

# Water and Development Congress & Exhibition 2023

10-14 December 2023 | Kigali, Rwanda



## UTILITY LEADERS FORUM

12 DECEMBER 2023

**inspiring change**



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# Strategies for Becoming Climate-Smart and Securing Financial Support for Utilities

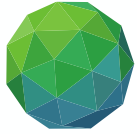
SESSION III

# Keynote Speech 1

**Unlocking climate finance for regional and transboundary water management**



**Dr. Bapon Fakhruddin**  
Water Sector Lead, GCF



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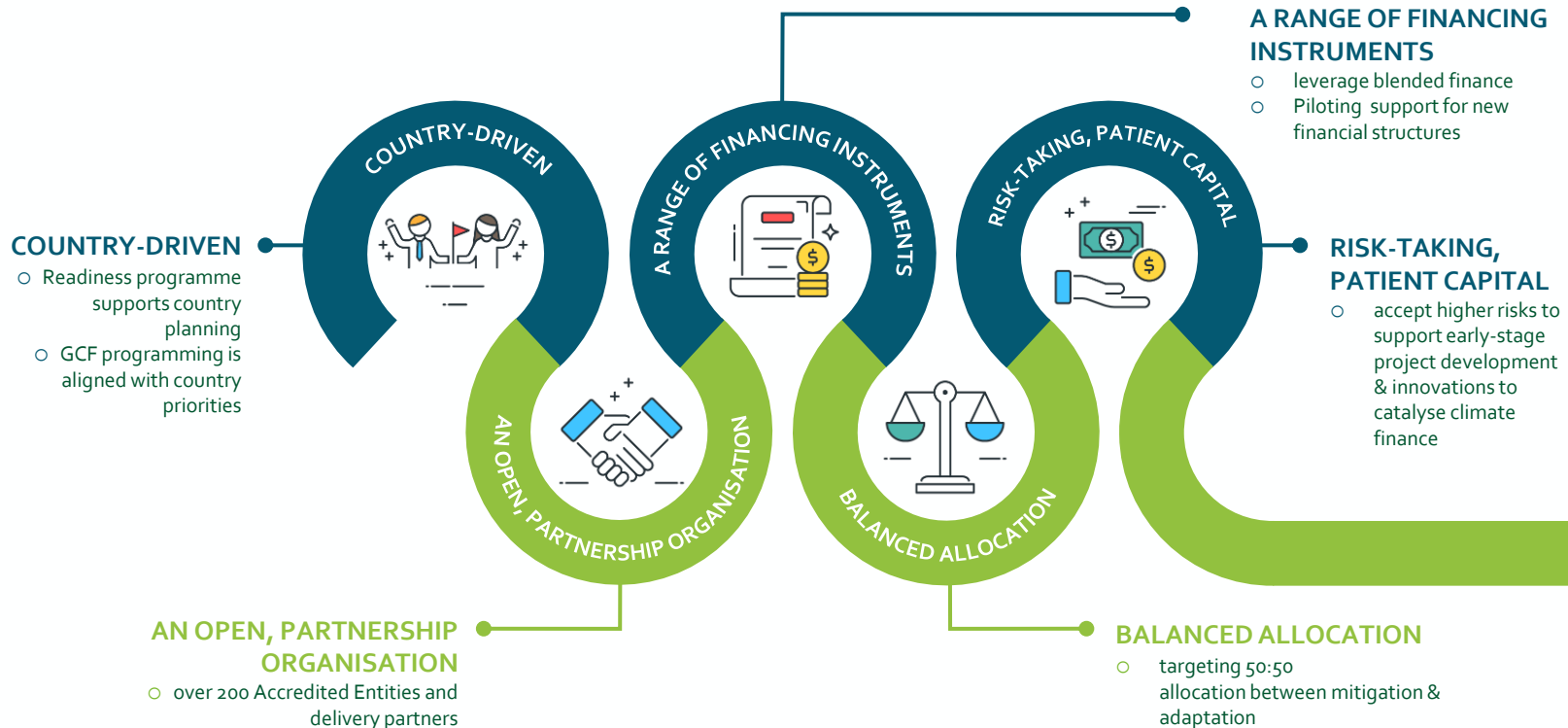
# **Green Climate Fund** **Unlocking climate finance for regional and transboundary water management**

