Global Gateway

Unlocking Global Gateway investments in nature and the green economy

Brussels, July 7-10

Global Gateway

Engaging with the private sector in Water

July 9th, 2025 – 11h00 -12h30

Join the SLIDO

QR CODE

Joining Link:

https://app.sli.do/event/sW2LgS4pgN1vz61soPP1xt

Global Gateway

Sustainable water investments
Learnings from the
Global Commission on the Economics of Water

Marie-Charlotte Buisson (IWMI-GCEW)

GLOBAL COMMISSION on the ECONOMICS OF WATER

IWMI
International Water Management Institute

Global Commission on the Economics of Water

GCEW's purpose is to make a significant and ambitious contribution to the global effort to spur change in the way societies govern, use and value water

We look at the economy through a water lens

Four Co-Chairs

Mariana Mazzucato
Director, Institute for Innovation and Public Purpose

Johan Rockström
Director, Potsdam Institute of Climate Impact Research

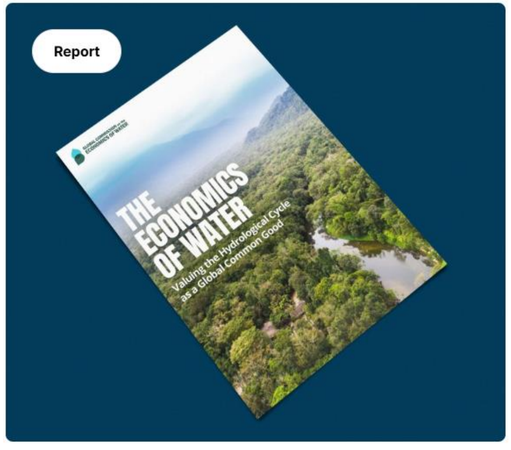
Ngozi Okonjo-Iweala
Director-General, World Trade Organization

Tharman Shanmugaratnam
President, Singapore

Executive Director

Henk Ovink

20 Commissioners from a wide range of backgrounds to promote knowledge integration



THE ECONOMICS OF WATER: VALUING THE HYDROLOGICAL CYCLE AS A GLOBAL COMMON GOOD

17 October 2024

33 Contributing and Commissioned Researchers

64 Key Experts consulted

14 research papers, 4 policy briefs, 11 reports

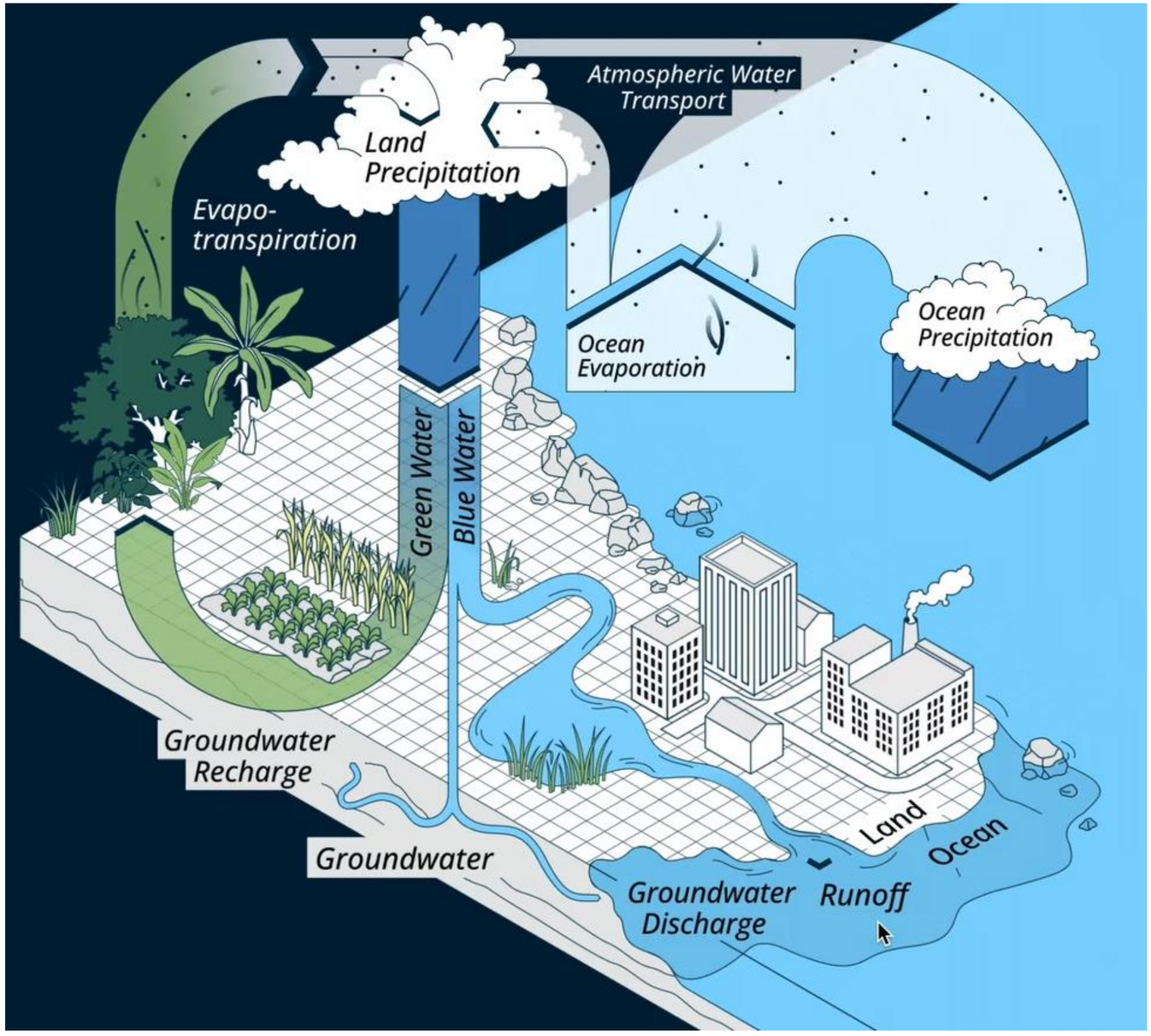
The hydrological cycle

Green Water: Found in soil, plants, and forests. It evaporates and transpires into the air and recycles through the atmosphere, generating half of all rainfall on land.

The interconnectedness of the hydrological cycle means that land use change in one area can disrupt rainfall elsewhere.

We are destabilising the global hydrological cycle due to

- Accelerated climate change
- Land use change
- Unsustainable water use and mismanagement



Five key missions to address the global water crisis

1. Launch a new revolution in food systems
2. Conserve and restore natural habitats critical to protecting green water
3. Establish a circular water economy
4. Enable a clean-energy and AI-rich era with lower water intensity
5. Ensure that no child dies from unsafe water by 2030

Four critical enablers to achieve the missions

- Governing Partnerships, property rights and contracts
- Shape finance for a just and sustainable future
- Harness data as a foundation for action
- Build global water governance

Water financing gap and the cost of inaction

Economic Costs

Agricultural areas worldwide risk losing up to 13.2 km³ of groundwater annually due to distorting subsidies.

An estimated 23% of global cereal production could be lost if irrigation becomes unfeasible where total water storage declines are extreme.

Social Costs

Declining water availability will increase migration pressures, destabilising already vulnerable regions.

Daily children mortality could rise above the 1,000 who currently die due to illnesses caused by unsafe water and poor sanitation.

Environmental Costs

The degradation of freshwater ecosystems is reducing the ability of natural systems to absorb carbon, accelerating climate change.

Deforestation is leading to global declines in precipitation, exacerbating water scarcity as 40-60% of terrestrial rainfall originates from land-based moisture recycling.

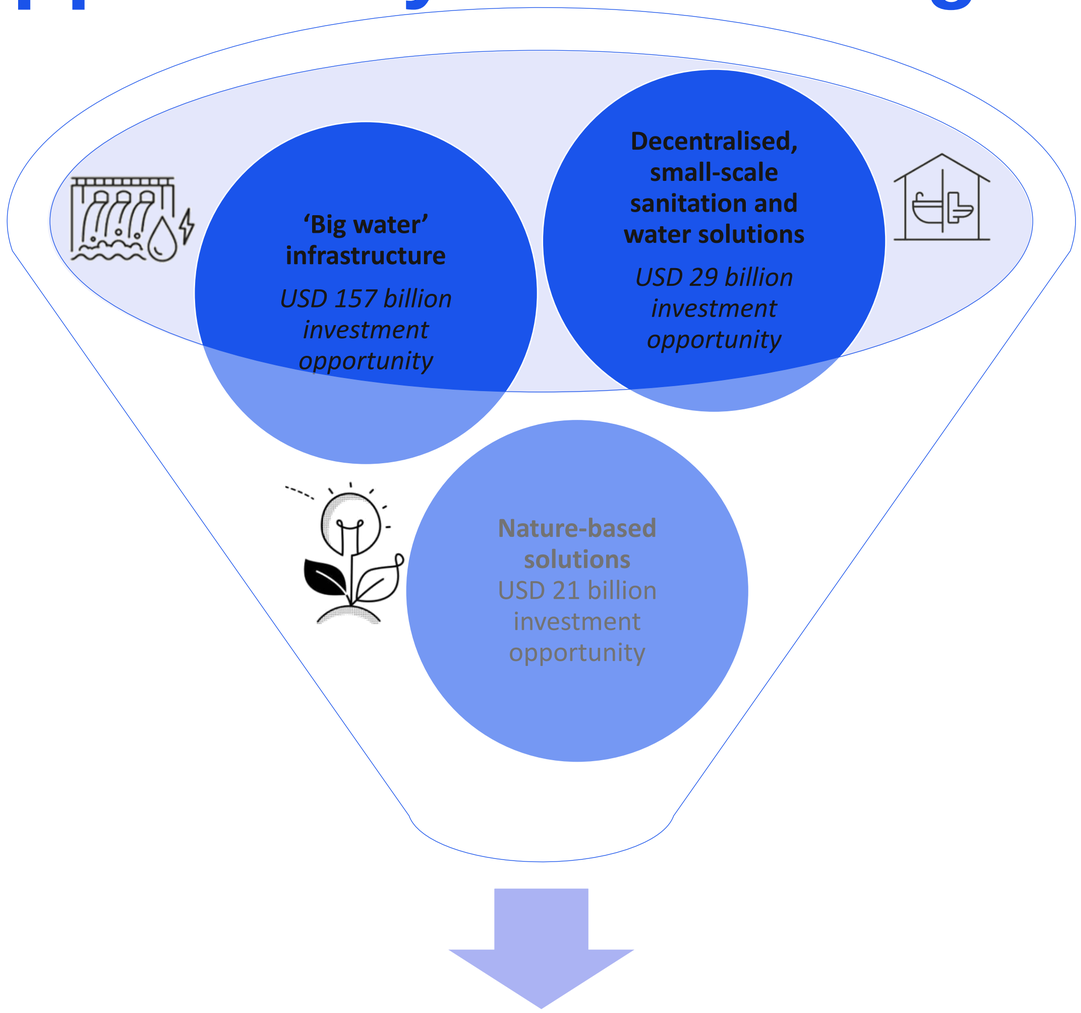
Global GDP Costs by 2050

High-income countries face potential GDP declines of up to 8% by 2050.

Low-income countries could see steeper GDP losses, between 10-15%, due to changes in precipitation patterns, rising temperatures and declining water availability.

- The financing gap for achieving SDG 6 in low-income countries is about **$500 billions over 2023-2030**.
- The additional investments needed to improve water infrastructure, access, and management to meet the demands of growing populations and address challenges like climate change and water scarcity is estimated at **$114 billion annually**.

The opportunity of financing water



Water-related investments can deliver at least USD 500 billion a year in economic value.

