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Waste Pickers and Carbon Finance: Issues to Consider

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The global research-policy-action network Women in Informal Employment: Globalizing and Organizing (WIEGO) Technical Briefs provide guides for both specialized and non-specialized audiences. These are designed to strengthen understanding and analysis of the situation of those working in the informal economy as well as of the policy environment and policy options.

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Executive Summary

Carbon finance has been cited as a potential source of income for membership-based organizations (MBOs) of informal waste pickers. However, it is important to understand issues related to carbon offset trading before proceeding. Some of the main issues arising from this research into the feasibility of MBOs pursuing carbon finance include:

- The development of carbon offset projects is complex, technical, and costly, and it would be beyond the capacity of many waste picker MBOs to develop, and possibly manage, these types of projects without external support.
- There are technical issues around “additionality” that some waste picker MBOs, due to the contexts in which they work, may not be able to overcome.
- The market for carbon credits is weak, which has implications for the commercial viability of new carbon offset projects.
- Important ethical issues surround carbon finance that MBOs may want to take into consideration.
- Other potential sources of income may be more straightforward for waste picker MBOs to pursue, including public and private climate funding and Corporate Social Responsibility (CSR) arrangements.
- MBOs should also be proactive in relation to the development of the Green Climate Fund as a potential future source of funding, in pursuing waste management contracts with municipal authorities, and investing in innovation.

A Word about the Naming Debate

The millions of people worldwide who make a living collecting, sorting, recycling, and selling materials that someone else has thrown away are referred to by many different terms in different regions. These include scavengers, recyclers, reclaimers, ragpickers, binners, and waste pickers. At the First World Conference of Waste Pickers, held in Colombia in 2008, a provisional consensus was reached to use the generic term “waste picker” in English (but, in specific contexts, to use the term preferred by the local waste picking community). While an international consensus is still to be reached among activists, waste specialists, MBOs and non-governmental organizations (NGOs), the term waste pickers has been adopted and put into use by WIEGO as a useful generic term that suits the purposes of current global networking. In the contexts where specific terms have been agreed upon WIEGO uses the local term.

– Sonia Maria Dias, WIEGO’s Waste Picker Specialist

Introduction

Membership-based organizations (MBOs) of informal workers share an interest in building organizational capacity and sustainability, and improving the livelihoods of their members. Some informal waste picker MBOs in the global South, and those that work in partnership with them, have shown an interest in exploring the feasibility of these MBOs accessing carbon finance, and whether this is a realistic and appropriate funding option.

The purpose of this research is to clarify the requirements for carbon finance mechanisms, to provide an assessment of whether informal waste picker MBOs in the global South can reasonably meet these requirements, and the potential investments needed to successfully secure carbon financing. This document presents information related to the feasibility of these MBOs accessing carbon finance through the Clean Development Mechanism (CDM) of the United Nations Framework Convention on Climate Change (UNFCCC), the voluntary carbon market and the Green Climate Fund (GCF).

While this report presents some ethical issues raised by key informants and in the literature, it does not make judgements about the ethics of carbon finance or carbon offset trading. That is a debate for those considering carbon finance as an income source and beyond the scope of this research. This report also does not make a judgement as to whether or not specific, or any, MBOs should pursue involvement in carbon offset trading, because that is ultimately a decision for their membership. Finally, this report does not reiterate the debate about the merits of recycling over incineration and waste-to-energy schemes, as that has been dealt with thoroughly elsewhere and many waste picker MBOs and their allies oppose the issuing of carbon credits to incineration facilities. Rather, this report is an effort at presenting some of the most salient issues that should be considered by MBOs and their partners when deciding whether to pursue carbon finance.

Methodology

This research was undertaken in two phases. In the first phase, a review of background materials related to carbon finance architecture and requirements was complemented with key informant interviews. The findings from this phase were used to prepare interview questions and a document entitled “Background Information on Carbon Finance for Waste Pickers.”¹

The interview questions and “background document” were circulated to selected informal solid waste management stakeholders, with Spanish translations prepared and circulated as appropriate. These stakeholders were then interviewed regarding the information presented in the “background document” on requirements for carbon finance and in relation to the following questions:

- What do you think of the requirements?
- Do you think that your organization (or your partner organizations) would be interested in getting involved in carbon emissions trading? If yes, why? If no, why not?
- Do you think that your organization has (or your partner organizations have) the capacity and resources now to develop a carbon offset project?
- What type of support would your organization (or your partner organizations) need?
- What do you think would be the advantages and disadvantages of getting involved in carbon emissions trading?
- What would your organization (or your partner organizations) like to do with money earned from selling carbon credits?

¹ Please see Appendix 1.

The second phase of the assignment comprised the preparation of this report based on the stakeholders' opinions, gathered from the process described above, related to the feasibility of waste picker MBOs accessing carbon finance.

The issues and discussion points presented in this paper are organized according to four inter-related themes that arose during research. Readers should take these themes into consideration when assessing whether carbon finance is feasible and realistic for MBOs of informal waste pickers:

- Requirements, methodology and MBO capacity
- Commercial viability
- Ethical considerations
- Other funding options and solutions

At different points, ideas are presented regarding the investments that waste picker MBOs may need to make in order to meet the requirements of developing and managing a carbon offset project. A number of recommendations for consideration as next steps are also presented.

