

Climate Finance for WASH: Cambodia



Water, sanitation and hygiene (WASH) is integral to supporting community climate resilience that ensures no one is left behind. Inclusive, climate-resilient WASH goes beyond infrastructure to ensure that solutions meet the needs of the most marginalised and can continue functioning in the face of climate hazards.

Accessing climate adaptation financing for WASH projects has been a challenge for civil society organisations (CSOs) due to a number of procedural, design and systemic barriers. This brief provides a short overview of the climate finance available for the WASH sector in Cambodia. It identifies the main barriers to climate finance access and highlights proven pathways to funding. It also recommends ways for CSOs and funders (primarily donor governments and multilateral development banks) to improve access to funds for climate-resilient WASH. It is one of a series of briefs covering several countries in the Asia and Pacific region. It is based on analysis of secondary data from a desk review and interviews with key climate finance stakeholders¹ in late 2022.

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Introduction

Cambodia submitted its first Intended Nationally Determined Contribution (INDC) in 2016 and its updated NDC in 2020. WASH was not part of the initial NDC but is referred to in the updated document, which highlights water – and particularly water resources – as a key priority area for action. The government has estimated the total funding required for adaptation to be just over USD2 billion, with water one of the areas needing most funding (the specific estimated requirement is approximately USD469 million). The Ministry of Health and Ministry of Rural Development reference WASH within their plans, mostly with respect to health facilities.



In Cambodia, water scarcity, extreme flooding, and deforestation are intensifying and will have a disproportionate impact on the rural poor

Overview of Cambodia's climate finance for WASH

Civil society organisations can access financing in Cambodia from multilateral donors, bilateral partnerships and private sector organisations. Some of the major funds are described below.

Large global funds

The Green Climate Fund

- Cambodia has four Green Climate Fund (GCF) projects totalling USD104 million, including three multiple country programs, focused primarily on mitigation in energy, infrastructure and agriculture support sectors.
- The country's readiness program highlights the need for investment in WASH as part of climate change investment.
- Currently there are no private sector GCF accredited entities in Cambodia, but efforts are underway to establish a climate financing facility that would be administered by the Cambodian Agricultural and Rural Development Bank (ARDB). The financing facility would be geared towards providing debt to green projects, including piped water supply.

The Adaptation Fund

- Cambodia has three Adaptation Fund projects, including two directly for the country (approximately USD10 million); both include water supply elements. There is also a regional project focusing on groundwater resources in the Greater Mekong region across four countries (USD4.9 million).
- Domestic water supply is considered in the projects alongside larger demands on water resources, such as agriculture. Water supply is highlighted as essential to support gender equality, with participation of women and girls vital to designing climate adaptation interventions related to water management.

Global Environment Facility

- The Global Environment Facility (GEF) lists USD468 million of funding to Cambodia, but this includes many grants that benefit multiple countries through regional programs.
- None of the GEF projects at national level have a particular WASH focus, but several include water resources management and protection of watersheds.
- The GEF's small grants program has funded 115 projects with a total value of USD4.1 million. Only three of these projects mention WASH (around USD120,000).

Regional funds

The Asian Development Bank

- The Asian Development Bank (ADB) manages several regional mechanisms that provide climate finance. They include the Association of Southeast Asian Nations Green Recovery Platform,² the Australian Climate Finance Partnership³ and the Asia-Pacific Climate Finance Fund.⁴
- In 2021, five ADB-financed projects in Cambodia included water and urban infrastructure. They supplied almost USD5.5 million for mitigation activities and over USD30 million for adaptation activities, including the Livable Cities Investment Project.

Bilateral funds

Cambodia receives funding from many bilateral organisations. This funding is increasingly in the form of loans as opposed to grants and channelled through government ministries.

