

Water Finance Constraints: Africa and Sweden

World Water Week Showcase
August 29, 2018 | Stockholm, Sweden



Welcome and Session Introduction

Anton Earle, Director, Africa Regional Centre,
Stockholm International Water Institute (SIWI)

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Session Overview

- **Welcome Address:** Canisius Kanangire, Executive Secretary, AMCOW
- **Welcome Address:** Karin Anette Andersson, Head of Unit, AFRIKA/HÅLLBAR, Sida
- **Presentation of SISD Study Key Findings:** Charlotta Dawidowski Sydstrand, AP7
- **Challenges and Opportunities for Water Infrastructure Financing Across Africa:** Ziyanda Mpakama, Programme Manager, AEWPP, SIWI
- **Blended finance for water investments:** Kathleen Dominique, OECD Environment Directorate
- **World Café:** Featuring Project Sponsors and Financing Expert Facilitators; Two rounds of world café session (15 min each) moderated by Dr. Grit Martinez, Ecologic Institute
- **Reporting Back:** Xanani Baloyi, Programme Officer, SIWI

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Achieving Africa Water Vision 2025 + SDGs



Regulatory Challenges

Tariff Setting Challenge

Capacity deficits at multiple scales



Welcome Address

Canisius Kanangire,
Executive Secretary, AMCOW

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Welcome Address: Sida's long-term engagements to advance innovative financing in the water sector

Karin Anette Andersson,
Head of Unit, AFRIKA/HÅLLBAR, Sida

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Challenges and Opportunities for Water Infrastructure Financing in Sweden: SISD Study Key Findings

Charlotta Dawidowski Sydstrand,
AP7

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Water Infrastructure Financing in Sweden

Presentation of SISD Study

Charlotta Dawidowski Sydstrand
Sustainability Strategist, AP7



AP7 water focus



Financing

- Public equity – green impact
- Fixed income - green bonds
- Private Equity – clean tech

Active Ownership

- Engagement with companies on water risks

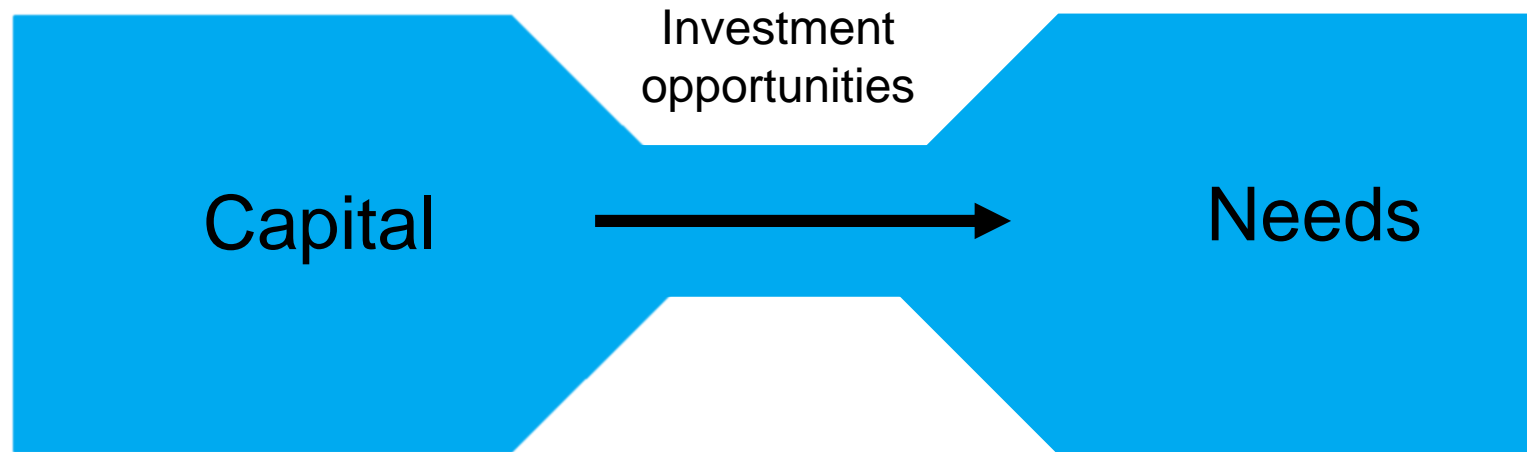
Collaborations

- Swedish Investors for Sustainable Development, SDG 6: SPP, Church of Sweden, AP7, AP3, Skandia, East Capital



