



Roundtable Meet on Making Cities ESG Ready

Meeting Summary

**CWAS-CRDF-CEPT University
PwC India**

13th January 2023

India Habitat Centre, New Delhi

CWAS CENTER
FOR WATER
AND SANITATION
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Roundtable meet on making cities ESG ready

Environmental, Social and Governance (ESG) disclosures have become popular over the last decade in the corporate world. Investors now regularly apply non-financial, environmental and ethical considerations to drive investment decisions. In India, rapid urbanization, deteriorating environment and poor state of municipal finances suggest that Indian cities will need to explore funds from open market as well as new investors who focus on these aspects. Much of corporate financing is now increasingly based on ESG rating, and this will also be important for cities as they explore such market resources and impact investors.

CWAS and PwC India have collaborated on a pioneering initiative to develop an ESG assessment framework for Indian cities. It envisages support to Indian cities to become ESG-ready and attract investments.

A roundtable meeting on “Making Cities ESG Ready” was organized on 13th January, 2023, in New Delhi. The ESG framework for cities and key findings were discussed with participants. Mr. Parameswaran Iyer, CEO - NITI Aayog, who had agreed to chair, sent his best wishes for the meeting and expressed regret on not being able to attend due to urgent unforeseen meetings. Ms. D. Thara, Additional Secretary, Ministry of Housing and Urban Affairs (MoHUA) chaired the event. Participants which included representatives from financial institutions, governments, researchers and regulators actively discussed the framework.



ESG framework for cities

The presentation by CWAS and PwC addressed the paradigm shift in the corporate sector from financial decision-making towards responsible investing and outlined the key milestones in India which have contributed to an emerging ESG market. Further it talked about the role of cities in India's development journey and the need for raising capital to fund it. The cases of ESG reporting in Canada and the US were cited for accessing new avenues of finance and with this, the CWAS-PwC ESG framework was introduced.

The framework was described in a report, which was shared with the participants during the event. It uses publicly available datasets and has been developed for Indian cities specifically. The themes and indicators have been selected to reflect global development goals, national commitments and municipal functions mandated for local governments. Indicators cover themes such as emissions, energy, green cover and waste management under the environment vertical; city services such as water and sanitation, housing, education, health, safety, economy, gender and social inclusion under the social vertical, and responsible financial management, human resource capacity, transparency and accountability under the governance aspect.

The framework has been applied to 20 cities and customised reports are generated for each city through a dashboard tool which was demonstrated at the end of the presentation.



Key discussion points

Emerging need for ESG in cities

A general agreement was there for the emerging need for ESG rating framework for Indian cities. The participants agreed that ESG assessments will be critical for mobilizing market based and philanthropic funds for cities in the future. Cities, as the centres of consumption and production have a greater role to play in context of the climate change agenda in terms of the Nationally Determined Commitments (NDCs) and for resource mobilization in India's development journey. It was pointed and generally agreed that the common ESG themes are already a part of city mandates for municipal governments. In the next few years ESG will become a key requirement, and it is necessary for cities to develop their own ESG assessments and plans. This will be essential to mobilize new resources from both market and philanthropic funds. Beyond financing, ESG assessment of cities is also a way for city governments to create awareness on how cities can respond to both existing government programs and mobilize additional funds to meet the ESG mandates. It is also an important mechanism for municipal governments to report back to citizens on their performance on the ESG pillars.

Framework for rating and 'not ranking' with respect to city mandates

There was robust discussion on the framework with regards to city functions and geographic diversity. The participants encouraged focus on ratings, as opposed to rankings, which would lead to unnecessary comparison and competition between cities of diverse geographic features, population class and institutional ecosystems. Examples of cities were discussed where,

"ESG implies that the city should be environmentally sustainable and services should reach everyone and for that we need strong governance. There is a need to account for varying geographies of cities, complexities of data availability and city functions. A system with rating rather than ranking needs to be developed for meaningful work to make impact on the ground. AMRUT cities/projects can be the potential streams for further collaboration."

- Ms. D Thara, Additional Secretary: MoHUA



"City mandates are already ESG oriented, however there are not enough analytics to capture them well or ways to assess their contribution to national goals. It is important to focus on parameters which are under the control of the city administration, as in many Indian cities certain sectors are under the purview of state or parastatal agencies. Mapping of alternate financial source for the cities, scanning of availability of green funds is yet additional aspect which can be captured."