The European Union

- The Multiannual Indicative Programme (MIP) sets out the plans and priorities of the European Union (EU) until 2027. The current 'team Europe' approach ensures that member states will prioritise similar intervention areas. WASH is not a focus area of the EU MIP for Cambodia, and there is currently only around EUR1.5 million earmarked for WASH activities in rural areas.
- The MIP documents the largest donor allocations for climate projects. The largest donors for WASH programming are France, the European Investment Bank (EIB), ADB, Japan and the World Bank.⁵
- Other EU-funded initiatives, including the EUR112 million Cambodia Programme for Sustainable and Inclusive Growth in the Fisheries Sector, have climate-sensitive areas of focus. They aim to protect fisheries, human health (including water and sanitation), and livelihoods around the Tonle Sap Lake and coastal areas, but are not explicitly focused on climate.

Australian Government Department of Foreign Affairs and Trade

- Several Australian Government Department of Foreign Affairs and Trade (DFAT)-funded projects include a WASH and/or water resources focus. For example, Water for Women, which has a particular focus on climate resilience, is currently funded until December 2024.

- The recently launched Cambodia–Australia Partnership for Resilient Economic Development will provide AUD87 million over five years to support resilient and sustainable growth, including in water supply infrastructure.⁶
- DFAT is also supporting water security initiatives for the Mekong Region, and is working with the World Bank to provide technical assistance to government ministries such as the Cambodian Ministry of Industry, Science, Technology and Innovation and Ministry of Water Resources and Meteorology.

International financial institutions

- The World Bank and EIB provide key support for WASH infrastructure. The World Bank is currently planning a new investment of USD125 million to support the Cambodian government with water security (an agreement is planned to be signed in 2023). The EIB has already made significant investments in urban water supply in Cambodia, such as for the Bakheng Water Treatment Plant.⁷



Photographs taken of the road from Samroang Saen Commune from the same vantage point during the dry season in June 2022 verses the wet season in October show the extent of flooding experienced in this part of Kampong Chhnang Province
Credit: iDE / Tyler Kozole / Miguel Jeronimo Photography

Other funding opportunities

- Climate-oriented financing for WASH in the private sector has been rare and limited to clean water solutions. For example, Nexus for Development, a Singapore-based non-governmental organisation, provides scale-up capital support to social enterprises working in sustainable energy and clean water. Through its Pioneer loan facility, Nexus for Development has provided flexible, low-rate, uncollateralised loans to businesses, including TapEffect and KWSH, both of which are working to expand piped water utilities and networks in rural Cambodia.
- Carbon credits offer an avenue for private sector-driven climate finance for WASH. Hydrologic, a social enterprise owned by iDE, produces and sells ceramic water purifiers in rural Cambodia. It sells carbon credits connected to its water purifier sales, proportional to the greenhouse gas (GHG) emissions prevented by filtering rather than boiling water.
- As noted, the Cambodian ARDB is proceeding with developing a loan structure to receive GCF financing. Mekong Strategic Partners, with support from the United States Agency for International Development and in partnership with the Korean Development Bank and ARDB, is leading this effort. If this facility is developed and GCF approves the structure, the ARDB will receive a 20-year loan worth USD100 million. The ARDB will then provide flexible financing to Cambodian enterprises working in climate-focused sectors, including piped water, renewable energy, energy efficiency, transportation, sustainable agriculture and farming. Grants for technical assistance may be attached to some loans to support enterprise capacity building, systems development and environment strengthening. These grants should enable non-private sector organisations, including CSOs, to engage with the climate financing facility developed by ARDB.

