Emerging trends that shape our water future: A series of online dialogues hosted by the GWP TEC

Dialogue # 2 What makes a project bankable?

Monday 13 November 2023, 1300-1230 CET

Meeting link: Click here to join the meeting (TEAMS)

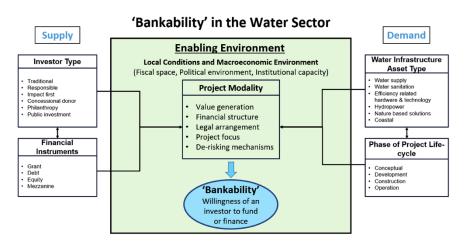
Introducing the online dialogues

As we emerge from the 2023 UN Water Conference, with some renewed focus and momentum, it is timely to take stock of the emerging trends and look ahead to the next decade of water management and explore the opportunities for GWP leadership.

With this in mind, the GWP TEC intends to organize a series of online dialogues with the GWP network to surface and explore some of the emerging trends where GWP could take a leadership position in developing and disseminating knowledge, developing partnerships and building capacity. The intended outcome of the dialogues is to identify and elaborate on areas of strategic importance for GWP to position itself as a leader within the global water community.

Dialogue #2 What makes a project bankable?

The estimated global costs of achieving SDG 6 exceed US\$ 1 trillion annually, a figure that is no where near being met. Meeting this demand will require improving the allocation of existing resources, mobilization of new resources and structural reforms to incentivize and de-risk financing. Within this, the concept of 'bankable projects' is important to explore and understand the nuances of what makes a water project bankable. McCoy & Schwartz suggest that the definition of bankability for water projects should encompass both financial returns and capture the social/environmental benefits of projects to create an environment in which more eligible projects are also deemed to be 'bankable' for different investors (see figure below).



Wilder McCoy, Klaas Schwartz; The water finance gap and the multiple interpretations of 'bankability'. Journal of Water, Sanitation and Hygiene for Development 1 January 2023; 13 (1): 19–29. doi: <u>https://doi.org/10.2166/washdev.2022.201</u>

When considering the financing needs for SDG6 and how they will be met, its important to look at national and regional supply and demand dynamics to better understand contextual drivers and constraints. Such an approach has been undertaken by *the International High Level Panel on Water Investments for Africa*, to illustrate how the water security funding gap can be bridged, see image below. Such frameworks are informative when considering what is required to make a project bankable, as it encompasses not just the supply options for finance, but the broader enabling environment that can unlock and leverage additional finance.

| Total value | US\$ Billion per Year | Incremental increase allocated to water |
|--|---|---|
| Bilateral ODA and philanthropy for Africa US\$1.5 billion in 2020 to water from OECD Common Report US\$0.5 billion from BRICS, gulf states, and philanthropy | ting Standard | Bilateral ODA and philanthropy Increase by 25% will result in an additiona US\$0.5 billion/year |
| Multilateral and Development Financial Institutions US\$20 billion water portfolio in Africa Portfolio turns over every 4 years | \$1.0 | Multilateral and Development Financial Institutions Increase by 20%, gives \$8 billion until 2030 which equates to US\$1 billion/yea |
| Multilateral Climate Funds US\$2.8 trillion NDCs in Africa, 24% for adaptation Projection US\$100 billion a year, 30% for Africa | \$3.2 | Multilateral Climate Funds 15% Africa funds for water \$ 3.2 billion / year |
| National Banks, MFIs, Local Governments Information known on National Banks only In 2020, US\$6 billion in assets in African National Banks | Domestic resource mobilization \$17.5 | National Banks, MFIs, Local Governments 20% in water from National Banks and other MFIs US\$1.5 billion/ year |
| African Governments budgets US\$6 billion per year water expenditure infrastructure \$ unknown staffing and maintenance | | African Governments budgets 20% higher allocation to infrastructure Increase disbursements for staffing and maintenance US\$ 2 billion/year |
| Pollution and Mineral Resources Taxes African extractive sector tax revenue approx. 2% of GDP (US\$E0 billion), Africa 5.5% of global output = US\$406 billion | | Pollution and Mineral Resources Taxes 1% water tax on mineral resources US\$4 billion / year |
| Institutional Investors US\$14 trillion available globally US\$700 billion assets under management (AUM) in Africa | | Institutional Investors Double AUM in Africa by 2032 10% of which for water and sanitation US\$ 10 billion / year |
| Valuing water related risks and observing environmental standards US\$61-US\$67 billion potential impact of water risks reported by 99 companies in Africa | Significant savings generate by industries | d Valuing water related risks and observing environmental standards Several billion \$ water related costs averted each year from improved wate stewardship |
| Sector governance: Efficiency Gains & Cost Savings US\$100 billion efficiencies on ex- isting assets until 2030 (operation- al: non-revenue, billing, adequate technologies, energy efficiency) US\$50 billion new investments per year | \$ 11.5 | Sector governance: Efficiency Gains & Cost Savings Efficiency gain 10% existing assets. 20% new assets US\$1.5 billion/year efficiencies existing assets US\$10 billion/year efficiencies new assets |

At least USD\$ 30 billion additional finance could be raised for water security in Africa.

Africa's Rising Investment Tide: How to Mobilise US\$30 Billion Annually to Achieve Water Security and Sustainable Sanitation in Africa, International High-Level Panel on Water Investments for Africa, South Africa, March 2023.

This online dialogue will explore the concept of bankable projects, reflect on the various financing options available from multi-lateral development banks and seek to understand the potential role of GWP in developing bankable projects.

Draft Agenda

| Timing | Agenda Item | Notes |
|--------|---|--|
| 0-5 | Welcome on behalf of GWP Technical Committee (GWP-TEC) Jaehyang So, TEC Chair, Global Water Partnership | Restate the role of the TEC Introduce TEC members General housekeeping |
| 5-10 | Remarks from GWP Chair • Pablo Bereciartua, Chair, Global Water Partnership | Highlight importance of topic and relevance to GWP |
| 10-15 | Framing dialogue on bankable projects Tom Williams, TEC Member, Global Water Partnership | Purpose of these dialogues Introduction of bankable projects |
| 15-25 | Reflections on the International High Level Panel on Water Investments for Africa Alex Simalabwi, Executive Secretary, GWP SAF | Intro to high level panel Focus on 'finance pyramid' |
| 25-55 | Discussion with TEC members Franz Rojas Ortuste, Director, Directorate of Analysis and Evaluation of Water and Sanitation, CAF development bank Thomas Panella, Director, Natural Capital and Climate Team, Asian Development Bank Winston Yu, Water Practice Manager for the Europe and Central Asia Region, World Bank | Tom to moderate, questions to be developed in advanced and shaped with Franz, Tom and Winston |
| 55-65 | Open floor questions and remarks | Tom to bring any questions or comments from the chat and also invite others to contribute |
| 65-70 | Summary of discussion and preview of next global dialogue Jaehyang So, TEC Chair, Global Water Partnership Per Bertilsson, interim Executive Secretary, GWP | Tom to summarize and also invite any reflections from Per and Jae |
| 70-75 | Closing remarks Abdoulaye Sene, Chair of Regional Chairs & Chair, GWP-West Africa | Regional dimensions of these discussions are important Engagement with regional GWP critical Next dialogue to take place (February) |