- Mr. Raghu Kesavan, World Bank

institutionally, certain functions such as bus systems, housing and energy are state run subjects. Similarly, it was pointed out that many city governments extend ecosystem services beyond administrative boundaries. The consensus was to approach the framework by focusing on city and municipal mandates.

Not just an assessment or index – need to identify actionable projects and demonstrate possibilities of alternative sources of funding

All stakeholders were aligned with the suggestion of using this framework to work with cities and create impact on the ground. It was suggested that the framework should be used to identify priority projects and support exploration of funding opportunities for these. The ESG assessment was acknowledged as creating new opportunities to mobilize funding for relevant projects from new sources at competitive rates. A good ESG rating would suggest more judicious use of funds as well as help demonstrate improved ESG performance.

Participants also suggested on mapping potential investors and alternative sources of finance. This would help in demonstrating how ESG assessments and rating will help in accessing such sources of funds in future. It was pointed out that a lot of resources are currently available in the market focused on ESG outcomes including funding from commercial investors, impact investors and corporates linked to CSR funds. These can be channelized to cities with ESG assessments and for demonstrating the use of funds towards improved performance. It was also suggested to map out such potential investors and do an assessment of their priorities and likely funding envelope available. It would also help to identify specific priorities and match these to emerging requirements from the cities based on their ESG assessments.

“These days a lot of indices are available and it would be good to assess them together to identify key government priorities that would benefit the citizens the most.

We need to go beyond numbers. Municipal finances need to assess where money needs to be spent to achieve the best possible outcomes. An ESG system that identifies hierarchy of things that the city really needs to invest on, would help estimate fund requirements and look for potential investors.”

- Mr Rakesh Mohan, former Deputy Governor RBI



Strengthening the ESG framework for cities

The participants noted that relevant ESG themes have been covered by the framework. It was suggested to build some flexibility into the indicators to address the complexities of data availability, geographical differences as well as population categories. The scoring system can be classified to suit different classes of cities and may even be extended to urban agglomerations, parastatals and state departments to holistically address investment routes for urban services. It was stressed that if this framework is to respond to city mandates, it should necessarily capture social inclusiveness and challenges such as poverty.

Building capacities to ensure traction

The participants expressed concerns over ESG linked funding not being able to garner enough traction like municipal bonds and suggested capacity building for cities to understand this mode of alternative funding and the complex regulatory/compliance aspects of it. Capacity building was also suggested towards data strengthening in cities to address data gaps.

Participants also highlighted the need for capacity building of low performing cities. Well performing cities have been proactive in the past, and may continue to do so to improve their ESG performance and mobilize further resources from a new set of investors. To balance this, capacity building support will be needed for cities with lower performance.

“SEBI is working on a framework for ESG Rating Providers (ERP), which would be like Credit Rating agencies for entities and securities. The framework is at a preliminary stage and soon a public consultation paper will be released for seeking comments. Based on this SEBI will come up with a draft regulation for ERP where they will have to register themselves with SEBI. Just as for Green bonds SEBI has recently come up with a framework which is aligned with international guidelines. Ghaziabad is a good example of green bond and we look forward to other municipalities also raising funds in this manner. In our role as a regulatory body, we are organizing outreach events with issuers, investors and rating agencies to create awareness as well as address any concerns on regulations.”

- Dr. Deena Venu Sarangadharan, SEBI



“Yes bank has been reporting on sustainability/ ESG since last 10 years in the corporate sector and would like to support the CWAS-PWC India ESG framework for Indian cities, which can be demonstrated in some pilot cities.”

- Mr. Sidharth Patnaik, Yes Bank

Way forward

Based on the deliberations during roundtable meeting, the following key suggestions were made by participants.

1. **Strengthening the ESG rating framework for cities:** The overall approach of the CEPT-PwC ESG framework for cities was well received. The proposed ESG framework for “ratings for cities” will enable cities to create opportunities and investments to tackle sustainability, improve the quality of life and pursue green inclusive growth. The applicability and sustainability of ESG rating framework requires integration of the framework with city level planning and operational processes. Hence, the proposed rating framework needs further strengthening to suit the local context in alignment with the municipal mandates and functions. This will be addressed in the final report.
2. **Mapping of potential investors for City-level opportunities:** Efforts will be made to identify potential sources of investment for supporting cities in their ESG improvement initiatives. This will include a mapping of such investors and developing an understanding of their appetite for ESG opportunities in cities. Their priorities will also help to better orient their ESG improvement initiatives towards investable projects. The

mapping of potential investors and supported by an assessment of their interest in key areas for investment support will be included in the final report. The dashboard tool will also be customised with these inputs from investors to enable them to screen cities and sectors based on their ESG priorities, and thereafter the tool will be rolled out.

