

ESG assessments for attracting city investments

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Global Investment Estimates - Required to Meet SDG targets 6.1 and 6.2

US\$ 114 billion per year

untill 2030 is needed to meet SDG targets for
sanitation, water and hygiene

...this does not include Operating and Maintenance costs



3x the current
investment levels

Which means...

0.6%
of the USA
2015 GDP



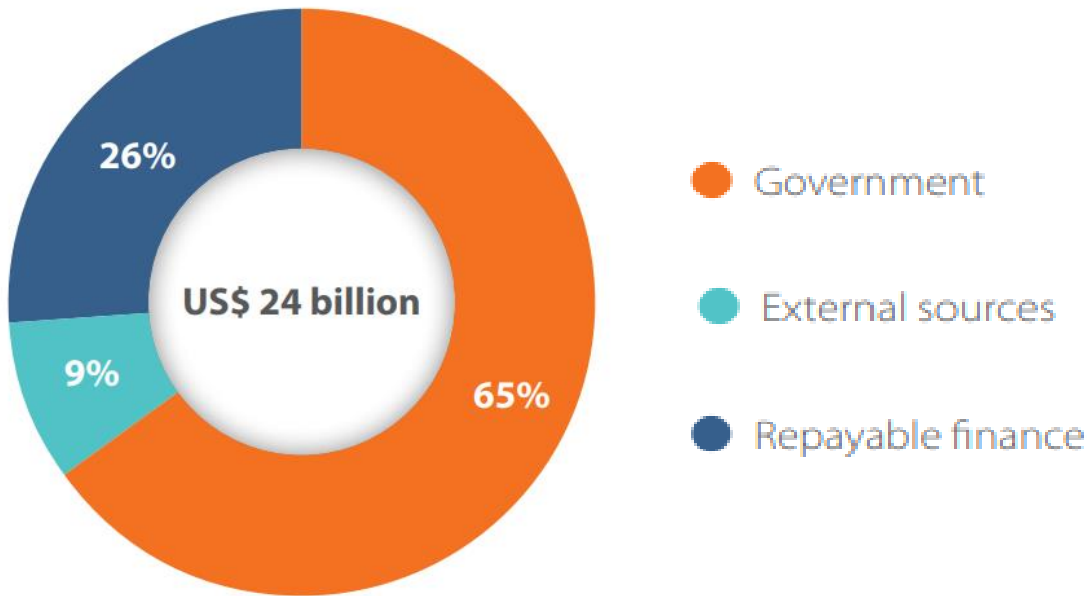
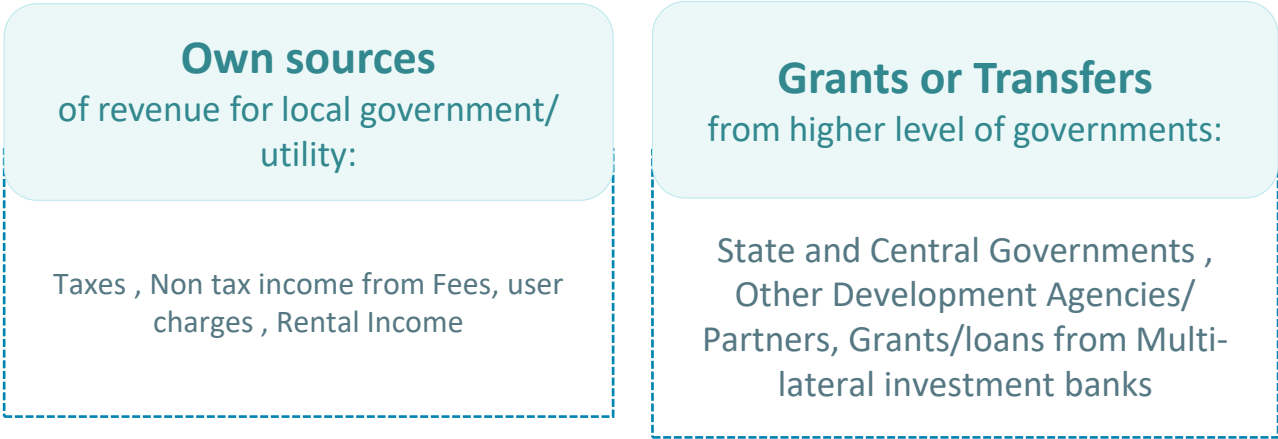
0.15%
of the combined
gross domestic
product of
high-income
countries
(2015)

0.39% of the combined annual national income of
the 140 low-and middle-income countries

... How do we bridge this financing gap?



WASH infrastructure has been generally financed through public funds...



Efforts to bring in additional funding ...

