



WWF

BRIEFING

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BANKING ON FINANCIAL SOLUTIONS TO SAVE OUR BASINS\$





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WE LIVE IN A WORLD OF WORSENING WATER RISKS OUR FRESHWATER RESOURCES ARE FACING AN UNPRECEDENTED CRISIS. RIVERS, LAKES, DELTAS, PEATLANDS: THEY ARE ALL UNDER SEVERE THREAT, ENDANGERING THE COMMUNITIES, CITIES, COMPANIES AND WILDLIFE THAT DEPEND ON THEM. BILLIONS OF PEOPLE FACE WATER SHORTAGES, WHILE FRESHWATER SPECIES POPULATIONS HAVE PLUNGED 81% IN 40 YEARS. AND IT WILL ONLY GET WORSE UNLESS TRILLIONS OF DOLLARS ARE INVESTED IN SUSTAINABLE INFRASTRUCTURE PROJECTS AND COMPANIES IN THE COMING DECADES.

WHAT IS A BANKABLE PROJECT?

WWF’s Bankable Projects initiative aims to transform the investment landscape, redirecting substantial financial flows into sustainable water projects in our river basins. Investors and banks are investing heavily in water-related infrastructure and they are hungry to invest in more sustainable water projects. But there is no pipeline of viable projects.

Investments in our basins are inevitable and essential. We have a chance to ensure that needed investments have a positive impact on nature and water. Instead of us fighting to halt poorly planned infrastructure projects, we can use our expertise and partners to drive more desirable outcomes. From large infrastructure programmes using our system scale planning approach to the latest cleantech solutions – these can all have a positive impact if we are part of the design and investment process.

WWF can help to bridge the investment gap by catalyzing a stream of bankable projects, which will improve freshwater ecosystems in our river basins, while providing investors with an acceptable return on their investment. These can range from cleantech investments to solar and wind energy to natural flood protection. Already, we have collected 37 ideas for potential bankable projects in 24 river basins. Some are at a conceptual phase, while others are heading towards implementation.

WHY IS IT NOT ALREADY HAPPENING?

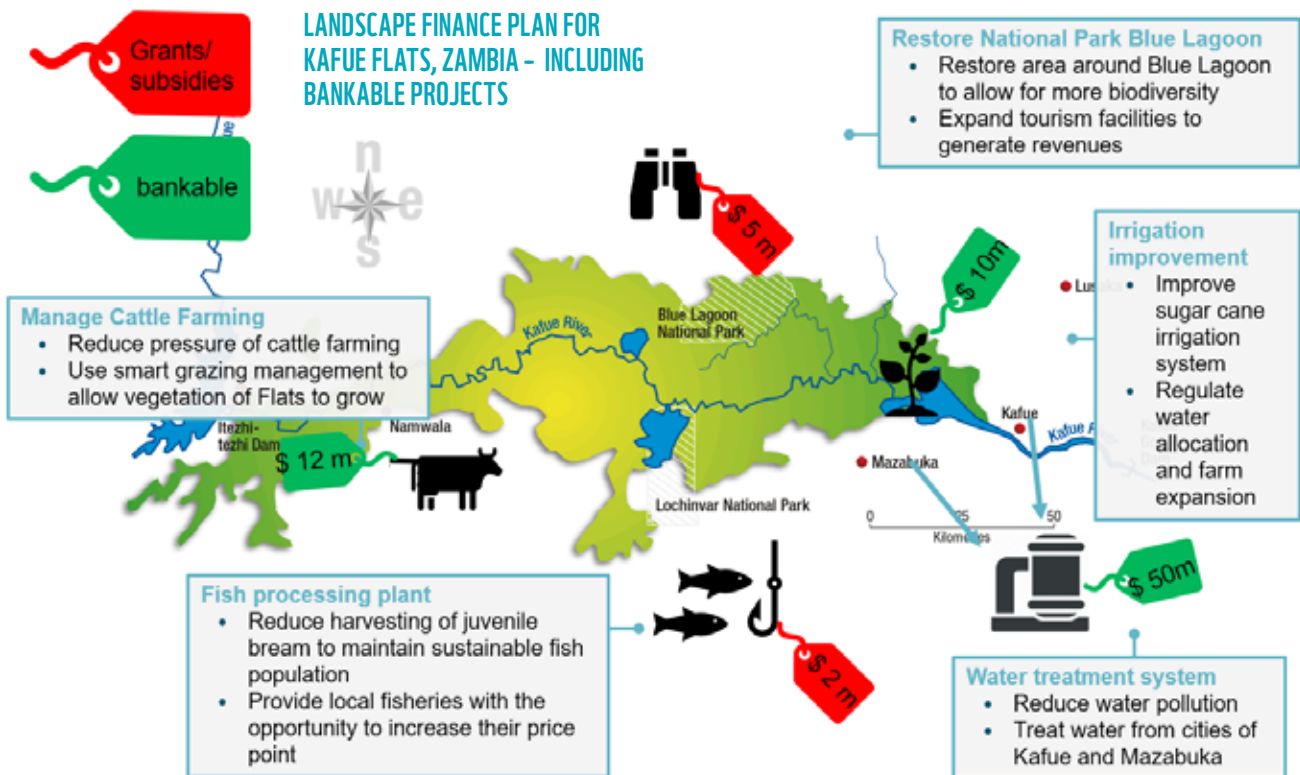
To achieve the Sustainable Development Goals (SDGs) we need an additional US\$2.5 trillion annually; water-related infrastructure makes up about a third of this amount. The gap can only be filled by leveraging philanthropic and public sector capital with capital from the private sector. Everyone is currently talking about this blended finance approach, but very few are actually doing it. Why is that? In many cases, there is a lack of local sponsors who have access to capital to develop the business case. In addition, the regulatory environment in many countries is weak and unpredictable and scares away potential investors. Furthermore, due to a lack of regulation, companies and projects could face physical risks related to water – too much, too little or too dirty. By attracting different sources of funding, the bankable project initiative will help to address these obstacles.