3. **Deep-dive application of the ESG rating framework for cities:** A deep-dive application of the proposed ESG rating framework will be made with a few cities, in consultation with MoHUA and Securities and Exchange Board of India (SEBI) with advanced ESG assessments. Some cities can also be supported to develop an ESG Report for citizens as is being done in some cities globally. It will also highlight contributions by different institutions and suggest measures that the city intends to take up over the year. Similarly, a few cities can be supported to develop a citywide improvement plan, based on the gaps from the ESG assessment, and a supporting city investment plan, including both government and market-based funding options. This will require working closely with the selected city governments and building their capacities . Support can also be provided to develop a city engagement platform so that

cities can report back to citizens on emerging priorities for improving liveability.

4. **City ESG Alliance Partnership (CEAP):** It is essential to collaborate with sector partners, development partners, financial institutions, regulators and government institutions that aim to achieve inclusive and sustainable cities for tomorrow. For this, efforts will be needed to collaborate amongst various sector partners to establish a City ESG Alliance Partnership

(CEAP) group. For this, the key areas of focus are: a) supporting SEBI in developing and including ESG assessments in its municipal borrowing framework, b) working with government of India to support activities in ESG assessments and making this as a part of their programmes, and c) working with institutions at state level who can both contribute to ESG assessments as well as include it in their plans and programmes.

Agenda

Time	Session
12:00 – 12:45	Registration and Lunch
12:45 – 13:00	Welcome – CWAS and PwC India
13:00 – 13:20	Presentation on ESG Framework – CWAS-CRDF-CEPT University and PwC India
13:20 – 13:40	Remarks by Chair, Ms D. Thara, Additional Secretary: MoHUA
13:40 – 14:50	Panel Discussion – Panellists reflect on the need for ESG assessments for cities, discuss measures needed to improve performance on each pillar and reflect on how useful ESG is/will be for mobilising investments
14:50 – 15:50	Open Discussion
15:50 – 16:00	Conclusion and Way Forward – CWAS-CRDF-CEPT University and PwC India
16:00 onwards	Tea

Participants

	Name of Participant	Organization
1	Ms. D. Thara	Additional Secretary, MoHUA, Government of India
2	Mr. Rakesh Mohan	Former Deputy Governor - Reserve Bank of India and President, Centre for Social and Economic Progress (CSEP)
3	Mr. Bhavesh Kumar	Asian Development Bank (ADB)
4	Mr. Ashwin Hosur Vishwanath	Asian Development Bank (ADB)
5	Mr. Prashant Singh	Blue Planet Environmental Solutions (India) Pvt Ltd
6	Ms. Sakshi Gudwani	Bill and Melinda Gates Foundation (BMGF)
7	Ms. Pushpa Pathak	Centre for Policy Research (CPR)
8	Mr. Gautam Shahi	CRISIL Ratings Ltd
9	Dr. Debarpita Roy	Centre for Social and Economic Progress (CSEP)
10	Ms. Renu Khosla	Cure India
11	Ms. Barsha Poricha	Cure India
12	Mr. Mohak Gupta	Development Alternatives Group
13	Ms. Bharti Jasrotia	Development Alternatives Group
14	Mr. Shoubhik Ganguly	Foreign Commonwealth and Development Office (FCDO)
15	Ms. Daljeet Kaur	Foreign Commonwealth and Development Office (FCDO)
16	Mr. Suman Nag	Indian Institute of Human Settlements (IIHS)
17	Mr. Arun Duggal	Chairperson - ICRA, Founder - ESG Research Centre at IIM-A
18	Ms. Natasha Patel	India Sanitation Coalition (ISC-FICCI)
19	Mr. Sanjeev Jha	India Sanitation Coalition (ISC-FICCI)
20	Ms. Neomi Ghadiali	India Sanitation Coalition (ISC-FICCI)
21	Ms Mitali Agarwal Mehta	India Sanitation Coalition (ISC-FICCI)
22	Mr. Alok Shiromany	Individual Consultant
23	Ms. Aparna Das	Individual Consultant
24	Prof. Shrawan Kumar Acharya	Jawaharlal Nehru University (JNU)

