

ENABLING POLICIES FOR FINANCING WATER-RELATED SUSTAINABLE DEVELOPMENT GOALS

REGIONAL DISCUSSION PAPER



ENABLING POLICIES FOR FINANCING WATER-RELATED SUSTAINABLE DEVELOPMENT GOALS

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Foreword

The Asia and the Pacific region is facing critical water and development related challenges, including increased competition for limited freshwater across key sectors, water and sanitation access, aging irrigation systems, and untreated wastewater discharges. The region also endures the most number of people affected by water-related disasters of any in the world. Governments of the region are facing severe pressures to provide more services, to fund their continuous water operations and maintenance, and to brace for extreme water-related events.

The 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs) provide a unique opportunity for the region to stimulate progress towards health and well-being for all, as water-related Sustainable Development Goals centre explicitly on enhancing access for all to safe water and sanitation, and the sound management of freshwater ecosystems.

The 3rd Asia-Pacific Water Summit and the 8th World Water Forum emphasized that governments need to mobilise public resources and expand opportunities for impactful investments to achieve the water related SDGs. This discussion paper is an outcome of those two regional sessions and provides an overview of existing policies and an enabling approach for financing water-related SDGs. The evidence shows that, at present, existing sources of funding do not match the need for investments to meet our region's water-related commitments with a business as usual approach. Indeed, current financing is directed primarily towards water supply and sanitation infrastructure schemes, while the achievement of all other water-related SDG targets by 2030 remains fragmented and project-based.

Considering the magnitude of the financial requirements to meet these challenges, and based on recommendations of the respective sessions, this paper proposes that public policy frameworks be enhanced to help leverage own sources of funds, creatively tap into new sources and develop innovative financing frameworks. In this regard, the policy-makers in the region have repeatedly shown an interest to create conducive policy environments that ensure certainty for institutions and businesses and robust returns on investments in their water markets.

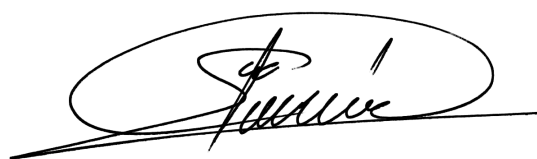
The region also needs to strengthen integrated water resources management processes to build coherence and promote better management of its water cycles, so that investments can be mobilized to help attain the water-related SDGs. Secretariats of ESCAP and the Asia Pacific Water Forum (APWF) network remain committed to supporting Member States and sharing solutions to help achieve the 2030 Agenda for Sustainable Development.

We look forward to continued collaboration and accelerating action throughout the region.



Ravi Narayannan

Chair
Governing Council of the
Asia-Pacific Water Forum



Stefanos Fotiou

Director
Environment and Development
Division, Economic and Social
Commission for Asia and the Pacific