**Dr Bapon Fakhruddin**

Water Sector Lead



# Key Features of the GCF

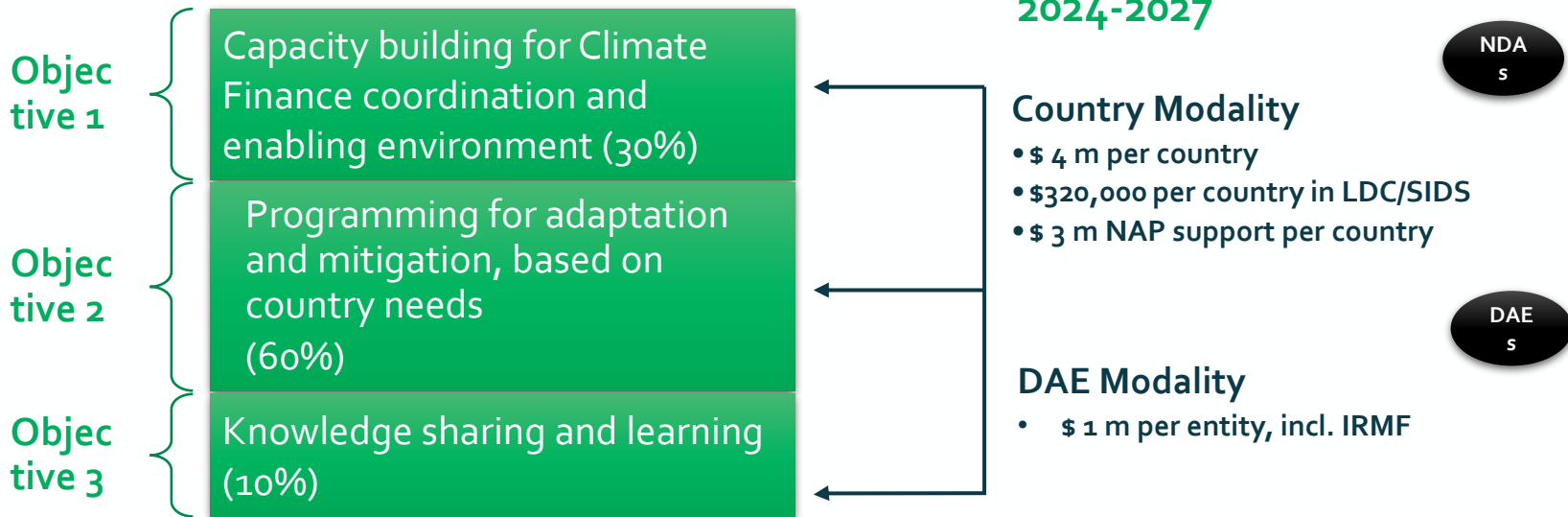


# '50 by 30' Vision



1. Target and reach the **most vulnerable** people and communities.
2. Maximize **private sector** investments.
3. Reinvent the **partnership** model.
4. **Simplify** the project review and approval processes
5. From one-off projects to programmatic and **systemic** responses.

# Fostering an environment for green investments through Readiness support

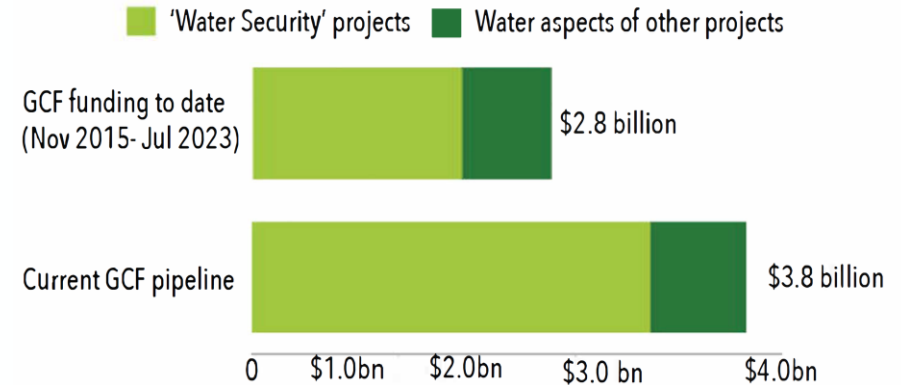
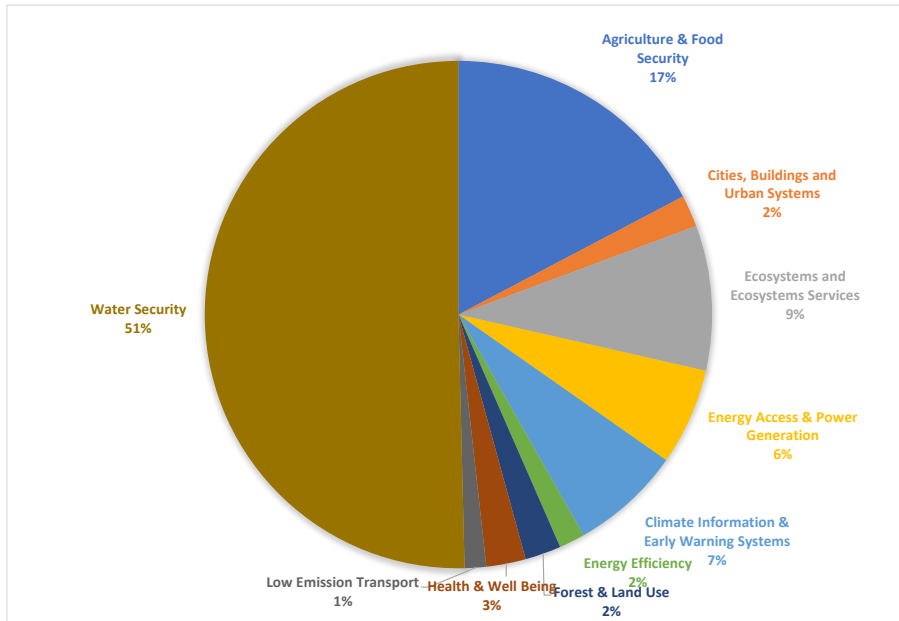


