



How private investment can help clean up the world's water problems

Clean water and improved sanitation are vital for sustainable development. Impact investing can meet the challenge of providing them and bring long-term returns.

Water. It's essential to life on Earth, yet we treat it so carelessly – a problem that will only grow, particularly in the developing world, as we face the challenges of pollution, climate change, population increase and industrialisation.

Yet with its increased focus on sustainability and impact, there is an opportunity for the investment industry to assist in improving the supply of clean and plentiful water to the billions who lack it at present.

There can be no doubting the urgency of the task. The goal of clean water and sanitation is not only enshrined in the United Nations Sustainable Development Goals (SDGs), but is also crucial to many of the other SDGs, such as good health and wellbeing, quality education, and responsible consumption and production.

PUBLISHED
August 2021

READ TIME
10 minutes

AUTHOR



My-Linh Ngo
*Head of ESG Investing
and Portfolio Manager*

The UN notes that although 70% of our planet is covered by water, only 3% is fresh water crucial to survival. This means:

- **Billions – mostly in rural areas – still lack the clean drinking water and sanitation critical to fighting disease**
- **One in three people have no access to safe drinking water, with two out of five lacking basic hand-washing facilities**
- **More than 80% of waste water from human activities is discharged into rivers or the sea without treatment, causing disease and further degrading water quality.**

Water scarcity affects more than 40% of the global population, a figure expected to rise as supply is overextended by population growth, urbanisation and industrialisation, compounded by increasing demand for food and energy. The problem will be worse among emerging economies.

These dynamics will be exacerbated by climate change and extreme weather events: Unesco estimates that for each degree of temperature rise, 7% of the world's population could experience a 20% drop in water resources. Water stress could displace 700 million people by 2030.

The UN's 2030 Agenda for Sustainable Development committed nations to monitor progress towards the clean water goal and its associated targets. As Chart 1 shows, few have achieved this to date, although some are on track or showing improvements.

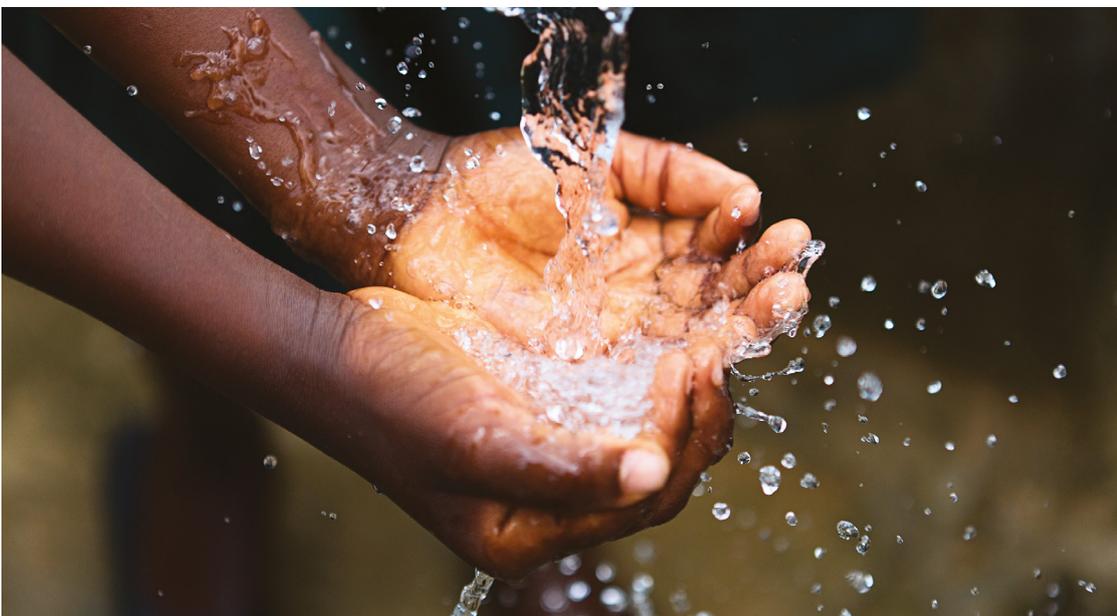
Private sector can bridge the water investment gap

But beyond the human and planetary costs, there are financial costs associated with lack of access to clean water and sanitation, such as loss of productivity through ill health or the cost of responding to extreme weather. Left unchecked, this risks undermining economic growth and socio-political stability.