HOW WILL THE BANKABLE PROJECT INITIATIVE HELP CATALYZE BLENDED FINANCE AND WHAT IS WWF’S ROLE?

First. We look beyond the individual project at a basin level and create an enabling environment for investors to become involved. Since WWF operates at the basin level, we can create projects at the right scale to attract investors and crucially link the cumulative impacts of these projects. **Second.** We have

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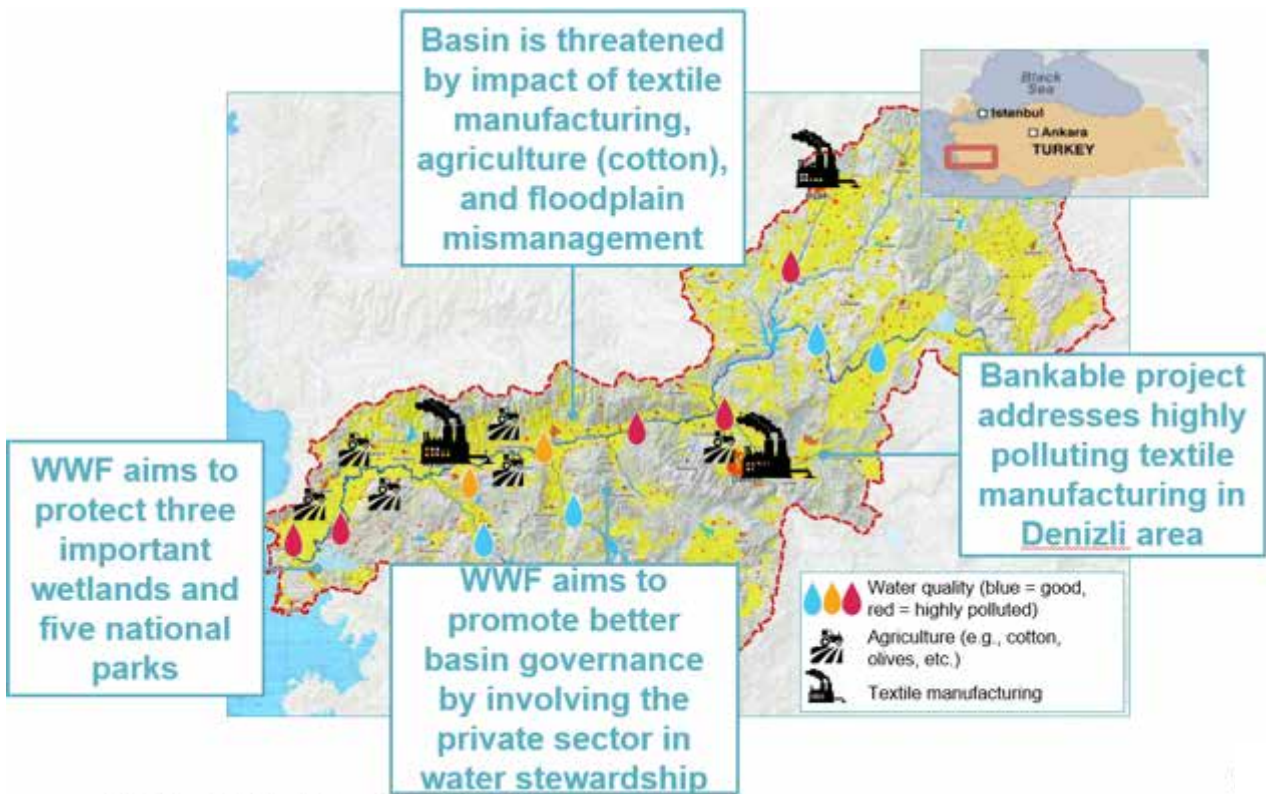
developed relationships with various Financial Institutions (FIs), including public and private institutions, banks and investors. This means that we can broker relationships and introduce opportunities that siloed FIs don't see. We can move them beyond the simple transaction of a project to the broader opportunities that exist by matchmaking partners. **Third.** We know the suppliers (assets) and the supply chains that add interest, capital, pressure and legitimacy to these investments. We can involve the global brands – the companies that source from these areas – and involve them in the solutions that emerge. **Fourth.** We look to leverage bankable projects with other funding (that is not looking for a return) to fund the 'un-fundable' – the institutions, regulations and governance that are critical to our objectives but are not on the agenda of FI project financiers. We are partnering with the OECD to develop a global framework that links better governance with investment in water infrastructure. **Five.** WWF will help raise the seed capital to bring bankable projects from a concept or idea to a pre-feasibility phase, where we have made the business case, specified the revenue model and identified a potential project sponsor. Once the sponsor and investor have been identified to fund the subsequent phases, WWF's role will change to an advisory and monitoring role.