1. MUNI bonds and GREEN bonds

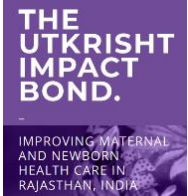
MUNI bond Issuance USD 237.8 Billion – in USA
 MUNI bond Outstanding USD 4 Trillion – in USA
 GREEN bond market 2021 USD 433 Billion - global

2. Experiences with blended finance - PPPs for sanitation

Hybrid Annuity Model (HAM)
 Performance Linked Annuity Model (PLAM)

3. Development Impact Bonds

...but expensive to develop



Experience for sanitation DIB in India – while impact investors are ready, there are no outcome funders, and not amenable to new rules

Source: GLAAS 2018/2019 country survey; TrackFin Ghana and Mali studies, 2019.,Fig 3.13, p. 38

ESG is likely to be important consideration in this context



Measuring sustainability and societal impact to better determine future performance

ESG already popular with corporates

80% of companies worldwide now report on sustainability

2372 signatories to the Principles for Responsive Investment by 2019

61.7% of issuers now monitoring their ESG ratings

Investors also looking at sustainability



Paradigm shift from traditional financial considerations to responsible Business, Ethical Considerations, Alignment with values



Investment stability, Lowered regulatory and legal risks, Social returns, Credibility with stakeholders, Cost reductions

WASH Utilities/ Cities - logical candidates for ESG



Primary Mandate for Public good



Need for Monitoring National / Global Commitments



Attracting Investments for development



Building Credentials for investors

Good ESG rating

= judicious use of funds and low payment risk

= Easier borrowing from banks, capital market, bi/multi lateral funds

Debate around ESG, which “letter” is important ?

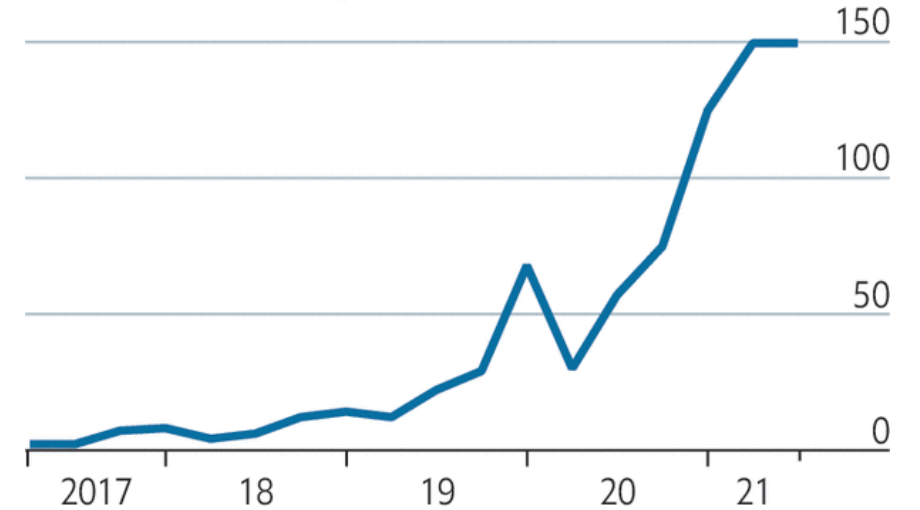


Economist, special report 21 July 2022.

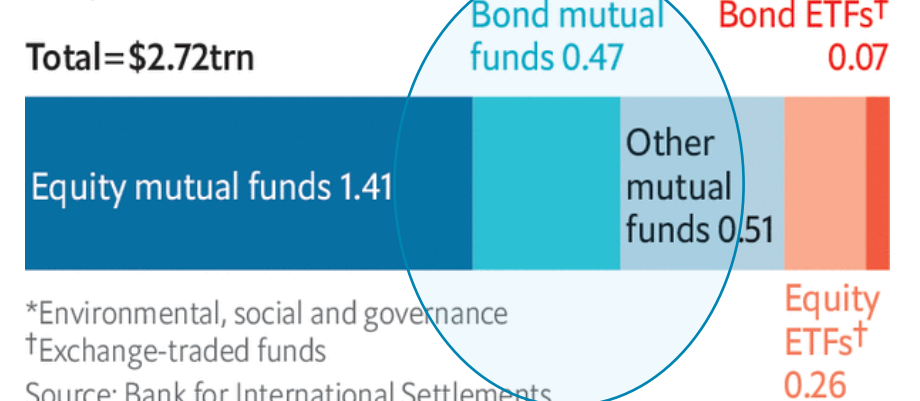
“While ESG is likely to evolve both in substance and name in the coming years, its underlying impulse is here to stay.”

McKinsey Quarterly Report
“How to make ESG Real”,
Aug 10, 2022

S&P 500 companies, mentions of “ESG”*
in quarterly earnings calls



Worldwide ESG* assets under management
2021, \$trn



*Environmental, social and governance

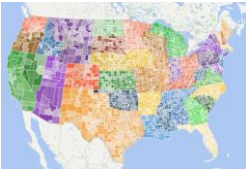
†Exchange-traded funds

Source: Bank for International Settlements

The Economist

ESG for cities – already in practice

US Municipal marketplace
- ISS ESG Muni QualityScore (ACRe Data)



Standardized ESG framework for full range of sustainable and responsible investment issues and themes

Aimed at Municipal bond issuers and investors

Applied at scale – 100% coverage of US Municipal bond market

Toronto's Debt Issuance Program for strategic ESG outcomes



Debt issuance programme - sustainable financing for strategic priorities for positive socioeconomic outcomes – \$ 500 million mobilized

