

OECD-WWC-Netherlands
Roundtable on Financing Water
Prospectus



Ministry of Infrastructure and the
Environment



Rationale for the Roundtable on Financing Water

The Roundtable on Financing Water is being established by the OECD, the World Water Council and the Government of the Netherlands as a response to the international community's recognition of the critical contribution of water to sustainable development and the need to ensure adequate financing for water.

The Sustainable Development Goals (SDGs) include a dedicated and ambitious water goal, and explicitly refer to water in the goals on food security, healthy lives, sustainable consumption and production, and terrestrial ecosystems. The OECD-GWP report *Securing Water, Sustaining Growth*¹ estimates that the benefits from strategic investment in water security could exceed hundreds of billions of dollars annually.

However, investment in water security falls short of global needs and the impacts on communities, economies and the environment are still significant:

- Despite the progress made in the Millennium Development Goals, more than 2.4 billion people still lack access to improved sanitation and at least 663 million do not have access to an improved water source (WHO/UNICEF Joint Monitoring Programme, 2015). Poor sanitation, water, and hygiene lead to about 675,000 premature deaths annually and estimated annual economic losses of up to 10% of GDP in some countries.
- The OECD Environmental Outlook to 2050² projects that more than 40% of the world's population is likely to be living in river basins under severe water stress; and 20% of the population will be at risk from floods. The economic value of assets at risk is expected to more than triple to USD 45 trillion between 2010 and 2050.

Investment is required to protect populations, cities, economies and ecosystems from water-related risks - risks of droughts, floods, pollution, inadequate access to safe drinking water supply and sanitation, and degradation of water-dependent ecosystems. The challenges are made more urgent due to population growth, urbanisation, increasing food demand and climate change.

Projections of water security investment needs diverge³, but they all indicate that the scale of investment ought to increase significantly. For instance, to achieve the Water-Sanitation-Hygiene component of SDG 6 by 2030, it is estimated⁴ that capital investment needs to triple and operating and maintenance costs will be commensurately higher.

Improving the effectiveness of financial systems in mobilising capital for investment in water security therefore requires urgent attention and action. Moreover, individual investments and projects must form part of a robust pathway towards a resilient water management system if the multiple benefits of water infrastructure are to be achieved cost-effectively in an uncertain future.

Recent work by the OECD highlights four sets of actions that can increase the scale and effectiveness of investment in water security and sustainable growth:

1. **Maximise the value of existing assets for water security investments.** Improving the operational efficiency and effectiveness of existing infrastructure and service providers can postpone investment needs and is a prerequisite to further investment in water security. This can be enhanced through better operation and maintenance of infrastructure, demand management, and engagement with stakeholders.
2. **Select investment pathways that maximise water security returns over time.** This requires performing rigorous triple bottom line analysis on sequences (or portfolios) of projects and carefully considering how pursuing a specific project may foreclose or enable future investment options. This also needs to be supplemented by analysis of how the system performs over time under different scenarios.
3. **Ensure synergies and complementarities with investments in other sectors,** especially urban development, food and energy sectors.
4. **Scale-up financing through improved risk-return frameworks** in order to enable public and private actors (including water users) to earn returns commensurate to the risks they take (*OECD Policy Perspectives on Water, Growth and Finance*, 2016).

1. Sadoff C. et al. (2015), *Securing Water, Sustaining Growth, report on the GWP-OECD Task Force on water security and sustainable growth*, University of Oxford, UK.

2. OECD (2012), *Environmental Outlook to 2050*, OECD Publishing, Paris.

3. Winpenny J. (2015), *Water: fit to finance?*, report of the OECD-WWC High-level panel on financing infrastructure for a water secure world, WWC, OECD.

4. Hutton G., Varughese M.C. (2016), *The costs of meeting the 2030 sustainable development goal targets on drinking water sanitation, and hygiene*, The World Bank.

The Roundtable on Financing Water

Aim of the Roundtable

The aim of the Roundtable on Financing Water is to facilitate the flow of financing and investments that contribute to water security and sustainable growth by:

- Diagnosing the barriers and opportunities in securing finance for water infrastructure and investments.
- Deepening understanding of the priority and context-dependence of addressing water security as a critical component of the SDGs.
- Building understanding of the necessary policies and enabling conditions to effectively address these challenges and highlighting key research and knowledge gaps that hinder market development.
- Developing practical recommendations for action.

The Roundtable will provide a global public– private platform for knowledge exchange and effective engagement, collaboration, and action built on open dialogue and exchange between key actors in the water and finance sectors. It will engage a diversity of actors, including governments and regulators in developed, emerging and developing economies, institutional investors, the private sector, international organisations, philanthropic organisations, academia and civil society organisations.