# 2024-2027 programming priorities

1. **Readiness and Preparatory Support:** Enhanced focus on climate programming and direct access;
2. **Mitigation and Adaptation:** Supporting paradigm shifts across sectors;
3. **Adaptation:** Addressing urgent and immediate adaptation and resilience needs including for the most vulnerable; and
4. **Private Sector:** Promoting innovation and catalysing green financing



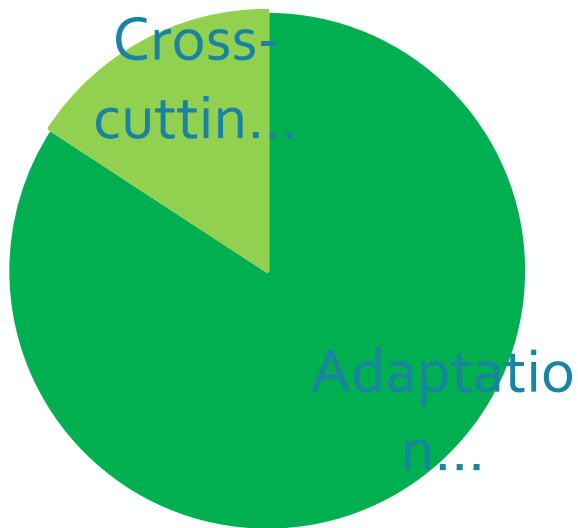
# Water Security Projects (2023)



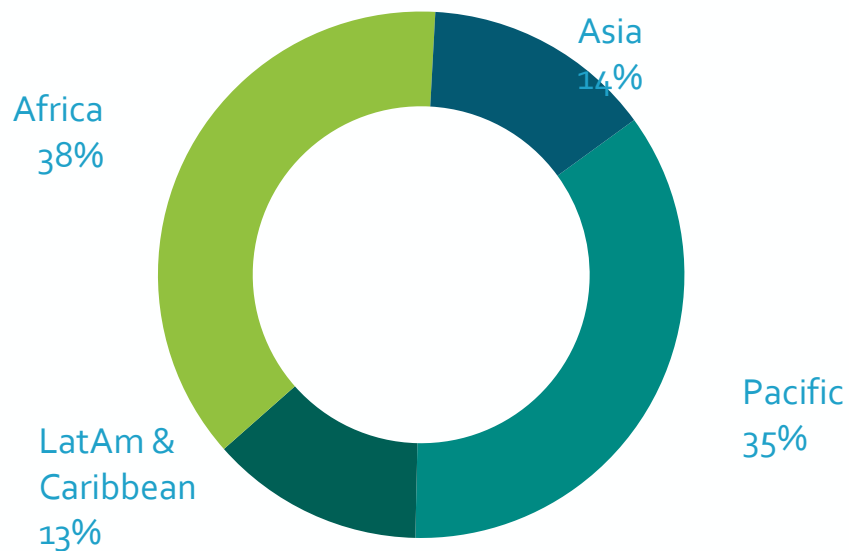
## Water Security Projects (2023)



# Mitigation/Adaptation Focus



■ Adaptation   ■ Cross-cutting



# Water Security for Climate Resilience

Blending grants with innovative financial instruments like water bonds, cat bonds, guarantors, investment, insurance, debt for climate swaps

**WSCR-CoP**

Flexible and delegated need-based projects for countries using nexus and integrated approach

Pathways

Water conservation, efficiency and reuse

Hydrological observation, forecasting & risk assessment

Integrated water management & SDG

Climate resilient WASH

Community Knowledge

Global & regional lead advocacy and EE

GCF-accredited AEs/DAEs

Enabling environment, policies, frameworks

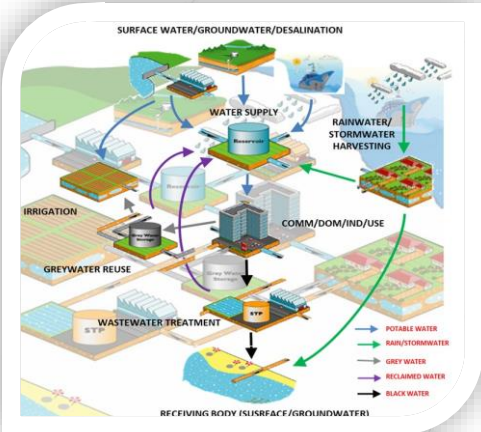
Transformational planning and programming

