

Investing to Reduce Plastic Pollution in South and Southeast Asia

A Summary of Circulate Capital's Handbook for Action
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April 2019



**Addressing
Marine Plastics**
A Systemic Approach



OVERVIEW

In March 2019, Circulate Capital and Ocean Conservancy published [*Investing to Reduce Plastic Pollution in South and Southeast Asia: A Handbook for Action*](#) (“Handbook”). The Handbook draws heavily on the assessment done by Circulate Capital in late 2017 and early 2018 on the prospects for investing in the waste management and recycling sectors in South and Southeast Asian countries (India, Indonesia, the Philippines, Thailand and Vietnam). Three segments of the plastic value chain were the focus of the assessment: collection, aggregation and processing of/end markets for plastic waste. The assessment found that the absence of waste management and recycling companies with strong and transparent track records of profitability, combined with questions about the bankability of infrastructure projects, has prevented institutional investors from allocating capital to waste management projects.

The Handbook is an open source guide aimed to prompt investment around solutions to the plastic marine pollution problem in South and Southeast Asia. It provides substantial and practical information for prospective investors through a broad overview of the major trends and investment considerations of the South and Southeast Asian countries included in the landscape assessment, in addition to more detailed analysis of India and Indonesia, Circulate Capital’s initial investment markets. The Handbook presents investment opportunities in municipal waste management and recycling infrastructure within the region and lays out a variety of factors impacting the plastics value chain to help investors evaluate opportunities and deploy assets. The Handbook also provides insight for various stakeholders, such as governments, NGOs, investors and entrepreneurs who play critical roles in developing a circular economy in the region.

The Handbook also notes various risks that need to be considered including currency volatility and political shifts. Several South and Southeast Asian countries’ currencies have been very weak, with some at or near all-time lows. Continuing weakness in these countries’ currencies could expose investors to considerable foreign exchange losses. Political change could also impact the investment environment. Three SSEA countries – India, Indonesia and Thailand – are scheduled to have general elections in 2019. The potential shifts pose the risk that a change in administration could have an adverse impact upon solid waste management and recycling investments in each country.

KEY FINDINGS

► **National government support and a healthy policy enabling environment with emphasis on engaging cities and municipalities are critical to success**

National legislation and government policies that are supportive of investment, particularly foreign capital, in the solid waste management and recycling sector are a prerequisite for attracting the financing necessary for investments in waste management infrastructure. Government commitment to the equitable enforcement of existing solid waste management laws and regulations is similarly important. In addition, localization is essential for investment in South and Southeast Asian countries’ solid waste management and recycling sector to be successful.

► **Implementation challenges remain despite comprehensive national solid waste management legislation in several countries**

Despite national-level legislation governing the collection and management of household waste, and in some cases, action plans on marine plastics, solid waste management infrastructure still lags, resulting in mismanaged plastic that enters the environment and the ocean. The reasons for this are varied but include lack of enforcement of existing SWM laws and regulations, for example, with respect to mandating separation of waste at source, and prohibiting illegal dumping and burning of waste by households. These challenges are often intensified by weak governance and lack of transparency at various levels of government.

► **Engaging informal collector communities in SSEA countries is both a challenge and opportunity**

Informal collectors are the foundation of the informal collection and sorting segments of the plastic value chain, especially for polyethylene terephthalate (PET) products, as their activities result in high collection rates. Investors in this segment of the value chain will likely have some direct or indirect engagement with this population. Any plan to create an integrated waste management system will need to be developed in conjunction with this group and offer the opportunity for meaningful social impact, particularly for women, who have high participation rates in the informal sector generally.

► **Systematic investment within a specific watershed as well as discrete investment along the plastic value chain are needed**

The report found that prevailing dynamics in the SSEA countries suggest that, in the near-term, two investment approaches to remedy ocean plastic leakage will be available:

1. Systematic investment within a specific watershed

Watersheds will likely require targeted investment in each segment of the plastic value chain, and potential follow-on investment. Collaboration with other investors, or projects, active in additional segments of the plastic value chain and/ or focused on other types of waste offers an opportunity for the development of a more efficient, fully integrated and economically sustainable system. A critical factor in the success of this goal is to mobilize various stakeholders to support and sustain the creation of an enabling framework.

2. Investment that is responsive to discrete opportunities

Although investments in distinct or individual projects along the plastic value chain may not lead directly to the development of an integrated waste management system, they can improve reducing plastic leakage in a particular location and deliver a model that could be replicated in other regions.

The full report is available online at www.CirculateCapital.com.