

# Financing a Water Secure Future

Finance has long been recognised as a central driver towards the achievement of a water secure world, including universal access to water supply and sanitation, the sustainable management of water resources and of water-related risks (floods, droughts and pollution). Water-related investments deliver substantial benefits for water security and sustainable development (OECD, 2018). Due to their cross-cutting and underpinning nature, such investments are central to achieving the Sustainable Development Goals (SDGs), the aims of the Paris Agreement, global biodiversity goals as well as contributing to a green and resilient recovery from the COVID-19 crisis.

A partial estimate of the scale of global economic losses related to water insecurity include: **USD 260 billion** per year from inadequate water supply and sanitation, **USD 120 billion** per year from urban property flood damages, and **USD 94 billion** per year of water insecurity to existing irrigators (Sadoff, 2015).

Despite the immense scale and scope of benefits from investment in water security, current levels of water-related expenditure fall well short of levels required to meet policy objectives. The world is not on track to meet the SDG 6 on water and sanitation. Finance has been identified as one of the key pillars of the UN Global Acceleration Framework for SDG 6.

At the same time, significant financial flows contribute to increasing exposure and vulnerability to water-related risks through urban development or investment in water-intensive economic activities (such as agriculture and mining) undermining progress towards SDG 6 and other local, national and global priorities. Understanding such detrimental effects and better alignment of these financing flows with policy objectives will contribute to water-resilient sustainable development.

## What is the OECD doing to accelerate action on financing for a water secure future?

Since 2017, financing water security has gained traction within OECD's programme of work. The Organisation focuses on characterising the scale of the financing challenges across a diverse range of water-related investments (e.g. water supply and sanitation, flood protection, irrigation, water resources management, etc.) and explores options to address bottlenecks through improved enabling environments and tailored financing approaches.

The OECD focuses on several key themes:

- ❑ Methods and analysis to estimate investment needs and financing capacities with work to date focused on Europe and the Asia-Pacific.
- ❑ Options for leveraging public and development finance, notably with blended finance.
- ❑ Project development process and strategic investment pathways, to inform the sequencing and design of investments.
- ❑ The role of intermediaries in expediting water-related investments.



## A dedicated platform for engagement

Established in 2017, the Roundtable on Financing Water is a joint initiative of the OECD, the Government of the Netherlands, the World Water Council and the World Bank. It provides a unique forum for action-oriented engagement between the water and the finance communities. Over the five years since its creation, the Roundtable has convened seven meetings to share a wide range of experience and good practices. The platform engages several hundred participants representing governments and regulators in developed, emerging and developing economies, as well as private financiers (e.g. institutional investors, commercial banks, asset managers, impact investors), development financing institutions, bi-lateral donors, international organisations, academia and civil society organisations.

Through partnerships with OECD member countries (the Netherlands, Israel and the United States) and key regional players (Inter-American Development Bank, Asian Development Bank, European Investment Bank), regional meetings of the Roundtable have allowed for a deeper exploration of the contextual factors that influence financing approaches in different regions. A thematic meeting on agricultural water in 2020 in partnership with the U.N. Food and Agriculture Organization provided an opportunity for focused discussions on a key dimension of water-related investment. Meeting documents including agendas, background reports, presentations and meeting summaries are available on the Roundtable webpage [here](#).

## An agenda for the future

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In 2021-22, the OECD programme of work on financing water aims to raise the level of ambition and broaden engagement. Key activities include:

### *Launching the OECD Global Observatory on Financing Water Supply, Sanitation and Water Security*

This work will provide a unique repository to:

- Document and share good practice on financing water-related investments.
- Encourage peer-to-peer learning about the policies, institutional arrangements and financing approaches required to scale up investment.
- Enhance thought leadership and horizon scanning for new developments.

### *Developing diagnostic tools and a framework to guide country-level action*

This work will:

- Develop a diagnostic tool to assess the enabling environment for water-related investment at country level. This includes quantitative and qualitative indicators assessing the strengths and weaknesses of the enabling environment.
- Develop an OECD Framework for Financing Water to distil policy recommendations on financing water, providing high-level guidance to strengthen the policies and institutional arrangements. The framework would cover:
  - development of robust financing strategies in line with the ambition of water-related investments and domestic capabilities;
  - best use of available assets (enhancing operational efficiency) and of financing resources (enhancing the efficiency of expenditure programmes);
  - recommendations to scale up investments that contributes to water-resilient sustainable growth.

- Together, these instruments would provide a robust analytical basis to inform Policy Dialogues on Financing Water at country level.

### *Pursuing analytical work to support aligning financing with a water secure future*

This work will:

- Develop a conceptual framework and review of tools and methods to inform strategic investment planning and the assessment of options for distinct pathways and investment scenarios. Methods to inform planning and prioritisation under deep uncertainty deserve particular attention.
- Deepen the understanding of the materiality of water-related risks for the financial sector and how they can be addressed through prudential regulation, disclosure frameworks and risk management approaches.

## Co-operate with us

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Accelerating action on financing water requires partnerships across multiple ministries, local authorities, central banks, financial institutions, donors, investors, NGOs and experts. The OECD welcomes partners to contribute and support this agenda:

- **Support the development** of the OECD Global Observatory on Financing Water Supply, Sanitation and Water Security and contribute with inspiring examples.
- **Inform and promote** the OECD Framework on Financing Water.
- **Support the development of tools and approaches** by sharing country data and experience to inform the development of diagnostic and planning tools.
- **Engage and participate** in the [Roundtable on Financing Water](#).

## Further reading

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[www.oecd.org/water/roundtable-on-financing-water.htm](https://www.oecd.org/water/roundtable-on-financing-water.htm)



Kathleen Dominique, Programme Lead, Financing Water (Kathleen.Dominique@oecd.org); or  
Xavier Leflaive, Team Leader, Resilience, Adaptation and Water (Xavier.Leflaive@oecd.org)



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