Issues to Consider

An observation among key informants is that some waste picker MBOs, in the absence of guidance or information, are interested in entering the carbon market and earning income from the sale of carbon credits, in order to improve their personal and collective circumstances. This opinion often changes once they are informed about the administrative and technical requirements, the costs, the risks, and the potential ethical issues associated with this funding source.

Requirements, Methodology, and MBO Capacity

The process and requirements that waste picker MBOs would need to follow in developing a carbon offset project are detailed in the “background document” prepared in the first phase of this assignment, and reproduced in Appendix 1 of this report. As the research behind the preparation of the “background document” found, and as some stakeholders were already aware, the process of designing a carbon offset project and preparing a Project Design Document (PDD) under both CDM and voluntary markets² is highly technical and complex.

MBOs of informal workers, including waste picker organizations, are diverse, at different stages of development, and have different abilities and capacity-building needs. Some are complex organizations with large memberships and multiple enterprises that can include banking facilities, online shopping, insurance schemes, retail shops, and/or the implementation of projects with funding from multiple donors, all requiring sophisticated management and accounting systems. Some also successfully negotiate and manage contracts with municipal authorities to provide waste management services. Others are characterized by a lack of skills in leadership and basic management and administration, with a wide array of ongoing training, development, and infrastructure needs (Achtell 2012).

Despite the sophistication of some MBOs, it would appear that none of those with which the interviewees are associated could tackle the requirements for developing a carbon offset project and preparing a PDD, using in-house expertise only. Interviewees were consistent on this point. For example, one noted that it was “not realistic” that informal waste picker MBOs could follow the requirements, which another described as “extremely onerous.”

² While some interviewees suggested that the development of a small-scale project under voluntary market guidelines may mean lower transaction costs and less bureaucracy than the CDM, one expert has noted that, “voluntary markets offer no short cuts for the informal sector” (Chintan 2009: 24).

As the research found, carbon offset projects are usually developed by large companies with significant corporate technical, legal and project-management capacity, or the resources to hire expert consultants, and to absorb the associated risks. Waste picker MBOs would have to contract consulting firms to develop and, potentially, to manage their carbon offset projects. Leaving aside ongoing management and monitoring costs, some interviewees noted that the cost of hiring a specialized company to develop a PDD could be US \$50,000, and developing a PDD and taking a project through the registration process could cost from US \$100,000 to US \$250,000, or more, with a project development time frame of one to two, or more, years.³

According to one respondent, waste picker MBOs in Brazil could probably engage with the requirements and would possibly have government support in the form of resources to hire technical experts. Otherwise, it would appear that none of the MBOs with which the interviewees are associated could make financial commitments on this scale using solely their own resources. Therefore, for most it would be necessary to first invest in developing proposals or business plans demonstrating the financial viability of the project. It would also be necessary to invest in research and building relations with financial backers to whom these proposals or business plans could be presented. These might include donor agencies, venture capitalists, banks or “carbon aggregators” that would cover project development and registration costs, possibly agree to purchase the carbon credits at a fixed price, and identify an eventual buyer.

Besides waste picker MBO capacity and feasibility issues related to project development, there are also capacity issues related to the methodology. As indicated in the “background document,” a key aspect related to carbon offset projects is the use of approved methodology in design and monitoring. The most relevant existing methodology is probably “AMS-III.AJ. Recovery and recycling of materials from solid wastes.” As noted by a key informant involved in the early stages of methodology development, the initial objective was to create another income stream that could be derived from municipal solid waste, in addition to previously approved methodologies related to the capture of landfill gas (LFG) and “methane avoidance projects such as aerobic composting and incineration,”⁴ (Peterson and Godin 2009: 2) and not necessarily or primarily to meet the needs of informal waste pickers.

The initial idea was that the methodology would “promote higher recovery rates for recyclables through upgrading of the materials offered for sale,” and improve the working conditions for those that recover materials from the waste stream. (Peterson and Godin 2009: 2).

Furthermore, as a stand-alone project, the proposed project for the recycling of HDPE and LDPE is very small as a CDM activity. Even with the anticipated, eventual (addition) of other recyclable material the project will generate only small level(s) of greenhouse gas emissions. Nonetheless, the development of the proposed methodology for the recovery of secondary material from postconsumer discards is deemed a worthwhile undertaking as registered projects will generate additional revenue for waste pickers who as a group survive on very low incomes.

Peterson and Godin (2009:10)

The methodology is not clear about how, precisely, a carbon offset project would generate additional revenue for waste pickers, unless they were not already in the business of selling recovered plastic, which is the case for few waste picker organizations. Also, it seems that the carbon offsets generated from using recycled, instead of virgin, materials to manufacture new products would accrue to the manufacturing facility, not to the waste pickers, unless the manufacturer agreed to give the carbon credits to the waste pickers. As noted in the methodology, one condition is that there must be a contractual agreement between the recycling facility (i.e. potentially waste pickers) and the manufacturing facility, guaranteeing that only one of them claims the carbon credits. This, of course, would require investments in legal advice.⁵

³ One key informant with direct experience of the process noted that, besides resources and risk tolerance, to develop a carbon offset project you “need a lot of patience.” Another key informant expressed concern about how long it would take for government authorities to approve a proposed carbon offset project.