	Name of Participant	Organization
25	Mr. Prakash V. Shirsat	MCGM Centre for Municipal Capacity Building and Research (MCMCR)
26	Ms. Sayali	National Institute of Urban Affairs (NIUA)
27	Mr. Hitesh Vaidya	National Institute of Urban Affairs (NIUA)
28	Ms. Shilpa Shashidharan	Palladium India
29	Mr. Anoop Panse	Palladium India
30	Dr. Deena Venu Sarangadharan	Securities and Exchange Board of India (SEBI)
31	Mr. Rohan Shukla	Securities and Exchange Board of India (SEBI)
32	Mr. Nikhil Chaudhary	Securities and Exchange Board of India (SEBI)
33	Mr. Kamal Kumar Murari	Tata Institute of Social Studies (TISS), Centre for Climate Change and Sustainability Studies
34	Mr. RK Srinivasan	US Agency for International Development (USAID)
35	Mr. Nabaroon Bhattacharjee	Ex-USAID
36	Mr. Sahil Sharma	Water for People
37	Mr. Manoj Gulati	Water.org
38	Mr. Raghu Kesavan	World Bank
39	Mr. Sidharth Patnaik	YES Bank
40	Mr. Arindam Purkayastha	YES Bank
41	Dr. Dinesh Mehta	Center for Water and Sanitation (CWAS), CRDF, CEPT University
42	Dr. Meera Mehta	Center for Water and Sanitation (CWAS), CRDF, CEPT University
43	Mr. Dhruv Bhavsar	Center for Water and Sanitation (CWAS), CRDF, CEPT University
44	Mr. Aasim Mansuri	Center for Water and Sanitation (CWAS), CRDF, CEPT University
45	Ms. Aditi Dwivedi	Center for Water and Sanitation (CWAS), CRDF, CEPT University
46	Ms. Priyadarshini Choudhary	Center for Water and Sanitation (CWAS), CRDF, CEPT University
47	Ms. Dhara Shah	Center for Water and Sanitation (CWAS), CRDF, CEPT University
48	Ms. Saubiya Sareshwala	Center for Water and Sanitation (CWAS), CRDF, CEPT University
49	Mr. Karan Patil	Center for Water and Sanitation (CWAS), CRDF, CEPT University
50	Mr. Ranen Banerjee	PWC, India
51	Mr. Sambitosh Mohapatra	PWC, India

	Name of Participant	Organization
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53	Mr. Nidish Nair	PWC, India
54	Ms. Sangeetha Raghuram	PWC, India
55	Ms. Aarsi Desai	PWC, India
56	Ms. Antara Ray	PWC, India
57	Ms. Amasikha Day	PWC, India

Citation suggestion

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About the collaboration

CWAS and PwC India have come together for this pioneering effort to formulate a city-level ESG assessment framework. It is expected that this would encourage Indian cities to become ESG-ready and attract investments.

CWAS: Center for Water and Sanitation (CWAS) is a part of CEPT Research and Development Foundation (CRDF) at CEPT University. CWAS activities are designed to enable governments strengthen delivery of urban services. 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. CWAS undertakes action-research, implementation support, capacity building, advocacy and advisory services to deliver systemic, scalable and sustainable interventions. It's experience in the domain of monitoring through its project on Performance Assessment System for urban water and sanitation (PAS Project) spans over 12 years with a recent focus on WASH Governance. Strengthening Municipal Governance is a core focus area of research at CWAS.

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PwC India: PricewaterhouseCoopers (PwC) is a global network of firms that together constitute the largest professional services network in the world, and with over 130 years of experience, PricewaterhouseCoopers Private Limited (PwC India), is one of the largest providers of advisory and consulting services in India. PwC India's Economic Advisory Services (EAS) team specializes in providing advisory services to government and private clients in areas of climate resilience, disaster risk reduction and management, urban and rural infrastructure planning and investment, economics, finance and related services with its unique 'making it happen' approach and end-to-end cross-functional service offerings. Through its ESG platform, PwC is supporting clients on their ESG journey covering strategy, transformation and reporting across aspects such as climate change, sustainable supply chains, responsible investments and sustainable finance.

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