

July 11, 2023

36<sup>th</sup> Board Meeting of the Green Climate Fund (GCF)

*GCF Observer Network of Civil Society, Indigenous Peoples, and Local Communities*

## INTERVENTION

# **FP209: Climate change resilience through South Africa's Water Reuse Programme (WRP)**

Access the document: <https://www.greenclimate.fund/document/gcf-b36-02-add04>

This DBSA large-scale adaptation programme proposes the set-up of a programmatic and catalytic blended funding approach with GCF's concessional public sector funding to support South African municipalities to address water scarcity aggravated by climate change. The national Water Reuse Programme to be set up under this funding proposal will include technical capacity, support and a communication and outreach component to help originate, financially structure on a case-by-case basis, and implement up to 27 separate water reuse infrastructure projects structured primarily as public-private partnerships. We are concerned that the programme seems to prioritize the financing approach focused on establishing water reuse infrastructure as a "new asset class" rather than ultimate benefits to users.

With many of the details of those sub-projects not yet known and local and context-specific, it is even more important that at the programme level some core commitments are set and affirmed. We are missing clear commitments and guarantees to ensure that the future sub-projects benefit the most marginalized people and communities, that the investments will not lead to water rate hikes, and that financing is provided to the participating communities at the highest possible concessionality and with the lowest possible risk in case of default. Given the extensive history of public-private partnerships burdening the public sector, municipalities must not be stuck with non-performing private sector finance commitments. We are also still unclear whether the local currency financing approach proposed, while fully protecting DBSA as the programme implementer, passes currency hedging costs on to municipal borrowers and thus reduces some of the GCF concessionality for them.

The screening criteria for sub-projects are silent on socio-economical considerations.

It is far from certain that the promised sub-project level climate risk and vulnerability assessments (CRVA) will give priority to socio-economical considerations over bankability. This is particularly important from a gender perspective, as women in South Africa continue to bear the brunt of the impact of poor—or overpriced—water services, including when affordability and accessibility could be reduced through the added capital and operating costs for treating wastewater for reuse. It will therefore be extremely important that the design of the sub-projects not only allows for technical and financial feasibility assessments, but through meaningful consultations of potential beneficiaries, and in particular from those already experiencing water insecurity for basic water provision, hears

firsthand about their water service needs, how they can be best served through water reuse interventions, and considers their ability to pay for those water improvements. We would like to see some clear covenants in the funding proposal if approved on these points.

We also welcome the detailed gender assessment and gender action plan with a clear focus on improving women's participation in the programme management and in engendered procurement, including a commitment in the Water Partners Office to gender-sensitive contracts providing parental leave, childcare, pension provisions, flexible work hours, and rooms for prayer and breastfeeding. The provision of dedicated gender staff resources for the oversight of the implementation of the programme commitment and the sub-project gender action plan implementation, as well as a gender technical support to municipalities for sub-project gender mainstreaming efforts, is also appreciated. The GAP could be clearer on its focus to address the gendered dimension of affordability, accessibility, and usage priorities for treated wastewater (household vs. agricultural or industrial use). While the ringfencing of a budget for programmatic activities is promised, no indicative amount or minimum support guarantee is given. This should be updated as quickly as possible to show the level of financial commitment in support of implementing the GAP to ensure accountability.

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