Climate-Water-Finance To Progress on Water Related SDGs

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“Water is the best investment the world can make to improve health, food security, gender equality, and the environment while transforming lives & communities.”
We need to Act Fast

We only have 8 harvests

A systemic crisis requires a Systemic approach!!!
Barriers to financing water security infrastructure projects

- **Under-pricing of water:** Water is a public good and generally an under-valued resource, not properly accounted for by the government and the investors that depend on or affect its availability in other sectors such as urban development, agriculture, and energy.

- **Water services are often under-priced, resulting in low-cost recovery for water investments.**

- **Capital-intensive Water resources, irrigation, water supply, and wastewater infrastructures are generally capital intensive, with high sunk costs and long pay-back periods.**

- **Difficulty of monetising benefits:** Water management provides both public and private co-benefits, many of which cannot be easily monetised. This reduces potential revenue flows.

- **Context-specific projects:** Water projects are often too small or too context-specific, raising transaction costs and making innovative financing models difficult to scale-up.

- **Poor business models:** Business models often fail to support O&M efficiency, hampering the ability to sustain service at least cost over time.

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**Estimated Financial Need and Actions**

- **Global water security deficit:** Investment gap per annum = Transnational investment requirement

- **Actions needed**
  - Investors should put a further USD 4.2 billion to support both national and international RD, R, and higher research funding to address the needs of the Global South by 2050.
  - National and international investors should deploy USD 4.1 billion per annum for demand-side technical mitigation options to address the needs of the Global South.
  - National and international investors should deploy USD 3.1 billion per annum to address the needs of the Global South.
  - Investors should improve water resources management with USD 3.1 billion per annum to meet the needs of the Global South.
  - The international community should put USD 2.5 billion per annum for agricultural innovation and infrastructure, which are critical to meet the global goals.

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**Estimated financial needs for water infrastructure**

- *2015: USD 4.7 bn*
- *2030: USD 12.6 bn*
Sources, types, providers and instruments of Climate Finance - Support Water and WASH

Top water and sanitation donors

- Increase of quantity and quality
- Disbursement vs Availability
• **Five countries in Asia** - all middle income - received nearly 30% of public international climate finance to water: India, China, Pakistan, Vietnam and Indonesia.

• The **top 20 recipients** receive the majority of this finance as loans, and to large infrastructure for water resources management and WASH.

• **Hydropower** is prominent among the top 20 recipients of mitigation-related finance.
Key Water and sanitation thematic priorities

Donors’ water and sanitation priorities

<table>
<thead>
<tr>
<th>Region</th>
<th>Theme</th>
<th>Project</th>
<th>Funding</th>
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<td>Africa</td>
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<tr>
<td>Europe</td>
<td>Water</td>
<td>234</td>
<td>567</td>
</tr>
</tbody>
</table>

Donor websites 2021

Green Climate Fund

89 projects/programmes with USD 2,823 million including 1,338 million GCF funding
Paradigm Shifting Pathways WATER SECURITY: SDG6 meets SDG 13

Pathway 1: Enhance water conservation, water efficiency and water reuse
(Mostly Mitigation)

Pathway 2: Strengthen integrated water resources management & water management
(Mostly Adaptation)

Innovative Approach for Asset classes in sanitation and water re-use

The new asset class is “an asset for adaptation and/or mitigation that is developed and funded using credit enhancement to crowd in private sector funding targeted towards developing debt capital market and acceptable financial returns but remain in line with ESG impacts and help to meet the targets set in the Paris Agreement and contribute to UN SDGs (Goal 6 – clean water and sanitation; Goal 3 – Affordable and clean Energy; Goal 13 climate action; Goal 14 – sustainable oceans and Goal 17 – Partnerships with the involvement of the private sector) and providing water for domestic, municipal, and industrial purposes and allows municipalities to scale their water reuse projects in partnership with private sector and/or governments purchase a service instead of an asset”.

Credit Enhancement: Concessionally and Affordability
New Asset Class

- Adaptation: Beneficiaries
- Mitigation: tCO2eq

Goal 3: Energy
Goal 6: Clean water and sanitation;
Goal 7: Affordable and clean energy
Goal 13: Climate action;
Goal 14: Sustainable oceans and
Goal 17: Partnerships with the involvement of
the private sector

Financial
Acceptable Revenue
SDGs
Paris Agreement Targets

- Water Tariff
- Purpose of Use (Industrial, Commercial, Recreation facilities, Agricultural, Aquacultural, Supply augmentation, MAR, etc)
- By-products (nutrients, fertilizers)
- Feed-in Tariff (Energy)
- Carbon Credit

Crowd in Private Sector (affordable and Bankable)
Blended Finance (Grant, Concessional, Equity, Guarantees, Senior)
Mechanism (PPP-Private Public Partnership, SPV-Special Purpose Vehicle)

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