Indicators built around priorities - Affordable housing | Mobility | People and Neighbourhoods | Climate resilience | Sustainable Finance | Effective Governance

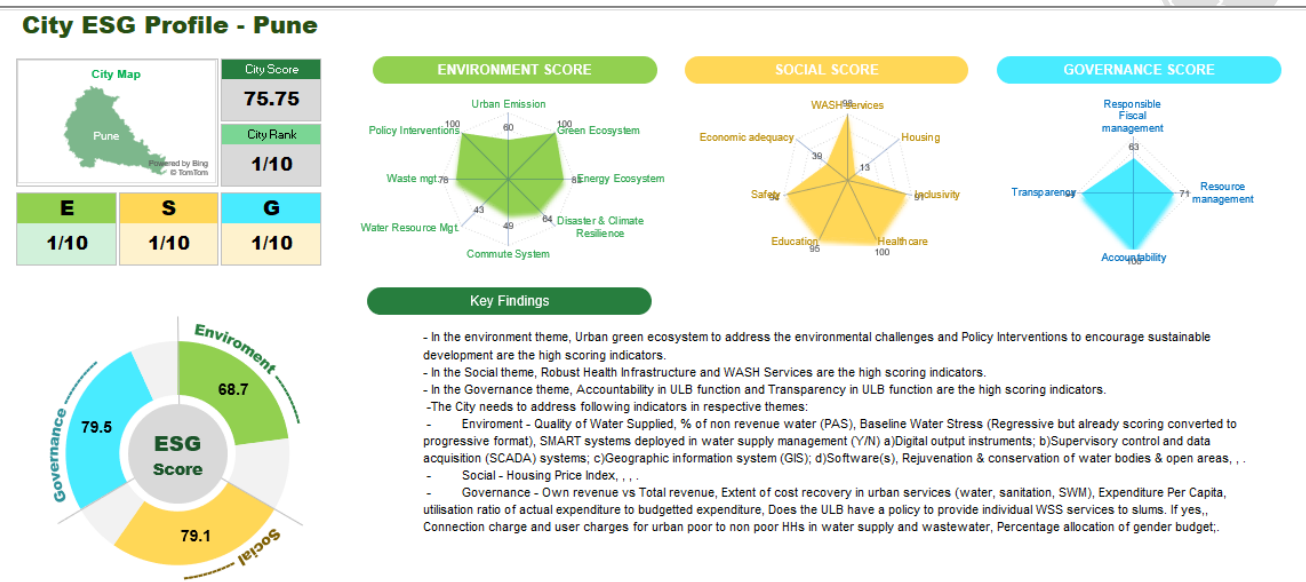
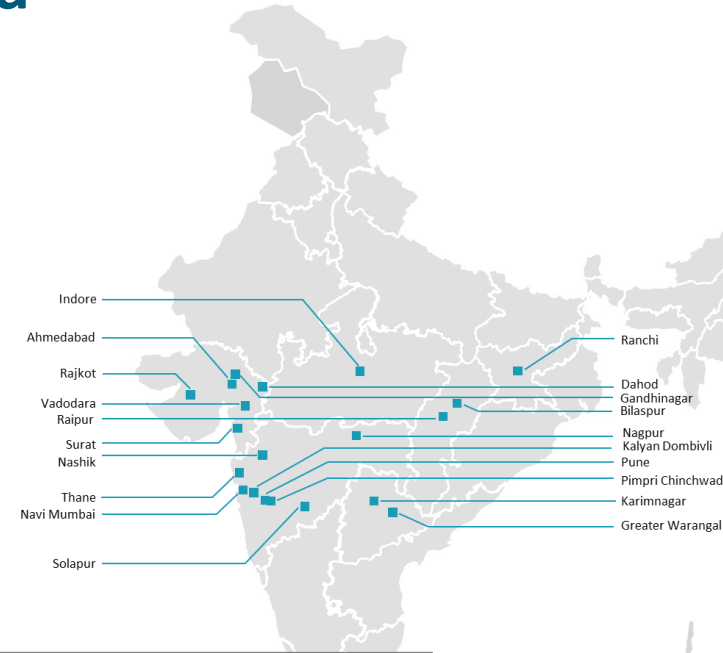
Our ESG framework for Indian cities using publicly available data (PAS, city finance portal...)

19 themes, 62 indicators around -

- City mandates and service performance
- Laws and policies
- National commitments/ programs

Tested on 10 cities in India using public datasets

– Indian cities already reporting on a wide range of indicators as part of govt. initiatives



Thank you

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CWAS CENTER
FOR WATER
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About us

The Center for Water and Sanitation (CWAS) is a part of CEPT Research and Development Foundation (CRDF) at CEPT University. CWAS undertakes action-research, implementation support, capacity building and advocacy in the field of urban water and sanitation. Acting as a thought catalyst and facilitator, CWAS works closely with all levels of governments - national, state and local to support them in delivering water and sanitation services in an efficient, effective and equitable manner.



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