



Sustainable Finance

CONSERVATION AND INFRASTRUCTURE FINANCE



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Factoring in environmental and social concerns to project design and planning for infrastructure is critical to ensuring that the multiple economic and social benefits of the large-scale expansion of India's roads do not also become threats to the country's wildlife and natural heritage.

Financial institutions are an integral part of the national economic framework and key enablers of development. India is targetting wide-ranging transformation of its infrastructure base, necessitating partnerships between public and private enterprises and changes to existing legal and regulatory frameworks.

With the world's second largest road network of around 70,000 km in length, the highways sector is a key focus for modernisation and is being touted as a major opportunity for investors, with 2015 seeing projects worth an estimated INR 1.25 Lakh crores earmarked for future development. This includes plans for 273 road & highway projects of 12,900 km in length in states such as Uttar Pradesh, Madhya Pradesh, Gujarat, Rajasthan and states in the North East region as part of the national highway network.

Total funds required for infrastructure in the current 5 year plan (in Rs. Crores)

	291,756	Sub-total of government budget
	178,253	Share of private sector
	10,980	External assistance from developmental banks

TOTAL 480,989

Source: 'Report of the Working Group on Central Roads Sector'

The significant scale of planned growth in this capital intensive sector will require large amounts of finance from public, private and multi-lateral investors, both from domestic and international sources. In the current five year plan (2012-17), estimated investment from private sector in roads and highways infrastructure is around 40% of the total requirement.

Balancing development and conservation

India's rich biodiversity and unique wildlife are its greatest national treasures. As the country embarks on a programme of rapid development, India's wildlife, including charismatic species such as the tiger, elephant, rhino and their habitats and movement corridors face the constant threat of degradation and fragmentation. WWF-India's conservation efforts seek to secure long term survival of India's wildlife and their habitats, while promoting sustainable development.

The creation of new linear infrastructure, especially roads, in fragile wildlife habitats is likely to increase the level of disturbance, sever connectivity between wildlife habitats, and ultimately pose significant additional threats to wildlife. Roads cause an increase in wildlife deaths due to the collision of vehicles with wild animals. For example, a study conducted on three highways by the Wildlife Institute of India estimated that on average, 7 mammals were killed per day for every 100km of highway (Rajvanshi, 2013). By blocking active wildlife corridors, roads and other linear infrastructure contribute to habitat fragmentation, leading to genetic bottlenecks that have the potential to decimate populations locally over long term.

Fortunately, these impacts can be reduced with careful consultation, planning and design and implementation of appropriate environmental and social safeguards. Banks and other financiers can play an important role in this process.

Planning Smarter Infrastructure

'Smart infrastructure' helps de-risking investments, as poorly designed infrastructure projects without appropriate environmental and social safeguards can jeopardize initial investments.



Globally, some financial institutions and regulators have taken steps to establish frameworks and compliance with voluntary codes of conduct. The Equator Principles are one such example.

Whilst some of these frameworks may be considered onerous by industry, through a deeper commitment to responsible finance, financial institutions in India can take their growing sustainability agendas beyond Corporate Social Responsibility and make a positive contribution to social and environmental outcomes through their core business.

As one of India's largest conservation organisations, with a network of over 30 offices around the country, WWF-India over several decades has documented the impact of roads and railways on wildlife habitats and corridors and in two cases have recommended mitigation measures. These are in the cases of NH 54E in Assam, and the Indo-Nepal border road in Uttar Pradesh. These reports have made specific recommendations to minimize disturbance to the habitats including suggestions on re-alignment of the proposed road and construction of structures such as natural passages for wildlife and vehicle flyovers to reduce disturbance.

Plan ahead

Some simple steps in this regard could include:

- Regular engagement with WWF-India on upcoming projects in sensitive ecological areas to understand the wider impacts of infrastructure financing.
- Work together to map upcoming projects and discuss, in-advance of the final design process, possible solutions to reduce their ecological impacts.
- Work together to build broader industry knowledge of infrastructure impacts on wildlife and other environmental parameters, as well as the solutions to these concerns.
- Work together to incorporate specific inputs on environmental safeguards in the Detailed Project Reports for linear infrastructure projects proposed in wildlife habitats and forests.

