solid waste per day, of which some 91,000 tons are collected and only around 26,000 tons treated.

Economist Farhad Taghizadeh-Hesary of Waseda University in Tokyo sums up the problem and the solution:

Solid waste management is one of the most neglected services in Asia. One reason is the lack of funding, and, in most countries, the private sector doesn't invest in it because it's not profitable.

But it could be made profitable through credit guarantee schemes and community-based funds.

Credit guarantee schemes make lending more attractive by absorbing or sharing its associated risks. The scheme normally consists of three parties: a borrower, a lender, and a guarantor. The borrower could be a corporate or individual, who typically approaches a bank or other financial institution for a loan but is frequently turned down. This is where the credit guarantee corporation comes in, usually run by a government or trade association that provides lenders with the comfort of a guarantee for part of the debt. This scheme is especially good for providing fixed capital for recycling, waste treatment, waste-to-energy, and other projects that require large investment.

Taghizadeh-Hesary says this:

Since many waste management projects in developing Asia have difficulty funding their working capital, community-based funds connect local investors, donors, and municipalities to fill the gaps. Many developing countries in Asia are also running out of land for large cities' massive landfills. Municipalities and private investors can set up recycling, composting, and waste-to-energy facilities that would earn from charging users and selling electricity.

Individual investors can choose projects—waste management, for example—and invest online. The investors receive dividends, and the donors and the municipality benefit from a cleaner environment and improved welfare. The working capital of the project can be funded by (i) renting out land, that is, the landfills; (ii) collecting charges and fees for burning waste from other areas or even other countries; and (iii) selling the generated electricity.

Taghizadeh-Hesary concludes:

Advertising projects on the Internet is effective in pushing people to invest. Internet marketing companies can promote the projects and provide an investment platform. If the projects are carried out properly and are well received by individual investors, banks can then start to grant loans for projects.

This episode was based on [research](#) done for the Asian Development Bank Institute by Naoyuki Yoshino, dean of the Asian Development Bank Institute and professor emeritus at Keio University, Tokyo, and Farhad Taghizadeh-Hesary, assistant professor of economics, Waseda University, Tokyo.

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