Principles for financing water

Acknowledge **uncertainty and timeline** of water-related investments

- Balance of risks and rewards
- Long-term finance
- Preference for local currencies
- Get discount rates right

Direct the right **quantity and quality** of finance to water:

- Science-based decision making on investments
- Recognize water justice issues, from local to global levels

Integrated **water valuation** for financing investments

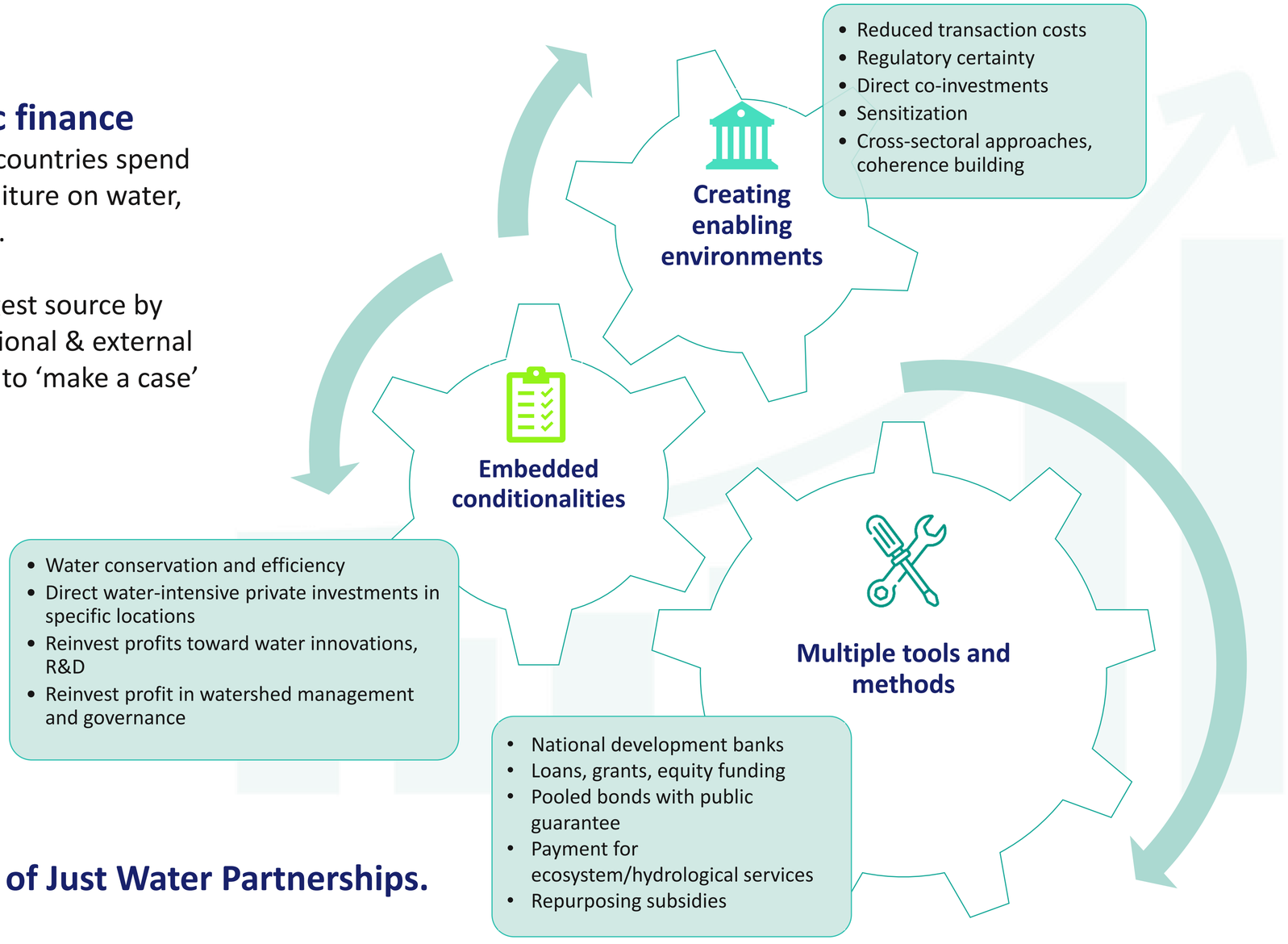
- Blue and green water together
- Direct and indirect benefits
- Economic efficiency, social equity, and environmental sustainability
- Private and social benefits
- Higher Economic Rate of Return

Policy shift 1 – Public finance

Shift in scale of public finance

Governments in developing countries spend less than 2% of their expenditure on water, and less than 0.5% in Africa.

Public finance is still the largest source by far, but in the context of national & external budget cuts, there is a need to ‘make a case’ for investments.

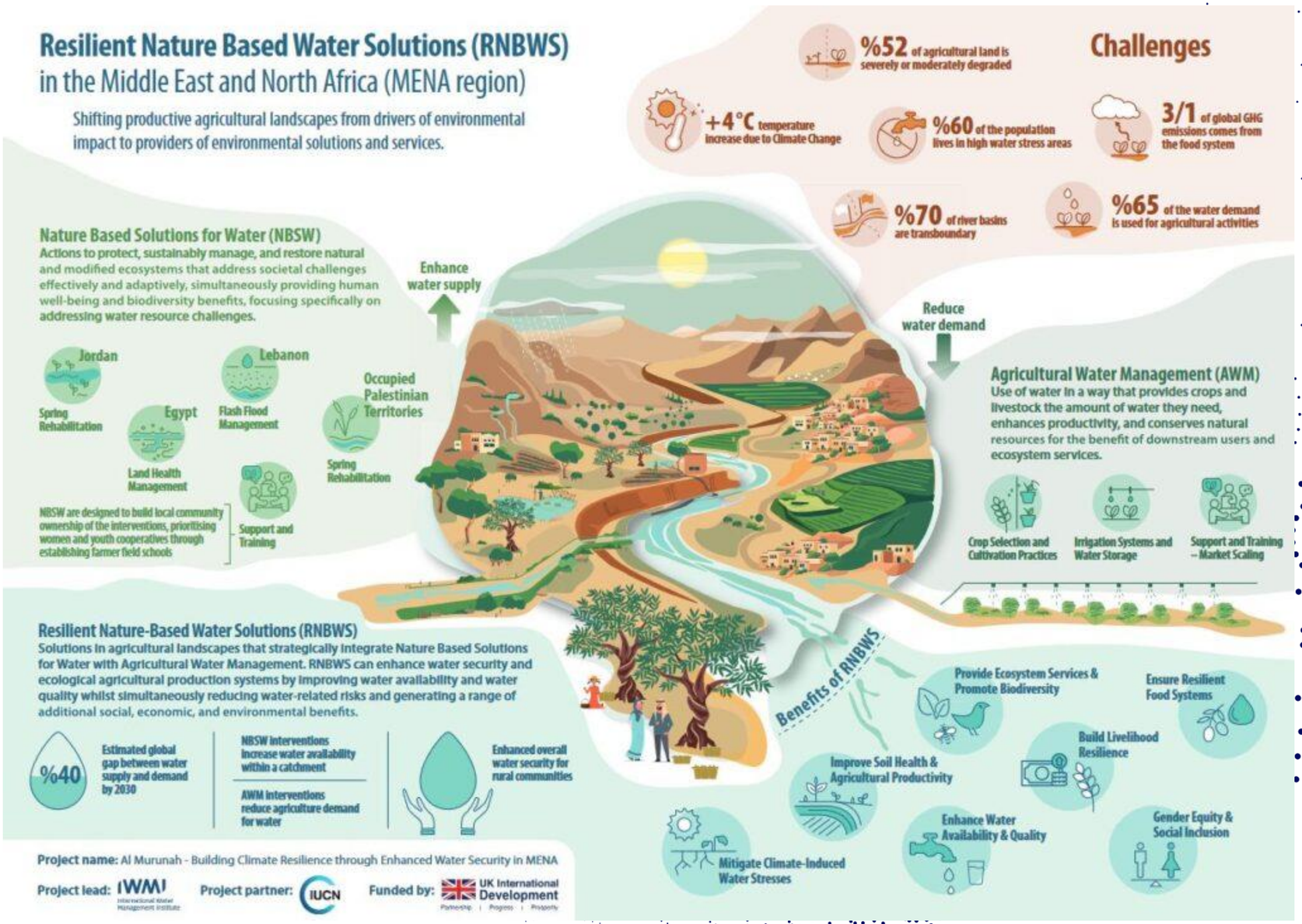


Support the design of Just Water Partnerships.

Case study 1
Repurposing subsidies for groundwater sustainability

- In the context of India, large subsidies in the energy sector encourage groundwater over abstraction.
- Solar irrigation with **buy-back tariff**, Gujarat, SKY scheme.
- Farmers' **incentives on energy savings**, 'Pani Bachao, Paisa Kamao' (Save water, earn money) pilot in Punjab.
- **Incentives on crop diversification**, 'Mera Pani Meri Virasat' (My water my heritage), Haryana and Punjab.

Case study 2
Investable nature-based solutions

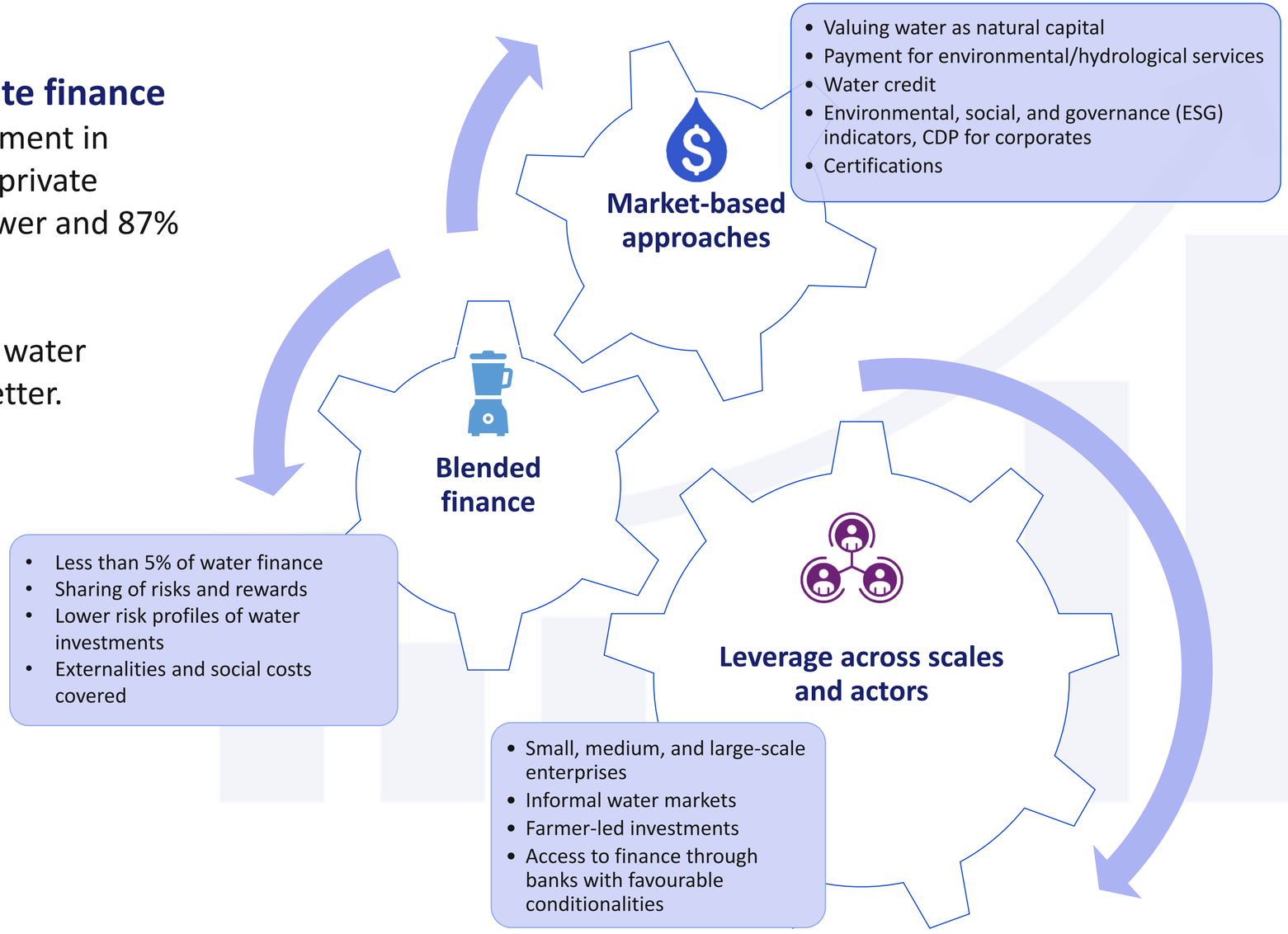


Policy shift 2 – Private finance

Shift in scale of private finance

Only 9% of water investment in developing countries is private compared to 45% in power and 87% in telecoms.

