CIRCULAR ACTION HUB

CIRCULAR CREDITS MECHANISM

Circular Action Hub and Circular Credits Mechanism (CCM)

Implementation Guidelines and Operational Procedures

Scope: Municipal Solid Waste

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BVRIO

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1. INTRODUCTION

This document provides information on how to apply the Circular Action Hub's (CAH) Principle and Criteria for Circular Credit Mechanism (CCM) projects involving the recovery and recycling of Municipal Solid Waste (MSW).

The Implementation Guidelines aim to assist users in the application of the Principles & Criteria to MSW projects. Following the "Learning by doing" principle, additional guidance documents will be provided as more projects are developed and more information is gathered about different approaches and different circumstances, to ensure a continuous improvement of the CAH's Principles & Criteria and its guidelines.

The Operational Procedures describe the process to register and implement CCM projects, as well as the internal governance procedures to analyse and monitor these projects.

2. SCOPE AND APPLICABILITY

2.1 SCOPE

These Implementation Guidelines were designed solely for projects and activities involving Municipal Solid Waste (MSW – see definition in next section) collection and recycling in order to displace potentially harmful waste management practices for both socially and environmentally, thereby resulting in improved waste management. It does not include measures involving industrial waste, hazardous waste, or by-products (e.g. paper scraps from paper manufacture companies).

The guidelines focus only on MSW collected and disposed in the same country (projects involving MSW imported by or exported to the country are excluded).

The potential final destination of MSW varies depending on the circumstance and the availability of economically viable options to the project or operation (see Definitions).

2.2 APPLICABILITY

The CCM MSW scope is applicable to projects recovering recyclable materials that are being sent to a sub-optimal destination and redirecting these materials to a more appropriate destination. The materials below are included in the CCM MSW scope:

PLASTIC	PAPER	GLASS	METAL
PET, PS, PVC, PP, HDPE/LDPE, Styrofoam, Mixed plastic waste	White paper, Undulated paper, Newspapers and magazines, Carton	Mixed glass waste	Aluminium tins, Mixed scrap metals

Other scopes will be developed in the future for other materials (e.g., electronics, tyres, etc.).

These guidelines can be applied to both existing and greenfield (i.e. newly constituted) operations (i.e., organizations, projects, etc.). The CCM believes that many waste collection activities are already conducted based on the sale of physical material only[1], with the environmental service not recognised or remunerated, and consequently should be eligible for Circular Credits.

Each type of MSW recovered should be delivered directly (or via an intermediary) to a disposal/processing/manufacturing facility that processes the recyclable material.

Circular Credits can be claimed only for MSW recovered, separated, weighted, and properly disposed. The project organization shall have a formal proof, such as waste manifests or equivalent document, attesting the weight of each specific type of material and the exact location of disposal.

There are no geographical limits to the CCM. Specific regional guidelines and requirements may be developed in the future, based on experience gathered from projects participating in the Circular Action Hub, so to refine it to different realities worldwide.

3. Definitions

3.1 Circular Credit (CC)

A Circular Credit represents the service of recovery (removal, collection, sorting) and appropriate destination of 1 metric tonne of recyclable material that is inappropriately discarded, causing pollution of the natural environment or foregoing the opportunity of a better destination.[2]

3.2 Municipal Solid Waste (MSW)

The CCM defines Municipal Solid Waste (MSW)[3] as waste that should be collected and treated by or for municipalities. It covers waste from households, including bulky waste, similar waste from commerce and trade, office buildings, institutions and small businesses, as well as packaging, yard and garden waste, street sweepings, the contents of litter containers, and market cleansing waste if managed as household waste.

The definition excludes waste from municipal sewage networks and treatment, waste from construction and demolition activities, industrial waste, hazardous waste, or by-products (e.g. paper scraps from paper manufacture companies).

The CCM-MSW scope is focused on the recyclable solid waste material included in MSW.

[1] E.g., beach clean-ups, waste pickers, etc.
[2] For instance, recyclable materials disposed in landfills are not causing environmental pollution but, if possible, should be sent for recycling , re-use or energy generation.
[3] OECD (2020), Municipal waste (indicator). doi: 10.1787/89d5679a-en. Available at https://data.oecd.org/waste/municipal-waste.htm

3.3 MSW APPROPRIATE DESTINATION

The appropriate destination of the materials varies according to local context. Nevertheless, projects should pursue the best economically feasible destination for waste recovered available.

