

Joint SDG Fund – Component 2 – SDG Financing

Template for the Joint Programme Final Progress Report (preparatory funding)

Purpose: *to provide the UN Joint SDG Fund’s donors with evidence that preparatory funding provides good value for money - so that we can continue allocate resources to your programming.*

Instructions: *be succinct and to the point; emphasize only results and issues that you want to bring to the attention of the Fund; do not go over the max number of pages.*

Deadline: *January 31st, 2021*

Cover page

Reporting period: June 30 – December 30, 2020

Country: Cambodia

Joint Programme (JP) title: Cambodia innovative cLimatE Adaptation & mitigatioN financing mechanism

Short title: CLEAN

List of PUNOs: UNICEF & UNDP

RC (name): Pauline Tamesis

Representative of Lead PUNO (name and agency): Forough Foyouzat, Representative, UNICEF Cambodia

Government JP Focal Point (name and ministry/agency): H.E. Ros Seilava, Secretary of State, Ministry of Economy and Finance (MEF), Royal Government of Cambodia

RCO JP Focal Point (name): Ifoda Abdurazakova; E-mail: abdurazakova@un.org

Lead Agency JP Focal Point (name): Samuel Treglown; E-mail: streglown@unicef.org

Budget (Joint SDG Fund contribution): \$100,000

Budget Expenditures: \$52,549

Delivery Rate: \$52.5%

Short Description of the Joint Programme (1 paragraph for each section)

This description will be used to update your country page in our online platform (please scan the website before answering) <https://sdginvest.jointsdgfund.org/proposals>

Financial leverage (estimated target in US\$):

10 million

Challenge:

Explain the key challenge(s) the JP aims to tackle with reference to both development and financing challenges and how they interconnect.

Barriers to financing for water, waste and sanitation service provision in Cambodia are hindering investments in potentially viable water and waste services, resulting in gaps in water and waste service provision remaining unaddressed, and leaving potential climate change mitigation and adaptation benefits unrealised.

Innovation (financial instrument/mechanism/approach):

Summarize the financial mechanism(s) proposed and why the approach is different from conventional and/or alternative approaches and how it is fit for purpose to address the challenge described above.

CLEAN is an innovative blended financing and technical assistance facility that will provide business orientated technical assistance to water, sanitation, solid waste management businesses, and city authorities in Cambodia, and that will work with the Cambodia Climate Financing Facility to leverage private and public capital and facilitate concessional loans for sustainable water, sanitation, and solid waste management solutions to improve service provision, and climate mitigation and adaptation.

SDG Impact:

Please describe the development impact the JP aims to achieve. Do not list the SDGs.

Public and private finance is unlocked to enable Cambodians to live in a safe and clean environment, with improved access to water, sanitation, and solid waste management services; more ~~efficient~~ efficient use of landfill sites, and reduced greenhouse gas ~~emissions~~ emissions through waste treatment and re-use; and sustainable water and waste businesses supported for gender equality and women's empowerment.

Partners:

Please list key partners involved in implementation as well as secured investors. Do not mention more than 4-5 partners. Do not mention generic stakeholders (e.g. Government, private sector), but only specific institutions/partners.

Ministry of Economy of Finance; Mekong Strategic Partners; ADB

Final Progress Report (MAX 3 PAGES)

1.1. Progress achieved

Provide brief description of the project's developments, results and achievements during the preparatory phase including 1) financial vehicle design; 2) market assessment; 3) feasibility study; 4) pipeline assessment; 5) legal assessment; 6) investor mapping and matching; 7) others. Please list the names of strategic documents developed (if any).

1. Financial vehicle design

The CLEAN financial vehicle was designed during the preparatory phase, with inputs from an external consultant in consultation with the private sector investment and advisory firm Mekong Strategic Partners (MSP). The CLEAN window will sit inside the future Cambodia Climate Facility (CCF), which will also be capitalized by the Green Climate Fund (GCF) Private Sector Facility. CLEAN will also support a technical assistance facility that will work with water, sanitation, & hygiene (WASH) and solid waste management (SWM) businesses and cities on investment pipeline development, infrastructure quality assurance, enhanced commercial viability, and developing a WASH and SWM investment and business supportive environment.