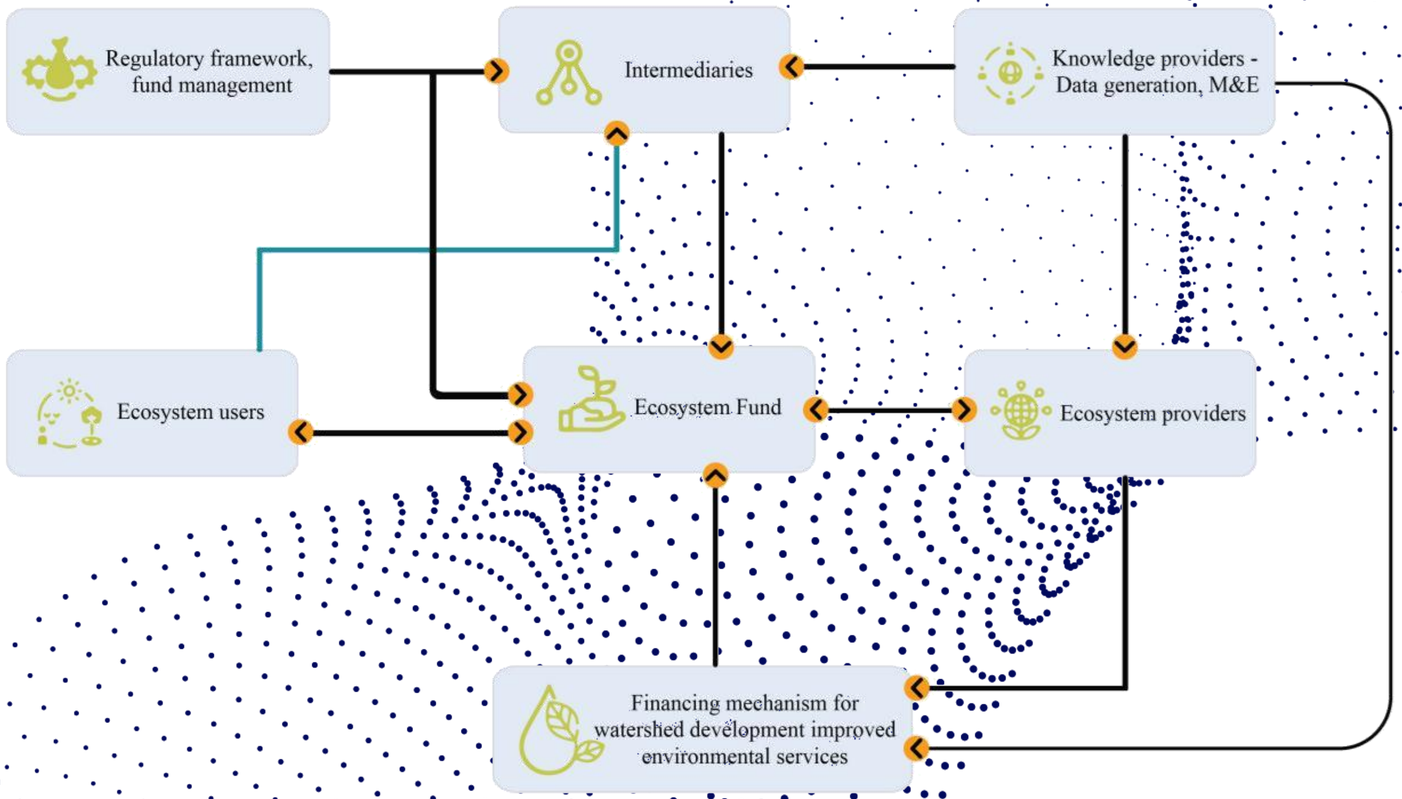
There is a need to track water finance expenditures better.



Case study 2
Payment for ecosystem services for sustainable catchment rehabilitation

Malka Wakana hydropower dam (Ethiopia)

- Sedimentation leading to lower water storage capacity, in turn leading to shorter useful life and lower energy generating capacity
- Land use and land cover change (LULC) leading to increased soil erosion.
- Potential for reforestation, soil and water conservation (SWC), exclosures, and catchment rehabilitation to reverse erosion and sedimentation.
- **The ecosystem scheme fund links catchment rehabilitation in the upstream to benefits in the downstream.**
- Privately led PES, hydropower plant

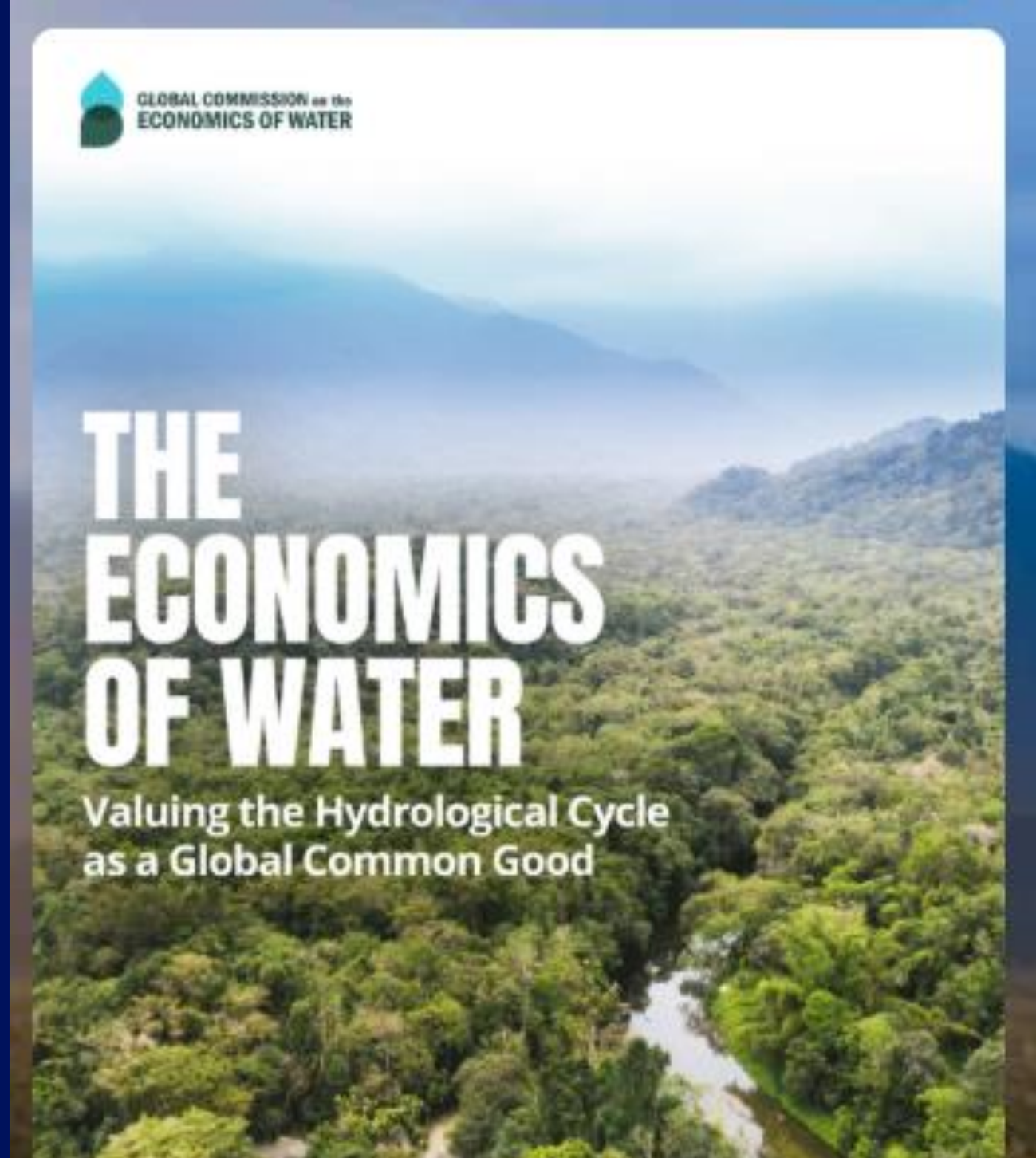


Thank you

https://economicsofwater.watercommission.org/

Contact: M.buisson@cgiar.org

IWMI
International Water Management Institute



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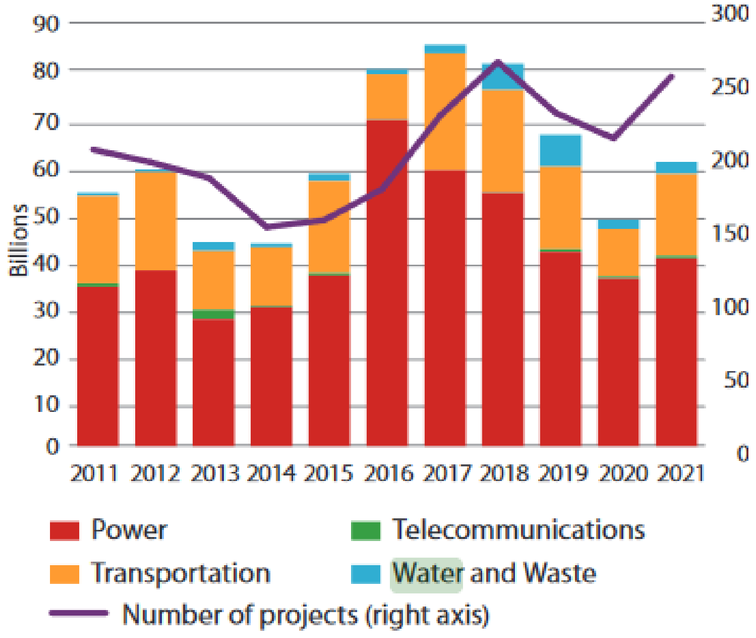
Private sector entry points in the Water Value Chain

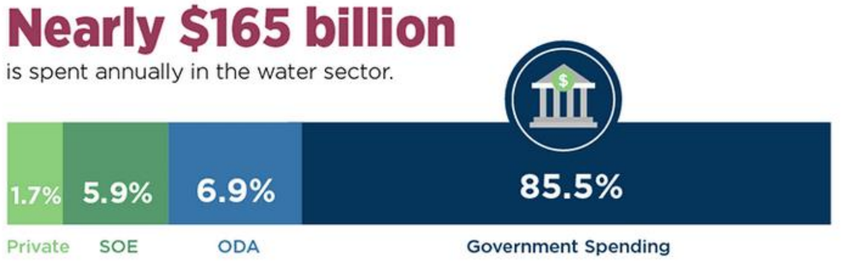
Arnaud DE VANSSAY

WATER FINANCE: SIGNIFICANT GAPS

Figure III.B.2
International project finance: financed infrastructure deals in developing countries
(Billions of United States dollars, number of projects)

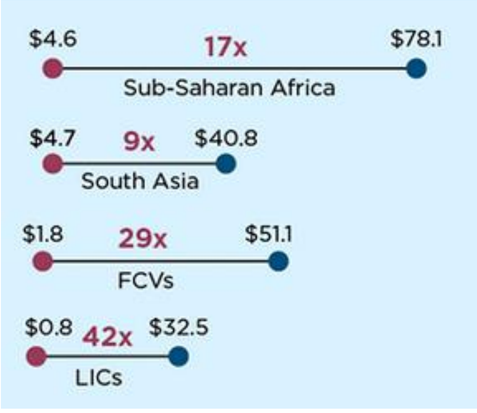


Source: Refinitiv – Infrastructure 360 database.

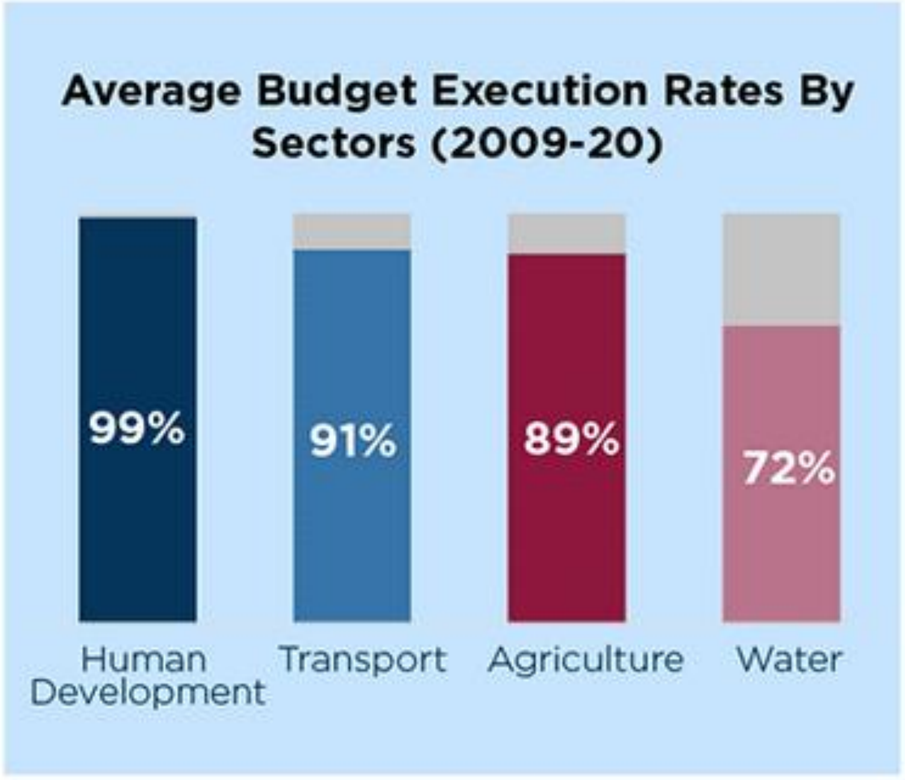


The public sector dominates spending in water
Roughly 91% comes from the public sector — government spending and SOEs. The private sector constitutes less than 2%.