⁴ It was also seen as important to increase recycling because of the contribution of municipal solid waste to greenhouse gas (GHG) emissions.

⁵ Entering into contracts would probably also require formalization of the MBO, which may be a challenge for some. Formalization would probably also be a requirement when applying for donor funding to develop a PDD.

Despite the development of the plastics-recycling methodology, now in its fourth version due to lobbying in the interests of waste pickers, including by the Global Alliance for Incinerator Alternatives (GAIA), it “has yet to be successfully applied to any projects.”⁶ (GAIA no date: 1). As a number of interviewees have noted, this is likely a signal from the market that the methodology is not commercially viable at present. Regardless of the feasibility, it appears that any waste picker MBO that pursued carbon finance under this mechanism would be breaking new ground. One respondent noted that it could be advantageous to enter this otherwise unoccupied space, but on the other hand, as the first ones, they would have to invest heavily in learning and would be clearing the way for others with whom they may be in competition.

Besides the use of an approved methodology, another fundamental aspect in developing a carbon offset project is the requirement to demonstrate “additionality,” meaning that “the project is additional to business as usual,” (World Bank, Carbon Finance Unit, FAQs) and that the greenhouse-gas (GHG) emission savings would not occur in the absence of the project. The CDM’s mandatory “additionality tool” can be accessed via a link in the “background document.”

The original demonstration project behind the recovery and recycling methodology was CEAMSE (Coordinación Ecológica Área Metropolitana Sociedad del Estado) in Buenos Aires. The PDD for the CEAMSE’s demonstration project can be found on the [UNFCCC web site](#).

It is important to note that the demonstration project was developed under a scenario whereby plastics were not recycled, but rather disposed in a landfill, meaning that “additionality” could be demonstrated. This differs from the case of many waste picker MBOs, which operate in contexts where plastics are already being recycled.

Photos and other information on the demonstration project are available in this presentation titled, [Development of a new CDM Methodology for Plastics Recycling](#).

It appears that for the most part, unlike the CEAMSE project used to demonstrate development of the recycling methodology, many waste picker MBOs are already collecting and selling recyclable plastics. These are, presumably, being processed into new materials, with savings in virgin materials. It is therefore hard to see where any significant, additional GHG-emissions savings would be made, unless the waste pickers started collecting recyclables from previously unserved areas.

Put another way, and using an example from India:

... carbon markets hinge on the concept of additionality, which in the case of recycling implies implementing measures to increase recycling rates against baseline practices. If current informal sector practices are taken as the baseline, the very success of the sector leaves it little room to grow; the informal sector already recycles an exceptionally high portion of Delhi’s recyclable materials. On the other hand, since the informal sector is now mature in Delhi and verges on “common practice,” it would be very difficult for the informal sector to demonstrate that the baseline against which they are working is a scenario in which no informal sector recycling exists.

Chintan (2009: 23)

Therefore, development of a carbon offset project may not be feasible in the case of many waste picker MBOs, due to an absence of additional recyclable materials.

⁶ The research undertaken for the preparation of this report did not uncover any carbon offset projects that have been developed using methodology “AMS-III.AJ. Recovery and recycling of materials from solid wastes” as of June 2013.

One key informant observed a “supply risk” inherent in this methodology. An offset project based on recycling requires a constant and predictable supply of materials that could, at any time and for various reasons, be disrupted. Another key informant observed that disputes could arise around the ownership of the waste, and means to avoid such disputes would have to be considered before proceeding.⁷ Yet another key informant said that talks had taken place with a manufacturer that makes plastic bottles into fuel, but the challenge in entering into a formal arrangement is that they (the MBO) cannot access enough plastic bottles.

Critically, and as pointed out by one interviewee, recycling requires space close to urban areas which, in India, for example, is very expensive. Therefore, municipal space would need to be acquired, and this would necessitate a co-operative relationship, like a public/ private partnership, with municipal authorities, a relationship that in some cases would need to be built from scratch. According to another stakeholder, several waste picker groups have had the experience of changes in municipal policy, where agreements made under one elected body are not upheld by the next, suggesting that municipal partnerships may also carry some risk.

A final aspect related to MBO capacity and meeting the requirements of carbon offset finance is that payments for emission reduction is based on the verified results of the monitoring data, so projects must be judicious in the collection and storage of monitoring data. (Peterson and Godin 2009: 8)

A barrier mentioned by a number of key informants is that many waste picker MBOs simply do not have the capacity to keep adequate records and deal with the necessary paperwork. Investments in building administrative capacity, including better record-keeping, would therefore be required.

Commercial Viability

Besides issues related to requirements, methodology and MBO capacity, it is critical to consider actual commercial viability when assessing the feasibility of a carbon offset project. Key aspects include whether the price for which carbon credits could be sold would justify the investment needed to develop a project, and whether there would ultimately be a buyer for any offsets generated by the project. As noted recently by one carbon credit stakeholder:

...the CDM as a source of new emission-reduction projects in the developing world has effectively been dead for 12 months now, with the very low CER price making it almost impossible to justify developing a new CDM project.

