EU Green Week

PARTNER EVENT

Climate finance for water and sanitation: trends and insights

IRC

Catarina Fonseca

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PROTOCOL ON WATER AND HEALTH

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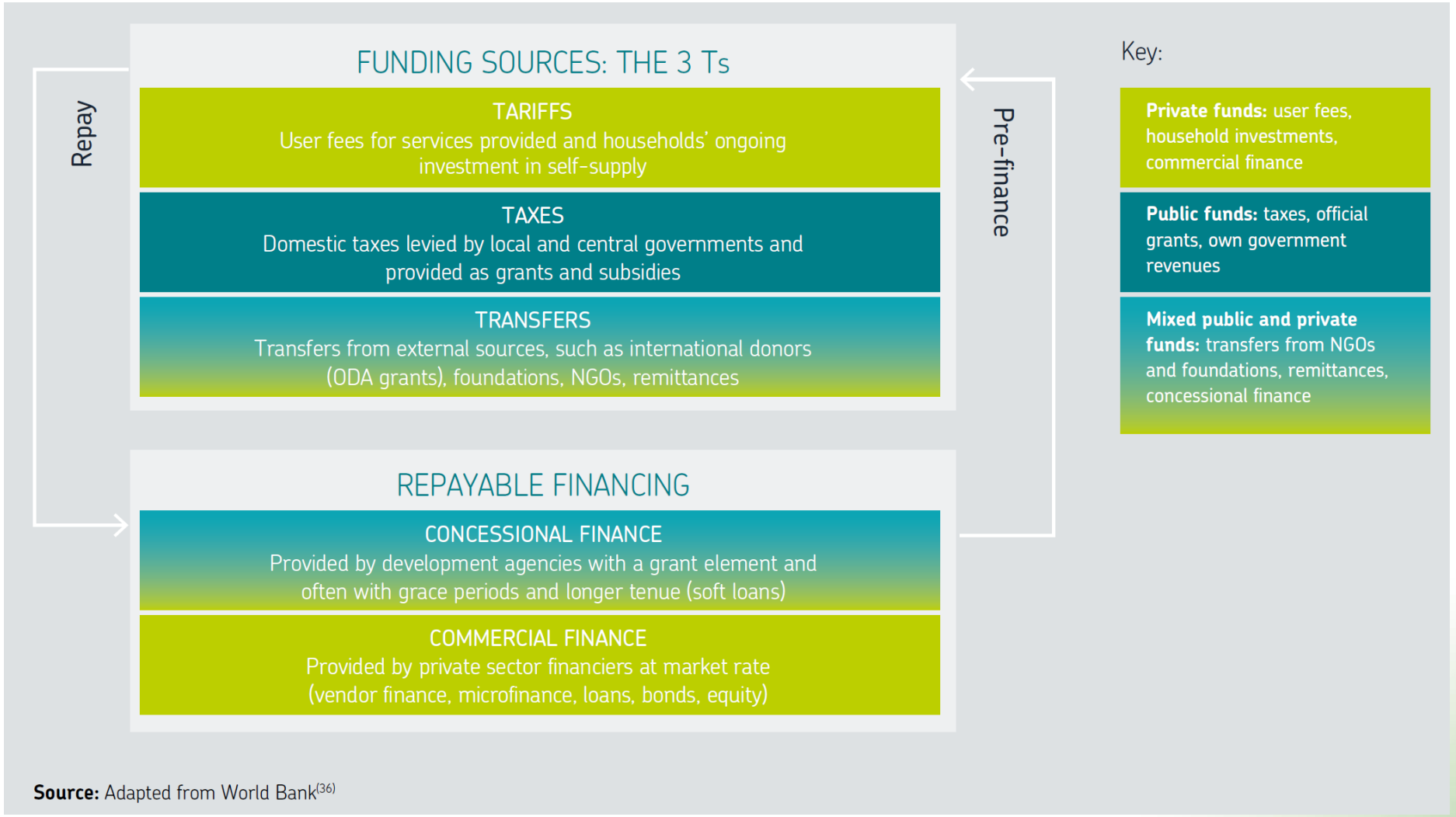
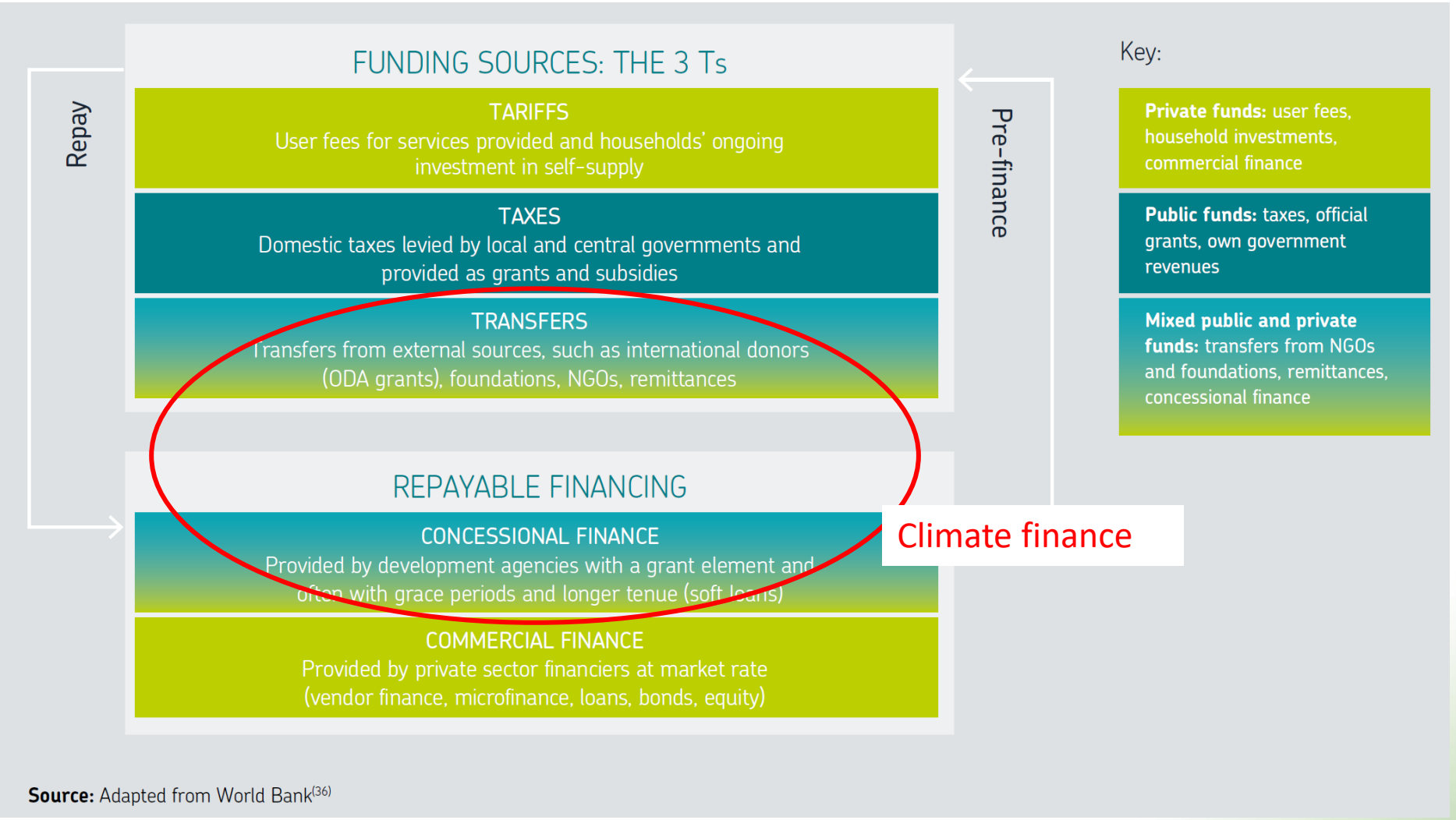
1. Major sources of funds for water and sanitation