Barriers to CSOs accessing finance

Top three barriers to CSOs

- 1. Lack of understanding and evidence of the connection between WASH-related activities and climate resilience.** Although there are some exceptions, little evidence exists about the impacts of WASH on climate change mitigation in most rural contexts. Therefore, in Cambodia and elsewhere, WASH projects are usually eligible solely for adaptation and resilience-focused climate funding. Interviewees raised the risk of some companies using climate finance as a means of greenwashing, and highlighted that integrating climate change into other project activities is often limited to 'climate sensitive' rather than resilient and transformative activities. Cambodia has not officially defined climate-resilient WASH and related domains (including safely managed sanitation), so no clear standards exist. Consequently, donors and CSOs vary widely in their approaches to categorising and quantifying climate resilience in the context of WASH services or infrastructure. Additionally, there is little evidence in Cambodia of practical solutions to climate resilience for WASH, particularly for adaptation. These factors make it hard for CSOs to present donors with well-justified projects that tackle both climate resilience and WASH.
- 2. Low quantity of funding available for adaptation and for WASH.** In Cambodia, large institutional donor funding for WASH appears to have declined in recent years. One donor highlighted that WASH programming did not come to mind naturally — unlike sectors such as energy — when considering climate change. This perception translates into few opportunities for WASH and climate change funding. Support from non-traditional funders for WASH implementers has increased, but climate finance, particularly from the private sector, has often been focused on mitigation over adaptation. This is largely due in part to the ease of quantifying mitigation (that is, prevention/reduction in GHG emissions) compared with adaptation or resilience. As noted above, this disadvantages WASH implementers, because most WASH development work is categorised as adaptation, not mitigation. When private climate-financing investments in WASH have occurred in Cambodia, their entire focus has been on clean water solutions rather than sanitation. Sanitation enterprises are relatively small in Cambodia, and only a few can demonstrate the capacity and scale to generate investor interest. In the clean water space, however, private sector interviewees noted difficulty in finding local water enterprises with the capacity to receive investments.
- 3. Stringent donor processes that are also potentially mismatched to WASH initiatives beyond large-scale infrastructure.** Donors' stringent requirements made applying for climate funding unrealistic, particularly for smaller CSOs in Cambodia. Donors highlighted lack of policy and detailed climate analysis as reasons for not providing funding to CSOs. Few donors offer feedback and tailored support for failed funding applications, and many CSOs remain poorly equipped to apply for climate funding. Some funders have indicated that their funding models are more suited to large infrastructure projects, and that specific WASH needs in the most challenging communities can be hard to fund. This structural problem affects WASH implementers who lack the capacity or mandate to construct large-scale infrastructure.

Recommendations and opportunities

For civil society

- CSOs and researchers should generate quantitative evidence about the vital role of WASH in building resilience to climate change. This is especially true for sanitation, which is often neglected in favour of clean water solutions in the context of climate funding. Evidence of communities' improved capacity and resilience will support the case for more WASH investment as part of climate funding.
- CSOs should link their work directly to climate change (for example, Hydrologic offering carbon credits based on filtering rather than boiling water).
- CSOs should explore linkages between their work and the private sector. Non-traditional funding in the form of technical assistance grants, carbon credit sales or other industry-focused initiatives may be useful sources of revenue for implementers.

For more information, see Water for Women's finance brief for civil society organisations: [Improving opportunities for civil society to access climate adaptation funding for WASH](#)

Pathways to access funding



Provide clear evidence of climate-related need for proposed project interventions



Support sector-wide efforts to build evidence about WASH's contribution to resilience and mitigation and the impacts of climate hazards on WASH



Link proposed activities directly to climate mitigation or adaptation outcomes



Check what else is being done and reference and build on existing climate programs



Directly align proposals with national targets and plans



Seek to collaborate with other sectors so that WASH is included as part of larger programmes



Build and maintain relationships with donors and advocate for inclusion of WASH in future programs

For funders

- There is strong ambition for universal WASH access in Cambodia, but it is essential that the government makes it climate-resilient. At present, Cambodia lacks definitions of and standards for climate-resilient infrastructure. Funders can facilitate development of definitions and standards with the aid of CSOs and researchers.
- Funders should go beyond integrating climate in WASH programming to recognise the need for WASH to assist in climate adaptation initiatives. Specifically, it is recommended that funders dedicate attention to historically under-prioritised components of the WASH sector, notably sanitation, that risk being left behind.
- To support CSOs to adopt an integrated approach to WASH and climate change, funders should invest in the development of evidence about the link between WASH and the climate, which may involve providing funding to pilot novel approaches, research, technologies and monitoring systems.