Andersen and Narayanan (2013)

Others have noted that the carbon trading system is “profoundly weak” and has “essentially collapsed,” due to a number of factors, including the global recession, the Eurozone crisis, and an associated decline in industrial production, meaning that few EU companies (Europe being the only significant carbon market) now need to top up their carbon quotas (Harvey 2012) resulting in an oversupply of carbon credits. These and other factors have combined to:

...bring about a collapse in the price of UN credits, from highs topping \$20 before the financial crisis to less than \$3 each today. At such rates, many potential projects are not commercially viable. Financiers and project developers have abandoned the market in droves.

Harvey (2012)

However, it should be kept in mind that new compliance markets, including California, Quebec, and others, are coming on stream, which may increase demand for carbon credits. Also, the social component of the recycling activities of some waste picker MBOs may enable them to attract a higher price for their carbon

⁷ This has also been noted in Chintan (2009: 23): “Establishing indisputable ownership of the project activity is a prerequisite of any carbon market transaction.”

credits on the voluntary market. As noted by one respondent, carbon credits generated by a waste picker MBO recycling project with demonstrable social benefits may be more attractive to buyers than carbon credits issued by an anonymous industrial facility.

Also related to commercial viability is how one respondent noted that in order to function efficiently, a carbon offset oriented recycling program would require source segregation, meaning that householders would have to sort their waste prior to collection. The same respondent noted that having them do this consistently and on a large scale would, in itself, be as difficult as earning carbon credits.

As indicated above, it would be necessary to invest in a business case to demonstrate the commercial sense in developing a PDD, with the business case in turn used as part of a proposal for public or private sector funding to develop a PDD.⁸ It would also be important to calculate whether the waste pickers would actually earn more if their MBO implemented a carbon offset project than they do currently. A number of key informants said that to be worthwhile and for the MBO(s) to be able to pay back development costs, the project would have to operate on a large scale, or else comprise a “Program of Activities” (PoA),⁹ with the associated development and coordination challenges.

Ethical Considerations

From the key informant interviews and from the literature, it is clear that ethical concerns have to be considered when assessing the feasibility of waste picker MBOs getting involved in trading carbon offsets. As many stakeholders are aware, carbon offset trading is “highly controversial, and waste picker groups and their partners may choose to take a principled stand in opposition to these sources.” (Geohagen and Cooper 2009: 11)

The reasons it is controversial include the fact that it is seen by some as transferring responsibility for GHG-emission reductions from those with historical responsibility for climate change (the industrialized North) to developing countries in the global South; offsets are not emission reductions; the system creates “perverse incentives” to produce more waste, rather than recycling, so as to generate more carbon credits; and the view that most CDM projects have made little-to-no contributions to sustainable development. Even worse, some projects have resulted in “severely negative impacts on the environment, public welfare and public health.” (Orenstein and Tangri 2012: 14)

Furthermore carbon trading, put simply, is “the process of buying and selling permission to pollute” (Naughten 2010: 4) and does not trade in anything “real,” which makes it unreliable as an investment. Rather it is trading in an “imaginary commodity” and, in the view of one respondent, has nothing to do with the climate but is all about creating new financial instruments from which corporations can derive profits. In the view of some, “the only clear benefits (of the system) have been to polluting industries and profiteering carbon traders.” (Naughten 2010: 11)

Some waste picker MBOs have had long discussions on the issue and are opposed to trading carbon credits on a moral level because, for instance, they believe that there is no incentive to reduce consumption or emissions. From an ethical perspective, it was seen as a disadvantage by one respondent that an organization would likely have no control over who bought the carbon credits generated by a project, and the buyer may be a corporation that an MBO objects to. On the other hand, if an MBO enters into a CSR relationship, at least the membership will know who they are dealing with (see below). At the same time, however, some waste picker supporters note that so long as it brings money to the poor, carbon offset trading should not be ruled out based on ethics. One private sector interviewee involved in climate finance noted that it is not a question of ethics but rather of economics, illustrating the differing perspectives on this issue.

⁸ Once funding is secured for the development of a PDD, a plethora of agencies, including some based in the global South, could provide this service.

⁹ Please see Appendix 1 for information on “PoAs.”

Other Funding Options and Solutions

In terms of how waste pickers and their MBOs would use money earned from carbon offset trading, a number of priorities were presented. These include increasing personal incomes, but more generally there is an interest in collective improvement of livelihoods, such as through opening a scrap shop in one case, and contributions to pensions and education. Other important considerations include a decent place to work with occupational health and safety (OHS) factored in, toilets, a kitchen, storage space, and vehicles.¹⁰ Given these straightforward priorities and needs, the question should be asked: are there other, simpler, less risky and more viable funding options in which the limited time and resources of MBOs should be invested, before pursuing the development of a carbon offset project?

As noted in an earlier study, one of the “co-benefits” of waste picker recycling systems is the development of: small enterprises and new products based on recycled materials. Waste pickers are highly skilled at identifying waste with potential value. Their prime economic incentive is the income they can make by adding value to recyclable material. Informal recycling has catalysed the growth of craftsmen, small-scale low-technology manufacturing and low-cost affordable products.

