

Roundtable on Financing Water

The Roundtable on Financing Water High Level Session

8th World Water Forum, Brasilia
20 March 2018

At the 8th World Water Forum in Brasilia (18-23 March 2018), the OECD, the World Water Council and the Netherlands convened a High Level Session on the Roundtable on Financing Water. The aim of the session was to disseminate key messages from the High Level Panel on Water (HLPW)ⁱ, with a focus on valuing and financing, and to identify priorities to scale up financing for water to support sustainable growth. High level representatives from governments and development finance institutions shared their views on these priorities for action.

Opening remarks were delivered by Dr. Altinbilek, World Water Council, on behalf of President Braga, highlighting key actions to bridge the financing gap for water infrastructure.ⁱⁱ These include innovative operational and practical approaches to lowering barriers to investment.

President János Áder of Hungary, member of the HLPW, highlighted that the cost of inaction (in terms of direct and indirect costs) largely outweighs the cost of investment. He emphasised the Panel's recommendation to more than double available finance for water infrastructure by mobilising domestic finance and blending public and commercial finance.

Mr. Henk Ovink, Special Envoy for International Water Affairs, Kingdom of the Netherlands and Sherpa to the HLPW, stressed the importance and centrality of valuing water to achieving the SDGs, which can be guided by 5 key principles (Box 1). Many of the benefits from water investments accrue outside of the water domain, including improving food security, health and reliable energy production. The Netherlands, in collaboration with Mexico, the World Bank, the UN and other partners, has launched the Valuing Water Leadership Coalition to further advocate for the importance of valuing water, to serve as a platform for knowledge exchange and to support the implementation of valuing water initiatives.

Box 1. The Importance of Valuing Water

Valuing water requires recognising the full range of direct and indirect benefits and risks associated with water, which may be cultural, spiritual, emotional, economic, environmental, or social. By doing so, valuing water guides a (political) dialogue and helps to set well thought out (political) priorities. It also promotes efficiency, innovation and better practices by exposing the short and long-term costs of pollution, waste and misallocation of the resource, thereby facilitating investments. Economic instruments (including pricing) and regulation that reflect the value of water can signal scarcity, avoid waste and promote conservation. The process of valuing water requires the involvement of all key stakeholders, which can help build trust. Five key principles for valuing water include:

- Principle 1: Recognise and embrace water's multiple values
- Principle 2: Reconcile values and build trust
- Principle 3: Value and protect the sources of water
- Principle 4: Educate to empower
- Principle 5: Ensure adequate investment in institutions, infrastructure, information and innovation

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Ms. Sasha Koo-Oshima, Senior International Water Advisor, Environmental Protection Agency, United States of America, highlighted that the Roundtable on Financing Water coincides well with the recent launch of the US National Infrastructure Plan. She noted that investment needs to continue to deliver affordable, reliable water infrastructure and services in the US are estimated to reach USD 680 billion over the next 20 years. To bridge the financing gap, she highlighted the scaling up of investments through the sustainable growth of the State Revolving Funds, the leveraging of the private sector through the Water Infrastructure Finance and Innovation Act (WIFIA), and the coupling of financial with technological innovations.

Dr. da Moura, CEO of ANAS, Cabo Verde shared experience developing a strategic plan for water and sanitation and setting up a revolving fund for water and sanitation with support of the US Environmental Protection Agency and the US Millennium Challenge Corporation. The revolving fund provides low cost financing for municipalities and companies, stimulating an increase in water-related investments with leveraging of the Cabo Verde Stock Exchange for the water and sanitation loans.

Mr. Guangzhe Chen, Senior Director, Global Water Practice, The World Bank Group emphasised the importance of valuing water, and how pricing can be an effective tool to mobilise additional financing for water. There is no “silver bullet” to the financing challenge and a diversity of financing mechanisms is needed. Fundamentally, utilities need to become creditworthy, which requires operational and financial efficiency. Creditworthiness can then allow utilities to tap into commercial finance.

Mr. José Carrera, Corporate Vice President of Social Development, CAF emphasised the pressing issue of social exclusion in Latin American, manifested in particular, by a lack of access to public services, including water and sanitation. The poor end up paying much higher prices for water via bottled water or truck deliveries, compared to the cost of public access. Public finance for water is still needed, as the capacity of the poor to pay for water is limited. However, there is potential for mobilising private finance, given the right risk-adjusted return, as reflected by a well-developed private market for bottled water.

Ms. Joanna Drake, Deputy Director-General, DG Environment, European Commission noted that a significant share of EU funding for environmental protection is channelled to water-related investment. She emphasised several key actions on sustainable finance adopted by the Commission in March, drawing on the recommendations of the High-Level Expert Group on Sustainable Financingⁱⁱⁱ (1) re-orienting capital flows towards sustainable investment, (2) managing financial risks related to the environment (including climate change and water), and (3) fostering transparency and long-termism in financial and economic activity.

Dr. Xavier Leflaive, Water Team Leader, OECD Environment Directorate, noted the valuable contributions of all of the speakers and indicated that the [Roundtable on Financing Water](#) will continue to advance work on these critical issues.

ⁱ High Level Panel on Water (2018) *Making Every Drop Count*, <https://sustainabledevelopment.un.org/HLPWater>.

ⁱⁱ World Water Council (2018) *Ten Actions for Financing Water Infrastructure*, www.worldwatercouncil.org/en/publications/ten-actions-financing-water-infrastructure.

ⁱⁱⁱ European Commission action plan on financing sustainable growth (2018) https://ec.europa.eu/info/publications/180308-action-plan-sustainable-growth_en.