How much more is needed to achieve to achieve SDG 6.1 &6.2 ?



A SECTOR IN NEED OF TRANSFORMATION AND REFORMS



$21.38 million

is lost annually due to cost inefficiencies by a typical water utility

Hidden Losses: Water service provider inefficiencies lead to significant "hidden" losses, averaging about $21 million annually per utility.

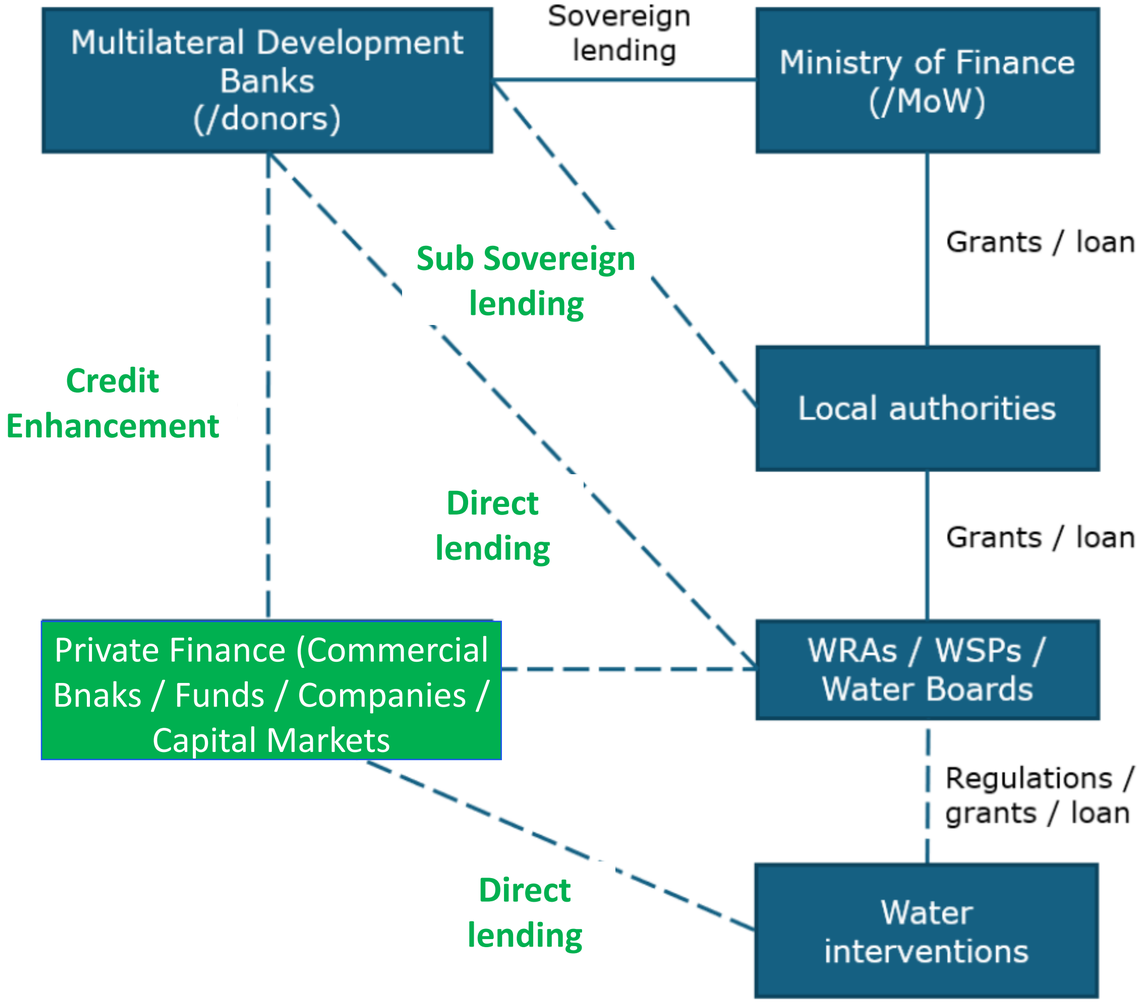
Diversifying Sources Of Finance

Pathways

Broaden investment opportunities in the water sector, moving beyond traditional sources.

- Examples:
  - Sub-sovereign lending
  - Direct lending
  - Credit enhancement

- Keys to success
  - Policy and regulations (inc. implementation!)
  - Performance standards and benchmarking
  - Risk management instruments



Conventional approaches to finance WASH infrastructure complemented/ expanded with alternative finance pathways, attracting additional investors

Private Sector Participation Models

PSPs	I	II	III	IV	V
Ownership	Public	Public	Public	Public/Private	Private
Finance	Public	Public	Private	Public/ Private	Private
Management	Public	Private	Private	Private	Private
Contract formats	*SLA* *Corporatisation*	*Management Contracts*	*BOT* *Concessions* *DBFM*	*BOOT* *DBF/BTO/TOT*	*Privatisation* *Master concession*

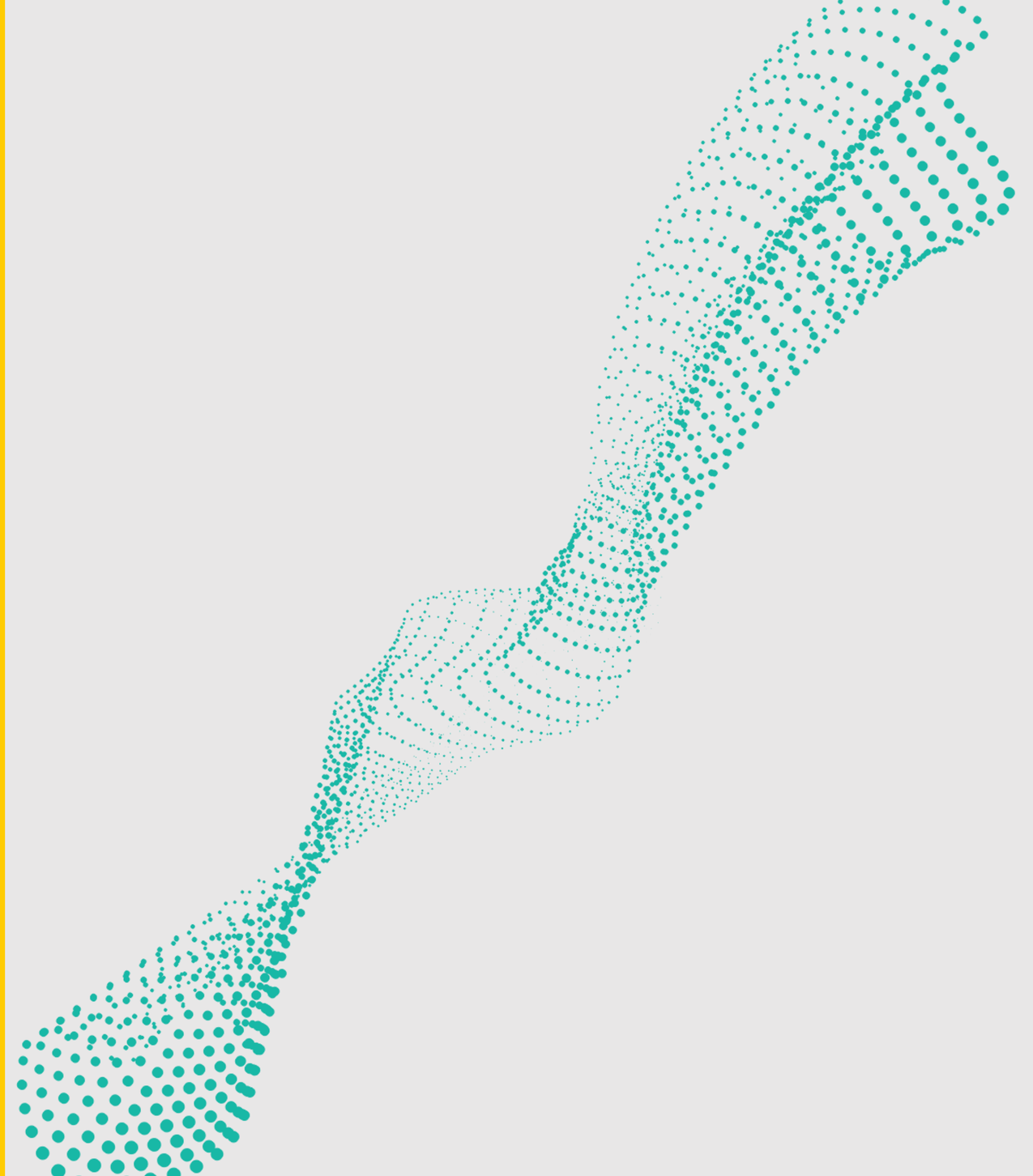
- It is greyer than you think – It is not Public or Private, it has to be both. Business as usual is a no go
- The EU is agnostic – all types of models co-habits and all can be successful but some are more realistic according to each country
- Transparency is key as well as good regulatory mechanisms

Water Sector Value Chain.

Link to Genially presentation

https://view.genially.com/685a9d1ddd71fa652bf91001

Q&A



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Enabling Environment for Investment

Case Study – EUD Cambodia

Enabling Environment for Investment.

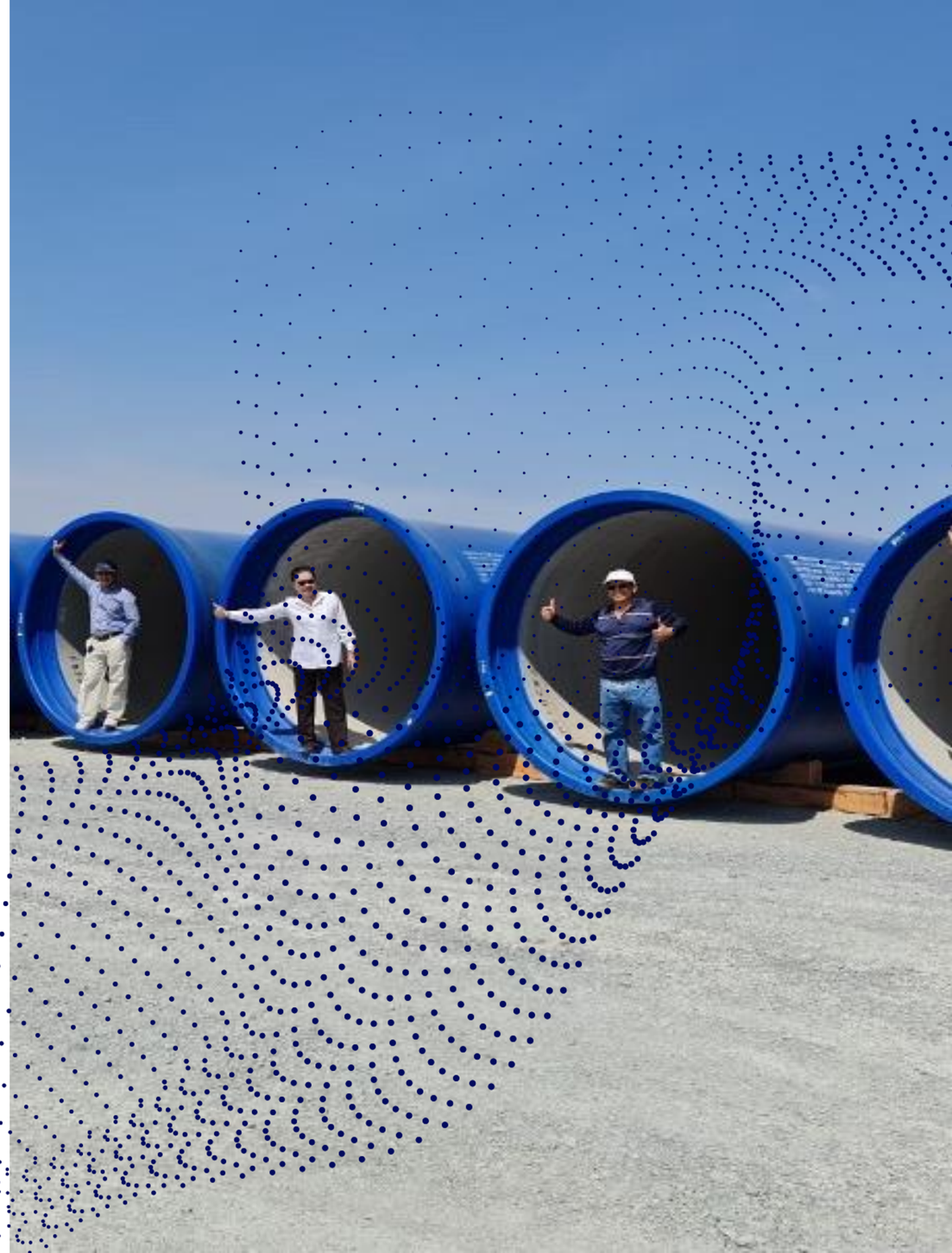
- Bakheng Water Supply Project aligns with Cambodia’s national water sector master plan, aiming to double water production capacity and ensure universal access, especially for peri-urban and underserved communities.
- Bakheng supports Cambodia’s Sustainable Development Goal No. 6, focusing on clean water access for all.
- Policy dialogue with the EU, AFD, and EIB have driven sector reforms, improved governance, and established transparent procurement and environmental standard.
- Environmental and Social Management Plans (ESMPs) and full Environmental Impact Assessments (EIAs) are integral, ensuring compliance with international best practices.