Innovative approaches/asset transition

Mobilisation of finance/ investments

Coordination, learning and knowledge

# Potential TRANSFORMATIVE WATER SECURITY PROJECT



## Innovative River Basin IWRM programmes

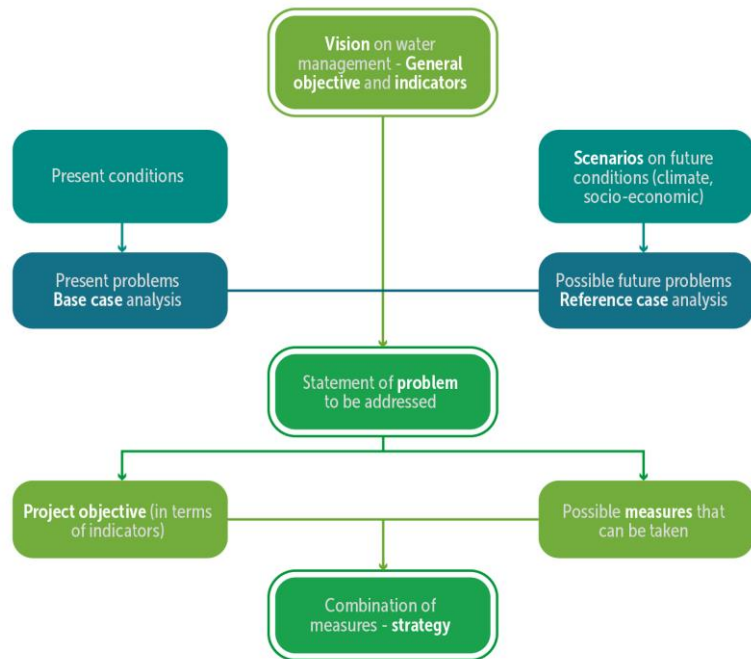
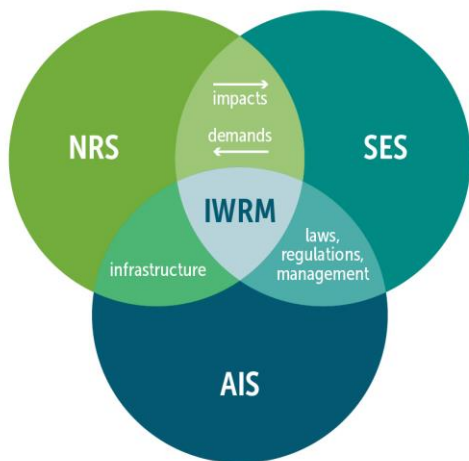
**Climate change adaptation: Water-Energy-Food initiatives- Integrated Water Multi-Sectors management- IWMSM**

**Institutional initiatives: Adaptive planning; governance beyond water, developing water rights across the River Basin**

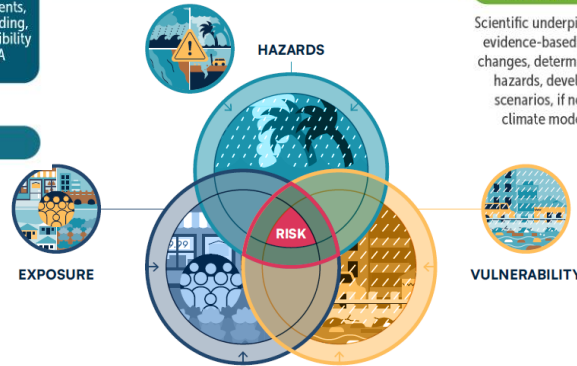
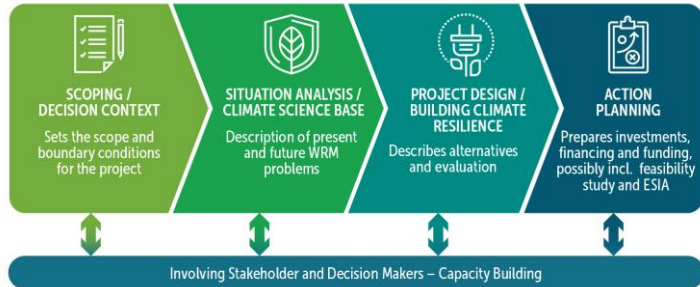
**Financing: Payments for Watershed Services; Polluter Pay market-based instruments; targeted subsidies; land value capture**

**Technical: Municipal, industrial, agricultural pollution and flood control**

# Approach and terminology in developing a project



# Key Principles- Structured approach for project design



# GCF Investment criteria for Water Security Sector

Impact potential

High-impact areas in water security are countries and project areas with high to extreme water stress

Paradigm shift

Move climate finance from grant funding to concessional finance and then enable private finance for scaling=up

Sustainable development

724 climate actions identified under UN-SDG6 combined with gender and minority sensitive development impacts

Recipients needs

Limitations in institutional support; need for developing capacity; and mechanisms for monitoring compliance

Promote country ownership

Bring together ministries, National Designated Authorities & constituents going beyond climate policies

Efficiency & effectiveness

Project design builds on best practices and lessons learned



## Annex I | Water Security Sectoral Guide

### GCF Water Project Design Guidelines

Part 1: Practical guidelines for designing water-climate resilient projects

## Annex II | Water Security Sectoral Guide

### GCF Water Project Design Guidelines

Part 2: Applications of the Practical guidelines for designing water-climate resilient projects in IWRM, CR-WASH, and Drought and Flood management