For more information, see Water for Women's finance brief for funders: [Accelerating adaptation finance for climate-resilient WASH in Asia and the Pacific](#)

Conclusion

Cambodia faces significant climate risks, particularly related to the hydrological cycle, which are likely to worsen in the future unless any action is taken. The connection between WASH and climate change still lacks evidence, is ill-defined and generally poorly understood by implementers, funders, and government in Cambodia. It is essential that funders, government and CSOs work together to create a shared understanding of and standards for climate-resilient WASH.

The market for private sector investment in climate-resilient WASH in Cambodia remains untapped. A few examples of climate financing exist, but WASH is often regarded as part of adaptation rather than mitigation, and all examples of climate-focused WASH financing have been for clean water rather than sanitation. It is important that CSOs and the private sector engage to identify ways in which climate financing can be dedicated to WASH priorities. Otherwise, the WASH sector in Cambodia risks being unable to secure sufficient resources to meet its pressing needs.



In Cambodia's Tonlé Sap Lake region, the health, lifestyles and livelihoods of households are tied to the lake and significantly impacted by changes in the area's climate and environment

Credit: Miguel Jeronimo Photography

Endnotes

- ¹ ActionAid, the Australian Government Department of Foreign Affairs and Trade (DFAT), European Union (EU), Gret, Hydrologic, iDE, Mekong Strategic Partners, Nexus for Development, Teut Saak, World Bank
- ² Asian Development Bank, *Launch and announcement of support: ASEAN Green Recovery Platform - Masatsugu Asakawa* [speech], COP26, Glasgow, 2 November 2021, accessed from <https://www.adb.org/news/speeches/launch-support-asean-green-recovery-platform-masatsugu-asakawa>
- ³ Asian Development Bank, *Australian Climate Finance Partnership*, ADB, 2023, accessed from <https://www.adb.org/what-we-do/funds/australian-climate-finance-partnership>
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- ⁵ European Union, *Kingdom of Cambodia Multi-annual Indicative Programme 2021-2027*, EU, 2022, accessed from https://international-partnerships.ec.europa.eu/system/files/2022-06/mip-2021-c2021-9076-cambodia-annex_en.pdf
- ⁶ Australian Government Department of Foreign Affairs and Trade, *New Cambodia-Australia Partnership for Resilient Economic Development* [media release], DFAT, 17 September 2022, accessed from <https://ministers.dfat.gov.au/minister/tim-ayres/media-release/new-cambodia-australia-partnership-resilient-economic-development>
- ⁷ European Investment Bank, *Cambodia: the EU grants EUR12.7 million to deliver safe, drinking water to some of Phnom Penh's poorest neighbourhoods* [media release], 18 May 2020, accessed from <https://www.eib.org/en/press/all/2020-119-cambodia-the-eu-grants-eur-127-million-to-deliver-safe-drinking-water-to-some-of-phnom-penh-s-poorest-neighbourhoods>

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Header image: More than three million people live along Cambodia's Tonlé Sap — the largest freshwater lake in Southeast Asia and a climate-vulnerable part of the country. Credit: Miguel Jeronimo Photography

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Limitations: The finance information in this brief was collected from online sources and interviews and was correct when compiled. Unfortunately, reporting of WASH and climate finance in Cambodia is not comprehensive; most figures provided represent total funds invested or available.



Learn more
wfw.fund/WASHFinancing

About Water for Women

Water for Women supports improved health, gender equality and wellbeing in Asian and Pacific communities through socially inclusive and climate-resilient water, sanitation and hygiene (WASH) projects and research. It is the Australian Government's flagship WASH program, investing AUD154.9 million over seven years. Water for Women is partnering with civil society organisations, research organisations and local partners to deliver 40 projects in 16 countries from 2018 to 2024. Knowledge and learning are central to Water for Women, positioning the Fund as an important contributor to global knowledge development and sharing in inclusive and climate-resilient WASH. Water for Women's Learning Agenda promotes collaborative learning, knowledge development and sharing to support long-term transformative change to WASH policy and practice globally.

Find out more at
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Building Climate Change
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