Circular Credits can be created for two main types of activity:

- **Waste collection or removal**. Environmental service happens when wasted recyclable material is collected from the environment and is appropriately disposed so that it won't return to pollute the environment. For instance, it could be sent for recycling, disposed in a landfill, or incinerated in a power plant;
- **Waste recovery**. Environmental service happens when recyclable material that would otherwise be landfilled or incinerated is recovered and recycled or reused. For example, the work that waste pickers do in recovering plastic from waste dumps or landfills and selling it to recycling plants.

The Circular Action Hub does not differentiate between these processes of creation of credits, and the terms removal and recovery are used interchangeably.

A project must define the most appropriate destination for the MSW it removes of recovers, supporting this claim by referring to local rules and legislation, financial/technical feasibility, and/or other technically reliable information. And, the most environmentally-sound destination should be adopted.

3.4 PROJECT ORGANIZATIONS

Any party can become a Project Organization, including companies, NGOs, informal waste pickers, etc., provided that the project meets the requirements of the CAH's Principles & Criteria and these guidelines.

These guidelines are applicable only for projects developed by organizations that (a) are formally constituted and registered; (b) have all permits that would allow its specific operation[4]; and (c) have formal detailed records of its operations.

[4] In many cases, no permits are required (e.g. beach clean-ups), and this requirement is not applicable.

Implementation Guidelines

4. Project Registration

The registration process of each project begins with the completion of the Project Registration Form (PRF) by the project developer. After this first step, the Circular Action Hub's team will conduct a check of all information provided. The project developer must provide all premises, data, and references, requested in the PRF (see Annex 1).

If the reliability of information is considered reasonable by the CAH team, the project will be registered.

Every three years, the project must perform a simple registration renewal in order to provide updated information regarding the organization and the intention to keep participating in the CCM.

5. Monitoring and Verification

Once the project is in operation, project developers need to continuously collect and store data related to the operations, and its effectiveness in terms of recovery and final disposal of MSW recyclable materials. The objective is for the project to be able to substantiate the claims made in relation to the impact of the operation, and this may be audited at some stage during the project lifetime.

Depending on the circumstances of the project, different types of data may be collected for demonstrating project impact, such as:

i. **Internal records:** organization's own records, with manual or electronic spreadsheets recording the amount of MSW recovered. Whenever possible, these internal records should be based on weighting the amount of waste that either enters a facility or that exits it, or a combination of both.

ii. **Fiscal records:** invoices, purchase orders and any other document demonstrating the sale of waste, based on weighting of the amount sold. These records may show the amount of MSW exiting the facility and, in case of invoices, may be connected to regional or national fiscal system.

iii. **Cross records:** official reports linked to the environmental authority or waste authority, either national or subnational, that allows the traceability of the entire waste management chain by type of residue and amount. It records the waste generation entity, the intermediaries, the transport entity and the disposal entity. This record can be made using a series of paper forms, that will be filled in, signed and stamped by entities during the steps of waste processing; or can be made online, where the registered entities can access a system and declare its participation in the waste management chain linked to a specific volume and type of residue. Normally, this kind of record is started by the waste generation entity and the following entities are being added to the process during the waste management chain.

Therefore, monitoring can be performed in three ways, depending on the level of monitoring capability of the organization:

i. **Manual:** the amount of waste is monitored either by using a reliable weighting equipment or by estimating the weight of MSW related to its volume. It is the most basic monitoring system, using mainly internal records as references.

ii. **Semi-automatic:** the amount of waste is monitored by using a calibrated weighting equipment. This system can make use of some basic crosschecks, being more reliable than the manual system. Both internal records and fiscal records are used for management of waste types and amount.

iii. **Automatic:** the most efficient and preferred monitoring system. The amount of waste is weighted by more than one actor in the waste management chain, and compared with data from independent parties. Crosschecks, redundancies, and backups are in place. This system makes use of internal, fiscal, and/or cross references, usually involving a digital system.

At least every 12 months, projects will submit a monitoring report to the CCM (via the online system of the CAH) describing the results, challenges encountered and any change in circumstance. This report will be used by the CCM as part of the verification process.

Each of the systems described above require a different level of checks during a verification event:

- For the manual system, the data should be audited on site since, most likely, most of the records will be on paper. A monitoring report should be prepared and referenced by internal records.

- For the semi-automatic system, a simplified monitoring report is needed, and references should be provided digitally at a previously defined frequency – with onsite auditing if needed.