Source: Adapted from World Bank[36]

Source: SWA 2020. Water & sanitation, how to make public investment work. A handbook for finance ministers. Available in EN, FR, SP, PT: https://www.sanitationandwaterforall.org/handbook-finance-ministers-how-make-public-investment-work

1. Major sources of funds for water and sanitation



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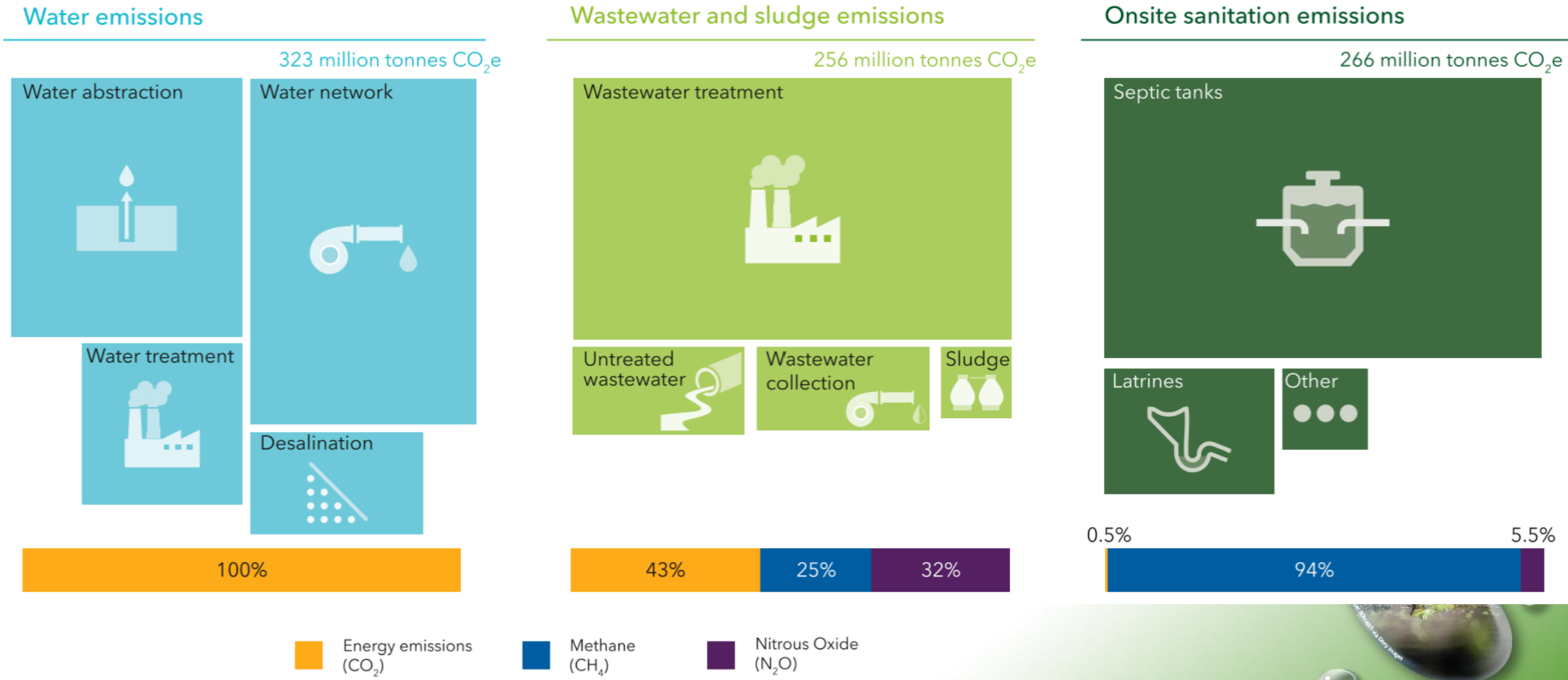
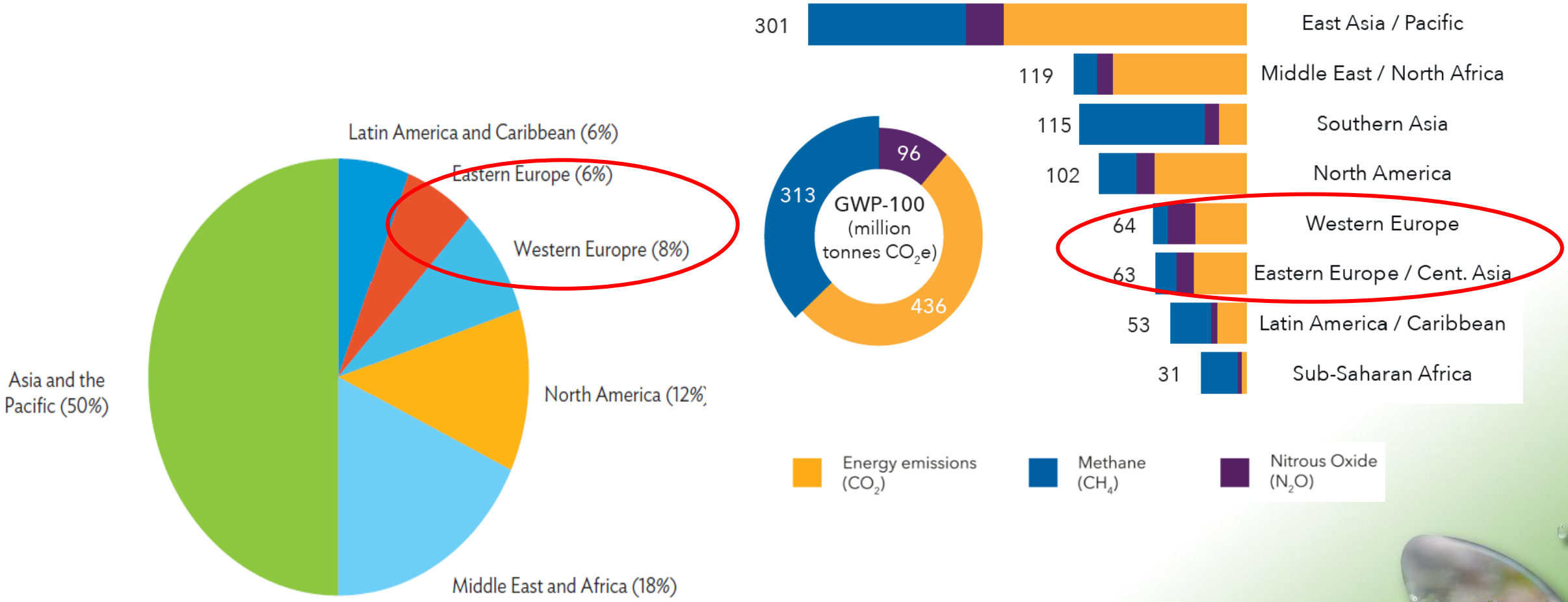
2. What is climate finance?

