

WASH SDG Programme
Global Learning and Knowledge Development:
Climate Finance and WASH
Learning clinic WASH LKD

Community of Practice: Briefing Note –
Arjen Naafs and Vera van der Grift

27 September 2022

Agenda – full recording [here](#)

Theme	Time
Welcome and introduction	5 min
Scene setting	30 min presentation here
Case study: Bangladesh	10 min presentation here
Buzz groups	5 min
Question and Answer	5 min
Open discussion	20 min
Next steps & closing	5 min

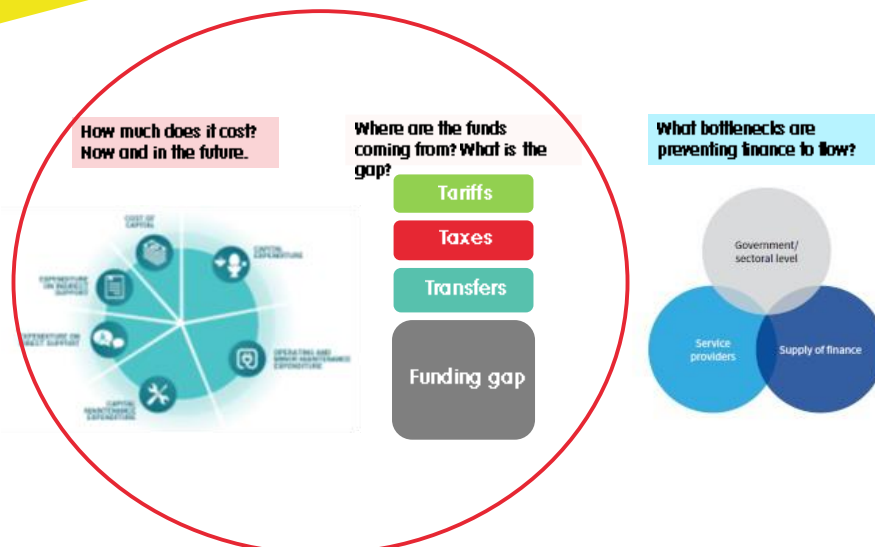
Climate Finance and WASH – Take Home messages ...



Dr. Catarina Fonseca
Economist with a doctoral
degree in water sciences.



Process towards **climate resilient** finance strategy



- Climate finance (simple definition) - Any finance aiming to reduce GHG emissions and vulnerability and increasing resilience to climate change
- [Developing WASH Finance Strategies Guide](#) - A resource guide for developing countries on how to meet your targets within the resources available and circumstances. This has evolved in some countries into WASH Climate Resilience Finance Strategies (CRFS). A first stage to developing a WASH CRFS is to conduct a [Climate Risk Assessment](#) (CRA) aimed

at a better understanding of the top risks at national and district levels and for the cities. The CRA includes assessment of the resilience of existing infrastructure and understanding by the communities of the risks.

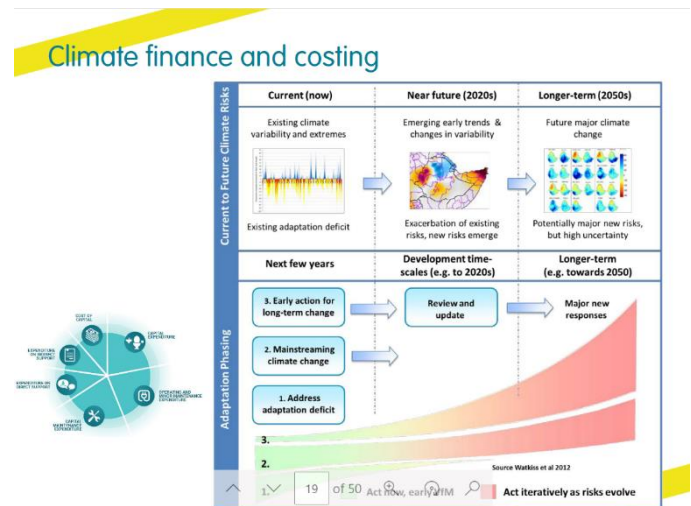
- **Key elements of the Finance Strategy**

- (a) Climate Finance and Costing: Identify how much money we have, how much will we need to reach the country target now and the future, and the life cycle costs required to maintain the infrastructure at all levels
- (b) Analysing source of the funds and funding gap (3 sources exist - **tariffs, taxes, and transfers**) - these are usually never enough. The funding gap can be (partly) closed with commercial loans to be recovered from tariffs and taxes.
- (c) Bottle necks affecting funds flow - at all levels - Government, supplier level (there are specific methodologies to do this).

Climate finance and costing frameworks:

Climate finance and costing frameworks (Based on Paul [Watkiss framework](#) (2012) and linked to value for money analysis and cost benefit analysis. Helpful when determining options for reaching country targets. Focuses on 3 theories, (i) Measures to tackle the situation now (current), (ii) Measures to address emerging early trends and changes in variability, and (iii) Measures to address future climatic change. Adaptation measures selected should cover all these scenarios and presents the following options.