EU Private Sector Engagement: Identification & Engagement with EU Companies.

- A flagship project for EU-Cambodia cooperation under the EU Global Gateway, with financing from the EU, AFD and EIB.
- Vinci Construction Grands Projets led the design and build contract, while SUEZ Consulting/Safege supervised engineering and construction, bringing European expertise and standard (Phase 1-3)
- Vinci and SUEZ: low-carbon technologies, local workforce training, and sustainable construction practices, such as reduced-carbon concrete and on-site solar power generation
- Skill transfer through capacity building for Cambodian partners and set benchmarks for future infrastructure project.

Sustainability of Investments Cost-Recovery, O&M Financing, and Technical Assistance.

- Financing model combines grants, concessional loans, and local contributions, ensuring both capital raising and operational sustainability
- Focus on cost-recovery mechanisms for operation and maintenance is central, supporting the Phnom Penh Water Supply Authority’s (PPWSA) long-term financial viability- tariff setting.
- Ongoing technical support—capacity development, asset management, and training—is provided to PPWSA, covering production, transmission, distribution, and digital systems
- The design and operational model prioritize environmental, financial, and social sustainability, to improved livelihoods and more investment opportunities.



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UDUMA & VERGNET HYDRO

Mikaël Dupuis

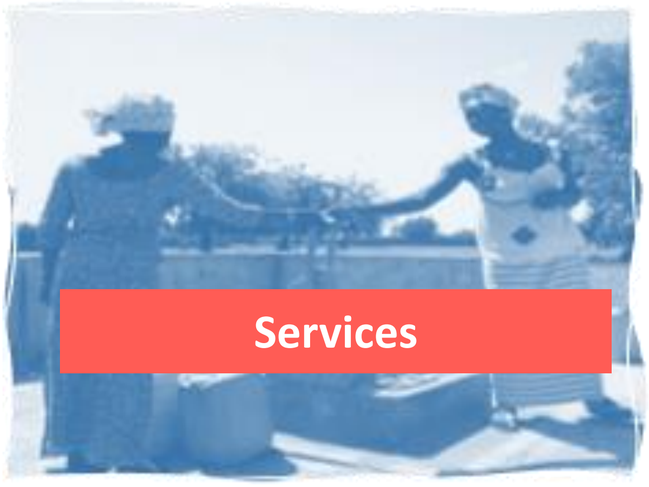
Odial Solutions

Vergnet Hydro
Groupe Odial Solutions
Odial Solutions Group

(45 yrs)

UDUMA
SERVICES EN ZONE ISOLÉE
REMOTE AREA SERVICES

(9 yrs)



Not just delivering basic water to many, but durable water services to all...

Vergnet Hydro

Groupe Odial Solutions
Odial Solutions Group

UDUMA
SERVICES EN ZONE ISOLÉE
REMOTE AREA SERVICES

Présent dans **35** **pays en Afrique**

Plus de **50** **millions** de personnes ayant accès à l'eau potable grâce aux activités du groupe

3 500 **artisans réparateur** en Afrique

45 **ans** d'expérience en Afrique subsaharienne

4 **filiales**: Omilaye (Bénin), Saher (RCI), Uduma Mali et Vergnet Burkina

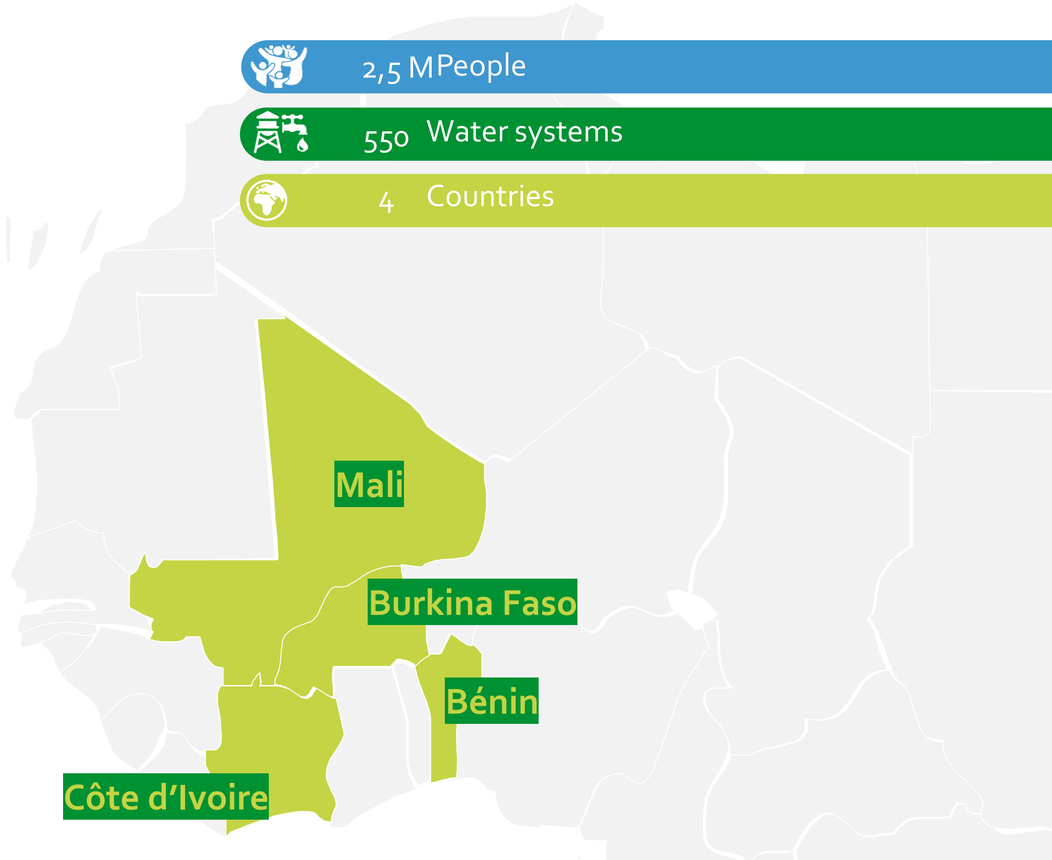
21 **millions** d'euros de Chiffres d'Affaires (2024)

104 **salariés**, maison mère et filiales comprises

2,5 M People

550 Water systems

4 Countries



The reality of governments

Access to finance

Implementation capacity

Project momentum

Funding is essential, but not enough!

Solutions

1 – Make sure investments are sustainable

2 – Diversify the funding sources and approaches

=> Attract the PRIVATE SECTOR?

Sustainability

PROFESSIONALISATION

+

PROFITABILITY

=

DURABILITY

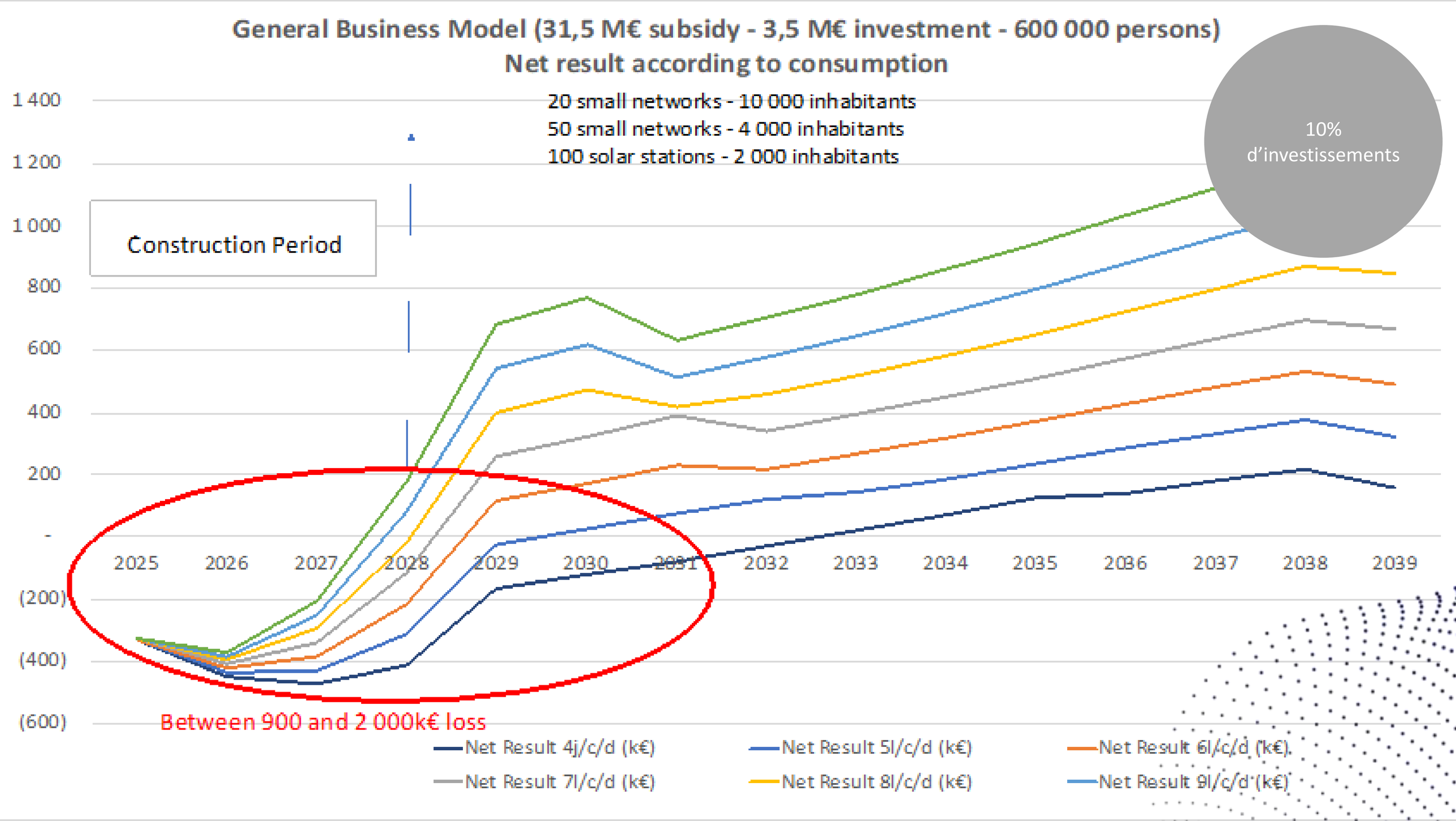
DIVERSIFY FUNDING:
private investment limits