We believe investing in water is critical. But it also presents an opportunity. The Sustainable Development Solutions Network estimates that US\$735bn must be invested by 2030 to meet the UN goal for water and sanitation. In some countries, the UN puts the funding gap at approximately 60%.

This is where the private sector must play a greater role in bridging the gap, with innovative solutions such as Environmental, Social and Governance (ESG)-labelled debt issuances such as green or blue bonds, from corporate as well as sovereign issuers.

Water scarcity affects more than 40% of the global population, a figure expected to rise as supply is overextended by population growth, urbanisation and industrialisation, compounded by increasing demand for food and energy.



Global status snapshot of progress against UN SDG Goal 6: Clean water and sanitation

Chart 1 shows rating

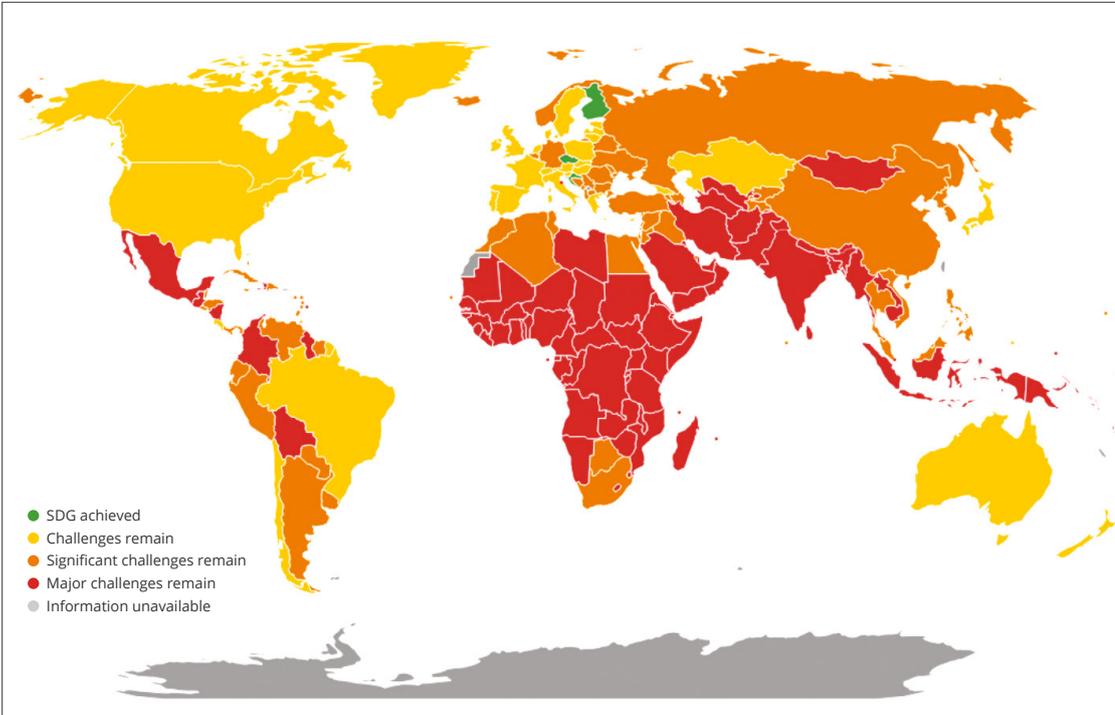
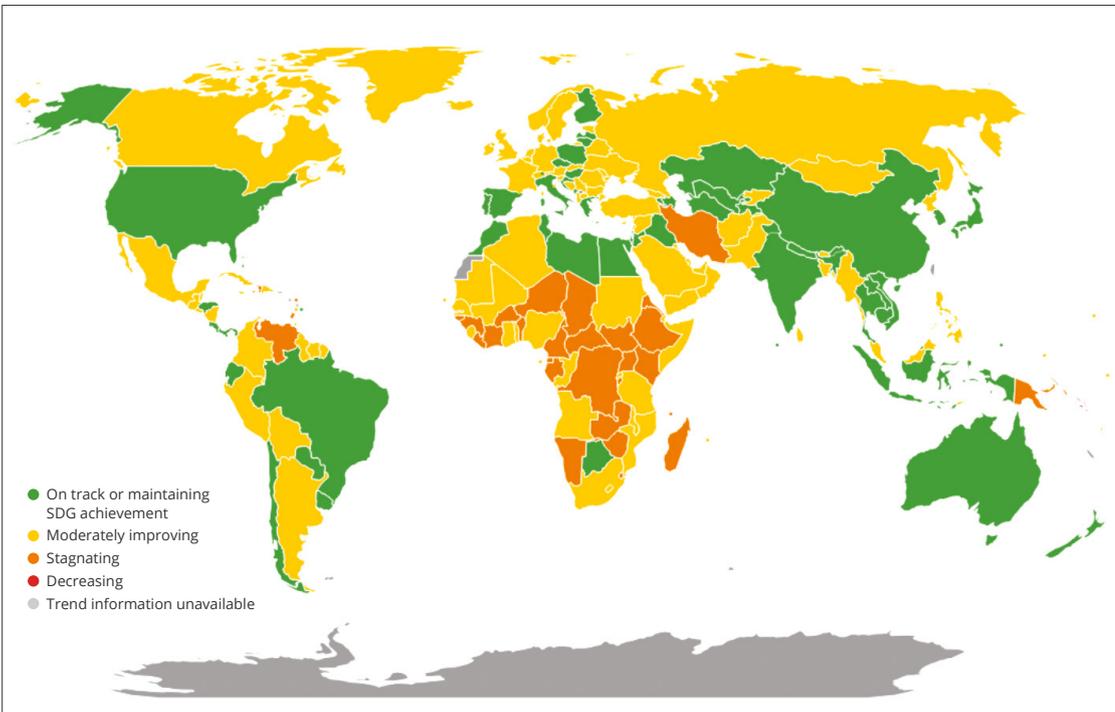