Key Messages

- Water-related issues and SDGs are integral to the advancement of the global development agendas and there is now strong *global consensus and momentum* to address water challenges to contribute to the '2030 Agenda for Sustainable Development', the 'Paris Agreement on Climate Change', the 'Sendai Framework for Disaster Risk Reduction', and the 'New Urban Agenda'.
- Regional discussions on implementation of the global agendas have highlighted the need for innovative and sustainable financial instruments and for a regional monitoring system on the financing of water-related SDGs. The importance of these issues have been affirmed through the 'Yangon Declaration: The Pathway Forward' adopted at the 3rd Asia-Pacific Water Summit.
- Better analysis and understanding of the needs and opportunities along water cycles can help identify key intervention points to plan and mobilize impactful investments.
- The region's experiences indicate that universal access to water and sanitation services cannot be attained solely through large-scale projects and mega infrastructure financing; local, nature-based solutions and decentralized water management systems should also be incentivized.
- To enhance financing sources for the water-related SDGs, governments must identify own sources of funds to leverage concessional finance (development finance, low-interest loans, etc.) and commercial finance. As such,
 - the capacity to grow governments' own source funding must increase to generate more domestic revenue to improve water-related services;
 - when possible, the region's water service managers and providers may need to explore utilisation of commercial, and in particular, domestic finance. Public utilities in the current economic climate need to establish good impactful investment points that are stable and provide good long-term returns and minimize risks.
- Levers for accelerating the regional momentum in Asia-Pacific:
 - Transparency: public trust is instrumental and a multiplier of the efforts
 - Regional cooperation and partnerships: no organization can solve the range of issues on their own, and incentivising collaborative partnerships are important to bring together necessary expertise
 - Capacity building: to transfer and mainstream expertise and increase capacity of governments and utilities to enhance operations and maintenance
 - Credit-worthiness of public utilities: enhanced credit-worthiness and financial sustainability will facilitate greater access to financing to improve water systems.
 - Localizing global agendas: the most critical water-related issues intersect in cities, which must be engaged to untap opportunities to achieve development objectives
 - ESCAP, as well as other regional platforms and organisations, can play a key role in convening member states, local governments, multilateral development banks, civil society, NGOs, academia and others to identify regional needs, share knowledge and foster partnerships to support water-related SDGs.

Executive Summary

This discussion paper is focused on exploring policies, actions, and strategies to attain the Sustainable Development Goals (SDGs) by improving the resilience of water systems and infrastructure. This requires strategic mobilization of public resources and augmenting the opportunities for private investment. The contents of this discussion paper were developed and refined based on the outcomes of two regional sessions, coordinated by ESCAP at the 3rd Asia-Pacific Water Summit (3rd APWS, Yangon, 2017) and the 8th World Water Forum (Brasilia, 2018).

To attract investments and make progress towards the achievement of the water-related SDGs, countries in the region need to focus on policy actions and define strategic frameworks to improve the financial sustainability and resilience of water systems and infrastructure. In all presentations, shared at various intergovernmental platforms, speakers pointed out that governments should strategically mobilize public resources and expand opportunities for private investment.

Experts also shared various regional initiatives, including the lessons learned from macroeconomic perspectives as well as local level innovations. The World Bank proposed a step-by-step framework to improve the credit-worthiness of utilities; the Asian Development Bank shared the lessons learned in financing of the irrigation sector (the primary water-user of the region), which involves institutional, structural and financial reforms.

Apart from regional and national level experiences, various experts also shared practices for possible replication, such as: (i) the experiences of Japan and other disaster-prone countries in the region; (ii) the experience in developing ODA financing tools to improve water security and financing of water infrastructure of the Republic of Korea and the Peoples' Republic of China in collaboration with several developing countries; (iii) the example of privatization of operations as conducted by Manila Water; and (iv) the decentralised financing schemes for wastewater treatment systems, as shared by Indonesia. Effective regional examples are highlighted in water cycle management, raising attention to the multiple entry points for impactful investments within water cycle loops, namely in the local water cycle loop (short, such as in water recycling in a city and at the community management scale), the medium loop (in water services for food and industrial use), or in the long cycle (such as in storage, or in using cascading effects of nature in the wastewater treatment).

Common approaches that focus on solutions to improve the overall sustainability of the water sector were identified. And, discussions covered opportunities to increase partnerships at the regional level to identify regional needs, share knowledge and foster partnerships to support the water-related SDGs in Asia-Pacific, with the following potential areas of regional interventions:

- improving the planning and implementation processes by creating an overall strategy and scenarios to enhance sustainable business models for water infrastructure;
- creating funding and oversight programs and policy frameworks to incentivize decentralized water management financing systems and collaborative partnerships; and
- leveraging the role of the private sector to help attain water-related SDGs and to implement impactful investments from public and private sources.

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- Mr. Wouter Lincklaen Arriens CEO, TransformationFirst.Asia Pte Ltd, Singapore (former ADB water issues expert, Manila)
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