

Ensuring availability and sustainable management of water and sanitation for all: Domestic Resource Mobilization and Innovative Finance

Side Event Proposal on Financing Universal Access to Water and Sanitation Services by 2030
15th of July 2015 10.00-12.30
Third International Conference for Financing for Development in Addis Ababa, Ethiopia



Ministry of Foreign Affairs



Abstract

The 2015 Global Risks report of the World Economic Forum identifies the occurrence of 'Water Crises' as the number one global risk in terms of impact and number eight in terms of likelihood. Having the above in mind and banking on experience with concrete examples of water financing, both domestic and within international development programs, the Dutch Minister for Foreign Trade and Development Cooperation convenes a High Level side event to discuss the potential for increased domestic resource mobilization and innovative financing to help ensure availability and sustainable management of water and sanitation for all. This side event is to obtain different perspectives on how water and sanitation can be financed and how that should be reflected in the outcome document.



Introduction

The outcome document of the Third International Conference on Financing for Development in Addis Ababa, Ethiopia, will shape the set of economic and financial policy actions at domestic, regional and international levels to realize a renewed and strengthened global partnership for sustainable development. The United Nations General Assembly explicitly recognizes the human right to water and sanitation and acknowledges that safe drinking water and sanitation are essential to the realization of all human rights. Today, the challenge of ensuring availability and sustainable management of water and sanitation for all is global, and growing. This is exactly the challenge of proposed Sustainable Development Goal (SDG) #6. The focus of this SDG is explicitly broader than WASH.

Water has recently (2015) been identified as the number one global risk in terms of impact and number eight in terms of likelihood for the coming ten years by the World Economic Forum at Davos. However, the preceding two International Conferences on Financing for Development and other large



development political meetings have had little room for addressing specific sector needs. The pace of progress has been slow and without major financial innovation in the sector, we will not reach universal access by 2030.

The Global Water Partnership, the World Water Council and the 3rd World Water Forum commissioned an expert panel to produce a report on Financing Water for All. This reportⁱ was published in March 2003, exactly one year after the Monterrey consensus concluded that private finance interest in water is limited. More than a decade later, in the wake of the transition from Millennium Development Goals to Sustainable Development Goals, the United Nations Intergovernmental Committee of Experts on Sustainable Development Financing stressed more clearly than ever that more domestic resource mobilization (according to the 3T's principleⁱⁱ) and innovative finance (also mentioned in OECD, 2015ⁱⁱⁱ) is conditional for achieving the SDG's. GWP and OECD (2015^{iv}) stress that a wholly monetized value for global water security cannot be provided. However, taking the economic risks of water security that can be monetized as a lower bound, the scale of the challenge exceeds hundreds of billions of dollars annually.

Indeed, significant investment is needed, but the cost-to-benefit ratios of water and sanitation investment are high, with the benefits exceeding the cost of an intervention by 3 to 6 times depending on the type, from achieving universal access to basic sanitation at home to eliminating open defecation^v. Inadequate sanitation causes a loss of several percentage points of GDP in many countries around the world. WHO places estimates for losses due to inadequate water and sanitation services in developing countries at a total of US \$260 billion a year, 1.5% of global GDP – or up to 10% of GDP for some very poor countries^{vi}. A recent report published by GWP and OECD indicates that water insecurity is a drag on economic development in the order of US \$500 billion annually - excluding environmental and other non-monetized impacts^{vii}.

Since ODA would only be able to provide a small share of the necessary investments, we need to mobilize more (domestic) resources, both public and private, and apply innovative financing mechanisms to use and leverage those resources. By introducing a focus on greater efficiency

throughout the water investment cycle from design through construction to ongoing operation and maintenance it is expected that cash flows would improve. In turn improved cash flows will increase the attractiveness of water projects to investors and financiers. Over time, the credibility of water authorities, companies, and project sponsors in capital markets will grow, reinforced by a stronger pipeline of 'bankable' projects^{viii}. Further, the United Nations has identified global funds as an important tool to enable member countries to achieve their national development targets, including those for sanitation and hygiene^{ix}.

Banking on experience with concrete examples of water financing, both domestic and within international development programmes, the Dutch Minister for Foreign Trade and Development Cooperation convenes a high level side event during the Third International Conference on Financing for Development in Addis Ababa, Ethiopia. Co-conveners are: DFID, EIB, IRC, OECD (tbc), SWA, UNSGAB, UNICEF, UN-Water, USAID, WaterAid, Water.org, The World Bank Group, WSSCC/Global Sanitation Fund.