If effective, the benefits of this collaboration for financiers will extend beyond just making an important contribution to the nation's environmental heritage. There are a number of emerging commercial imperatives that can help underpin a commitment to responsible finance:

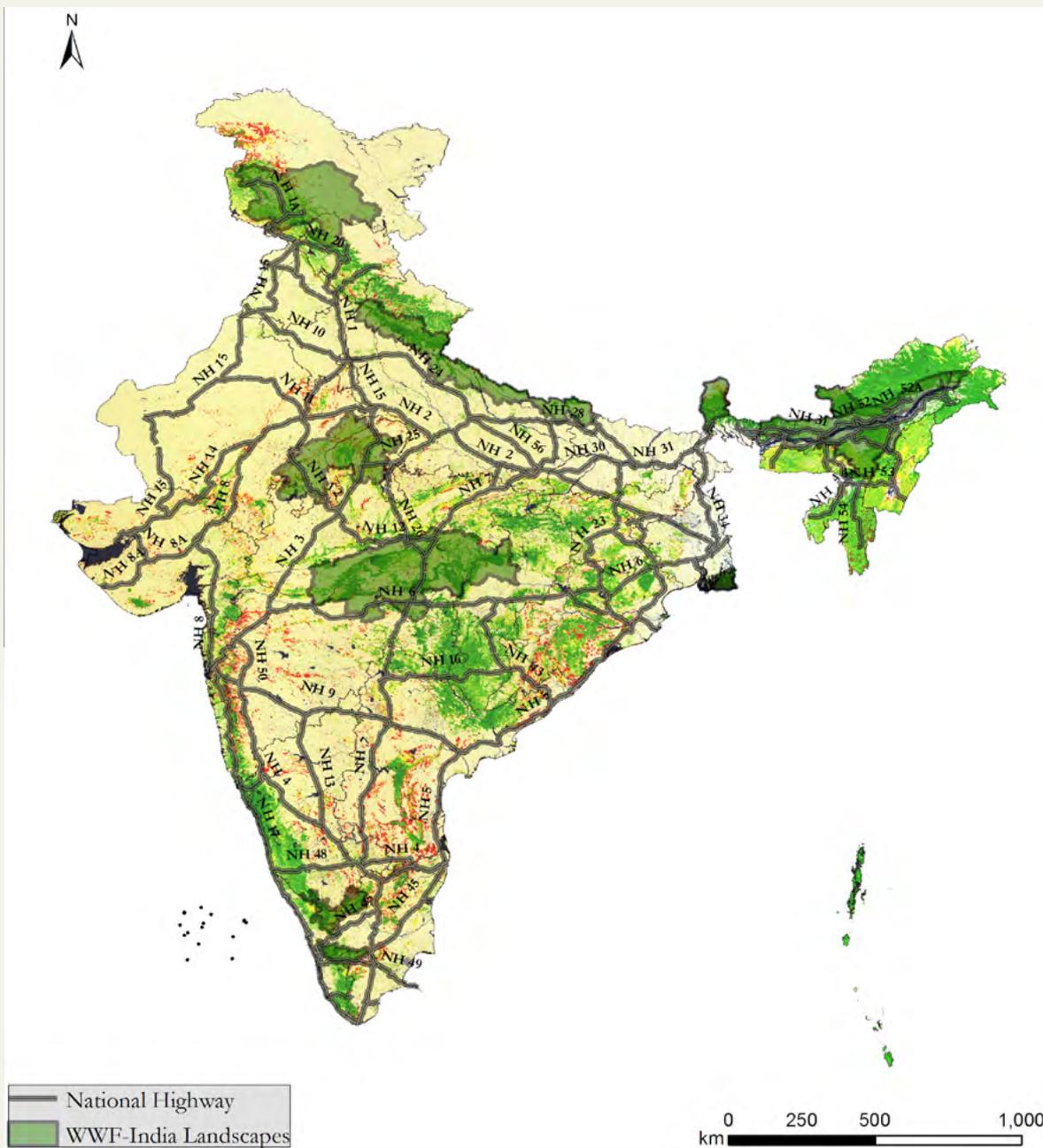
- **Enhanced risk management:** Greater understanding of how to avoid environmental and social risks translating into financial impacts, particularly at the client level.
- **Improved investor relations:** To meet the 'infrastructure challenge', financiers in India will need to attract and access multiple sources of capital, many of which, particularly in an international context, require a commitment to sustainability principles.
- **Reputation management:** Reputation may affect the perceived and real value of the firm and improve or diminish brand image. Poor management of issues may also impact long-term profitability, financial stability as well as customer and investor relationships.



To mitigate environmental threats related to large infrastructure projects, financiers can embrace the concept of 'smart infrastructure' and through their influence as capital providers, help to drive solutions which balance the development goals of the country, with the need to protect its rich natural resources.

WWF-India urges financiers to collaborate with it and other organisations to explore and agree on ways to work together to find efficient and effective means to eliminate, reduce or mitigate the environmental impacts of expanding infrastructure.

INDIAN FORESTS, NATIONAL HIGHWAYS AND WWF-INDIA'S PRIORITY LANDSCAPES



Cartography @WWF-India
 Source: National Highways Authority of India
 Forest Survey of India

WWF

Why we are here
 To stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature.

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