



Water Benefit Certificates (WBCs)

Concept Paper

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“Innovative Financing of Water-Related Projects”

Context

Pollution, availability of and access to water are among the most pressing global environmental and social challenges of the 21st century. According to projections by the Food and Agriculture Organization of the United Nations (FAO), 1.8 billion people will be living in countries or regions with absolute water stress by 2025 and almost two-thirds of the world's population will be living under water-stressed conditions. In addition to this, various water quality issues affect people's lives and perpetuate the cycle of poverty. The World Health Organization (WHO) estimates that over 2.5 billion people suffer from a lack of improved sanitation facilities, and that approximately 3.1% of all deaths worldwide are caused by unsafe or inadequate water sanitation and hygiene. Climate change, economic growth, urbanization and a growing population exacerbate this global water crisis.

Against the background of these alarming developments, new collaborations, technologies and business models are needed in order to tackle this global challenge effectively. The Water Benefit Certificate (WBC) mechanism aims at providing incentives for financing water projects globally through the certification and sale of the project's water benefits in the form of Water Benefit Certificates (WBCs). Based on a market-approach, the WBC mechanism shall facilitate additional, beyond business-as-usual investments in water projects, especially in areas where water-stress and water quality issues are particularly pressing and financing is urgently needed. Target groups for the WBC mechanism are both project developers, especially in water-scarce areas, and potential buyers of WBCs like private corporations, public institutions and individuals that want to take part in the fight against global water problems.

The Concept of Water Benefit Certificates (WBCs)

The WBC mechanism consists of an overarching standard and project/programme-specific tools and methodologies allowing for the measurement and certification of water benefits generated by projects/programmes implemented in accordance with the WBC standard. Each project that aims at generating WBCs (and hence at generating an additional cash-flow through the sale of WBCs) must go through the WBC project certification cycle (see box 1) and meet a set of stringent sustainability criteria (see box 2) in order to be approved under the WBC mechanism. Once issued by the WBC standard administrator, each WBC certifies that a certain volume of water has been saved, purified or supplied by a specific project activity and that the project meets the sustainability criteria required by the WBC standard & methodology.

The WBC mechanism is open to any kind of project type as long as it addresses one or more water related issues. The following project categories have been identified for the start of the WBC mechanism as they allow for a rather simple quantification of water benefits:

- ▶ Water supply (e.g. drilling of freshwater wells, domestic/industrial rainwater harvesting, fog harvesting)
- ▶ Water efficiency (e.g. dissemination of efficient shower heads, construction of covers for water reservoirs/channels)

- ▶ Water productivity (e.g. replacement of flood irrigation with drip irrigation)
- ▶ Water treatment (e.g. implementation of industrial/municipal waste water treatment projects, ceramic water filters)

Additionality is a core requirement of the WBC standard. Only projects that go beyond a business-as-usual scenario will be eligible for generating WBCs.

The main advantages of the WBC mechanism are:

- ▶ A standardized, high quality and cost-efficient way of investing in water projects in water-stressed areas and, hence, an easily accessible option for corporations as part of their Corporate Social Responsibility (CSR) strategies, public institutions and individuals to be part of the global fight against water-related problems.
- ▶ Transparency and credibility for investments in water-related project activities that also provide socio-economic benefits such as education, improved health, employment, etc.
- ▶ Operational and financial sustainability of the WBC projects over time due to the annual verification of each project's water benefits by independent third parties.

Water Benefit Certificates – Framework & Key Elements

The WBC framework is comprised of six key elements:

- ▶ WBC standard: The WBC standard sets out guidelines and criteria on how water-related projects need to be developed and implemented in order to achieve WBC approval. It is only if these guidelines are followed and all criteria are met that the project is allowed to generate WBCs.
- ▶ WBC methodologies: The methodologies provide guidance on how to determine and measure project/programme-specific baselines and benefits in a transparent and consistent way.
- ▶ WBC project validator/verifier: Independent auditors validate each project against the rules provided by the WBC standard and the project-specific methodology and verify each project's water benefits annually.
- ▶ WBC standard administrator: The administrator is responsible for assessing and approving WBC projects based on the criteria set out in the WBC standard. It will also issue WBCs into the WBC registry based on approved project verification reports issued by the independent auditors.
- ▶ WBC Independent Technical Advisory Board (ITAB): The ITAB is responsible for the approval of WBC methodologies and the application of methodologies in WBC projects when requested by the standard administrator.
- ▶ WBC registry: The registry is a transparent online database that is used to list WBC projects as they progress through the WBC project lifecycle and to issue and track WBCs with unique serial numbers. The registry will facilitate the issuance of WBCs into the accounts of project developers and allow account holders to transfer and retire WBCs.

Box1: The WBC Project Certification Cycle

1. *Self-assessment by project developer* (project eligibility, sustainability pre-screening) against the WBC standard rules
 2. *New project-specific methodology development* (if necessary) by project developer. Methodology needs to be approved by the ITAB (see key elements of WBC mechanism).
 3. *Local stakeholder consultation (LSC)* initiated by project developer to ensure local acceptance of the project and allow for feedback on the design of a continuous feedback mechanism
 4. Application by project developer for *formal listing* of the project at WBC standard administrator
 - a) Eligibility information
 - b) Sustainability assessment draft report
 - c) LSC Report
 5. *Development of Project Design Document (PDD)* by project developer
 - a) General project information (e.g. eligibility check including do-no-harm assessment, LSC feedback, etc.)
 - b) Additionality assessment
 - c) Sustainability assessment report
 - d) Detailed water accounting, monitoring plan and sustainable development monitoring plan
 6. *Public feedback round* in view of the project's WBC eligibility managed by the WBC standard administrator
 7. *Validation* of the project activity by independent auditor
 8. *Registration* of the project at WBC standard administrator
 9. *Monitoring* of the WBC-project by project developer
 10. *Verification* of the project's water benefits by independent auditor
 11. *Issuance* of WBCs by WBC standard administrator
- } *steps 9-11: annual cycle*

Box1: Examples of Sustainability Indicators & Criteria or WBC Projects

- Watershed management (water balance, water quality on watershed level, etc.)
- Water quality (on project level)
- Soil condition (e.g. salinisation)
- Other pollutants (incl. carbon emissions, air quality, waste - e.g. plastics -, etc.)
- Biodiversity
- Livelihood of the poor/mitigate risk for local population
- Access to freshwater
- Human and institutional capacity
- Employment and income generation, quality of employment
- Human health
- Technology transfer and technological self-reliance

A paper written by the Public Private Partnership "Water Benefit Partners"

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