No shortage of capital

- *So what is the problem?*





Why are there so few investments opportunities?

- What can be done to increase investments?
- Study commissioned by: Church of Sweden, AP7, AP3, Skandia and SPP as part of Sida initiative SISD





Key Findings - Barriers

1. Municipalities are unwilling to borrow
2. New infrastructure vs maintenance
3. Increased tariffs not popular with voters
4. Lack of capacity
5. No private interest in water and sanitation



Opportunities

- Legal requirements → Better water treatment
- Green bonds → "Blue bonds"
- Water stress → Increased public interest



THANK YOU !

Challenges and Opportunities for Water Infrastructure Financing Across Africa using case studies from the AEWPP Project Pipeline

Ziyanda Mpakama,
Programme Manager, AEWPP, SIWI

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Africa-EU Water Partnership Programme

1. Sustainable water infrastructure:

- Identify and prioritize infrastructure projects
- Advance financial viability of at least five projects

2. Capacity building for water sector governance:

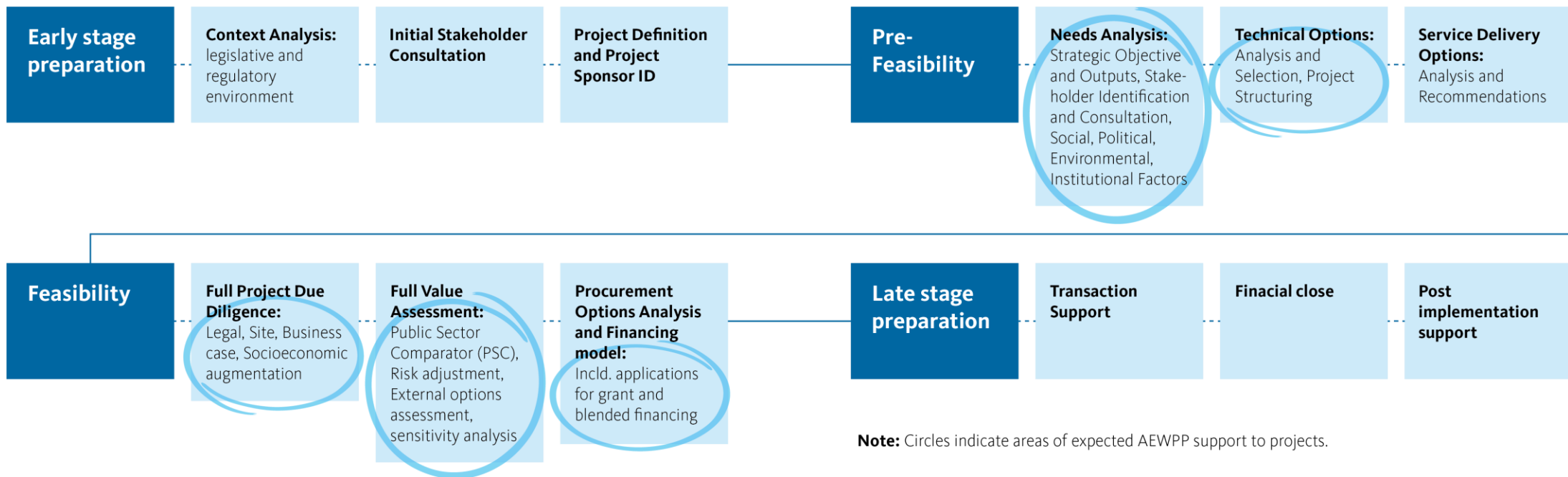
- Identify capacity development needs
- Develop tools for integrated planning
- Knowledge management