Objectives of the side event

- To exchange knowledge about appropriate funding and finance options to ensure availability and sustainable management of water and sanitation for all by 2030.
- To mobilize political momentum for designing and implementing funding and financing instruments specifically for water security sustainable universal access to safe water and sanitation by 2030.
- To advocate for ensuring availability and sustainable management of water and sanitation for all by 2030 as a priority in to the outcome document of the Third International Conference on Financing for Development.
- To agree on key milestones towards designing financial instruments and implementing funding and financing instruments specifically sustainable universal access to water and sanitation by 2030

Time, duration, location, moderation

Date: 15 th of July 2015	10.00-12.30
Location: Hilton Hotel	Menelik II Avenue, Addis Ababa, Ethiopia
Chair: Christiaan Rebergen DGIS	Panel Moderator: Catarina de Albuquerque, Vice-Chair SWA

Target audience (100 persons)

Ministers of Foreign Affairs and ambassadors present in Addis Ababa, Sectors Ministers and Ministers of Finance, Heads of Delegation, Heads of Organization, Technical experts, Donors, UN Organizations, The World Bank Group, Civil society/Business sector

Tentative programme

Time	Topic and mode of presentation	(Possible) presenters
10.00 – 10.03	Opening and welcome by chairman of the meeting	Christian Rebergen (Director General for International Cooperation of the Ministry of Foreign Affairs of the Netherlands)
10.03-10.13	Putting the following questions forward: <ul style="list-style-type: none"> Why should ensuring availability and sustainable management of water and sanitation for all be a priority in the FfD outcome document What options do we have to address the problem? International trade as an engine for development Announcement on setting up 10 'Water Financing Facilities' 	H.E. Mrs. Lilianne Ploumen (Minister for Foreign Trade and Development Cooperation of the Kingdom of the Netherlands)
10.13-10.23	Address the meeting, recall the HLM commitments, and challenges ahead.	H.E. Mr. Ato Alemeyu Teganu (Minister of Water, Irrigation and Energy Federal Democratic Republic of Ethiopia)
	Key notes on how speakers see financing of the water sector in the future and how should this come forward in the outcome document of the FfDIII Conference.	
10.23-10.30		Jan Eliasson (UN deputy secretary general of the UN) (tbc)
		Professor Jeffrey D. Sachs (Director of The Earth Institute) (tbc)
10.30-10.37		Angel Gurría, (Secretary-General of the OECD) (tbc)
10.37-10.44		Bertand Badre (Managing Director and Chief Financial Officer of the World Bank)
10.44-10.51		Tony Lake (UNICEF) (tbc)
10.51-10.58		H.E. Mrs. Prof Judy Wakhungu Cabinet Secretary, Ministry of Environment, Water and Natural Environment of Kenya (tbc)
10.58-10.55	Sanitation and hygiene delivery mechanisms: pooled finance/blended finance through the Global Sanitation Fund	Chris Williams (WSSCC/Global Sanitation Fund)
10.55-11.00		Director NWB Fund (tbc)
11.00-11.05	Introduction of the panel by moderator and SWA Commitments	Catarina de Albuquerque, Executive Chair SWA
11.05-11.20	Break	
11.20-12.10	Panel discussion <ul style="list-style-type: none"> Role of public finance and blended finance Using capital markets to fund utilities/large infrastructures Public resources for water programmes targeting the poorest/most vulnerable	Moderator: Catarina de Albuquerque, Vice-Chair SWA Panel members: H.E. Dr. Johanita Ndahimananjara, Minister of Water, Hygiene and Sanitation of Madagascar (tbc), Seth Terkper, Minister of Finance of the Republic of Ghana (tbc) Director General DFID, Wateraid (tbc), Jeff Seabright, Unilever (tbc), Mr. Clive Harris, Manager of the Public Private Partnerships Cross Cutting Solutions Group, The World Bank Group.

12.10-12.20		H.E. Mrs. Lilianne Ploumen (Minister for Foreign Trade and Development Cooperation of the Kingdom of the Netherlands) and H.E. Mr. Sufian Ahmed, Minister of Finance and economic development of Ethiopia (tbc)
12.20-12.30	Signing Ceremony MoU Government of the Netherlands & European Investment Bank	H.E. Mrs. Lilianne Ploumen (Minister for Foreign Trade and Development Cooperation of the Kingdom of the Netherlands) and Pim van Ballekom (Vice-President EIB)

ⁱ 'Financing water for all' under chairmanship of Michel Comedessus, dated March 2003.

ⁱⁱ OECD (2009) Managing Water for All: an OECD perspective on pricing and financing

ⁱⁱⁱ OECD (2015) "Financing for urban water management" in Water and Cities: Ensuring Sustainable Futures, OECD Publishing.

^{iv} Global Water Partnership and the Organisation for Economic Co-operation and Development, "Securing Water, Sustaining Growth", 13 April 2015. Available at: <http://www.ox.ac.uk/news/2015-04-13-water-insecurity-drag-global-economy-0>

^v Greenhill, R, and Ali, A. 2013. Paying for Progress: How will emerging post-2015 goals be financed in the new aid landscape? ODI Working Paper 366. Available at <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8319.pdf>.

^{vi} World Health Organization (2004), "Costs and benefits of water and sanitation at the global level". Available at http://www.who.int/water_sanitation_health/wsh0404summary/en/.

^{vii} Global Water Partnership and the Organisation for Economic Co-operation and Development, "Securing Water, Sustaining Growth", 13 April 2015. Available at: <http://www.ox.ac.uk/news/2015-04-13-water-insecurity-drag-global-economy-0>

^{viii} OECD (2015) Water: Fit to Finance?

^{ix} See draft outcome document for the forthcoming Addis Ababa Accord of the Third International Conference on Financing for Development, and the UN Sustainable Development Solutions Network Financing or Sustainable Development report and its Role of Global Funds in a Post-2015 Development Framework Document.