Chart 2 shows trends



Source: Sustainable Development Report 2021 (sdgindex.org), June 2021

Why water presents an investment opportunity

Water and sanitation challenges could present investors with multiple entry points:

- **Treatment to promote reuse by maintaining water quality**
- **More efficient management of water use through smart technology, data, precision agriculture and irrigation**
- **Upgrading ageing water infrastructure to maintain supply.**

Mapping these areas to investment value chains enables the identification of potential industries and sectors, and companies offering relevant products and services. Not only will such companies have real world impacts, but we believe they are likely to gain a competitive advantage in what will be growing markets.

Some solutions will be technology focused. But the future is likely to bring more nature-based solutions that use or mimic natural processes.

These include:

- **Soil moisture retention to improve water availability**
- **Natural and constructed wetlands to improve water quality**
- **Restoring floodplains to reduce the risk of water-related disasters and climate change.**

Participating in ESG-labelled debt issuance (whether project or target-based) presents a great way for investors to have a positive impact by clearly directing funding to specific priorities. As well as green bonds we are seeing the emergence of “blue” bonds used to address ocean sustainability. We expect this market to grow, given the focus on delivering the SDGs and the need for nature-based solutions.

We also expect growth in outcomes-based sustainability linked bonds (SLBs), from companies and sovereign issuers to help investors support explicit objectives and targets for promoting sustainable water use and healthy oceans. For further information, please contact esg@bluebay.com

Participating in ESG-labelled debt issuance (whether project or target-based) presents a great way for investors to have a positive impact by clearly directing funding to specific priorities.



