MWS coordinates the efforts of government, corporations and agricultural producers to address irrigation inefficiencies in highly water-stressed regions of emerging economies.

MWS will establish an internal cooperative structure to aggregate multiple agricultural producers and facilitate the adoption of modern equipment, sustainable agriculture practices and Nature-based Solutions (NBS). This cooperative structure will allow farmers to have a stake in the initiative, while gaining a dedicated selling channel for their products to an anchor corporate partner.

For the first time in an emerging country’s water sector, MWS will also design a “pay for performance” scheme to monetize the benefits that corporates, water utilities and other stakeholders may accrue from increased long-term water security and availability.

Proposed by the FEMSA Foundation and World Resources Institute, the pilot project targets water efficiency of 4,000 grain producers across an area of 20,000 hectares in Guanajuato, the second highest water-stressed region in Mexico.

Implemented in conjunction with its regional partners, the MWS model is projected to increase farmers’ yields by approximately 30%, while reducing water consumption by 3,500 cubic meters per hectare per year, equivalent to saving seven Olympic-sized swimming pools of water every year.

Additional benefits include improving biodiversity, increased resilience to drought and the potential transfer of a portion of the water savings to water utilities and consumers in nearby urban centers.

MWS is envisioned as a Special Purpose Vehicle

Innovative

Proposition

MWS is a novel, collaborative approach to improve economic outcomes for farmers, create resilient supply chains and increase water efficiency by using “pay for performance” to accelerate sustainable agriculture practices in water-stressed regions.
The initial estimate to set up the 20,000 hectares pilot project is $10 million, comprised of blended finance from impact and commercial investors, development finance institutions, local government agencies and the anchor corporate partner.

An anchor corporate partner will help to secure the demand of crops produced by farmers through a purchase commitment, thus achieving a reliable, sustainable and resilient supply chain.

Along with the sale of products to the corporate, once operational the model unlocks two additional revenue streams:

1. Repayments of farmer loans through increased crop revenues, reduced costs and improved access to markets.
2. Monetization of systemic water savings, from water utilities or other public institutions through a water conservation fee paid to the SPV and calculated with a “pay for performance” approach.

The Global Innovation Lab for Climate Finance identifies, develops, and launches innovative finance instruments that can drive billions in private investment to action on climate change and sustainable development. The Lab is funded by the Australian Department of Foreign Affairs and Trade, Bloomberg Philanthropies, the German Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety (BMU), GIZ, the International Fund for Agricultural Development (IFAD), the Netherlands Ministry for Foreign Affairs, The Rockefeller Foundation, Shakti Sustainable Energy Foundation, and the UK Department for Business, Energy & Industrial Strategy. Climate Policy Initiative serves as Secretariat.