HOW DOES THIS FIT IN WITH THE LANDSCAPE APPROACH?

The landscape approach “aims to reconcile competing social, economic and environmental objectives. It seeks to move away from the often-unsustainable sectoral approach to land management. A landscape approach aims to ensure the realization of local level needs and action while also considering goals and outcomes important to stakeholders outside the landscape, such as national governments or the international community.” Within the Freshwater Practice we consider river basins to be landscapes. A landscape finance plan sets out how the identified actions can be financed to achieve a climate resilient and sustainable landscape. Funding sources can be subsidies or grants. In the case of bankable projects, funding will be a mix of equity, debt, guarantees and grants. In other words, bankable projects are the for-return projects within a landscape finance plan, which will attract the much needed private sector investments. See the example of a landscape finance plan for the Kafue wetlands above.

WWF WILL HELP RAISE THE SEED CAPITAL TO BRING BANKABLE PROJECTS FROM A CONCEPT OR IDEA TO A PRE-FEASIBILITY PHASE





THE BÜYÜK MENDERES EXAMPLE

The Büyük Menderes river basin in southwestern Turkey is a vital source of water for the region and an area of rich biodiversity. It ends in a delta that hosts three wetland protected areas and five national parks. But the native flora and fauna and the quality of life of local people is under growing threat from water pollution. A key source of this pollution comes from textile manufacturers situated upstream around the industrial city of Denizli, which rely on water from the river and supply products to global apparel companies. WWF found that many small and medium-sized enterprises (SMEs) in the textile dyeing industry could cut their costs and reduce their environmental footprint – saving water, chemicals, and energy – through a variety of interventions, ranging from changing chemicals and improving water management, to investing in new equipment and infrastructure. All provided significant savings, with payback periods ranging from six months to two years. By working with industry associations to raise awareness about the programme, identify potential candidates, and design effective interventions, WWF is tapping the benefits of a supportive ecosystem. It is also taking a blended finance approach: development agencies provide a grant to cover the costs

of a project’s design, which is then used to raise commercial funding (US\$10-20 million credit line for SMEs from a commercial bank). The benefits are not limited to the Turkish textile industry: the model can serve as a blueprint to improve water management by textile manufacturers worldwide as well as in other industries.



Buyuk Menderes river basin, Turkey

THE BÜYÜK MENDERES RIVER BASIN IN SOUTHWESTERN TURKEY IS A VITAL SOURCE OF WATER FOR THE REGION AND AN AREA OF RICH BIODIVERSITY

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CURRENTLY IDENTIFIED 37 POTENTIAL PROJECTS IN 24 BASINS



FROM RIVER FLOWS TO FINANCIAL FLOWS: WWF'S UNIQUE NICHE

WWF is uniquely placed to catalyse sustainable water investments due to our global reach and on-the-ground work in major river basins, expertise on sustainable finance and green water infrastructure, strong relationships with various funding organisations, and our ability to partner with the private sector and work with government.

WWF will identify bankable projects, project sponsors and financiers and help fund the initial stages before handing the projects over to the identified sponsors.

SEEDING INVESTMENT IN SUSTAINABLE WATER PROJECTS

By playing a catalytic role, WWF will leverage hundreds of millions dollars of private capital investments in sustainable projects with a positive impact on our freshwater ecosystems to help conserve and restore river basin ecosystems. To achieve this, we have established a WWF enabling team (hosted by WWF-Netherlands), an advisory panel of experts from financial institutions, an investment platform and seed funding. We will work with a range of partners: global companies, development finance institutions, commercial banks and (impact) investors.



Everything is in place. Financial institutions are waiting to pour funds into bankable freshwater projects. The UN and World Bank High Level Panel on Water has just called for a doubling of investment in sustainable water infrastructure. We have identified a pipeline of projects and held our first external consultation.

WHAT WE NEED NOW IS YOUR SUPPORT TO:

- identify potential projects in your countries and river basins;
- identify partners among companies and financial institutions interested to invest in different phases of pipeline projects;
- help establish a US\$10 million seed fund earmarked to bring a pipeline of projects from an early concept phase to pre-feasibility and to create an enabling environment for investors in the basins by supporting multi-stakeholder processes and improving governance and regulation; and
- help us grow the initiative with your good ideas and by integrating the approach into your conservation strategy.



Working to sustain the natural world for people and wildlife

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