This document may be produced and issued by the following entities: in the European Economic Area (EEA), by BlueBay Funds Management Company S.A. (the ManCo), which is regulated by the Commission de Surveillance du Secteur Financier (CSSF). In Germany and Italy, the ManCo is operating under a branch passport pursuant to the Undertakings for Collective Investment in Transferable Securities Directive (2009/65/EC) and the Alternative Investment Fund Managers Directive (2011/61/EU). In the United Kingdom (UK) by BlueBay Asset Management LLP (BBAM LLP), which is authorised and regulated by the UK Financial Conduct Authority (FCA), registered with the US Securities and Exchange Commission (SEC) and is a member of the National Futures Association (NFA) as authorised by the US Commodity Futures Trading Commission (CFTC). In United States, by BlueBay Asset Management USA LLC which is registered with the SEC and the NFA. In Switzerland, by BlueBay Asset Management AG where the Representative and Paying Agent is BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich, Switzerland. The place of performance is at the registered office of the Representative. The courts of the registered office of the Swiss representative shall have jurisdiction pertaining to claims in connection with the distribution of shares in Switzerland. The Prospectus, the Key Investor Information Documents (KIIDs), where applicable, the Articles of Incorporation and any other applicable documents required, such as the Annual or Semi-Annual Reports, may be obtained free of charge from the Representative in Switzerland. In Japan, by BlueBay Asset Management International Limited which is registered with the Kanto Local Finance Bureau of Ministry of Finance, Japan. In Australia, BlueBay is exempt from the requirement to hold an Australian financial services license under the Corporations Act in respect of financial services as it is regulated by the FCA under the laws of the UK which differ from Australian laws. In Canada, BBAM LLP is not registered under securities laws and is relying on the international dealer exemption under applicable provincial securities legislation, which permits BBAM LLP to carry out certain specified dealer activities for those Canadian residents that qualify as "a Canadian permitted client", as such term is defined under applicable securities legislation. The BlueBay group entities noted above are collectively referred to as "BlueBay" within this document. The registrations and memberships noted should not be interpreted as an endorsement or approval of BlueBay by the respective licensing or registering authorities. Unless otherwise stated, all data has been sourced by BlueBay. To the best of BlueBay's knowledge and belief this document is true and accurate at the date hereof. BlueBay makes no express or implied warranties or representations with respect to the information contained in this document and hereby expressly disclaim all warranties of accuracy, completeness or fitness for a particular purpose. Opinions and estimates constitute our judgment and are subject to change without notice. BlueBay does not provide investment or other advice and nothing in this document constitutes any advice, nor should be interpreted as such. This document does not constitute an offer to sell or the solicitation of an offer to purchase any security or investment product in any jurisdiction and is for information purposes only. This document is intended only for "professional clients" and "eligible counterparties" (as defined by the Markets in Financial Instruments Directive ("MiFID")) or in the US by "accredited investors" (as defined in the Securities Act of 1933) or "qualified purchasers" (as defined in the Investment Company Act of 1940) as applicable and should not be relied upon by any other category of customer. No part of this document may be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose in any manner without the prior written permission of BlueBay. Copyright 2021 © BlueBay, is a wholly-owned subsidiary of RBC and BBAM LLP may be considered to be related and/or connected to RBC and its other affiliates. © Registered trademark of RBC. RBC GAM is a trademark of RBC. BlueBay Funds Management Company S.A., registered office 4, Boulevard Royal L-2449 Luxembourg, company registered in Luxembourg number B88445. BlueBay Asset Management LLP, registered office 77 Grosvenor Street, London W1K 3JR, partnership registered in England and Wales number OC370085. The term partner refers to a member of the LLP or a BlueBay employee with equivalent standing. Details of members of the BlueBay Group and further important terms which this message is subject to can be obtained at www.bluebay.com. All rights reserved.