Geohagen and Cooper (2009: 3)

A key “takeaway” from this research was the emphasis that one waste picker interviewee placed on the need to invest in innovation, and how this would be a better alternative to generate income than pursuing the development of a carbon offset project. Investment in innovation could allow waste pickers to transform and add value to waste-derived raw materials. The same respondent also noted that he and his MBO did not want to have to depend on anyone for funding. This is in keeping with the view of waste pickers as environmental or climate entrepreneurs. (Vryenhoek 2009: 1; Chintan 2009: 6)

Even if investment for the sake of carbon offset trading is not commercially viable, there may be companies willing to invest in the activities of waste picker MBOs because of the combined social and environmental benefits. One key informant explained how her MBO was exploring this type of CSR relationship with a manufacturer who approached them about recycling their snack packaging. As the same respondent noted, the requirements for developing a carbon offset project are very tough and, given the lack of resources to engage expert advice, MBOs would need venture capital or other large-scale funding, such as might be gained from a partnership with government. At present MBOs simply have too many other priorities, and would, for example, prefer to spend effort and resources on entering into CSR relationships with specific businesses, rather than trying to develop a carbon offset project.

According to another respondent, this type of CSR relationship would be acceptable, and better than trading carbon offsets, but it could put the MBO at risk of exploitation, as is already the case in waste pickers’ relations with middlemen, and emphasis would be better placed on negotiating contracts with municipal authorities for the collection and recycling of municipal solid waste, rather than being dependent on the charity of a corporation.

Besides investment in innovation, entering into CSR arrangements with corporations or waste management with municipalities, funding from public and private climate-change sources may be simpler to access, and should be considered. As indicated in the “background document,” some are presented on the [Climate Funds Update](#) website.

Interestingly, when the challenges faced by waste pickers globally were discussed at the First Global Strategic Workshop of Waste Pickers in Pune in 2012, carbon finance was not cited as a potential solution. (WIEGO and Global Alliance of Waste Pickers 2012: 2)

¹⁰ Several other requirements and priorities are outlined in Achteell (2012), including items like computers, printers and other basic office equipment necessary for the management of an organization, and funding to cover operational or project costs and personnel to undertake management functions.

Recommendations

A number of recommendations and implications for waste picker MBOs and their partners have arisen from this research. To summarize, in going forward in relation to carbon finance for waste picker organizations, stakeholders may want to consider the following:

As noted in the “background document,” the Green Climate Fund (GCF) is not yet operational and does not yet have funding in place to support projects. Also, the mechanisms and guidelines that the GCF will use to disburse funding to partners and projects in developing countries have not yet been developed. However, as noted by one waste picker ally:

Direct, small grant funding to local governments, waste pickers’ cooperatives and similar sub-national entities has the potential to quickly launch programs which are innovative, grassroots-led, and tailored to local conditions. By funding local entities, the Green Climate Fund can sidestep cumbersome multilateral implementing agencies to deal more effectively with issues such as waste management, which are handled by local entities. Direct, local funding is an important complement to national strategies, providing greater scope for experimentation (and valuable lessons learned), local initiative and accountability to local populations.

Tangri (2011: 4)

It is therefore essential to stay engaged¹¹ with the process related to the development of the GCF’s funding guidelines and mechanisms because, for one, the informal sector:

...need(s) priority access to climate funds, both for adaptation and mitigation (recycling). Yet they are frequently excluded from national strategies and sometimes in conflict with private sector projects. One proposed solution is to allow the informal sector direct access to GCF, on par with the private sector.

Orenstein and Tangri (2012: 6)

According to one key informant the GCF may not be capitalized until at least 2015, and according to another, organizations should not pin their funding strategies on the GCF because there is still uncertainty around how, and when, it will function. In keeping with this, a third interviewee suggested that those interested in accessing climate change funding should focus on what is available now. There are plenty of options. For example, national climate change funds may be a potential source of funding for waste picker MBOs and should be looked into.

In line with this, it should be kept in mind that “the global climate finance architecture is complex” (Nakhoda, Caravani, Wenzel and Schalatek 2011: 1) and evolving. Therefore, resources must continue to be dedicated to staying abreast of trends and to taking advantage of funding opportunities.

Waste management is a local issue with global implications so it is critical to maintain links and to continue to share learning and build networks among the informal waste management sector around the world. It is equally important to continue to advocate for the interests of waste pickers, given their vulnerability and their key role in addressing global climate change.

Given the emphasis placed by one key informant and the potential sustainable benefits that it could bring in terms of improved incomes without having to rely on others, further research should be conduct-

¹¹ It should be noted that GAIA and the Global Alliance of Waste Pickers have already focused much advocacy effort towards the GCF since its conception in 2009. The Alliance was represented by GAIA in most of the meetings of the GCF Transitional Committee in 2011 and of the GCF Board since its establishment in 2012. The key goals of the Alliance in tracking and influencing the work of the GCF have been to contribute to the design of a new climate fund that is accessible and beneficial for waste pickers and to ensure that it will not undermine grassroots recycling and other “zero waste” strategies and initiatives.

ed on innovation in the informal waste management sector, as well as potential means to fund innovation. A similar observation about this need was made in an earlier study:

Support to moving up the value chain: Waste pickers can augment their income through development of enterprises to move up the value chain from collection and picking to processing (e.g., plastic to flake, cooking oil to bio-diesel, small to medium scale biogas). Grant finance is needed for feasibility studies, business plan development, and seed capital until waste picker enterprises are in a position to manage commercial loans and equity investment.