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AEWPP value proposition



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Opportunities in the African water infrastructure landscape

- Total financial commitments to the water sector stood at \$10.5bn in 2016, an increase from the \$7.5bn reported in 2015.
- African national government spending increased from \$3.5bn (excluding external financing) in 2015 to \$4.4bn in 2016.
- Irrigation and drainage accounted for the largest contribution, followed by potable water supply projects
- *source: Infrastructure Financing Trends in Africa - 2016, Infrastructure Consortium for Africa

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Challenges in the African water infrastructure landscape

It is challenging to raise private sector finance for water infrastructure in Africa because of little attention to the long term financial sustainability of the water supply entities;

- Lack of cost reflective tariffs
- Lack of integrated long term capital planning (integration of financial and engineering planning)
- Lack of considering alternative procurement and financial structuring methodologies
- Not using modern asset management systems that could save significant capital and operational costs

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Solutions

- Strengthening the capacity of the Finance Director and the finance teams
- Long-term financial planning and structuring
- Integrating of ICT to improve revenue collection
- Improvements in O&M - reduction of costs
- Inclusion of youth in the workforce

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Blended finance for water investments: opportunities and challenges

Kathleen Dominique,
OECD Environment Directorate

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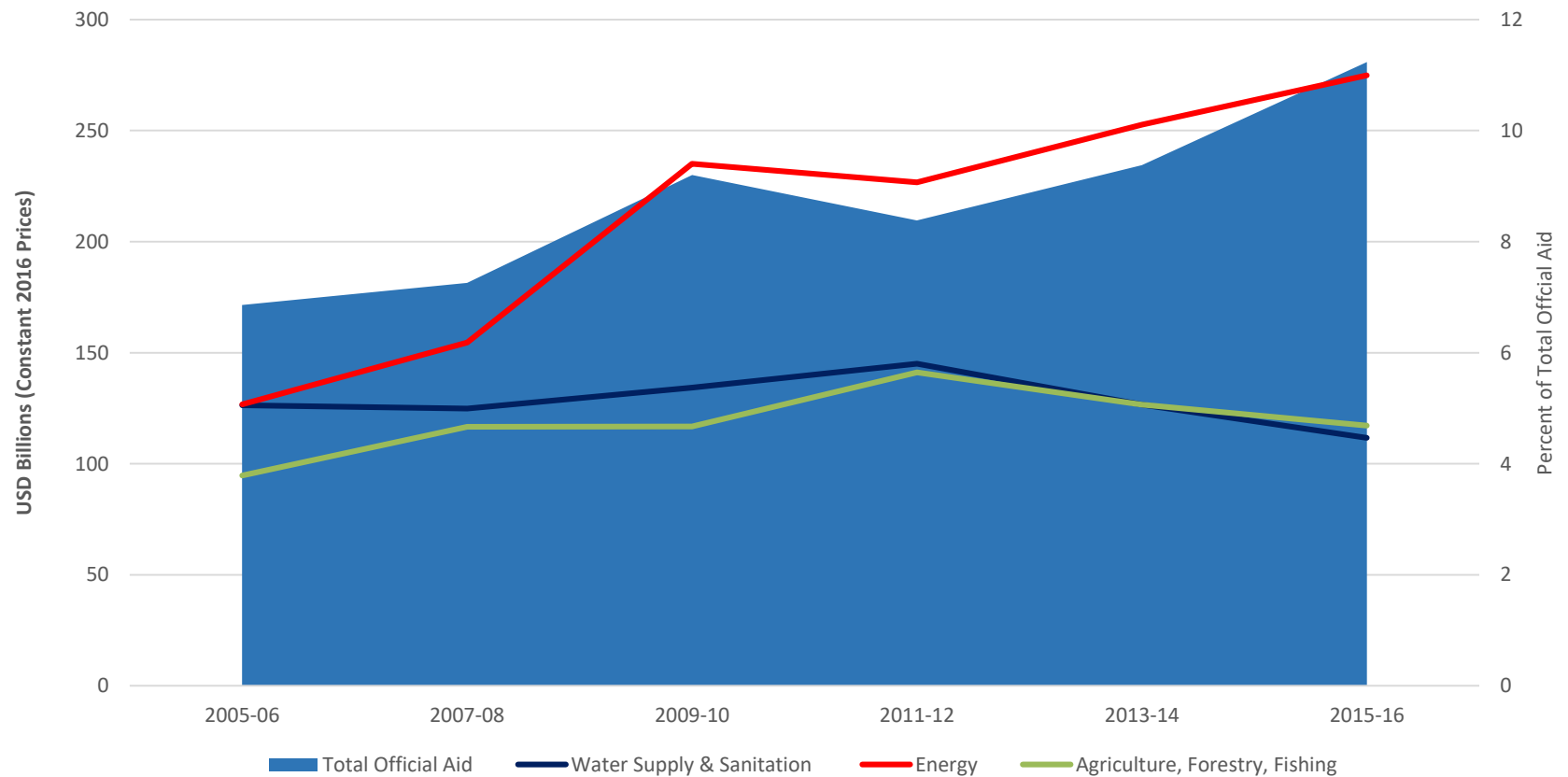
BLENDED FINANCE for WATER INVESTMENTS

