



## Introduction

In the context of the 10th World Water Forum in Bali, the High-Level Panel Session titled “Blended Finance for Global Sustainable Water” was held on May 21, 2024 at the Bali International Convention Centre (BICC). Co-convened by the Tri Hita Karana Forum and the World Economic Forum in collaboration with the Coordinating Ministry of Maritime and Investment Affairs and the Ministry of Public Works and Public Housing of the Republic of Indonesia, the High-Level Panel aimed to discuss the myriad of innovative blended financing from Multilateral Development Banks (MDBs) and Development Finance Institutions (DFIs) and the significant role of private sector and philanthropic organizations' involvement in water-related projects. With an increasing number of water-related disasters worldwide and dwindling water resources, there is a significant shortfall in funding for sustainable water projects on a global level. Innovative financing solutions are therefore needed to fill this gap to achieve the sustainable development goals. Blended finance, as a financial structuring tool that combines different forms of capital (public, private, and philanthropic), has the potential to bridge the financing gap.

## Opening Remarks

The High-Level Panel Session was opened by **H.E. Zachariah Mwangi Njeru**, Minister of Water, Sanitation, and Irrigation of the Republic of Kenya, and **H.E. Luhut B. Pandjaitan**, Coordinating Minister of Maritime Affairs and Investment of the Republic of Indonesia.



**H.E. Zachariah Mwangi Njeru**, Minister of Water, Sanitation, and Irrigation of the Republic of Kenya.

Minister Zachariah Mwangi Njeru, Minister of Water, Sanitation, and Irrigation of Kenya, highlighted the importance of blended finance partnerships in addressing the water sector's funding gap. He discussed Kenya's comprehensive irrigation plans and diverse financing methods, emphasizing the role of both public and private investments since 2002. Notable efforts include deploying water-detecting machines and post-construction financing models to enhance food security and job creation. The minister reiterated the government's commitment to these initiatives and the crucial role of the de-risking fund in blending public and private finance for sustainable development.



*“We need innovative financing and collaborative partnerships to create investor confidence and develop resilient water infrastructure and the newly launched Global Blended Finance Alliance (GBFA) Roadmap includes risk reduction strategies to strengthen water sustainability,” - Coordinating Minister Luhut B. Pandjaitan.*

Minister Luhut emphasized the importance of global collaboration to achieve water and climate resilience. He highlighted the Indonesia-initiated G20 Bali Global Blended Finance Alliance (GBFA) to bridge the financing gap for climate and SDG goals by facilitating developing countries, Least-Developed Countries (LDCs), Small Island Developing States (SIDs) and South-South cooperation to enhance the transition finance process. Nine founding country members signed the G20 Bali GBFA “Letter of Intent” - Canada, the Democratic Republic of Congo, Fiji, France, Kenya, Luxembourg, Sri Lanka, the UAE, and host country Indonesia – to work out the roadmap towards becoming an international organization and implementing concrete operations to unlock investment for climate actions and the SDGs.

### High-Level Panel Discussion 1

The High-Level Panel Discussion 1 featured representatives from international finance organizations and multilaterals offering diverse viewpoints on global financial innovations. The Panel Discussion 1 featured **Prof. Mari E. Pangestu**, former Managing Director of the World Bank Group and current Special Envoy to the President for Climate Finance and G20 Bali Global Blended Finance Alliance; **Saroj Kumar Jha**, Director, Global Water Practice, The World Bank; **Norio Saito**, Senior Sector Director, Water and Urban Development Sector Office, Sectors Group, Asian Development Bank; **German Velasquez (Jerry)**, Director of Mitigation and Adaptation Division, Green Climate Fund; and moderated by **Prof. Joyeeta Gupta**, Professor of Environment and Development in the Global South, University of Amsterdam and Commissioner of the Global Commission on the Economics of Water.