Geohagen and Cooper (2009: 6)

Perhaps innovation could be an agenda item in any future waste picker forums sponsored by their supporters.

Additionally, it may be worth disseminating the “background document” widely among waste picker partner organizations, and including carbon finance on the agenda of future meetings, so as to improve understanding and potentially demystify the subject.

Conclusion

As indicated throughout this report and in the “background document,” the development and management of carbon offset projects is complex, technical, costly and, at present, potentially not lucrative. Given the technical and resource constraints of many waste picker MBOs, it would not be feasible for them to pursue carbon offset projects without external support. However, a methodology exists that waste picker MBOs can engage with, and assess whether, in their own context, it is feasible in addressing their needs, in partnership with external supporters.

As has also been indicated, the Green Climate Fund, while not yet operational, is a potential future source of funding for waste picker MBOs, and they should be proactively involved in the process of developing funding mechanisms and guidelines. At the same time, waste picker MBOs may want to consider involvement in CSR relationships, investing in innovation, continuing to pursue waste management contracts with municipal authorities, or pursuing other available funding options that are more straight-forward than climate finance and that will allow them to pursue “climate justice,” (Chintan 2009: 27) maintain their independence, and improve their circumstances.

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Websites and Other Electronic Resources

www.carbonplanet.com/verification_and_standards

cdmgoldstandard.org

cdmrulebook.org/home

cdm.unfccc.int

gcfund.net/home.html

“We, SWaCH” www.youtube.com/watch?v=bMvU5bOHpTU

Interviewees

- Tim Ash Vie, Advisory Director, PwC, Nairobi
- Lucia Fernandez, Global Coordinator, Waste Pickers, WIEGO, Boston
- Malati Gadgil, Business Expansion, SWaCH, Pune
- Sean Green, Program Officer, Bill and Melinda Gates Foundation, Seattle
- Rafael Monge-Portaro, Sustainable Energy Investment Consultant, New York
- Tom Morton, Director, ClimateCare, Nairobi
- Charles Peterson, Environmental Management Consultant, Pennsylvania
- Exequiel Roberto Estay Tapia, President, Recicladores Independientes de Chile and Communications Secretariat, Red Lacre, Santiago
- Virinder Sharma, Climate Change Advisor, DfID, Nairobi
- Mariel Vilella, Climate Policy Campaigner, GAIA, Barcelona

Melanie Samson, Coordinator, Africa Waste Picker Program, WIEGO, Johannesburg, and Alexandre Gellert Paris, Stakeholder Collaboration Team, UNFCCC, Bonn, provided written input.

Appendix 1: Background Information on Carbon Finance for Waste Picker Organizations

Introduction

The concept of carbon emissions trading was put into practice under the Kyoto Protocol, which came into force in 2005. Among other things, this system allows developed countries to meet part of their carbon emission reduction commitments by purchasing carbon credits from projects in developing countries which “offset” developed country emissions. One carbon credit is equal to one tonne of carbon dioxide (or the mass of another greenhouse gas equivalent to one tonne of carbon dioxide) that a project has prevented from entering the atmosphere.

According to the short film *“We, SWaCH”* the SWaCH cooperative of waste pickers in Pune, India, achieves reductions of 52,355,500 kgs of carbon dioxide per year, which translates into 52,355.5 tonnes, or 52,355 carbon credits.

The buying and selling of carbon credits and offsets under this system is called the “regulatory” or “compliance market” because it enables developed countries to comply with their regulatory commitments under the Kyoto Protocol.

The **Clean Development Mechanism (CDM)** of the United Nations Framework Convention on Climate Change (UNFCCC) has developed methodologies that outline the rules and standards for the creation of carbon credits from carbon reduction projects in developing countries.

In addition to the regulatory market is the **voluntary carbon market**. The voluntary market enables businesses, governments, NGOs and individuals to offset their carbon emissions by purchasing carbon offsets. For example, many companies allow individuals to purchase carbon offsets for their personal air travel. See for example the “flight calculator” at www.offsetters.ca

In order to sell carbon offsets on the voluntary carbon market, projects must meet the standards of and be certified by a voluntary standards organization, such as the Gold Standard.

The **Green Climate Fund** is a new funding mechanism created under the UNFCCC that is intended to transfer money from the developed to the developing world in order to help developing countries deal with climate change.

Sections 2, 3 and 4 look more closely at some of the requirements of the UNFCCC CDM and voluntary carbon markets, particularly in relation to the recovery and recycling of materials from solid waste, and issues that should be considered regarding carbon offsets. Section 5 provides more information on the Green Climate Fund.