**Stockholm Water Week
27 August 2018**

Paul Horrocks and Kathleen Dominique, OECD



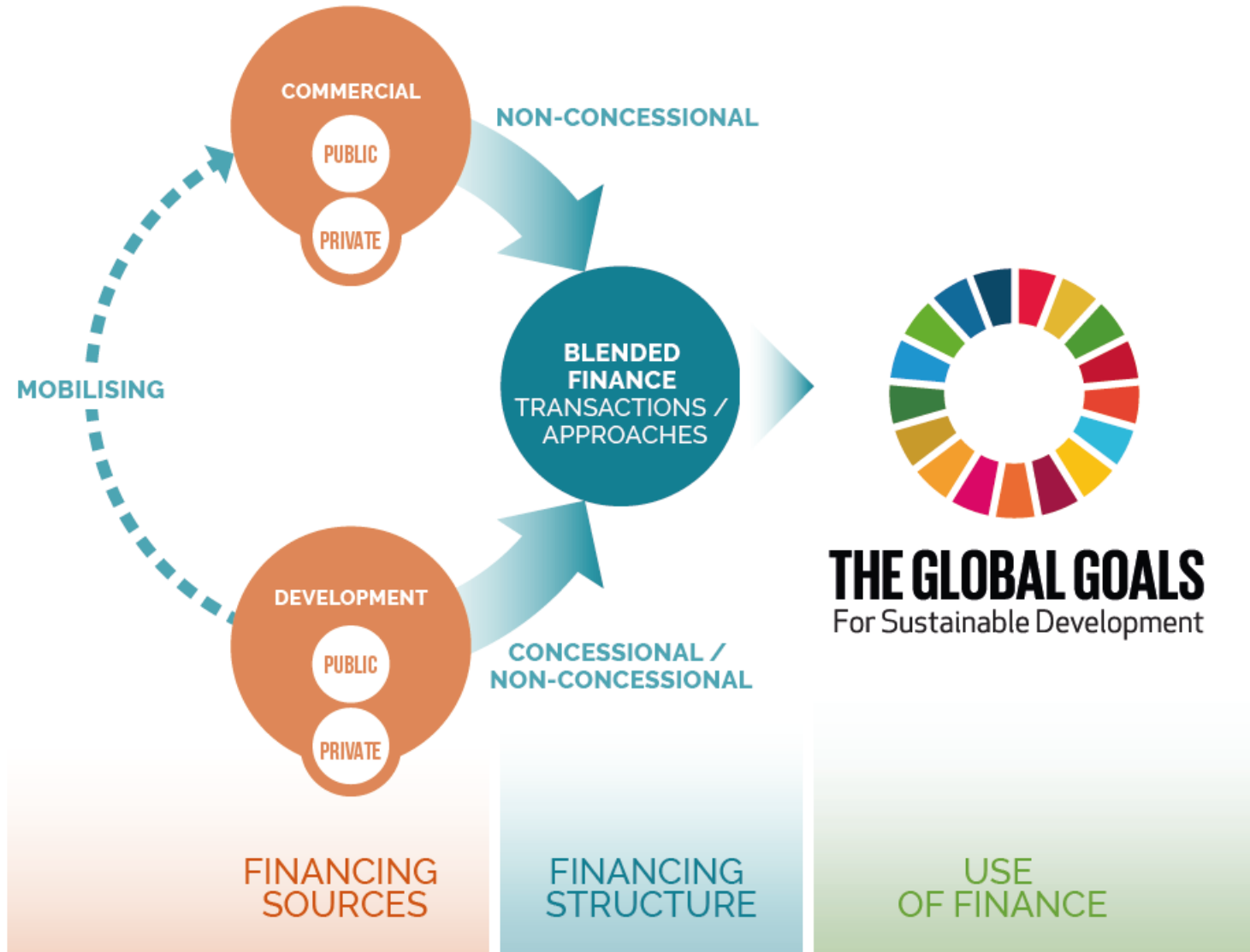
Official aid to water is reducing in relative terms