Climate mitigation	Finance contributing to reducing or avoiding greenhouse gas emissions
Climate adaptation	Finance aiming to maintain or increase the capacity for resilience and response to climate risks

2. Greenhouse gas emissions per water sub-sectors



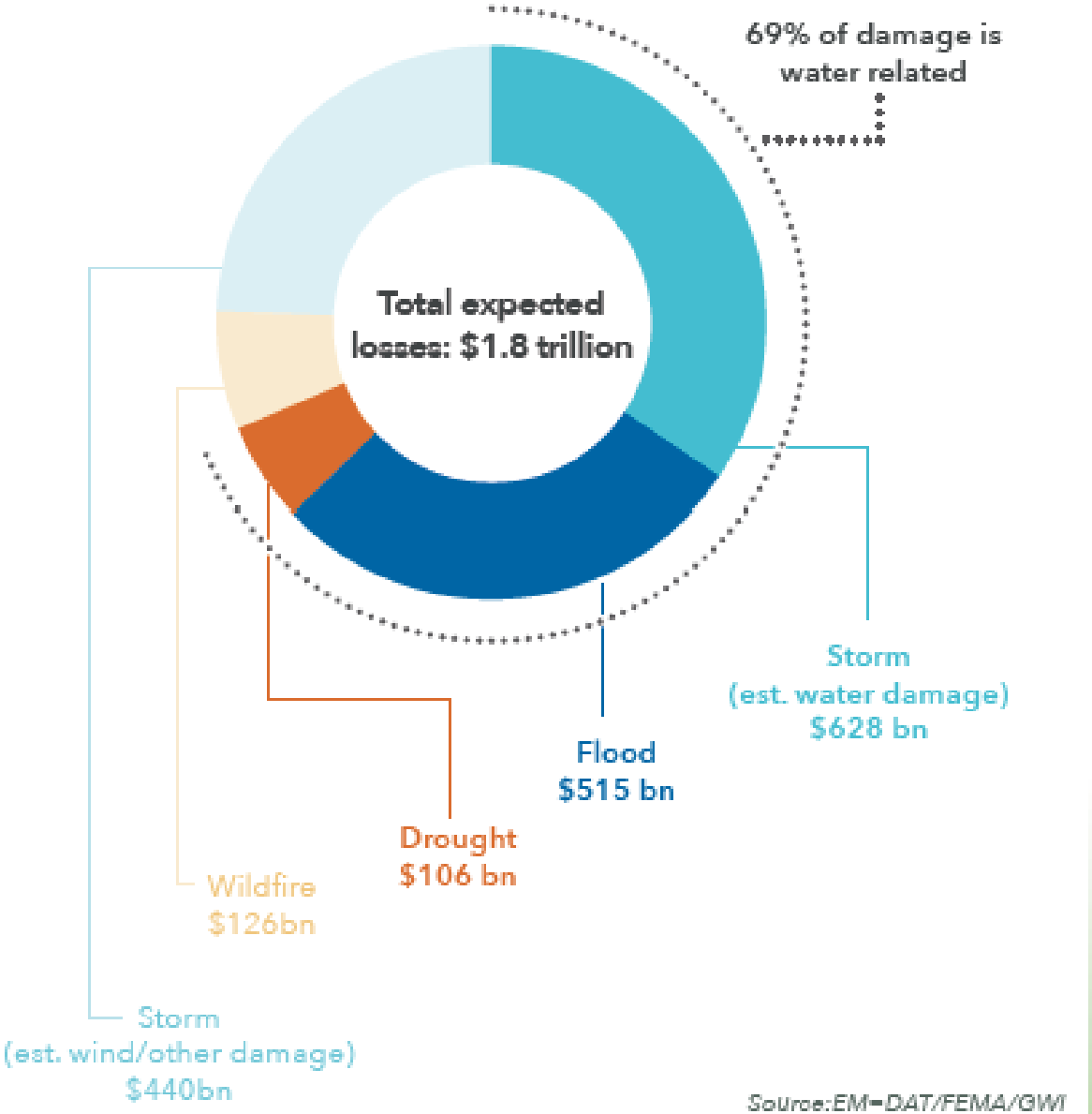
2. WASH 100-year global warming potential contribution per region



3. Projections: the funding gap for SDG 6.1 and 6.2

Source: WB. 2024. Funding a Water-Secure Future: An Assessment of Public Spending.
https://www.worldbank.org/en/topic/water/publication/funding-a-water-secure-future#Stories

3. Projections: Expected losses 2024-2034 resulting from water related climate events



4. Where do we need climate finance?

Too much water

- Flood defences
- Digital monitoring and control
- Nature-based solutions

Too little water

- Conservation
- Reducing leakage
- Reuse
- Demand management
- Energy efficiency
- Desalination

Poor quality water

- Treatment
- Nature based solutions
- Separating storm water/waste water flows
- Regulation (incentives and penalties)

Limited access wastewater treatment

- Decentralised solutions
- Regulation

Limited / underdeveloped financial models (including for the tech and digital innovation needed)