1. UNFCCC CDM

As indicated above, under the CDM, emission reduction projects in developing countries can earn carbon credits (called Certified Emission Reduction credits, or CERs) and sell these to developed countries to meet part of their emission reduction targets under the Kyoto Protocol.

The CDM mechanism is intended to stimulate sustainable development and emission reductions, while giving industrialized countries flexibility in how they meet their emission reduction targets.

The process of having a project registered under the CDM, which is required for the project to sell carbon credits, is rigorous and requires specialized technical skills.

A key aspect of the CDM is “additionality,” which means that a CDM project must provide emission reductions that are additional to what would have occurred without the project. Projects must use the CDM’s [“additionality tool”](#) (16 pages).

Another key aspect of the CDM mechanism is the use of “methodologies,” including “baseline methodologies” and “monitoring methodologies.” A baseline methodology is the means to estimate the emissions that would have been created in the absence of the project activity. A monitoring methodology is the means to calculate the actual emission reductions from the project, setting out how projects should develop and implement a monitoring plan to gather the data for calculating emission reductions from the project. The baseline methodology and the monitoring methodology must be specified in the Project Design Document (PDD).

Currently approved small-scale methodologies are listed [here](#).

The most relevant existing methodology for MBOs involved in solid-waste management is probably “AMS-III.AJ. Recovery and recycling of materials from solid wastes.” The latest version of this methodology can be accessed on the [UNFCCC website](#) (14 pages).

A (1 page) [summary of the methodology](#) is also available.

The greenhouse gas (GHG) benefit of recycling plastics is that less fossil-fuel energy is required to manufacture products from recycled materials than from virgin materials. Therefore, the carbon offset or the number of carbon credits is the difference between the amount of GHG emissions from products manufactured with virgin materials and the amount of GHG emissions from products made of recycled materials.

The methodology includes several important requirements. For example, contracts need to be put in place to eliminate double counting of emission reductions by both the waste pickers and the manufacturing facility they supply, and also to prove that the recycled materials supplied are used for processing/manufacturing and not for other purposes, such as fuel.

One of the key documents required for the validation and registration of a CDM project activity is the Project Design Document (PDD). The other key documents are the validation report from the Designated Operational Entity (DOE) and the letter of approval from the Designated National Authority (DNA). A DOE is an independent auditor that assesses whether a potential project meets all the eligibility requirements of the CDM (validation) and whether the project has achieved GHG emission reductions (verification and certification). A DNA is the body granted responsibility by a national government to authorize and approve participation in CDM projects.

In addition to demonstrating additionality and specifying the methodology to be used, the PDD must also:

- describe the project and establish a project boundary
- establish the duration and crediting period of the project
- describe the environmental impacts of the project
- provide information on the sources of public funding for the project
- summarize stakeholder comments
- describe the monitoring plan
- set out all relevant calculations

The PDD must also go through validation, the process of independently evaluating a CDM project activity (or Program of Activities—see below) by a DOE against the CDM rules and requirements, mentioned above. Proposed CDM projects are validated in line with CDM rules and regulations, based on the information contained in the PDD.

Of potential interest to waste picker MBOs is that it may be possible for multiple partners, including in different countries, to develop a program of activities (PoA) made up of small-scale component project activities (CPAs). In other words, multiple similar projects could pool their emission offsets under a single program. This has many benefits, including reduced costs, a simpler approval process and more commercially attractive projects. More information on PoAs is available [here](#).

Please see the audio file “What is PoA or Programmatic CDM?”

At the beginning of the validation process, PDDs must be published on the UNFCCC CDM website inviting comments from the general public. All PDDs open for public comments are available [here](#).

It may be interesting for readers to look at some PDDs to see what they include, especially in the area of “waste handling and disposal.” Note that the validation process can take from nine months to two years, sometimes longer.

After validation, project participants submit a registration request and pay a registration fee. The fee is based on the estimated annual emission reductions presented in the validated PDD. Information (two pages) regarding the calculation of the registration fee is presented [here](#).

The registration process involves reviewing and assessing the project, and takes a minimum of two months.

After registration, ongoing monitoring is undertaken and a DOE verifies and certifies that emission reductions took place, in the amount claimed, according to the approved monitoring plan. Once the certified verification report is reviewed, CERs (carbon credits) are issued to the project. It is then up to the project to find a buyer for the CERs.

It is important to note that the UNFCCC Secretariat does not provide training or advice on the CDM, or assistance to individual project developers in:

- pre-appraising project ideas or proposals
- sourcing financing or expert help
- preparing required documents

In certain circumstances, a help desk is available to provide technical assistance regarding CDM projects that are in the process of validation or verification.

An important potential source of information sharing, support and guidance is the [CDM Bazaar](#) website, a free web portal for CDM stakeholders, buyers, sellers and service providers.

2. Voluntary Carbon Markets

As indicated above, the voluntary carbon market operates outside of the Kyoto Protocol system and the UNFCCC CDM, and enables individuals, organizations and governments to purchase carbon credits to offset carbon emissions. Projects selling carbon credits on the voluntary carbon market must meet the standards of, and be certified by, a voluntary standards organization. One of the best known, and one whose credits command the highest price, is the Gold Standard. The Gold Standard does not sell carbon credits. Rather, it is the certification body that ensures the quality and validity of project activities.