# Sectoral and Practical Guide: Water security

- <https://www.greenclimate.fund/document/sectoral-guide-water-security>
- Aims to guide project proposal development in the water sector in line with GCFs investment criteria
- An inspirational document for the development of GCF funding proposals





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**INSPIRE** more  
climate **ACTION**

# Keynote Speech 2

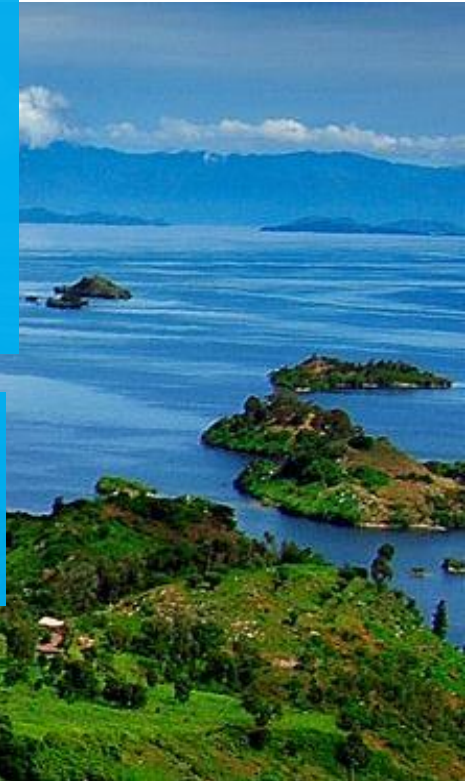
Improving access to climate-resilient water supply and sanitation services through sustainable business models and public and market finance



**Mr. Osward M Chanda**  
Director, African Development Bank

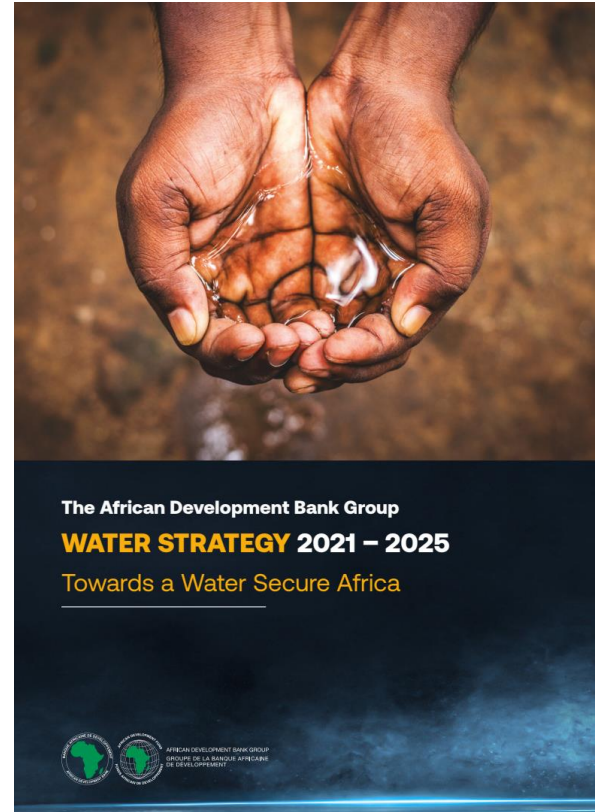
## Improving access to climate-resilient water supply and sanitation services through sustainable business models and public and market finance

Osward M Chanda,  
Director, African Development Bank  
December 12, 2023



# Structure of Presentation

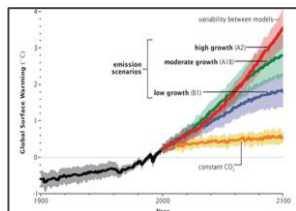
- Financing resilience in the water sector, **the capacity Constraint**
- Business Models to access finance
- Financial Solutions for strengthening resilience of the water sector
- Action areas to address the challenge of access to Finance