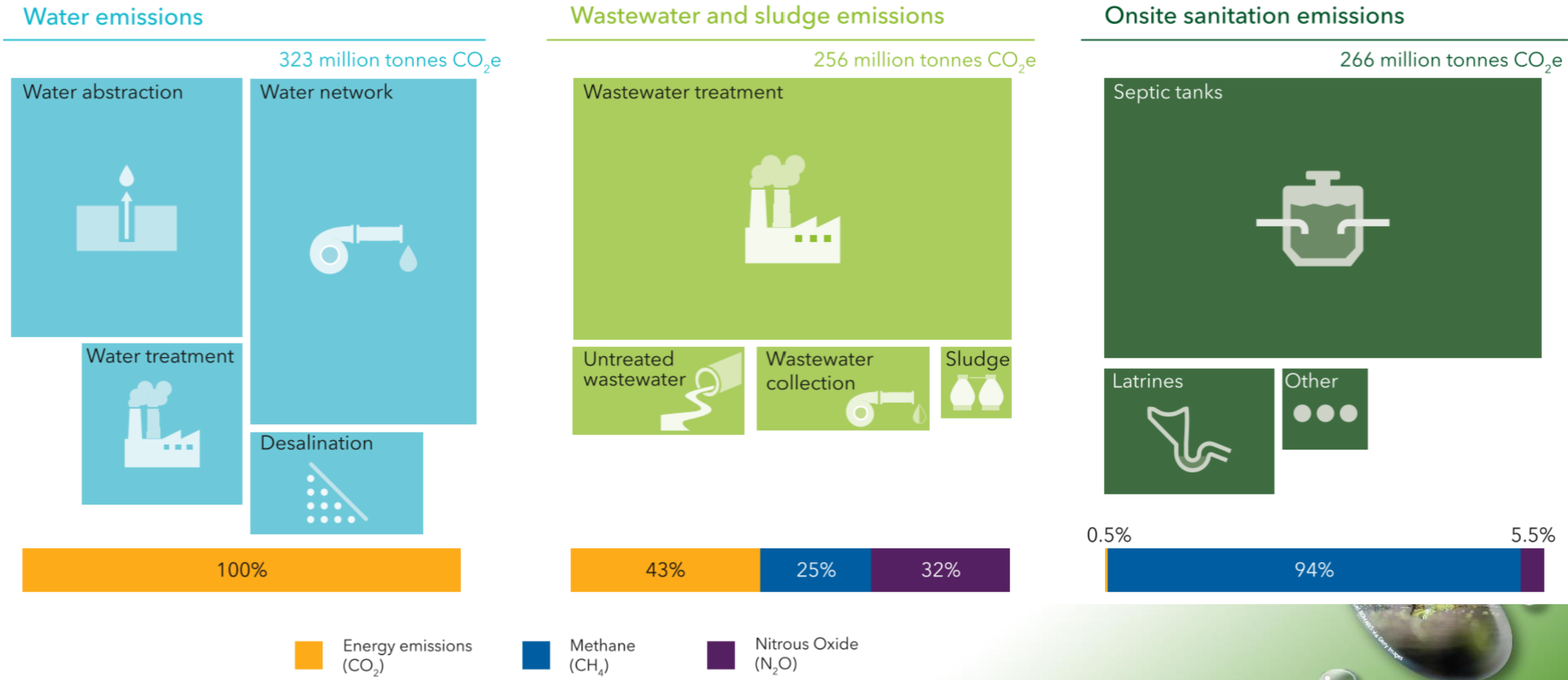
5. Overview of climate finance instruments

Mostly public instruments	Mostly private/corporate instruments	Mostly private/households investments
• Grants and concessional loans: - **Bilateral DFIs** - **Multilateral DFIs** - Other PDBs - National governments - Climate funds - State owned enterprises • Export credits/credit enhancement / credit lines (State owned financial institutions) • **Bonds (blue, green, climate, resilience, transition, catastrophe)** • Debt swaps (for nature, for climate, for adaptation) • Guarantees (if exercised)	• Concessional and commercial loans • Balance sheet financing (debt and equity) • Project level financing (debt and equity) • Insurance schemes • Carbon credits and carbon markets (voluntary and mandatory) • Bonds sustainability linked	• **Own investments (equity)** • Loans by MFIs

6. Major trends in climate finance for WASH

- In 2021-22, estimated $67 billion were allocated to water and waste (CPI, 2023)
- East Asia and the Pacific are both the highest providers (>40 billion USD / year) and recipients of financing followed by Western Europe (>10 billion USD/year)
- By far, the most common instrument used are debt instruments in the form of concessional loans
- Public finance represents the largest investment mostly through public development banks for services in urban areas
- Households are the largest contributors in many countries for rural areas
- Not enough disaggregation per sub-sector

2. Greenhouse gas emissions per water sub-sectors



7. Persisting challenges: beyond large infrastructure

- Climate finance neglects maintenance and efficiency gains of the existing infrastructure
- Difficulties in access by poor and vulnerable countries (many of which face severe debt stress)
- Difficulties in access by sub-national authorities
- Difficulties to direct climate finance to enabling environment: capacity building, policy and regulation
- Grants for technical assistance to bring the coordination needed to set up the programmes is known to be critical and remains rare
- Climate typologies allow tracking per sub-sectors such water preservation, coastal protection, wastewater treatment, biodiversity, etc but accessibility of data still extremely limited

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