- For the automatic system, if proofs of cross records are provided, the verification is automatic and field audit can be conducted only as needed or if inconsistencies are identified.

The proper disposal of the waste must also be monitored, i.e., recycling, incineration, re-use, etc.

For any alternative disposal of waste, the weight of the specific material must be recorded before converting it into new products. For example, if waste materials, such as recyclable plastic bottles, are converted into building blocks or roof tiles, the Circular Credits will be issued for the weight of the plastic bottles before its conversion into building blocks. For recovered materials, project proponents shall provide the weight of the specific material before disposal at a final destination.

Monitoring should be conducted on an on-going basis, either by the project developer or an organisation hired to do so.

Verifications are performed once a buyer commits to acquiring the Circular Credits from the project, and are conctracted and paid for by the buyer.

6. ACCOUNTING AND ISSUANCE OF CREDITS

At the point of registration, projects estimate their expected projection of credit generation for the future or auto-declare a volume of credits already created based on activities conducted in the past (a maximum of 12 months prior to registration) that can substantiated by the projects monitoring system.

This information will be verified by the CCM's Technical Team and, if considered credible, an 'Estimated Amount' of Circular Credits will be displayed in the Project Information Page of the Circular Action Hub's Marketplace and in the Hub's Negotiations Platform.

The 'Estimated Amount' of credits will be updated constantly, in accordance with the frequency that data is submitted to the Hub. In the case of automatic systems, as soon as a fiscal invoice or equivalently reliable document is uploaded to the platform, and is considered authentic (either automatically or by the CCM team), Circular Credits are issued and credited in the project developer's account as "Estimated Amounts'.

Once a buyer decides to acquire Circular Credits from a project, it will have to contract for a verification of the credits created to date, and the credits bought will be allocated to this buyer's account. Any excess credits not sold, but verified, will now be displayed in the Circular Action Hub as 'Verified Amount'.

7. SOCIAL SAFEGUARDS

Projects are expected to adopt social safeguards appropriate to its scale and circumstance and the enforcement of these safeguards must be monitored and demonstrable. Social safeguards in place are essential to prevent and mitigate undue harm to people.

When identifying and designing a project, safeguards should help assess the potential social risks and impacts (positive or negative) associated with it. Safeguards should help define measures and processes to effectively manage risks and enhance positive impacts. The process of applying safeguards can be an important opportunity for stakeholder engagement, enhancing the quality of project proposals and increasing ownership whatever of the source of financing.

The project should comply with all local, regional, and national rules and requirements. In addition, to be able to issue Circular Credits the project must also comply with the CCM's minimum social safeguards and this compliance will be verified either by the CCM team or by a third party. The minimal social safeguards from the CCM are as follows:

i. Occupational Health and Safety (OHS)

To an appropriate extent, projects should aim at establishing, implementing, and improving occupational safety and health management systems, with the aim of reducing work-related injuries, ill health, diseases, incidents and deaths. Additional

information and guidance are provided by the International Labour Organisation (ILO)[5].

Whenever possible and appropriate, Personal Protective Equipment (PPE) should be provided and its use promoted in the project activity. Additional information and guidance are provided by ILO[6].

ii. Principles and Rights at Work

The project should respect and protect the fundamental rights of workers, consistent with the International Labour Organization's (ILO) Declaration on the Fundamental Principles and Rights at Work[7], including:

a. The prevention of child labor. No use of unacceptable forms of child labour (i.e., work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development and/or affects their schooling). Additional information and guidance are provided by ILO8;

b. The elimination of discrimination, in respect of employment and occupation;

c. Freedom of association and the effective recognition of the right to collective bargaining;

d. The elimination of all forms of forced or compulsory labor. When appropriate, the project should demonstrate compliance with the local National Labour legislation, which establishes country-wide minimum wages and the legal contract between employees and employers.

[5] ILO (2001). Guidelines on occupational safety and health management systems. Available at https://www.ilo.org/global/publications/ilo-bookstore/order-online/books/WCMS_PUBL_9221116344_EN/lang--en/index.htm

[6] ILO (2010). WARM: Work Adjustment for Recycling and Managing Waste. Available at https://www.ilo.org/asia/publications/WCMS_126981/lang--en/index.htm

[7] Including ILO conventions 29 and 105, and the protocol to the convention 29 (forced labour), 87 (freedom of association), 98 (right to collective bargaining), 100 and 111 (discrimination), 138 (minimum age) 182 (worst forms of child labour).