MARKET

Rate > 15%
Duration < 5 ans
Budget > 15 M$

NEED

Rate < 7%
Duration > 8 ans
Budget < 15 M$


General Business Model (31,5 M€ subsidy - 3,5 M€ investment - 600 000 persons)
Net result according to consumption
20 small networks - 10 000 inhabitants
50 small networks - 4 000 inhabitants
100 solar stations - 2 000 inhabitants
10% d'investissements
Construction Period
1 400
1 200
1 000
800
600
400
200
-
(200)
(400)
(600)
2025
2026
2027
2028
2029
2030
2031
2032
2033
2034
2035
2036
2037
2038
2039
Between 900 and 2 000k€ loss
Net Result 4j/c/d (k€)
Net Result 5l/c/d (k€)
Net Result 6l/c/d (k€)
Net Result 7l/c/d (k€)
Net Result 8l/c/d (k€)
Net Result 9l/c/d (k€)

DIVERSIFY FUNDING: necessary but not attractive

De – risking (within project budget) :

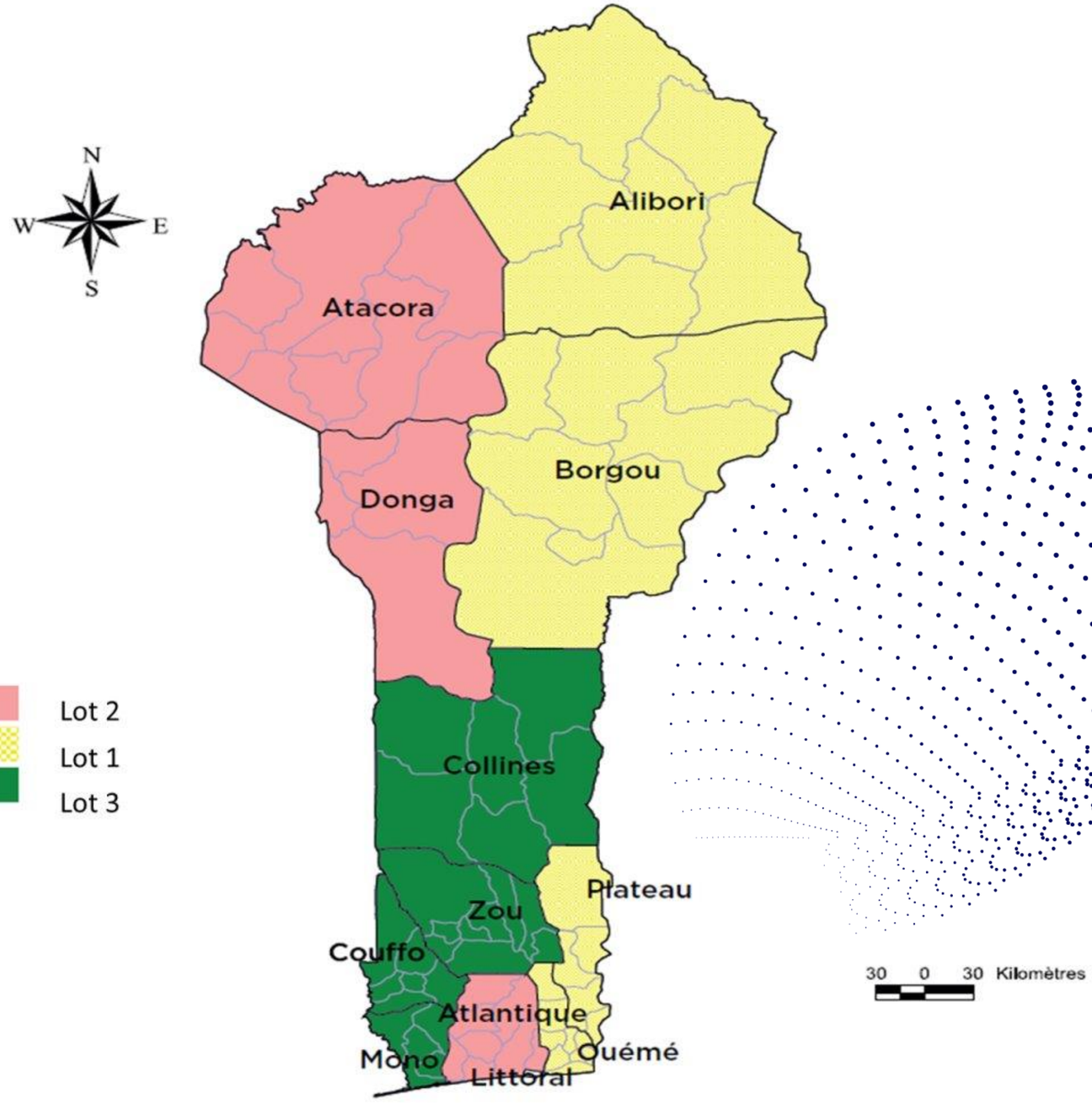
1. Associate works and operations: build & operate
2. Result Based Funding: OBA
3. “First Loss” guarantee: financial guarantee

Build and Operate

Delegation contract tied to a work contract:

Ex. BENIN

- National Scale
- 4 year works contract
- 10-year public service delegation contrac



Result-Based Funding.

Contract based on performance:

Ex. INSTIGLIO, UPTIME, the energy sector…

- Accountability: measurable results
- Innovation: maximise performance & impact
- M&E: compulsory data management & control
- Long term thinking: no quick wins

Financial Guarantee.

Contract backed by a financial guarantee:

Ex. First Loss guarantee?

- Attractivity: bankable for investors
- Leverage: mobilise larger pool
- No bias : pays only in case of losses

DISCUSSION.

How to engage with the private sector?

Q&A – EFCA, Water Europe, GECW, Cambodia, Uduma

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Thank you for your attention

Unlocking Global Gateway investments
in nature and the green economy

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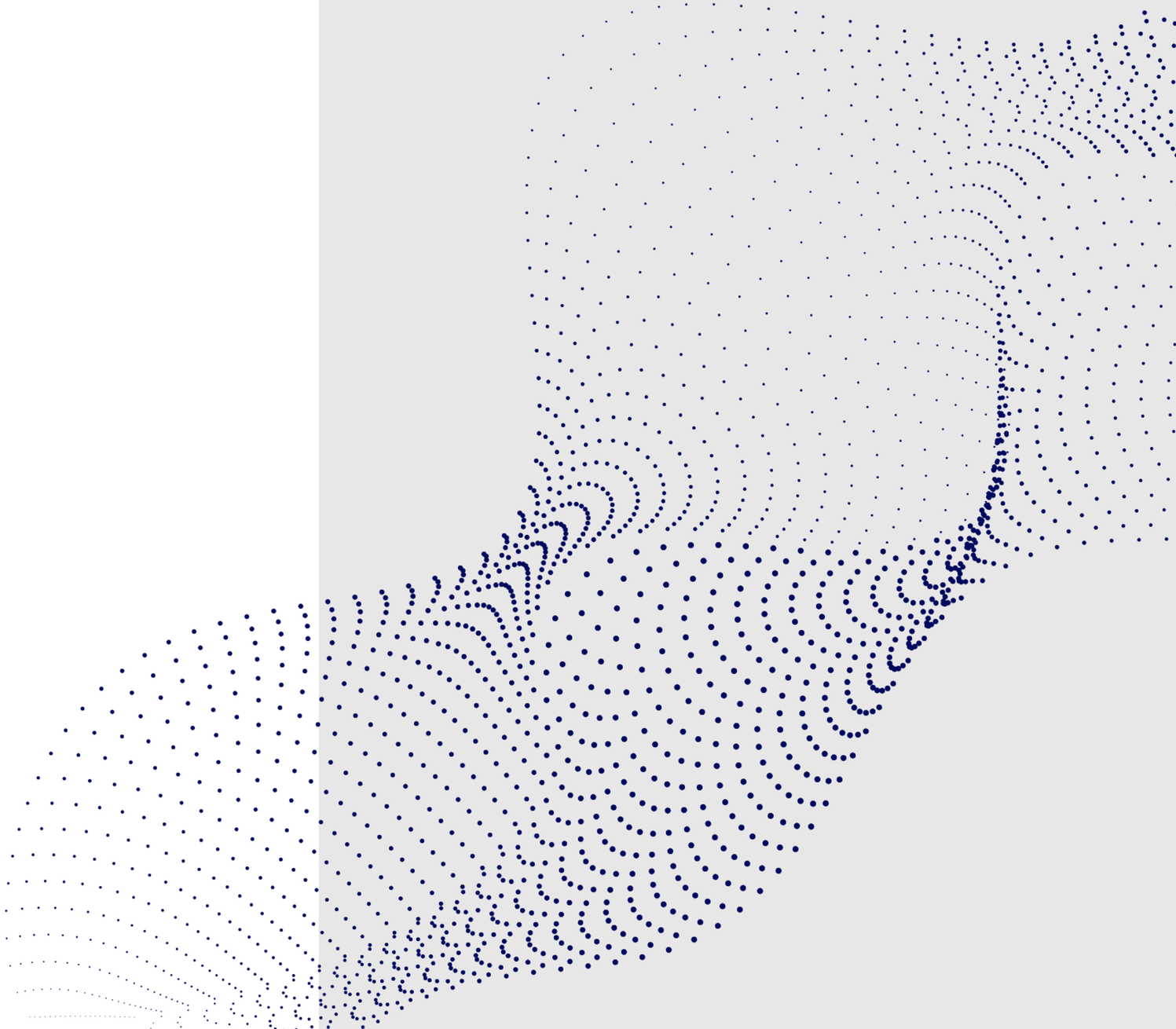
Partner logo-flag