The Roundtable will organise high-impact events, basing its discussions on rigorous, innovative and compelling analyses and practical recommendations. It will support the broader creation, dissemination, and exchange of data, information and analysis on investments that contribute to water security and sustainable growth, globally amongst the public and private sectors. Identifying opportunities for collaboration to address knowledge gaps and market challenges will be a key role of the Roundtable.

Channels of influence

The Roundtable is a multiyear initiative. It will be centred on an annual meeting, which will bring together key actors in the water and finance sectors. The Roundtable will convey its messages at related events, including:

- The triennial World Water Forum event, co-organised by the World Water Council. The Forum includes among others a political and a thematic process, where financial issues are tackled by different stakeholders.
- Other conferences, events and initiatives that engage with impact investors or development financiers; this includes (but is not limited to) annual meetings of key multilateral development banks.

As well as direct impact from its publications or statements, the Roundtable will directly inform engagement in related key international initiatives, including:

- The G20-OECD High-Level Roundtable on Institutional Investors and Long-Term Investment.
- The G20, which is focusing on greening the international financial system.
- The joint UN and *World Bank Heads of State High-Level Panel on Water*. The OECD and the World Water Council will be advising the Panel on water finance and investment, and on water and growth, as “Friends of the High-Level Panel”.
- The *OECD Centre on Green Finance, Investment and Policy*, which brings together key stakeholders to help catalyse and support the transition to a green, low-emissions and climate-resilient economy. This includes OECD’s Green Investment Financing Forum.

Thematic focus of the Roundtable

The Roundtable will aim to understand what can be done to better mainstream investments that effectively contribute to water security in the portfolio of financing institutions and corporations; it will explore how policy and enabling conditions can facilitate such mainstreaming. To achieve this objective, it will contribute thought leadership on:

- Horizon scanning and gathering intelligence, including stocktaking of existing work on water financing, identification of misalignments and knowledge gaps that prevent water from attracting increased and diversified finance. This also includes developments in related sectors, such as renewable energy or cities’ resilience.
- How to characterise robust pathways of investments? How to turn them into bankable options for investors? Analytical work is required to characterise investments that contribute most to water security and sustainable growth. Attention will be given to both green and grey infrastructure.
- How to blend different sources of finance? Different types of investors (domestic and foreign; debt and equity; commercial and institutional) have an appetite for different types of risk and investments. How can complementary risk profiles be combined? What are the most beneficial roles for development finance to de-risk investments in water security and sustainable growth?
- How to package investment in water security into arrangements or service contracts that generate attractive risk-adjusted returns? This requires a new approach to pricing water and water-related services, taking account of practical and political difficulties. How can pricing instruments capture some of the value accrued by investment in water security? What business models can contribute to generating stable revenues to recoup investment?
- A deeper focus on the project development process to improve understanding and capacity to bring forward investment projects that effectively contribute to water security and sustainable growth and that have political and financial credibility.

Getting started

The first meeting of the Roundtable will be held on 12-13 April 2017, at OECD Headquarters in Paris. The objective of the meeting is to generate political buy-in to the issue of water and finance. It will be supported by the following elements:

- Roundtable discussions, held under the Chatham House Rule to foster open dialogue. They will focus on: i) financiers' expectations when considering investment in water security; ii) better understanding risks and potential returns associated with investment in water security, and options for their allocation; iii) pathways that contribute most to water security and sustainable development; and iv) how to blend public and private funding to make investments more viable for the private sector. A programme of work and timeline will be developed.
- A discussion paper. It will explore i) lessons learned from rapidly growing investment in other sectors (e.g. renewable energy); ii) clustering countries in ways that are relevant for investment in water security and sustainable growth; iii) a typology of water-related investments, and of investor profiles; iv) current obstacles and potential solutions for water security investments.

Depending on funding, the Roundtable will also organise events jointly with external organisations (see above; other events may be considered, with intergovernmental organisations, governments, financiers, regional or global networks or associations).

Join the Roundtable on Financing Water

Partners of the *Roundtable on Financing Water* will take part in this unique, international multi-stakeholder platform. Partners will be able to amplify their impact by leveraging the Roundtable's convening power and ability to promote the adoption of best practices by governments.

For more information, please contact:

Xavier Leflaive | Water Team Leader
Climate, Biodiversity and Water Division
OECD Environment Directorate
Xavier.Leflaive@oecd.org

Tom Soo | Executive Director
World Water Council
t.soo@worldwatercouncil.org

www.oecd.org/water
water@oecd.org
www.worldwatercouncil.org



April 2017