- While official aid has **increased overall**, the share of water as a percentage of all aid flows has **declined from 5% in 2005-06 to 4.5% in 2015-16**



Blended finance can help bridge the investment gap for the SDGs, but requires a common framework

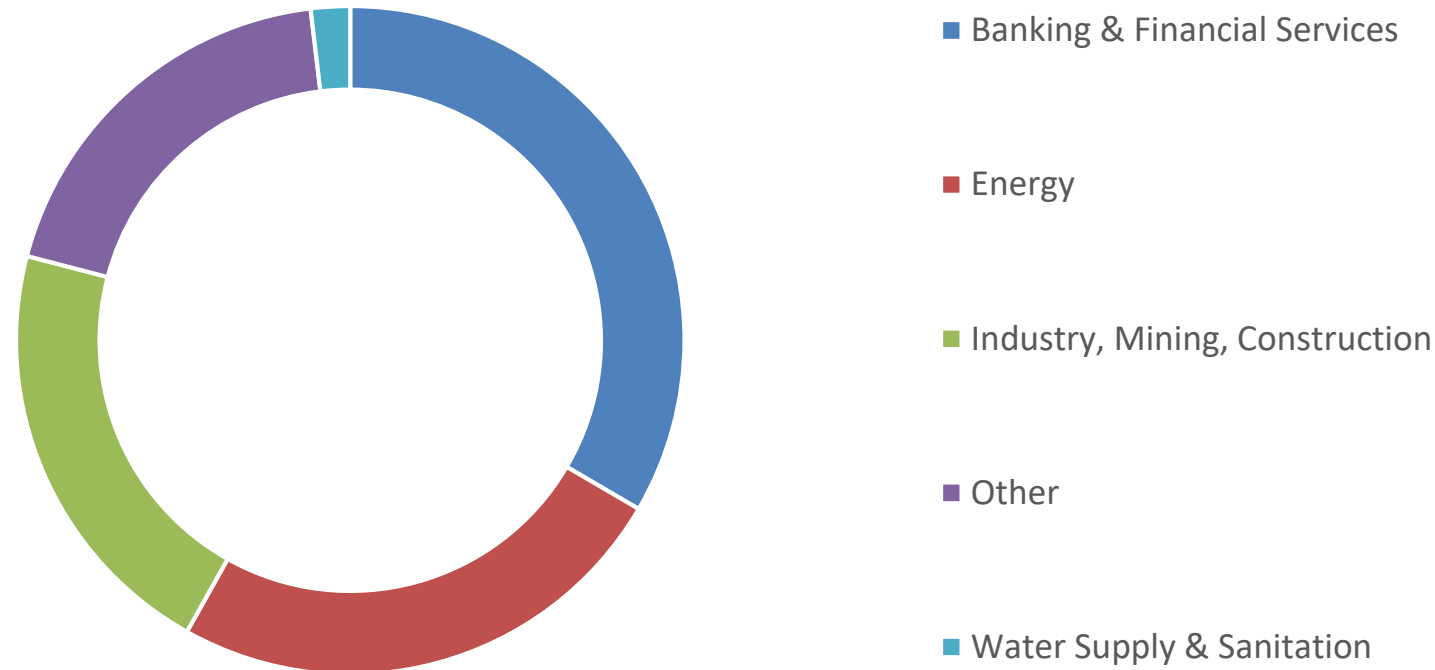


What is blended finance?

Blended finance is the strategic use of **development finance** for the mobilisation of **additional finance** towards sustainable development in developing countries.



Sector-wise overview of blended finance



- A 2016 OECD Survey showed that, in 2012-15, **USD 81.1 billion was mobilised from the private sector** by official development finance interventions, however only **1.9% was for the water sector**



OECD DAC Blended Finance Principles present a blueprint for better blending

PRINCIPLE 1 : ANCHOR BLENDED FINANCE USE TO A DEVELOPMENT RATIONALE

PRINCIPLE 2 : DESIGN BLENDED FINANCE TO INCREASE THE MOBILISATION OF COMMERCIAL FINANCE

PRINCIPLE 3 : TAILOR BLENDED FINANCE TO LOCAL CONTEXT

PRINCIPLE 4 : FOCUS ON EFFECTIVE PARTNERING FOR BLENDED FINANCE

PRINCIPLE 5 : MONITOR BLENDED FINANCE FOR TRANSPARENCY AND RESULTS



Source: OECD DAC Blended Finance Principles

A spectrum of water-related investments



- Sub-sectors vary considerably in terms of their potential to generate cash flows and attract commercial finance



Attributes of investments that influence their suitability for blended finance

Risks	Returns	Project Attributes
Macroeconomic and business risks	Cash-flow generation	Greenfield vs. brownfield
Regulatory and political risks	Developmental return	Scalability
Technical risks		Size
Environmental/social risks		Transaction costs
		Tenor/Longevity

- Does the investment support development objectives?
- Can the risk-return profile of the investment be designed to attract commercial finance?