Three categories of project activities are eligible for Gold Standard registration: Renewable Energy Supply; End Use Energy Efficiency Improvement; and Waste Handling and Disposal (defined as “all waste handling activities that deliver an energy service” [e.g. Landfill Gas with some of the recovered methane used for electricity generation] or a useable product with sustainable development benefits [e.g. composting]).

As with the CDM, applying for certification under the Gold Standard is a rigorous process. The requirements for achieving Gold Standard Certification can be accessed [here](#) (52 pages).

In addition, the Gold Standard provides a tool kit to guide applicants through the certification process (88 pages).

One key requirement of the Gold Standard is that all projects submitted for certification must be consistent with applicable UNFCCC rules for CDM projects, and include a PDD using the UNFCCC template (except for micro-scale activities and micro-programs). Therefore, the procedures described under the previous section would apply when seeking certification under the Gold Standard.

Gold Standard application requirements also include:

- preparation of a Gold Standard Passport that contains supplementary information relating to the CDM criteria
- Local Stakeholder Consultation process, including notification to Designated National Authority (DNA) about the existence of the project and at least one public consultation meeting
- selection of a Baseline and Monitoring Methodology
- Additionality Assessment using one of the UNFCCC- or Gold Standard-approved additionality tools (with the exception of certain micro-scale activities)
- Sustainability Assessment (including “Do No Harm Assessment” and Environment and Social Impact Assessment)
- development of a Sustainability Monitoring Plan
- validation process, during which all of the above is reviewed by an accredited Designated Operational Entity (DOE) or Accredited Independent Entity (AIE) and a site visit is conducted
- review of the validation process by the Gold Standard

If the validation process and the review by the Gold Standard are successful, the project is registered by the Gold Standard. The project then needs to be monitored in relation to its impact on sustainability and GHG emission reductions, which determines the amount of carbon credits to be issued. Monitoring reports must be verified and a site visit conducted by a DOE or AIE, and submitted to the Gold Standard for review, after which credits may be issued. It would then be up to the project to find a buyer for the Gold Standard-certified credits.

Fees are levied by the Gold Standard at different stages of the project development process, and are generally determined by the size of the project and the number of credits registered. Details regarding fees can be found [here](#).

As with the CDM, PoAs allowing small, individual projects with the same baseline and monitoring methodologies under one program umbrella are eligible for Gold Standard certification.

3. Issues To Consider Regarding Carbon Offsets

There are many issues to consider when assessing the feasibility of developing an emission offset project for CDM or voluntary market certification. These include, but are not limited to:

- Costs of project development. Some experts have noted that the cost of hiring a specialized company to develop a PDD could be \$50,000, and developing a PDD and taking a project through the registration process could cost from \$100,000 to \$250,000, or more. It would be important to look into having project development costs paid, if possible, by a donor or private sector partner, such as a firm that would then sell the carbon offsets, or one interested in the possible Corporate Social Responsibility (CSR) benefits of investing in such a project.
- How many carbon credits will the project generate and does the current market value and market demand for carbon credits make the project viable from a business standpoint? The price of carbon credits has fallen dramatically over the past few years.
- Recurring costs related to monitoring and verification need to be considered. See, for example, this [Guardian article](#) on carbon offset project fees.
- Before proceeding with carbon offsets, should other potential sources of climate funding be looked into first? Some are presented on the [Climate Fund Update](#) website.

4. Green Climate Fund

As noted in Section 1, the Green Climate Fund (GCF) is a new funding mechanism created under the UNFCCC that is intended to transfer money from the developed to the developing world, in order to help developing countries deal with climate change. The GCF will support projects, programs, policies and other activities in developing countries that limit or reduce their GHG emissions, as well as supporting them to adapt to the impacts of climate change.

The GCF is not yet operational and does not yet have funding in place to support projects. Also, the mechanisms and guidelines the GCF will use to disburse funding to partners and projects in developing countries have not yet been developed. It is therefore too early to assess whether the GCF will be an appropriate or feasible source of carbon finance for waste picker MBOs.

About Inclusive Cities: The Inclusive Cities project aims to strengthen membership-based organizations (MBOs) of the working poor in the areas of organizing, policy analysis and advocacy, in order to ensure that urban informal workers have the tools necessary to make themselves heard within urban planning processes. Inclusive Cities is a collaboration between MBOs of the working poor, international alliances of MBOs and those supporting the work of MBOs. For more information visit: www.inclusivecities.org.

About WIEGO: Women in Informal Employment: Globalizing and Organizing is a global research-policy-action network that seeks to improve the status of the working poor, especially women, in the informal economy. WIEGO builds alliances with, and draws its membership from, three constituencies: membership-based organizations of informal workers, researchers and statisticians working on the informal economy, and professionals from development agencies interested in the informal economy. WIEGO pursues its objectives by helping to build and strengthen networks of informal worker organizations; undertaking policy analysis, statistical research and data analysis on the informal economy; providing policy advice and convening policy dialogues on the informal economy; and documenting and disseminating good practice in support of the informal workforce. For more information visit: www.wiego.org.



Women in Informal Employment
Globalizing and Organizing