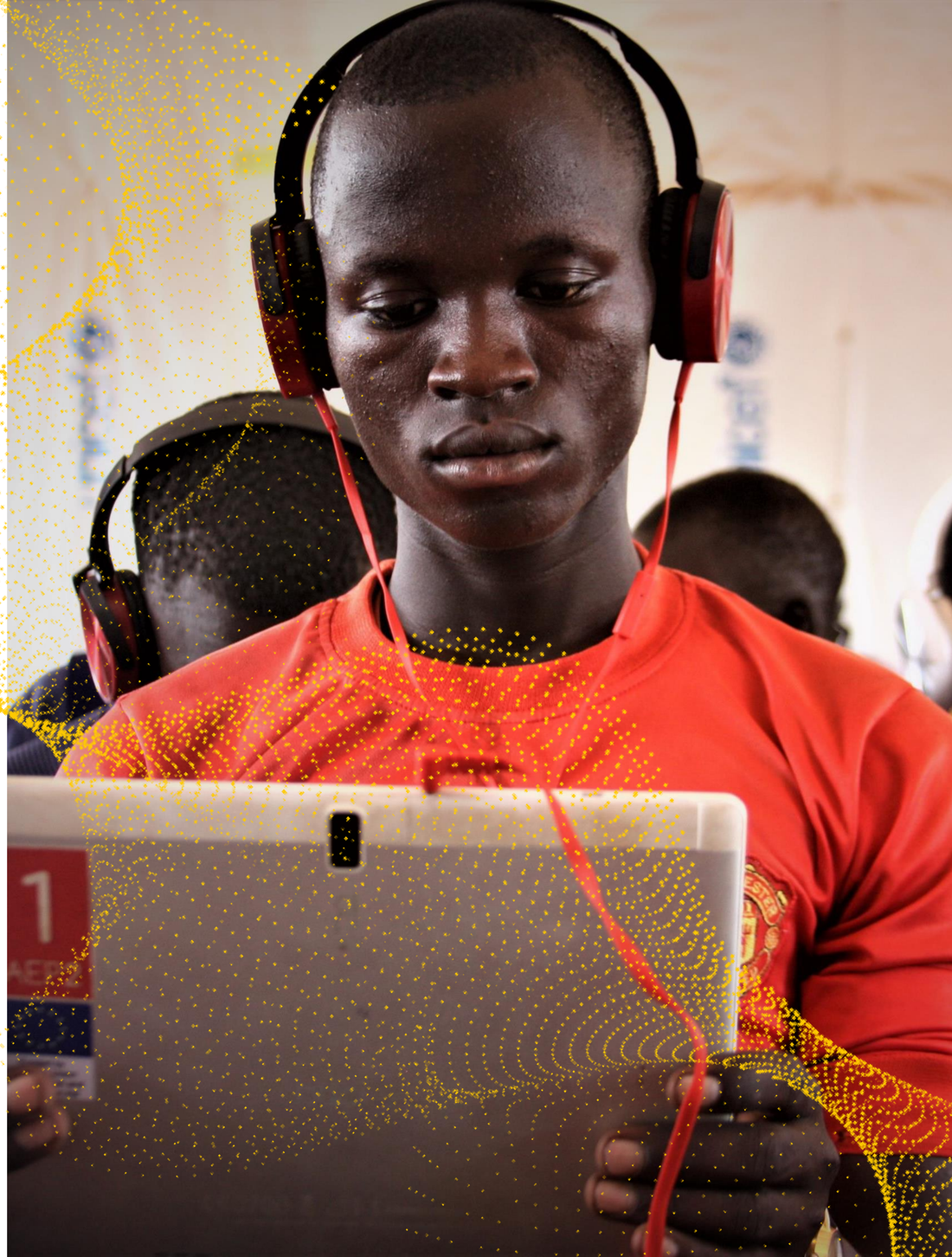


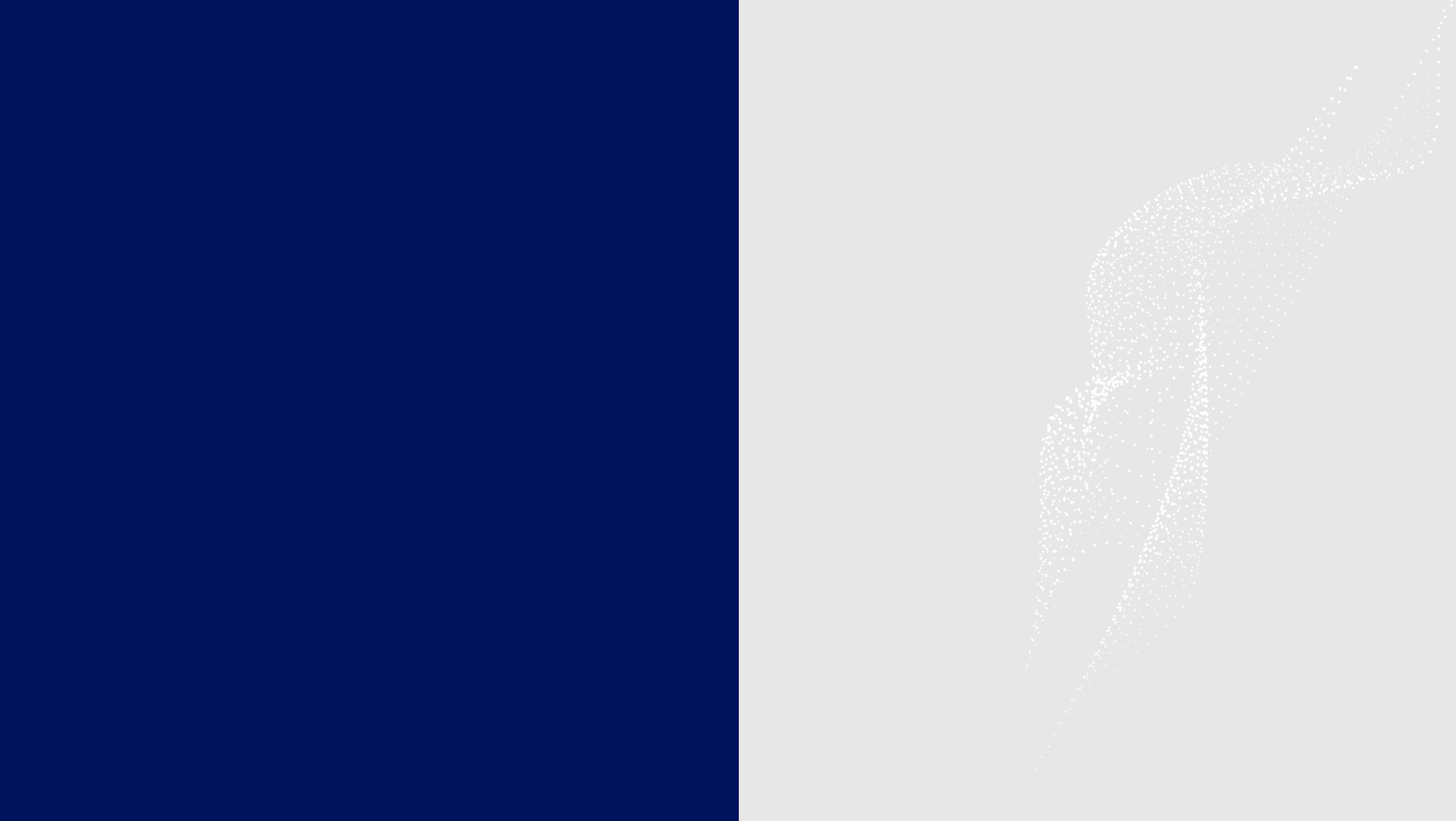
Sustainable.

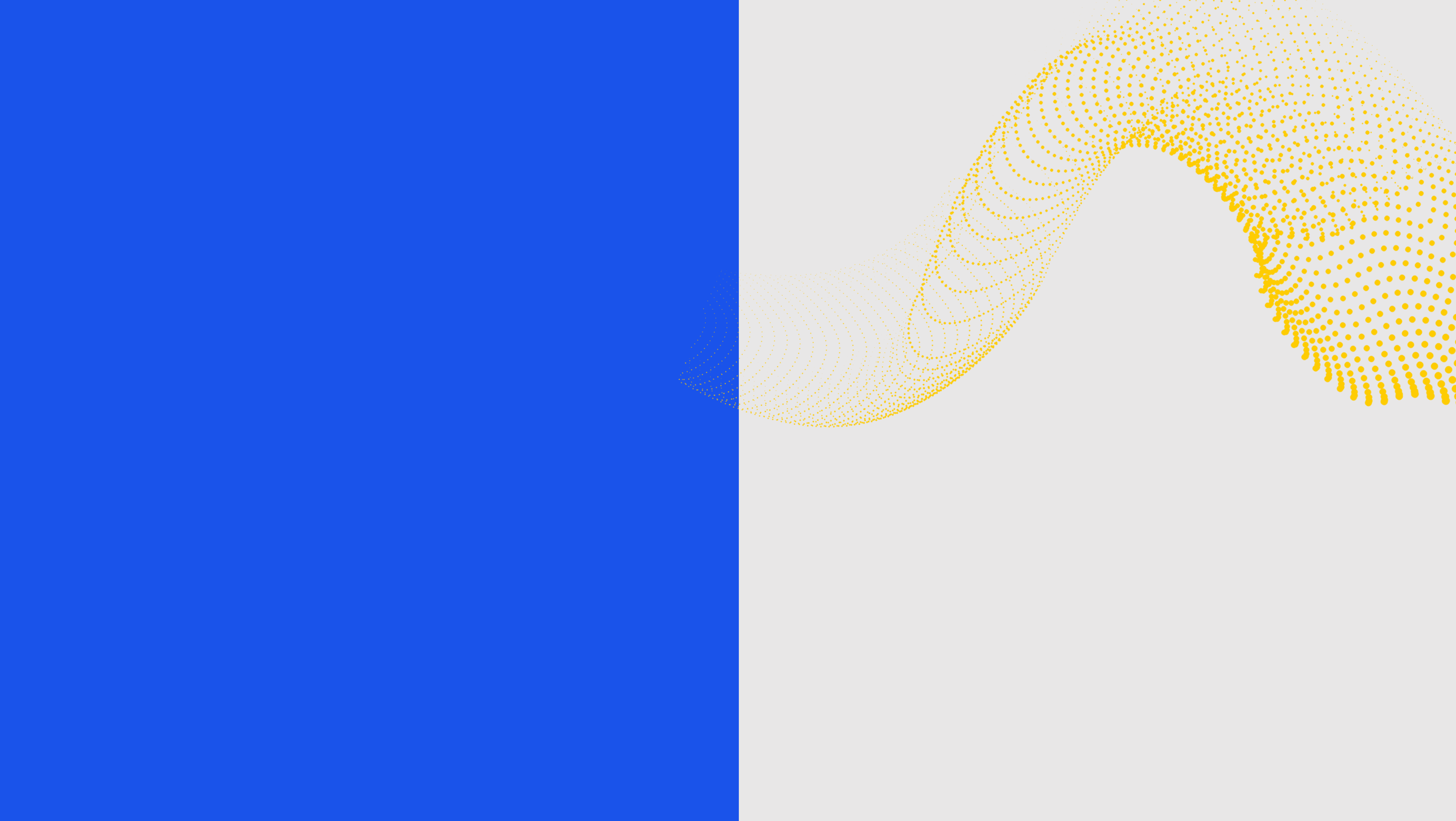
Establishing links with other energy systems and markets consistent with the **renewable energy** revolution

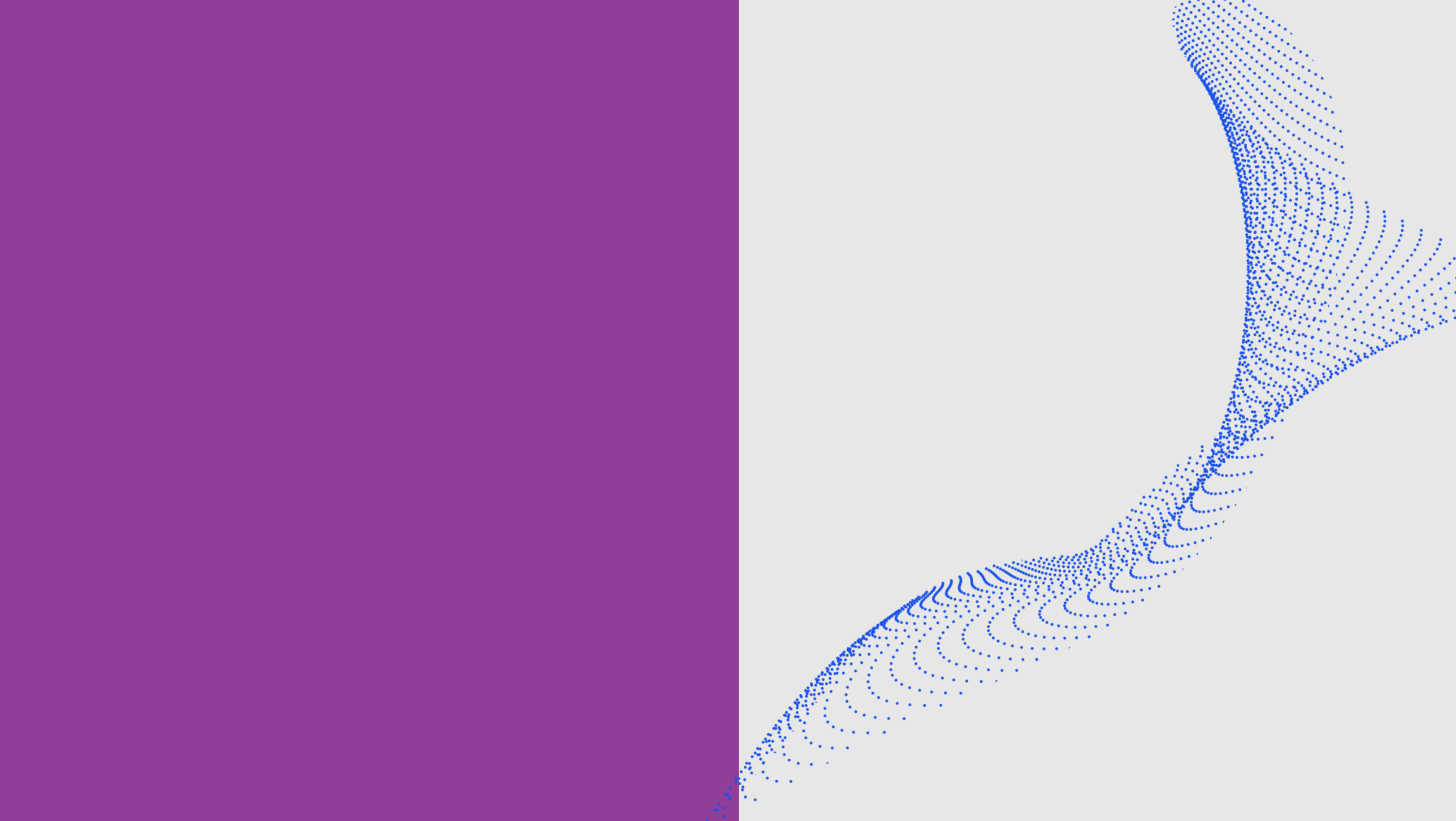
Connecting.