# Financing resilience in the water sector

## Key Drivers of Demand in Utilities.

### Climate variability & Change



Urbanisation



Population growth

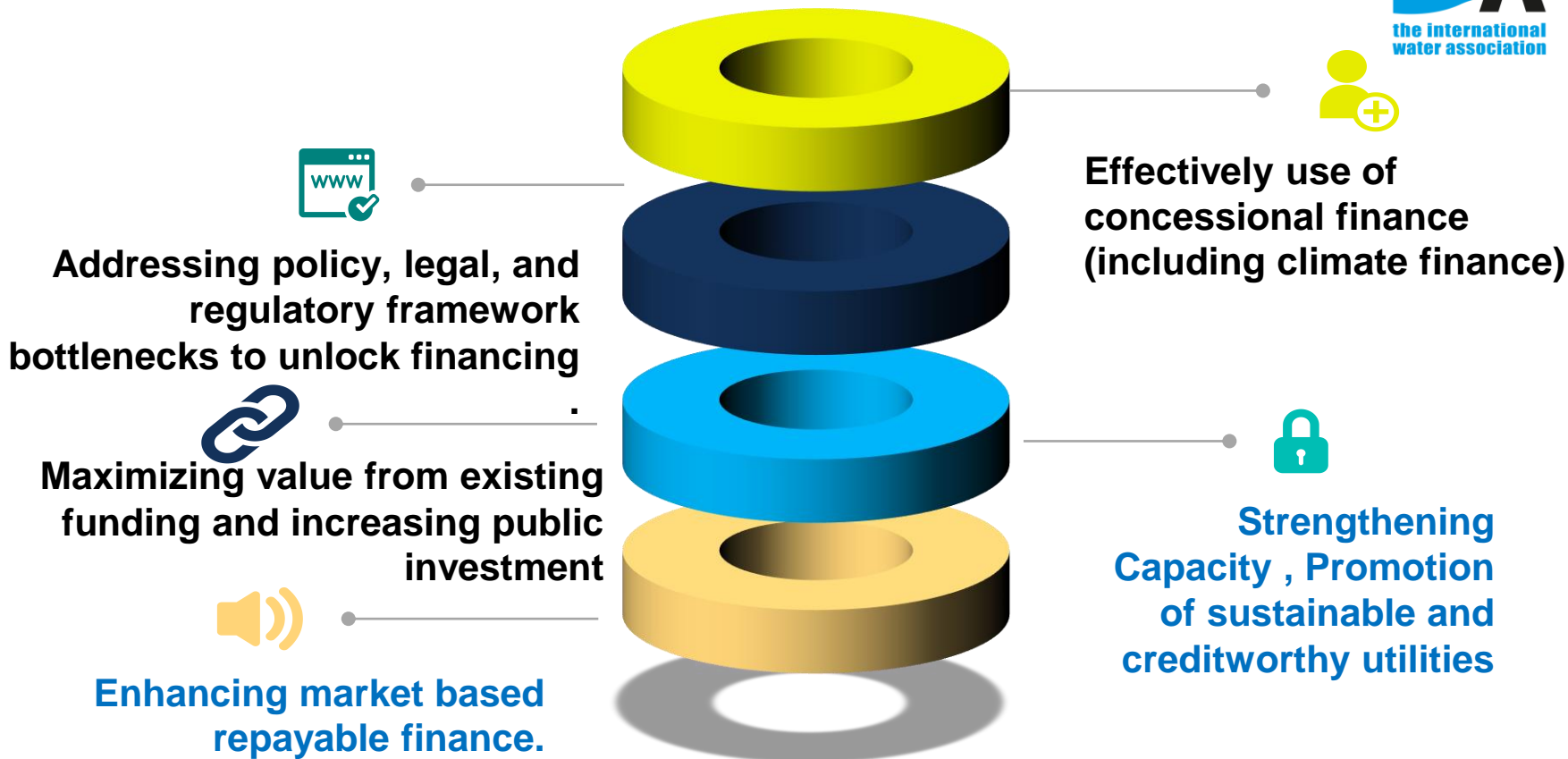
## Water Sector Financing Landscape in Africa

- Water infrastructure commitments in ~\$ 13.3 bn/year
- Countries ~\$ 9 bn/year , 68%
- Development Partners, ~\$ 4. bn/year , 32%

## Key challenges to raising Finance

- Limited capacity
- Weak PIR enablers
- Inadequate data and information systems;
- Inadequate pipeline
- Complexity in accessing Climate Funds

# Business Models for access to finance



# Financial Solutions for strengthening water resilience

(i) Advisory and technical assistance and (ii) Mobilizing Investment Finance

## SPECIAL FUNDS

Providing specific solutions/Advisory/Pipeline development for investments



## LENDING INSTRUMENTS

Providing **long-term debt to public and private sectors**, including **Climate Finance, Lines of Credit to Public Development Banks**

## EQUITY PARTICIPATION

Bringing scarce risk capital to transformative projects.

## GUARANTEES

Mitigating risks attached to investments in Africa

## Strengthening capacity to access financial solutions

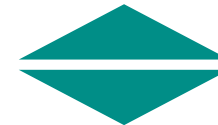
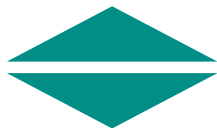
# Special Funds: Investment Project Preparation Funds/Catalytic Financing

## SPECIAL FUNDS

## LENDING

## GUARANTEES

## EQUITY



Grants to Countries, Utilities incl. PIR reforms



Full Feasibility Studies, Engineering & Technical Designs, ESIA



Preparation of Tender & Bidding Documents



Transaction Advisory Support - PPP Type Projects



Financing Plans and Financing Linkages



Catalytic Investments



# Special Funds: Climate Trust Funds

## SPECIAL FUNDS

## LENDING

## GUARANTEES

## EQUITY

- Climate finance teams lead the implementation of facilities that provide grants (project preparation & concessional debt).
- The Bank has increased its climate finance to 41% of total approvals in 2021, amounting to \$ 2.6 billion
- 92% of approved projects designed with climate considerations (67% adaptation, 33% mitigation).