1. Adaptation deficit (No Regret Options) - provide immediate economic benefits and build resilience through improving water distribution and efficiencies in the system, and capacity building
2. Mainstreaming climate change into development and infrastructure while addressing future exposure. The option considers the CC risk assessment results (addressing current vulnerabilities and enhance future coping mechanisms), to provide more information e.g. groundwater satellite mapping and risk mapping, capacity building, and upgrading infrastructure in preparedness to future exposure.
3. Long term perspective/Early Action for long term change. Preparing for the future and uncertain long-term risks and challenges. Options include preparing Integrated Water Resources Management (IWRM) plans that take into consideration water and food security, improving water quality standards for agriculture, population relocation (Most expensive options)



The framework is helpful to make decisions in situations when funding is inadequate or exploring financing. Important that all the 3 scenarios and blocs of options are analysed as each of these have different life cycle costs.

Climate Finance and Funding.

Approaches to funding

- i. Improve efficiency of what you are have/saving money
- ii. Get more funding
- iii. Get more repayable financing (commercial loans)
- iv. Find innovative financing

Clarity on definitions:

- **Funding - Is not repayable.** Is an amount of money provided by an organisation/government/ customer based on an agreement (Made up of the '3Ts': taxes, tariffs, and transfers)
- **Financing - Is repayable.** It is an amount of capital, or the sum of money provided to an organization with the expectation of repayment. Organisations are liable to pay back the capital amount along with a certain percentage of interest (e.g commercial loans).
- All funding and financing can be Climate finance if directed to addressing climate change, vulnerabilities, and resilience.
- In the WASH, it's more of funding that is used compared to climate financing. Climate financing for the water sector remains so low.

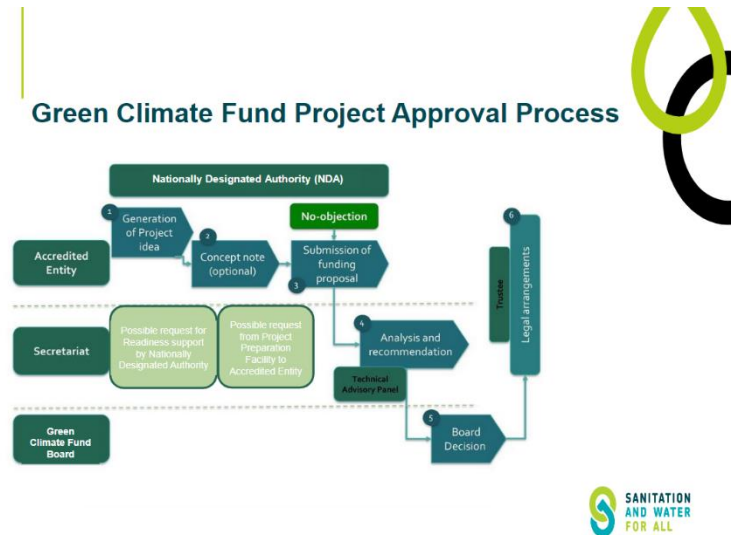
Climate instruments for climate financing appropriate for the WASH sector

(a) [Green Climate Fund](#):

- Proposal process take 2-3 years and is largely dependent on national level policies and strategy processes such as completion of the NAPs and submission of NDCs. Concept note approval may take up to 2 years.
- Proposals submitted are all inter-sectoral and related to the 3 elements of climate financing costing (current, near future and long term)
- Most projects are 5 years

Examples:

- Zimbabwe case - Budget is \$50m Full grant no concessional financing, core outcome is IWRM and includes agriculture, food nutrition, and adapting to climate shocks
- Zambia case - Budget is \$10m, main objective is to build climate resilience but focused on gender and CC modelling for flooding, and improve resilience of the infrastructure
- Malawi case - Budget is \$20, majorly sectoral and for WASH as a single component. Component 1 aims to upgrade the WASH systems e.g., to solar systems. Component 2 on groundwater potentials and professionalising the system, and Component 3 on a water fund to maintain systems
- Key message is to ensure Government is on board at all the stages, and their buy-in is critical.



Other financing mechanisms outside WASH:

Green Bonds common with China, US and Nigeria, Resilience Bond, Catastrophe Bonds/CAT Bonds, Index Insurance designed to address extreme events, and Carbon credits (certified for specific institutions). [Example UNFCCC](#)

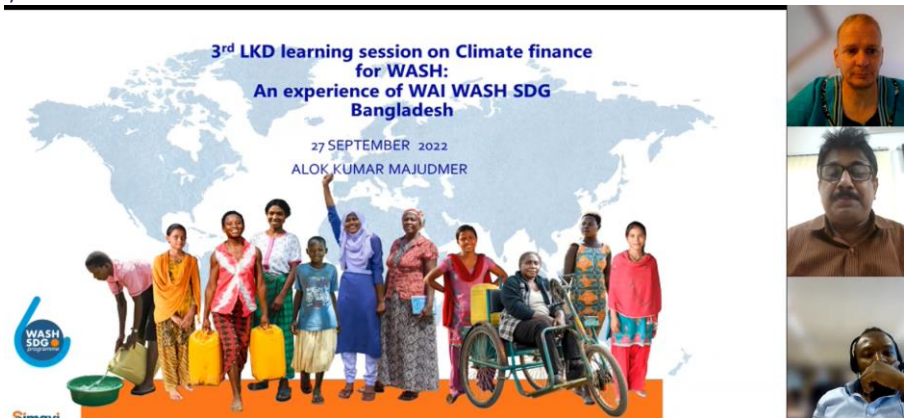
Additional resources ([WASH Systems Academy](#))

