



## Climate change and WASH webinar series: An introduction for FSPs

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Rachel Child  
Climate Advisor  
(Aqua for All)



Leandra Roller  
Climate Strategy Advisor  
(Aqua for All)



Loes Nijkamp  
Programme Officer  
(Aqua for All)

## CLIMATE AND WASH WEBINAR SERIES: WEBINAR 1 Climate change and the WASH sector: Introduction for Financial Service Providers

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Prepared by Jack Strosser

### SPEAKERS

Rachel Child, Climate Advisor, Aqua for All

Leandra Roller, Climate Strategy Advisor, Aqua for All

Loes Nijkamp, Programme Officer, Aqua for All

### SUMMARY

This past October, as a part of webinar series hosted by the e-MFP WASH (Water, Sanitation, and Hygiene) Action Group, Aqua for All led a session on financing climate-smart WASH which presented Aqua for All's ambition to bridge the WASH financing gap, a background on the intersections between WASH, climate change inclusion, and most importantly set the stage for financing climate-smart WASH. The webinar included case studies and short engagements with the audience for further insights and feedback. This webinar was the first in a series that aims to bridge knowledge gaps which exist between climate finance and WASH.

### KEY LEARNINGS

The WASH sector contributes to [3-7% of global greenhouse gas emissions due to energy use, biochemical processes, and more](#). The sector is also host to major [gender disparities](#), as women are more responsible for water-related tasks, face heightened challenges due to water scarcity and an increased risk of diseases, underscoring the need for women's involvement in decision-making processes, given their unique insights and experiences. Yet WASH is also climate finance's [least invested-in sector](#). Why?

It struggles to attract private investment, partly because Financial Service Providers (FSPs) face [substantial risks](#) due to infrastructure's vulnerability to weather events, causing loan defaults, diminished returns on equity,

spiralling insurance costs, and refinancing challenges. These uncertainties may threaten FSPs' economic stability, impeding progress towards achieving Sustainable Development Goal (SDG) 6 "Clean Water and Sanitation". Climate finance needs to do more.

The core element of the discussion centred on the **impacts of climate change on FSPs and climate financing for WASH overall**. Climate finance splits into two lanes: adaptation and mitigation. "Mitigation" means efforts to reduce or prevent the emission of greenhouse gases, slowing climate change, while "adaptation" adjusts natural and human systems in response to actual or expected climatic stimuli, which moderates harm or exploits beneficial opportunities.

WASH mitigation projects may include solar water pumps, water filters and water treatment, technologies to reduce energy consumption for water pumps, and improved wastewater management. Meanwhile, aligning with adaptation criteria requires identifying the exposure to physical climate risks, inclusion of elements to reduce said exposure, as well as address systemic vulnerability and resilience, all under the umbrella of relevant national policies and strategies.

Several of the projects supported by Aqua for All face high climate risk, due to climate hazards, as well as the general [vulnerability of the WASH sector](#) to climate change. Some WASH investments face transition risk (if relying on fossil fuels for operation), meaning potential losses to household or business income, higher costs for maintenance and operation, and longer time for repairs (due to supply chain disruptions). FSPs assess the climate risk of a given project based on the **exposure** (presence of people or infrastructure), the **vulnerability** (propensity to be adversely affected), and the **frequency and intensity of weather and climate events**.

These risks present major **challenges** as well as **opportunities**. Financial **challenges** include loan defaults; lower than expected equity returns, difficulties in finding insurance (or heightened insurance premiums), or in refinancing. Non-financial impacts include a lack of access to WASH services. The opportunities, however, include the development of **new products** that will address the WASH resilience gap; accessing **new forms of finance** from multilateral development banks (MDBs), development finance institutions (DFIs), and the private sector; and the opportunity to forge **ever more resilient communities**.

Unfortunately, climate finance currently lacks the focus on WASH necessary to tackle these issues. Finance for agriculture, forestry, other land use and fisheries, industry, **water and wastewater is falling behind** – as is finance for **adaptation**. Only 8% of all **climate adaptation** finance is allocated to basic WASH systems for households, while more goes to larger resource management projects and policy – Aqua for All is currently researching why and how this occurs.

The WASH field remains dominated by MDBs and DFIs, so private finance must catch up. To this end, organizations like [Aqua for All](#) act on this through a [strategy](#) focusing on:

- comprehensive climate risk, adaptation, and mitigation assessments in all their initiatives
- assisting in capacity building for FSPs and Investor partners with climate risk assessments and mitigation strategies
- building the case for the positive effects of early-stage resilience investment- proprietary data from Aqua for All partners shows initial investments are earned back and more!

The path ahead is challenging, but with coordinated action, strategic investment, and inclusive policies, a climate-resilient WASH sector is within reach.

**Watch the [recording](#) or consult the [presentation](#)**