



OECD Water Programme

“Sustainable Financing to Ensure Affordable Access to Water and Sanitation”

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Global Forum on International
Investment – 28 March 2008

Key Policy Questions

The Programme addresses the economic basis for sustainable water and sanitation (WATSAN) service provision & sound water resources management.

It helps address two related sets of policy questions of high priority in the international community agenda:

- How to overcome the financial obstacles to the provision of adequate, affordable and sustainable WATSAN services for all, while ensuring revenue sufficiency for service providers
- How to improve the use of economic incentives to encourage management of water resources (and their associated watersheds) that is both economically efficient and environmentally sustainable

Programme Rationale

Water and Sanitation Services:

- Ensuring sustainable financing to operate, maintain, expand, & upgrade infrastructure is essential to achieving access to water and sanitation for all
- Tariffs for WATSAN services can play a crucial role, but policy-makers must reconcile potentially conflicting policy objectives
- Therefore, additional sources of financing must also be identified, including increased ODA flows as well as new and innovative financing solutions
- Part of the solution may come from the involvement of private investors & financiers, but the effectiveness of their engagement needs to be improved
- Developing countries face great difficulties in closing the financing gap, so that a special effort is needed for them to develop realistic finance strategies

Water Resources:

- Improved management of water resources can also benefit from the use of water charges and other economic instruments
- The implementation of water pricing and sustainable water management in the agriculture sector face great challenges and deserve special focus

Programme Focus: Who does what?

The Programme focuses on issues where value added specific to the OECD was identified:

1. Share good practices and experiences : (i) water pricing and financing of WATSAN services and (ii) the use of economic instruments for water resources management – Environment, Trade & Agriculture and Development Cooperation Directorates
2. Help developing country governments prepare realistic finance strategies for WATSAN infrastructure – ENV
3. Develop practical guidance for engaging private investors in the development & management of water infrastructure – Directorate for Financial and Enterprise Affairs

Programme “Pillar 3”

Engaging the private sector in the development & management of WATSAN infrastructure

- *Develop guidance for private sector participation in water and sanitation infrastructure building on the 2007 OECD Principles*
- *Conduct a review of experiences of some 30 developing and emerging countries*
- *Engage with existing initiatives and discuss the guidance and country practices at regional level*

Dissemination Process

- Water Pricing and Financing: Expert meetings (Paris, Nov. 07)
- Realistic Finance Strategies : Task Team meetings (Paris, 4 in 2007-08)
- Private Sector : Regional roundtables (Africa, Nov. 07; Asia, Mar. 08)
- World Water Week (Stockholm, Aug. 08) → Present preliminary results : (i) Seminar on *Water pricing & financing: The role of different stakeholders*, (ii) Session on *Pro-poor regulation*
- IWRA Congress (Montpellier, Sept.08) → Side event on *Sustainable financing to ensure affordable access to water and sanitation*
- EXPO 2008 (Zaragoza, Sept. 08) → Present on irrigation water pricing
- OECD GFSD on Water Pricing and Financing (Paris, Dec. 08): Discuss final draft of OECD Synthesis Report

5th World Water Forum – Istanbul, Mar. 2009
→ Launch OECD Synthesis Report

Programme Issues Relevant for GFII

- WATSAN investment needs : 2007 OECD estimates
- Filling the financing gap: the demand side *vs.* the supply side
- Tariffs can play a central role : as a source of revenue and in attracting other funds and the private sector, but...
- ... their implementation is difficult due: (i) conflicting policy objectives, (ii) the complex political economy of reform
- Different stakeholders play complementary roles in filling the gap:
 - Central and local governments: clear responsibility allocation, regulation
 - ODA and its leveraging potential
 - IFIs: project preparation support, appropriate financing packages
 - Engaging the private sector: (i) as a source of funds, (ii) as a risk mitigation mechanism through improved service delivery, (iii) as a source of innovation – technology, business models, financing solutions
- Future work: The climate change agenda – investment needs and policy implications linked with adaptation and mitigation



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