- Check national commitments [NAPs](#) and [NDCs](#) (a key requirement for climate finance).
- [WASH Systems Academy](#) with course on Finance for sustainable WASH systems
- Game on the difficulties of financing WASH ([the finance snakes and ladders](#)) - raising awareness on climate finance

Case Studies

Bangladesh - WAI Programme. By Alok Kumar

- Climate financing critical to achieve SDG 6 targets
- Country level enabling conditions with supportive legal frameworks e.g. Local Government and Municipalities Act, and climate change administrative structures and budget allocations
- The development challenges being experienced are associated to climate change and thence strong justification for climate financing e.g. flooding, food insecurity, destruction of WASH infrastructure, depletion of underground water, scarcity of fresh water sources, migration/displacement, high vector incidence and health issues, etc
- Integrated CC project at Ministry of LG with \$28m for climate change budget



Key take-home messages/recommendations

- Mobilised funding from different sources including central and local governments, private sector, and donors
- Created dedicated fund for climate change
- Involvement of non-state actors in funds mobilisation e.g private sector and NGOs

Key resources:

- [WASH systems Academy](#)
- [UNFCCC Standing Committee on Finance](#)
- [SWA Developing Water, Sanitation and Hygiene \[WASH\] Finance strategies. A Guide](#)
- [GCA Driving Finance Today for the Climate Resilient Society of Tomorrow](#)
- [GWP/UNICEF WASH Climate Resilient Framework](#)
- [UNICEF Regional and Country Offices can shift to climate resilient WASH programming.](#)
- [WaterAid - Just add water; Mobilising capital for water Blueprint: financing a future](#)

See also past learning clinics:

1. Climate Change and Sanitation learning clinic WASH SDG: [Briefing note](#), [recording](#) and [bonus session](#)
2. Climate change, Water resources & WASH [Briefing note](#) and full [recording](#)

Discussion points addressed (from chat box/raised by colleagues)

Catarina Fonseca: On the methodology for climate risk assessment WASH - how to go about it. this is a good way for civil society to kick off the discussions if there are none -

https://www.gwp.org/globalassets/global/toolbox/publications/technical-briefs/gwp_unicef_guidance-note-risk-assessments-for-wash.pdf

Mingma Gyalzen Sherpa: Seems like the global climate fund is a difficult fund to tap considering the long evaluation process. Based on the track record, is it possible for the civil societies to tap these funds or is this more a national government led proposal? -> **response Catarina** => It has to be national government led proposal - CSOs can push, and bring the different Ministries together by convening meetings

Mingma Gyalzen Sherpa: Catarina Fonseca any frameworks that supports design of climate resilient WASH programming? -> Catarina => UNICEF. 2020. How UNICEF Regional and Country Offices can shift to climate resilient WASH programming. UNICEF Guidance note. <https://www.unicef.org/documents/unicef-guidance-note-climate-resilient-wash>.

Selma Hilgersom: I would like to explore how we can bring Carbon Credits to local NGOs and integrate more climate resilience into our interventions to increase the scale of the Carbon Credits. It would be interesting to see how we can make a case for WASH within the climate / green funds. As sanitation and water sometimes are not fitting the frameworks well enough.

ED HP: We need carbon credit support to our southern part farmers who are suffering lot to produce agriculture due to saline water in Bangladesh.

Forthcoming learning clinics

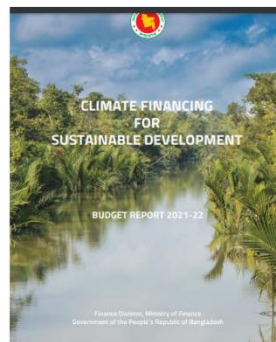
Feel free to provide feedback and suggestions [here](#) and see the feedback received till date [here](#)

The next [Fourth] learning clinic is scheduled for **Tuesday 22 November about Advocacy and influencing – Climate change and WASH from 09:30-11:00 Netherlands time**. If you have anything you would like to share from your sub-programme, please contact [Vera van Der Grift](#). Should you have questions in advance, please submit them [here](#).

The fifth and final Learning Clinic of the WASH SDG is scheduled on the **Tuesday, 24 January 2023 09:30-11:30** it will focus on consolidation of learning.



Climate Financing: An example of Local Government Division, MLGRD&C



LGD Budget	Fiscal year 2021-2022	Fiscal year 2020-2021	Fiscal year 2019-2020
Total Budget of LGD (In Euro)	4.0 Billion	3.68 Billion	3.94 Billion
Climate budget (Million Euro)	281	250	269
Compare to Total Budget of LGD	7.02%	6.78%	7.69%