[8] What is child labour. https://www.ilo.org/ipec/facts/lang--en/index.htm

Operational Procedures

8. General requirement

To participate in the CCM, all projects must be registered online via the Circular Action Hub's Project Registration Form (PRF). The information required in the form are those shown in the template in Annex 1.

When completing the PRF, all information and documentation necessary to demonstrate compliance with the CAH's Principles & Criteria will be required. In some cases, these may be provided at a later stage.

9. Project Cycle

Projects aiming to participate in the CCM will need to follow the next steps:

i. **Complete a Project Registration Form (PRF)** describing the project activities, the situation prior to the project, the expected project benefits, and the monitoring plan. See PFR template in Annex 1.

ii. **Analysis and registration of the PRF**, done by BVRio's Circular Action Hub technical team, to ensure data completeness. The project proponent makes a self-declaration about the project's expected environmental impact and its conformance with the CCM's Principles and Criteria. After this:

   a. **The project is registered,** and;

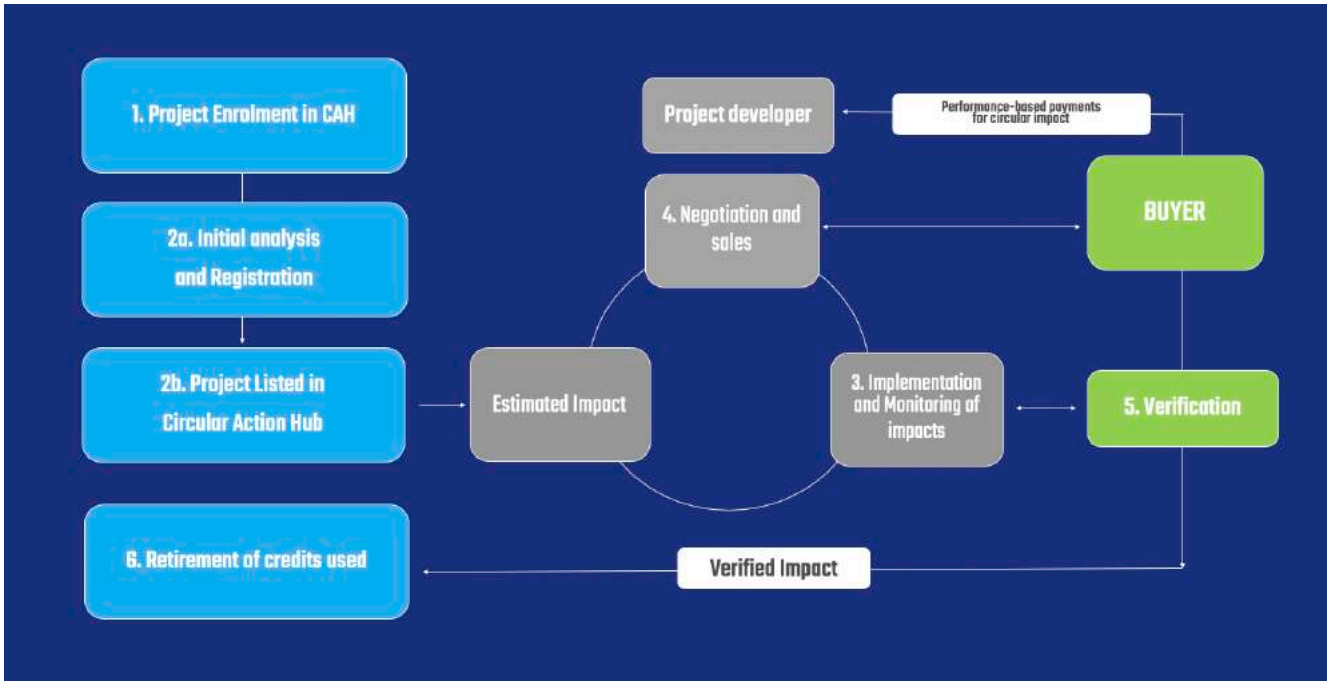
   b. An **Estimated Amount of Circular Credits is allocated** to the Project .

iii. **Implement project activities and monitoring of results**, updating the Estimating Amount reported to the Hub.

iv. **Negotiate and transact credits -** Once a potential buyer or investor expresses interest in the project, the Hub will help parties negotiate and conclude a transaction, which could result in financial support to the project.

v. **Verify the results of the project –** at this stage, the buyer will need to contract for verification of the project's impact and its conformance with the Hub's Principles and Criteria. Once verification is concluded, the **Verified Amount of Circular Credits** to be allocated to the Project and transferred to the Buyer.

vi. **Retirement of Circular Credits -** once credits are used for any specific claim, the party must inform the Circular Action Hub in order to have these credits retired from the Project's Registry.