A launch workshop for the CCF was held during the preparatory phase - funded by the GCF as part of readiness work being conducted by MSP. MSP also received a verbal commitment from the Korean Development Bank to be the GCF accredited entity to provide the capitalization of CCF, and the structure of the facility was submitted for review by Cambodia's Ministry of Economy and Finance.

2. Market assessment

During the preparatory phase the NGO GRET (who have experience in developing private sector business planning, and of working in the WASH and SWM sectors in Cambodia) and an individual consultant specializing in waste management, were engaged to conduct a desk review of WASH and SWM regulatory environment and market situation, and field studies to assess the status of waste, water and sanitation services, and identify market gaps in five secondary cities in Cambodia. This work was used to identify market dynamics, entry barriers, risks and opportunities (described in the 'Baseline and Situation Analysis' section of the proposal) and develop costed business models for the establishment, enhancement, and expansion of WASH and SWM services, and the proposed JP Technical Assistance Facility.

3. Feasibility study

As part of the preparatory phase, pre-feasibility for service provision using different WASH and SWM technologies in different locations, was assessed and budgets were developed to assess technical and financial feasibility, and allow the investment pipeline to be modelled. Composting and co-composting systems for waste reuse, and piped water system construction and expansion (including with the use of solar energy) were found to be technically and financially viable. Other options connected to biogas production and use, were also assessed and found to not be currently commercially viable - although may be considered for the future. The breakeven point and internal rates of return that were calculated as part of feasibility assessments, with findings summarised in the 'Proposed intervention' section of the proposal.

Feasibility and design work during the preparatory phase also reviewed Asian Development Bank (ADB) funded investment projects in landfills and wastewater treatment plants in Cambodia, and consultations were held with ADB staff and consultants on how to design CLEAN investments to provide climate and environment additionality to these investments. This work helped shape the proposed inclusion of CLEAN investments in city wide composting and fecal sludge management.

4. Pipeline assessment

During the preparatory phase the CLEAN JP developed two streams of model investments that form the basis of the CLEAN JP investment pipeline: the composting of organic waste and enhancement and expansion of piped water systems.

Private piped water operators, with infrastructure gaps within their licensed coverage areas, were identified, and system expansion, with climate mitigation and adaptation design and management features, were costed for water supply businesses in the cities and neighbouring districts of Krong Bavet; Krong Serei Saophoan; Krong Battambang; Krong Kampong Chhnang; and Krong Chbar Morn.

The expansion of waste management businesses in these locations was also modelled in consultation with current and potential service providers/co-investors, with pipeline identification including investments in waste separation at source, and the composting/co-composting of sanitary sludge and the organic fraction of municipal waste.

Further details of the scale, and projected investment streams for the CLEAN pipeline are summarised in the proposal – ‘Proposed intervention’ section.

5. Legal assessment

A framework guiding the relationship between UNDP, UNICEF and CCF was drafted by a finance consultant engaged by the CLEAN JP team and consulted on with key stakeholders, including MSP. The framework describes the roles of MSP and the UN, and the financial instruments to be used by the CLEAN window and by CCF generally. These elements were used to design the proposed JP architecture summarised in the ‘Proposed intervention’ and ‘Governance and implementation arrangements’ sections of the proposal.

6. Investor mapping and matching

Investor mapping was conducted during the preparatory phase through consultations with private sector water and waste operators, and the investment management firm MSP. In addition to investments from the GCF (secured via the GCF Private Sector Facility accredited entity – described above) engagement with MSP during the preparatory phase also mapped out access to investments from domestic commercial banks through relationships with those banks established by MSP over a number of years.

7. Names of strategic documents developed

- Structuring, Management and Governance Options for the financial mechanism of the CLEAN Proposal
- Summary of waste sector policies and legal framework
- Pre-feasibility study on-site biological treatment of municipal solid waste and fecal sludge
- Situation report and supporting financial analysis on water supply, sanitation, and waste management in five cities
- Investigation into biogas upgrading to vehicle fuel

1.2. Challenges faced

Did the UNCT face any major challenges in the preparatory phase? Briefly explain the challenges, their impacts, and how you overcame those.