### AfDB Trust Funds

Clim-Dev  
Special Fund



Africa Climate  
Change Fund



Canada-African  
Development Bank  
Climate Fund



Climate Action  
Window



### External Funds (AfDB as Implementing Agency)

Green Climate Fund



Climate Investment  
Funds



The Global  
Environment Facility



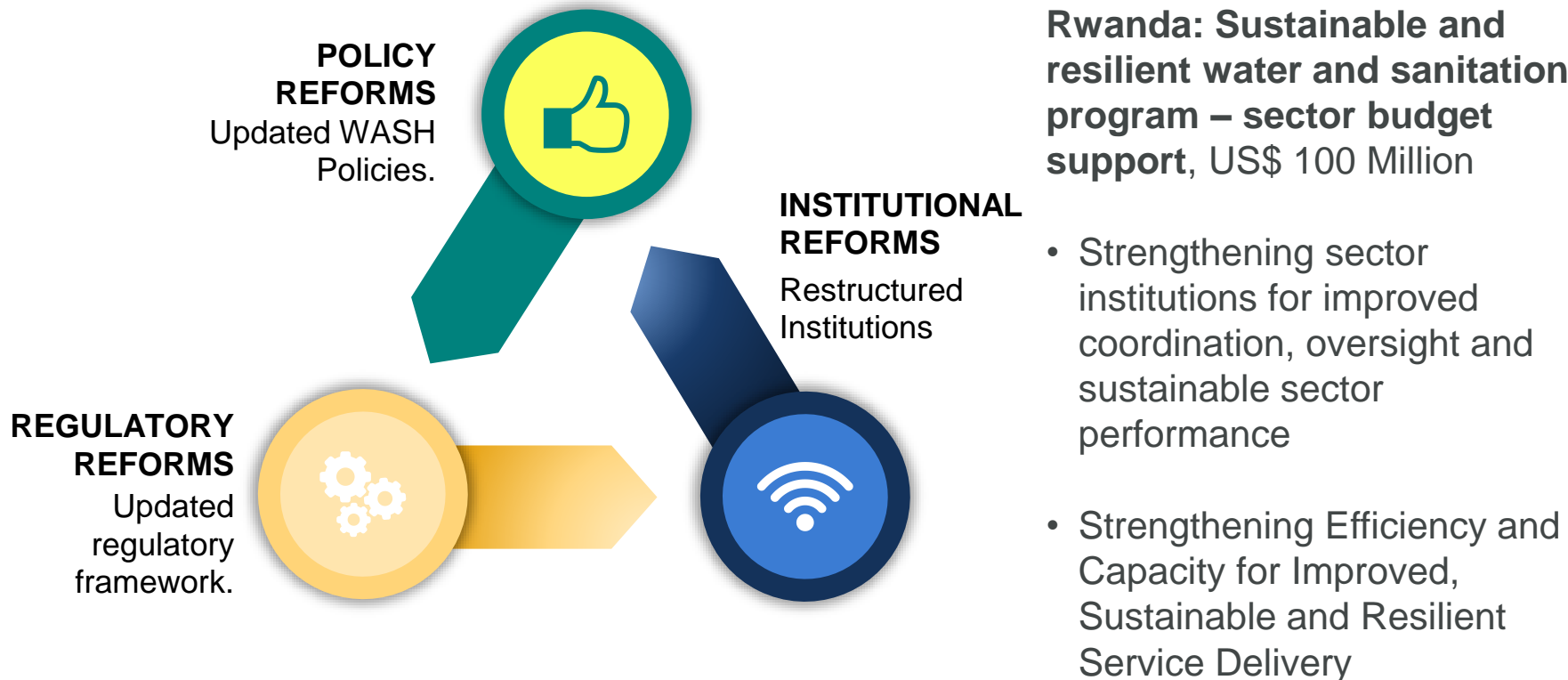
# Sovereign Lending: Program Based Operations

SPECIAL FUNDS

LENDING

GUARANTEES

EQUITY



# Sovereign Lending: Public Sector Operations

SPECIAL FUNDS

LENDING

GUARANTEES

EQUITY

Water Supply  
& Sanitation  
Services

**Nigeria - Zaria Water and Sanitation Expansion Project - USD 115 M (2022)** . 168,000 pupils have access to sanitation facilities; 390,000 people access to water supply, 200,000 access to basic sanitation



Wastewater  
Treatment

**Tunisia: Treated wastewater quality improvement project USD 37 (2022)**. Mobilize 88 million m3 of treated water ; benefiting a population of 4 million inhabitants



Water  
Augmentation

**Seychelles -Mahe Sustainable Water Augmentation Project – USD 23 M (2023)**. Raising the height of La Gogue Dam reservoir to increase the storage capacity (600,000m3 of water).