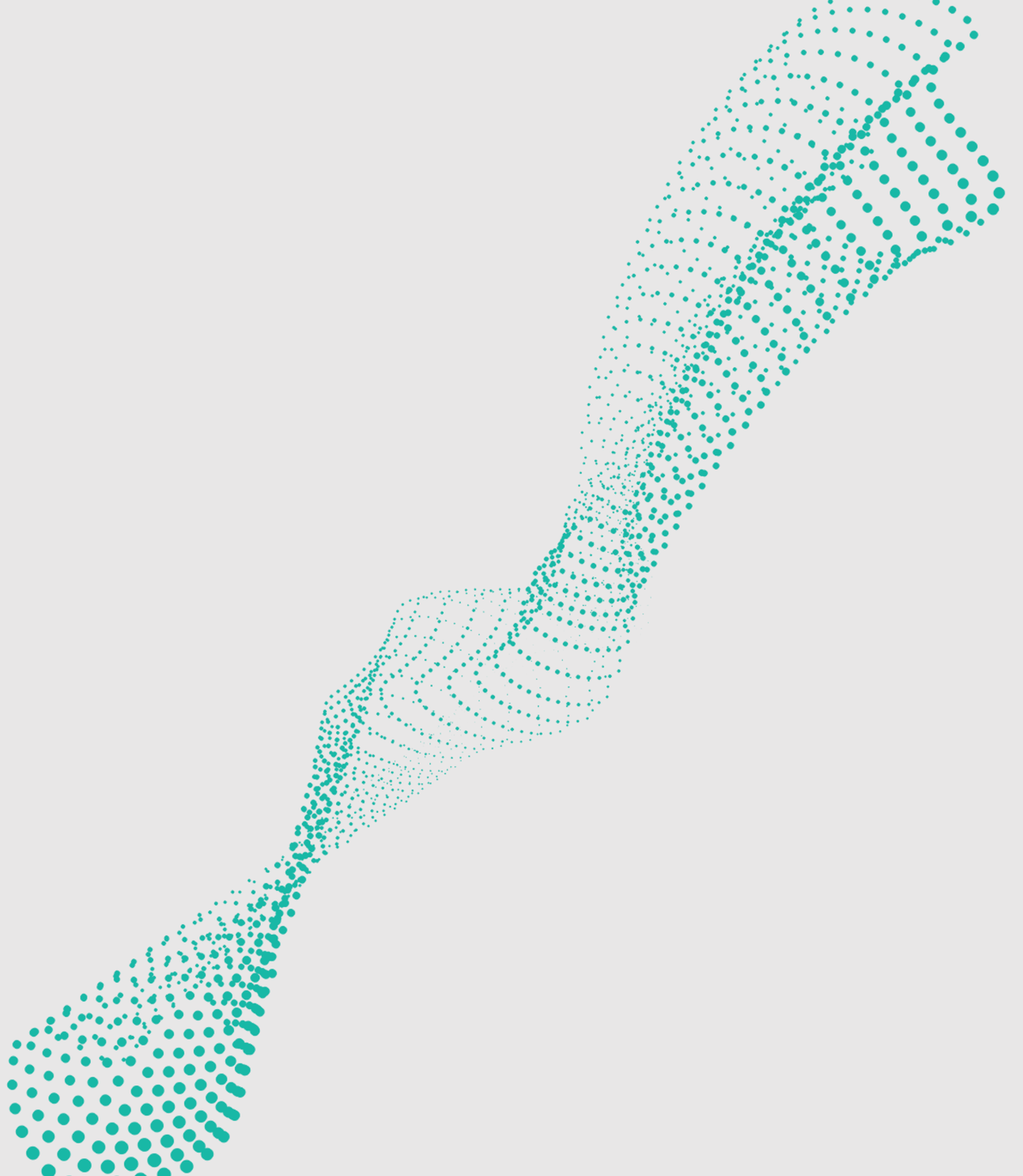
Building digital partnerships with digital economy packages which support a **free** and **secure** internet

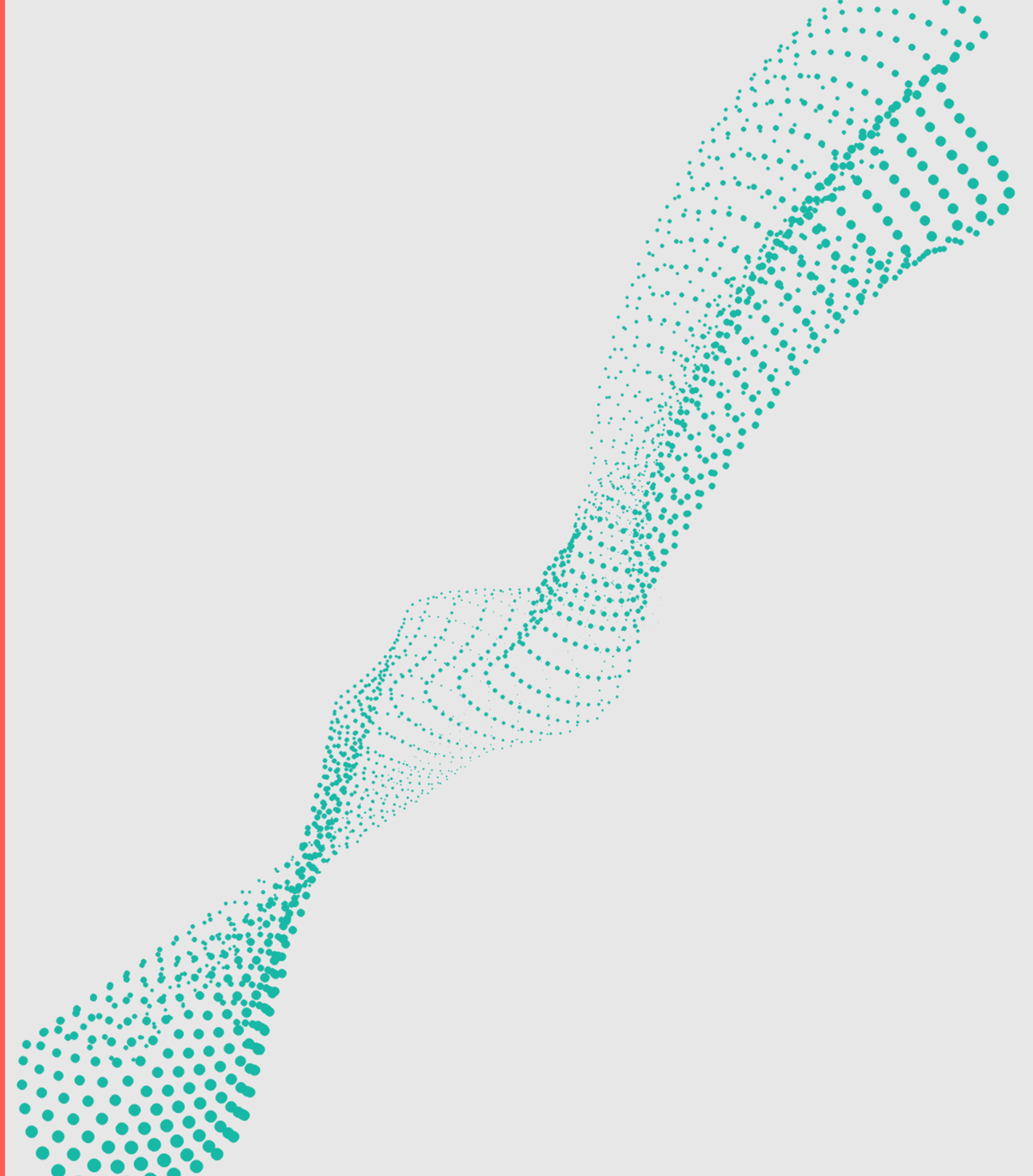












Connectivity that transforms economies and societies.

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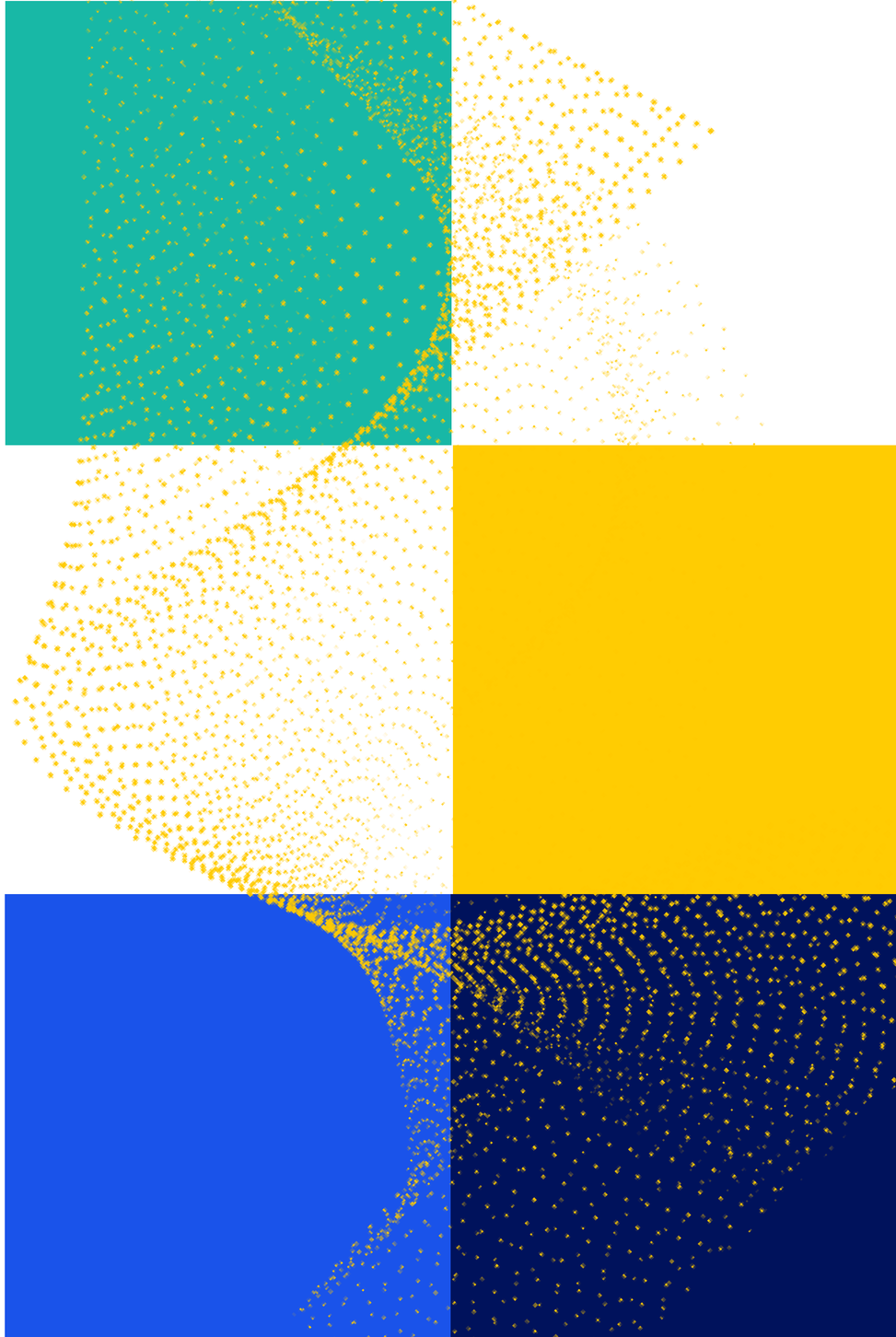
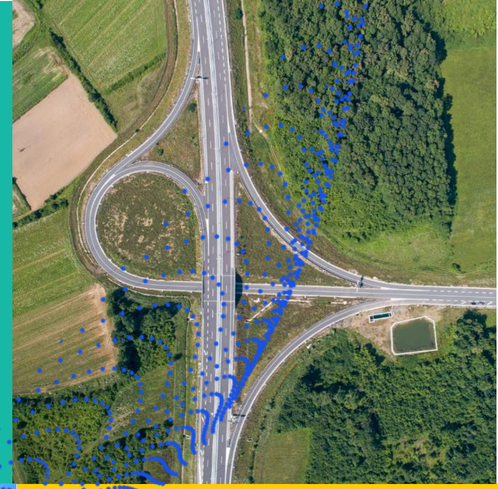
Duis aute irure.

"Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore"

Dolor in reprehenderit in voluptate velit esse cillum dolore eu fugiat nulla pariatur. Excepteur sint occaecat cupidatat non proident, sunt in culpa qui officia deserunt mollit anim id est laborum.






DATS
Hydro
powe
100% Electric | 0%
mission