- Administrative issues, related to the handling of headquarter support costs, restricted the ability of resources for proposal development to be transferred from the lead P-UNO (UNICEF) to partner P-UNO (UNDP) during the preparatory phase. Different modalities were jointly explored to resolve this challenge, and ultimately UNDP funded their planned contribution to preparatory work with funds from other sources – please see section 1.4 below. This impacted the delivery rate on the Joint SDG Fund contribution to date. It is proposed that the remaining funding balance is used to further develop feasibility studies for the proposed WASH and waste management investments in the CLEAN proposal – please see also section 1.5 below.
- Conflicting agendas were faced by the team leading proposal development due to the need to respond to flooding and support the Covid-19 response in Cambodia in 2020. This challenge was managed through teamworking, and members of the proposal development team working extra-hours on weekends, particularly in October and November.
- Some consultants were not available in country during the preparatory phase, and some time-lines were stretched, in part due to Covid-19 restrictions/working arrangement. This challenge was managed by working as much as possible with consultants and partners in country.

1.3 Partnerships leveraged

Did you leverage new partnerships during the preparatory phase (e.g. government, private investors, IFIs, bilateral/multilateral banks, etc.)?

- Yes
 No

Provide in bullet points the main highlights on strategic partnerships and with whom.

A list of CLEAN JP partners is presented in our proposal. Some key new partnerships leveraged with private sector and IFIs during the preparatory phase were:

- Mekong Strategic Partners (MSP) – this private sector investment firm was leveraged to develop the design of the CLEAN JP financial vehicle, including its relationship with the Cambodia Climate Facility. During the preparatory phase the MSP have committed to blending CLEAN funds with GCF funding for CLEAN investment deals in climate sensitive water and waste reuse businesses.
- GAEA Plc. – this private waste management company was leveraged as part of the process of engaging with potential service providers in the challenging area of waste management during the preparatory phase. In connection to the CLEAN JP GAEA has expressed interest in investing in expanding waste management activities with the aim to prolong the lifetime of landfills and generating income from composting.
- Asian Development Bank (ADB) – ADB staff and consultants provided information and technical inputs during proposal development, helping to identify gaps in their investment portfolio where the CLEAN JP could provide added value. These elements were included in the CLEAN JP proposal, positioning the JP well to achieve future leverage during the proposed implementation phase.

1.4. Co-funding mobilized

Did you secure additional funding or in kind support for the proposal during the preparatory phase?

- Yes
 No

If yes, please include amounts committed during the prep-phase.

Source of funding	Yes	No	Type? (\$ or in kind support)	Name of organization	Amount (USD)	Comments
Government	<input type="checkbox"/>	<input type="checkbox"/>				

Donors/IFIs	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<i>In kind</i>	<i>Asian Development Bank (ADB) and ADB consultants</i>	<i>NA</i>	<i>Provided time and information through technical exchanges during proposal development</i>
Private sector	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<i>In kind</i>	<i>Mekong Strategic Partners</i>	<i>NA</i>	<i>Provided time and information through technical exchanges during proposal development</i>
UN/PUNOs	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<i>In kind</i>	<i>UNDP</i>	<i>37,838</i>	<i>Salary</i>
			<i>Core funding</i>	<i>UNDP</i>	<i>24,576</i>	<i>Consultants</i>
			<i>In kind</i>	<i>UNICEF</i>	<i>26,410</i>	<i>Salary</i>
			<i>Additional funding</i>	<i>UNICEF</i>	<i>6,452</i>	<i>Financial contribution to partnership with GRET for work contributing to proposal development</i>
Other partners	<input type="checkbox"/>	<input type="checkbox"/>				

1.5. Budget changes (if relevant)

If there were changes in the actual budget from the one shared as part of the Fund Transfer Request, please briefly justify these changes.

Please, explain briefly:

A balance on the grant currently remains available due to challenges faced in transferring funds from the lead P-UNO (UNICEF) to partner P-UNO (UNDP), resulting in UNDP funding preparatory work from other sources during the preparatory phase (please see also section 1.2 above). Preparatory funding received from the Joint SDG Fund has been fully included in the CLEAN JP proposal, and it is proposed that the remaining funding balance is used to further develop feasibility studies for the proposed WASH and waste management investments in the CLEAN proposal.