Wastewater  
Treatment and  
reuse

**Egypt – Gabel El-Asfar” Wastewater Treatment Plant project – Euro €80m (2022)**Treats 2.5 million m3 of wastewater every day, serves 12.5 million people; treated wastewater irrigates 70,000 acres;



# Blending Finance: Market Based Repayable Finance

SPECIAL FUNDS

LENDING

GUARANTEES

EQUITY

## Kigali Bulk Water Supply (40,000m<sup>3</sup>/day bulk water production facility)



- Parts of the water value chain comprise activities that **yield revenue streams** that can deliver adequate returns to private investors while serving the public good. E.g **production, treatment and recycling plants**
- **Total Project cost:** \$40 million in debt from AFDB & EAIF, backed by a guarantee from the GoR, USD 11 million equity provided by Metito, and a 6 million TA grant from PIDG
- **Outcomes:** More than 500,000 people with drinking quality water. 40% of Kigali needs.
- **Lessons:** good financial structuring. Separating distribution from generation plant under concessional loan helped reduce costs

SPECIAL FUNDS

LENDING

GUARANTEES

EQUITY

## Multinational - Construction Equity Fund 2 - Climate Investor Two \$ 600 million

### ■ Eligibility:

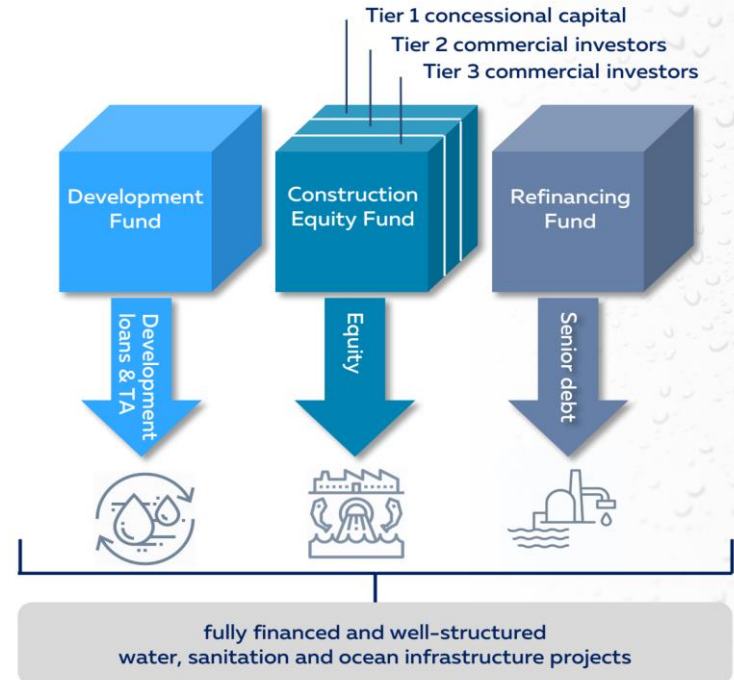
- Financially viable private companies
- Public sector companies in the process of privatization and regional institutions

### ■ Ownership approach:

- Ceiling of 25% ownership
- Board representation mandatory
- Clearly defined exit clauses

### ■ Overall interest:

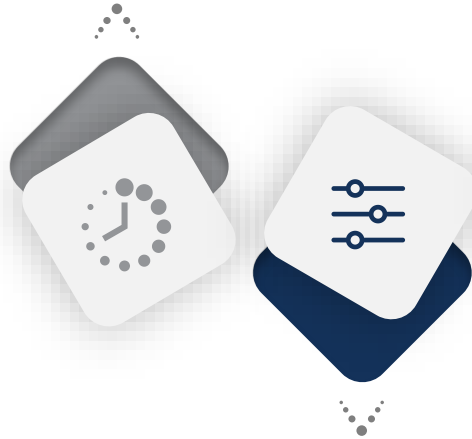
- SME-focused Private Equity funds
- Financial intermediaries
- Innovative structures



# Broad action areas to address financing challenge

## Strengthen water Governance

Strengthen Policy, institutions,  
Regulatory frameworks as  
enablers for effective financing



## Broaden the Thinking

From climate finance to  
finance for climate to raise  
larger finance flows

## Strengthen Pipelines

Prepare bankable projects,  
targeting climate finance  
instruments.



## Deploy Innovative finance

Deploy innovative finance  
(blending with private sector,  
climate finance.

## Strengthen the understanding of finance landscape

Finance needs, emission profile,  
resilience options etc



## Strengthen Partnerships

Public-private partnerships,  
Academia

# MODERATOR AND PANELISTS



**Prof. Hamanth Kasan**

IWA President-Elect.  
CEO Jyoti Human Development



**Nakale Angela**

Process Engineer, NamWater



**Ruben Fernandes**

Executive Board Member,  
Águas e Energia do Porto EM (AEdP)



**David Maslo**

Executive Director-African Risk Capacity Ltd

**inspiring change**



**Ignatius Jean**

Executive Director, CAWASA



**Arnd Wendland**

Head of W&W Division, Hamburg Wasser



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# Strategies for Becoming Climate-Smart and Securing Financial Support for Utilities

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# Global Perspective of Utilities & Highlights of ULF



**Julie Marechal Perkins**  
UN Habitat

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**IWA**  
the international  
water association

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**Thank you**