**Panel 1** (from L-R): Mari Elka Pangestu, Saroj Kumar Jha, Norio Saito and German Velasquez.

### Key Takeaways

- **Fragmentation of investors in the blended finance space:** No convergence around a blended finance platform, nor a convening platform that brings these investors together.
- **Low mobilization rate:** Every dollar of catalytic capital from MDBs, less than one dollar of private capital is mobilized because the institutions managing the catalytic capital are not equipped or incentivized to involve the private sector. Reform of DFIs/MDBs process as catalytic capital to mobilise private funders proactively.
- **Perception of risk in developing countries:** High transaction cost resulting from perception of political risk, low credit ratings, currency risk, and lack of transparency. In the water sector for developing countries, over-leveraging may be a significant issue.
- **Lack of investable and scalable project pipeline:** The ticket size of blended finance for developing countries is typically less than \$100 million, and the high transaction costs make it unattractive for large investors.
- **Leadership in the Global South:** Government leadership plays critical role, noting that many developing countries do not prioritize water funding. Need to have public funding and country-led investment platform to develop innovative financing with de-risking tools such as guarantees.
- **Policy reform:** Water sector is viewed politically as a public service with poor revenue model that inhibits creditworthiness of the sector. Need policy reform to support revenue enhancement in water sector, and programs for financial management improvement and proper governance to attract private fund.
- **Standards, data, and measurement are crucial:** Results-based financing is essential to measure not only financial returns but also the social and environmental impacts, making the overall package attractive to the private sector.

**Summary:** There is a need for cohesive, country-led investment platforms and innovative financial tools to attract private sector funds. Transparency, good governance and better financial management are needed to enhance the water sector's creditworthiness. Policy reforms and credit enhancement with the use of grants, guarantees and concessional loans can de-risk investments and mobilize private capital. DFIs/ MDBs



(World Bank, Asian Development Bank, and Green Climate Fund) can play a greater role in spearheading blended financing involving private capital. The discussion underscored the necessity for innovative financing, robust project pipelines, and coordinated efforts to address global water challenges.

## High-Level Panel Discussion 2

The second panel discussion spotlighted innovative finance partnerships aimed at addressing financing challenges, showcasing practical solutions, and collaborative public-private-philanthropic financing mechanisms. The Panel Discussion 2 moderated by **Gim Huay Neo**, Managing Director, Center for Nature and Climate, World Economic Forum, featured speakers **Mauro Alfonso**, Senior Vice President for Strategy, Mergers and Acquisitions, Acea; **Sundar Mahalingam**, President of Strategy, HCL Corporation; **Gary White**, CEO & Co-Founder, Water.org; and **Corinna Chan**, CEO of the Singapore International Foundation.



**Panel 2 (from L-R):** Gim Huay Neo, Sundar Mahalingam, Corinna Can, Mauro Alfonso and Gary White.

## Key Takeaways

- **Private sector involvement for innovative water solutions:** Aquapreneur Innovation Challenge Initiative (a collaboration between HCL and World Economic Forum) drives innovation and scales proof-of-concept solutions with funding, mentoring and visibility to accelerate investment. Will be launching new challenge with a focus on managing water pollution at source.
- **Importance of true collaboration:** True sense of collaboration leveraging on the strengths of diverse partners, organisations, and networks. The Southeast Asia Partnership for Adaptation through Water (SEAPAW) is a new platform by Singapore International Foundation in collaboration with World Economic Forum, to unite and involve all stakeholders (governments, funders, solution providers, knowledge partners) ensuring financing is integrated from the beginning.
- **Effective Public-Private Partnership:** Acea, one of largest utility companies in Italy and Europe, including South America, develops new markets through the use of blended finance which means combining industrial capabilities with government resources, the cooperation of multilateral institutions, and financial solutions such as guarantees and direct funding. Scale is crucial to attract large private

investment within a framework of legal stability, clear regulations, fair returns for investors, and a commitment to environmental and social sustainability.

- **Use of Philanthropic Funds:** Philanthropic capital is useful in securing financing for water sector that is complex, risky, lacking in project pipelines and requires de-risking involving both private and public sector funds to reach the last mile. Water.org, a non-profit organisation, provides microfinance to the vulnerable communities to get access to clean water and proper sanitation, by blending philanthropic funds with private capital. Repayment rate for these household microfinance loans is 98% where women made up 84% of the borrowers. Deals are prepared using technical assistance and philanthropy, and making them ready for private investment. By integrating philanthropic capital for use on technical assistance and project development in water and climate-resilient infrastructure helps develop these projects through the risky phase to a bankable stage, hence building strong pipeline of potential deals.

**Summary:** The panel underscored the need for innovative financing models, effective public-private-philanthropic partnerships, and coordinated efforts to address the urgent water and climate challenges. The implementation and use of the blended finance instruments are complex. A global platform, such as the G20 Bali Global Blended Finance Alliance (GBFA), can facilitate collaboration across different funders and stakeholders, reduce complexity, build capacity and knowledge sharing on blended finance instruments. Greater South-south collaboration provides opportunity for encouraging replication of successful blended finance models and sharing best practices.