**Questionnaire to non-states actors**

**Report to the 76th session of the UN General Assembly (2021) on water commodification**

**This report will focus in the issue of water commodification**

## This response focuses only on the role that green city bonds for water infrastructure may have in intensifying the process of financialization and commodification of water (both the infrastructure and the good). Therefore, this response only answers the related question in the section ‘Financialisation / commodification’ of the questionnaire.

## III. Financialisation/commodification questionnaire

## Specifics of the WASH sector and financialisation:

1. Water and sanitation services are a “natural monopoly” and require large and long-term investments. This is in contrast to key characteristics of financial markets – competition and short-term management. This makes the WASH sector, in principle, slightly different to other basic services.

1.1. Drawing from your experience, how do large private operators deal with long-term investment needs in the water, sanitation and hygiene (WASH) sector? Do you know of significant short-term financial operations in the WASH sector to date? Do you think that short-term speculative operations can be combined with long-term strategies in the WASH sector? Please share any research, testimonies or experiences of this.

Green bonds for water infrastructure play an increasing role in financing projects and infrastructures in the WASH sector. In a wider sense, “*green bonds are debt instruments whose proceeds are earmarked to fund projects with supposedly environmental benefits. After some years in the background, they now occupy a central position in the green recovery narrative and political framework all over the world.*”[[1]](#footnote-1)

Increasingly, cities are issuing green debt to pay for their WASH projects. For example, green bonds have been used to fund water infrastructure projects ranging from the massive replacement of water meters in households in Cape Town to increase control over the access to water[[2]](#footnote-2), to the construction of the pumping and regulation water Park Santa Cruz Meyehualco in the Iztapalapa region in Mexico City in order to increase the availability of water[[3]](#footnote-3).

Similarly, Mexico City (Mexico, 2016), Cape Town (South Africa, 2017), San Francisco (The United States of America, 2016), and Ghaziabad (India, 2021) recently used this new financial instrument to raise capital and finance WASH infrastructures.

My research and the research conducted by the ‘Green Bonds from the South’ research collective[[4]](#footnote-4) shows that there are several HR-related problems that arise with the use of green city bonds:

* The increase in public external debt (Euro or dollar-denominated) to finance essential infrastructures[[5]](#footnote-5)
* The interference of international capital in the definition of WASH policies by cities[[6]](#footnote-6)
* The possibility of tiding the service provision to the repayment of the loan
* The intensification of power imbalance between public and private actors involved in the green bond
* Greenwashing given the private nature of the system of governance and control[[7]](#footnote-7)
* The possibility of green default

For more information, here below you can find the definition of green city bonds and following, the list of green city bonds of water infrastructure.

## Green bonds are “*fixed-income securities, both taxable and tax-exempt, that raise capital for use in projects or activities with specific climate or environmental sustainability purposes*”[[8]](#footnote-8). Green city bonds are green bonds issued by municipal governments or companies owned totally or partially by municipal governments.

## Eligible Green Projects may consist of “*pollution prevention and control (including waste water treatment (…)); sustainable management of living natural resources (including sustainable agriculture, fishery, aquaculture, forestry and climate smart farm inputs such as biological crop protection or drip-irrigation); terrestrial and aquatic biodiversity conservation, (including the protection of coastal, marine and watershed environments); (…) sustainable water management (including sustainable infrastructure for clean and/or drinking water, sustainable urban drainage systems and river training and other forms of flooding mitigation)*”[[9]](#footnote-9).

In 2013, in the United States of America, the first green city bond was issued by the Commonwealth of Massachusetts to fund projects including clean and drinking water infrastructure and river revitalization. In 2014, in the capital city of the United States, the District of Columbia Water and Sewer Authority -DC Water- issued a green city bond to fund the Clean Rivers project[[10]](#footnote-10). In 2016, the Mexico City Government issued the first green city bond in Latin America to fund projects including water infrastructure[[11]](#footnote-11). In 2016, the San Francisco Public Utilities Commission issued a green city bond for water infrastructure[[12]](#footnote-12). In 2017, Cape Town issued a green city bond to fund projects including *“(…) water management initiatives (which includes water meter installations and replacements, water pressure management, and upgrade of reservoirs), sewerage effluent treatment, rehabilitation and protection of coastal structures*”[[13]](#footnote-13). In 2021, in India, Ghaziabad issued a green city bond to fund “*tertiary water treatment plant to benefit industries*”[[14]](#footnote-14).

The issuance of green city bonds to fund water infrastructure is increasing. Therefore, and following the Human Rights Council Resolution regarding human rights access to safe drinking water and sanitation (HRC res 15/9)[[15]](#footnote-15), the following matters should be monitored in relation to green city bonds of water infrastructure: How the environmental and financial burdens are distributed, especially amongst the persons belonging to vulnerable and marginalized groups, this with a non-discrimination and gender equality perspectives? How are included human rights impacts assessments throughout the process of issuance and implementation of the green city bonds of water infrastructure? How is ensure full transparency of the planning and implementation process of the green city bonds of water infrastructure? How is ensure the free and meaningful participation of the concerned local communities and relevant stakeholders in the issuance and implementation of green city bonds of water infrastructure? Additional relevant questions are: What is the role of individual and financial investors? What is the impact on the level of debt of the municipal entities? What is the role that citizen participation and control have and should have in the issuance and implementation of green city bonds of water infrastructure?