1. Project Enrolment in CAH
2a. Initial analysis and Registration
2b. Project Listed in Circular Action Hub
6. Retirement of credits used
Estimated Impact
Project developer
Performance-based payments for circular impact
4. Negotiation and sales
BUYER
3. Implementation and Monitoring of impacts
5. Verification
Verified Impact

ANNEX 1. PROJECT REGISTRATION FORM (PRF)

BASIC INFORMATION	
Title of the project activity	In English and local language
Leading project organization implementing the project	
Other project participants	
Focal contact person/ details within project organization	Name, email and telephone
Location of the project/ activities	Country, region, city, area in the city
Project Status	new, ongoing (active), proposed, expansion, retrofit
Operational Status	Prototype, Pilot, On-going (fully implemented), Scaling up
Project start date	Month and Year
Types of recyclable materials to be recovered	
Waste final destination	Mechanical recycling, chemical recycling, landfilling, incineration, repurpose project, other
Estimated tonnage of materials recovered per year and during project, per type of material	
Summary of project description	Describe waste pollution situation before the project, and the project activities (200 words)
Contact information of focal point:	
Organization name:	
Contact person:	
Country:	
Address:	
Email:	
Telephone number:	

SECTION A. Full description of project and its context

A1. Description of project activity

Describe and quantify what are the project activities, who will be the actors involved, and how it is going to be financed (business model).

Describe also the scope of activity used to reduce recyclable waste pollution.

A2. Location of project activity and project boundaries

Describe what is the area of impact of the project.

A3. Project participants

Describe what are all the parties involved in implementation and management of project activities.

A4. Types and sources of recyclable materials

Describe what are the types of recyclable materials, and their source, that the project aims to recover.

A5. Expected environmental impacts, per type of waste material

Describe and quantify what are the expected volume of waste materials that will be recovered, per type of material and what is the destination to be given to these materials (e.g., recycling, repurposing, appropriate disposal).

A6. Project business model

Describe the basic business structure of the project: its cost structure (e.g. salaries, machinery, fuel, etc.) and the revenue channels (sale of material, sponsorship, collection fees, etc.)

SECTION B: Waste pollution situation in the absence of the project

B1. Description of current situation

Describe the current situation related to waste flows, collection and disposal (e.g., volumes disposed in the environment, rubbish dumps, landfilling, recycling rates) as well as what actors are involved in the sector (e.g., including industry, government, waste pickers, etc.). List the actors involved, what were the volumes collected and final destination given, what is the estimated amount going to the environment causing pollution.

B2. Explanation of project impact

Explain why the project activities will improve the current situation

B3. Estimation of project impact per type of waste materials

Describe and quantify what are the expected volume of waste that will be removed, per type of material

B4. Risk of unexpected impacts

Describe any potential side effect of the project that could reduce expected project benefits

SECTION C. Monitoring plan

C1. Monitoring plan

Describe how the project will measure the volumes of waste materials removed from the environment and given an appropriate final destination, including frequency of measurements and sample size.

C2. Monitoring team

Explain who are the parties responsible for monitoring and reporting, as well as any internal (or external) verification that will be conducted

SECTION D. Social impacts and inclusion

D1. Social context

Describe the current involvement of low-income groups, communities, waste pickers, in waste collection and destination. Provide a qualitative and quantitative assessment of the type of activity and volume of residues collected by these groups in the absence of the project. Describe whether those actors currently involved use child labour, protective gear, and how the current situation will be improved.

D2. Inclusiveness of the project

It is Important to ensure that projects do not appropriate themselves of the work of low-income groups previously conducting similar activities. Explain what roles these groups will have in the proposed project.

D3. Benefit sharing and fair remuneration

Explain how these stakeholder groups will benefit from the project (e.g., employment, payment for services, revenue sharing, etc.), and how the propose project will improve their current situation.

SECTION E. Other environmental impacts

E.1. Analysis of environmental impacts

Describe any other environmental impact that may be derived from the implementation of project activities (e.g., use of fuels, water, water contaminants, etc.) and how these will be mitigated.

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