Thank you

More on OECD's work on blended finance: <http://oe.cd/blended>

More on the Roundtable on Financing Water:
<http://oe.cd/water-roundtable>

Introduction to the World Café, thematic issues and table facilitators

Dr Grit Martinez,
Ecologic Institute

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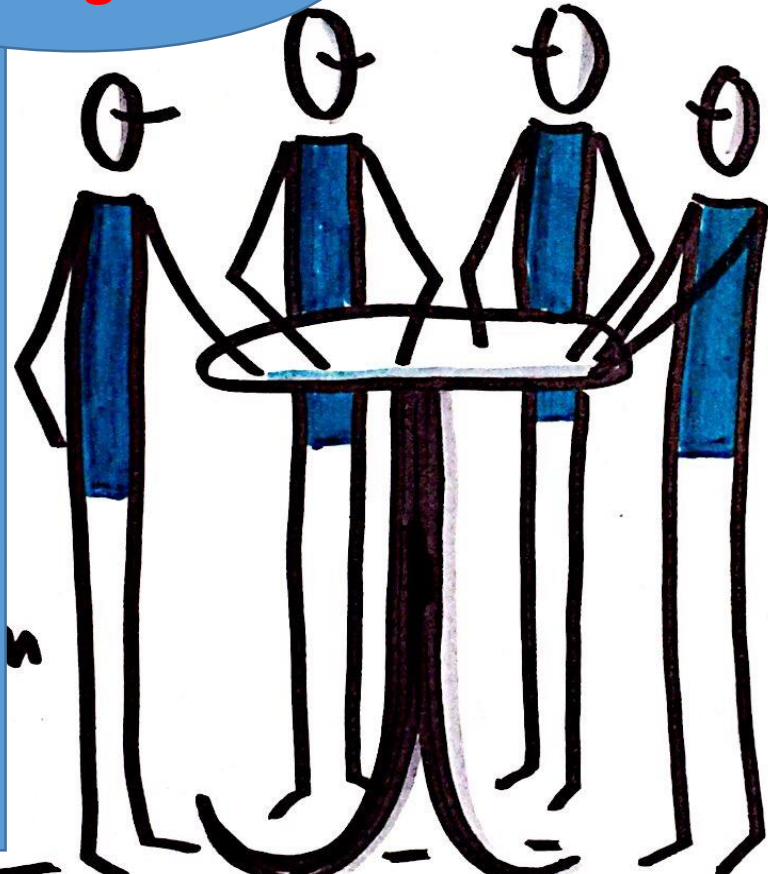
WORLD CAFÉ

What?

- Structured conversational process for knowledge sharing
- Opportunity to synthesize ideas of a diverse audience

Main challenge ?

Recommendations for overcoming ?



How?

- Choose a table (5 themes, 2 tables per theme)
- Each table is hosted by facilitators
- Discuss the theme of your choice (15 min each round, two rounds)
- After round one, your host remains at the table while you scatter among other tables
- Host summarizes the main ideas discussed in round one with new group, discussion continues

World Café thematic issues

Theme 1: Municipal challenges to take on debt for water infrastructure

Theme 2: Tariff setting

Theme 3: Legal and regulatory environment for investment including alternative procurement challenges

Theme 4: Addressing capacity gaps at multiple scales (municipal, national, regional, global)

Theme 5: Blended financing for water investments



Table facilitators

- Joseph Murabula, Kenya Innovative Finance Facility for Water (KIFFWA)
- Johanna Landgren, SPP
- Andre Kruger, Water Finance Specialist
- Tangvi Nagpal, International Development Program, Johns Hopkins University

Theme 1 : Municipal challenges to take on debt for water infrastructure



Table facilitators

- Charles Reeves, Climate Resilient Infrastructure Development Facility
- Gunnela Hahn, Church of Sweden
- Sylvain Guebanda, TAC Central African Republic
- Benson Ajisegiri, Nigeria TAC
- Marcus Svedberg, Senior Advisor at Stockholm Sustainable Finance Centre

Theme 2 : Tariff setting (parallel discussions in English and French)



Table facilitators

- Nompumelelo Ntshalintshali, AMCOW TAC
- Karin Lindblad, Sida
- Peter Mahal Akat, TAC South Sudan
- Johan Floren, AP7

Theme 3 : Legal and regulatory environment for investment including alternative procurement challenges



Table facilitators

- Gabriel Kalinga, Songwe River Basin Commission
- Charlotta Dawidowski, AP7
- Lydie Menouer, AEWPP Financing Consultant West and Central Africa
- Andre Liebaert, Advisor EU Commission

**Theme 4 : Addressing Capacity Gaps at multiple scales
(municipal, national, regional, global)**

Parallel discussions in English and French



Table facilitators

- Lenka Thamae, ORASECOM
- Paul Horrocks, OECD
- Malango Mughogho, Climate Resilient Infrastructure Development Facility
- Kathleen Dominique, OECD

Theme 5 : Blended financing in the water sector



Reporting Back

Xanani Baloyi

Programme Officer, Africa Regional Centre, SIWI

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