Finally, and acknowledging that water is a “natural monopoly”, it is pertinent to have as context the impacts of green bonds already documented for other sectors, like the forestry industry in Brazil, which sheds light in questions and possible impacts for the case of green city bonds of water infrastructure: “*Green bonds inevitably co-produce nature and social relations, but in a very unequal way that emphasizes capital accumulation and that does not necessarily protect the environment (even when standards are introduced). Much to the contrary, green bonds may come into being at the expense of other ways of living ecologically, and by restoring injustices of the past and creating a regenerative future - in other words, by creating debt*”[[16]](#footnote-16).

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1. Miola, Iagê, Junqueira, Gabriela de Oliveira, Prol, Flávio, Ferrando, Tomaso, Vecchione-Gonçalves, Marcela y Herrera, Héctor (2021). “Bonos verdes en la ecología-mundo: capital, naturaleza y poder en la expansión financiarizada de la industria forestal en Brasil”, Relaciones Internacionales, nº 46, pp. 161-180. Available at <https://revistas.uam.es/relacionesinternacionales/article/view/12866/13372> [↑](#footnote-ref-1)
2. City of Cape Town, 2017. Green pays: City’s R1 billion bond a resounding success in the market. Available at: <https://www.capetown.gov.za/media-and-news/Green%20pays%20City> [↑](#footnote-ref-2)
3. Carbon Trust, 2016. Seguimiento y evaluación de la emisión del bono verde 2016 de la CDMX. Available at: http://www.data.sedema.cdmx.gob.mx/cambioclimaticocdmx/images/biblioteca\_cc/Primer-reporte-Seguimiento-Bono-Verde-2016.pdf [↑](#footnote-ref-3)
4. Research collective: Properties in Transformation/Green Bonds. Available at: http://propertiesintransformation.org/about-the-project/ [↑](#footnote-ref-4)
5. For instance, the Mexican Government issued more than four billion dollars in green bonds for the construction of the Texcoco airport, finally cancelled. Fariza, Ignacio; 2019. El País. “More than four billion in debt for an airport that will not be built” (Original in Spanish: “Más de 4.000 millones en deuda para un aeropuerto que no se construirá”). Available at: https://elpais.com/internacional/2019/04/29/mexico/1556556161\_804392.html [↑](#footnote-ref-5)
6. The standards applied for the certification of the green city bonds were designed by foreign and private initiatives. [↑](#footnote-ref-6)
7. For context: Pronina, Lyubov and Freke, Torm. 2019. Bloomberg. As Green Bonds Boom, So Do ‘Greenwashing’ Worries. Availablet at: https://www.bloomberg.com/news/articles/2019-10-14/as-green-bonds-boom-so-do-greenwashing-worries-quicktake [↑](#footnote-ref-7)
8. IFC, part of the World Bank Group; 2016. MOBILIZING PRIVATE CLIMATE FINANCE—GREEN

   BONDS AND BEYOND. Available at <https://www.ifc.org/wps/wcm/connect/2996f197-a75b-422a-9e2f-cdc022d8ea96/EMCompass+Note+25+Green+Bonds+FINAL+12-5.pdf?MOD=AJPERES&CVID=lzgXSmr#:~:text=The%20first%20green%20bond%20was,energy%20and%20energy%20efficiency%20projects>. [↑](#footnote-ref-8)
9. International Capital Market Association (ICMA), 2016. The Green Bond Principles. Available at <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Green-Bonds-brochure-150616.pdf> [↑](#footnote-ref-9)
10. Green City Bonds Coalition, 2015. HOW TO ISSUE A GREEN MUNI BOND. Available at <https://www.climatebonds.net/files/files/Green%20City%20Playbook.pdf> [↑](#footnote-ref-10)
11. Carbon Trust, 2016. Seguimiento y evaluación de la emisión del bono verde 2016 de la CDMX. http://www.data.sedema.cdmx.gob.mx/cambioclimaticocdmx/images/biblioteca\_cc/Primer-reporte-Seguimiento-Bono-Verde-2016.pdf [↑](#footnote-ref-11)
12. San Francisco Public Utilities Commission. (2016). Public Statement Wastewater Revenue Bonds. [↑](#footnote-ref-12)
13. City of Cape Town, 2017. *Green pays: City’s R1 billion bond a resounding success in the market*. [↑](#footnote-ref-13)
14. The Economic Times, 2021. Ghaziabad Municipal Corp lists first green bonds. Available at https://economictimes.indiatimes.com/markets/stocks/news/ghaziabad-municipal-corp-lists-first-green-bonds/articleshow/81974055.cms?utm\_source=contentofinterest&utm\_medium=text&utm\_campaign=cppst [↑](#footnote-ref-14)
15. Human Rights Council Resolution 15/9, 2010. Human rights and access to safe drinking water and sanitation. Available at: https://undocs.org/A/HRC/RES/15/9 [↑](#footnote-ref-15)
16. Miola, Iagê, Junqueira, Gabriela de Oliveira, Prol, Flávio, Ferrando, Tomaso, Vecchione-Gonçalves, Marcela y Herrera, Héctor (2021). “Bonos verdes en la ecología-mundo: capital, naturaleza y poder en la expansión financiarizada de la industria forestal en Brasil”, Relaciones Internacionales, nº 46, pp. 161-180. Available at <https://revistas.uam.es/relacionesinternacionales/article/view/12866/13372> [↑](#footnote-ref-16)