FINANCING WATER SECURITY IN ASIA AND THE PACIFIC

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Financing water security in Asia and the Pacific

• Measure
  – Financing flows
  – Financing needs
  – Financing capacities

• SDGs as the sole convergent ambition on water management in the region

• Lack of harmonised data

➢ An opportunity, at sub-regional level
Key Findings
Projected investment needs

**WSS**
- Most countries will need to allocate between 1 and 2% of GDP to invest in WSS over the period 2015-2030
- Outliers: Afghanistan, Nepal, Pakistan, Timor Leste

**Flood protection**
- Proxy: exposure to flood risks
- Afghanistan, Bangladesh, Cambodia, Kyrgyz Republic, Tajikistan and Viet Nam all have flood risks exceeding 6% of GDP in 2030

**Irrigation**
- Need to expand and to enhance efficiency
- Driven by a growing population, dietary preferences change, the effects of climate change
Comparative expenditure gap of water supply and sanitation infrastructure required by 2030 to achieve SDGs

Notes:
- Calculation for GDP over the period derived from actual GDP in 2015-18, forecast of GDP over the period 2019-24 and extrapolation of average growth rate until 2030.
- Calculation for per capita expenditure required based on 2015 population data. No data for Australia, Singapore, New Zealand, Brunei, South Korea, Japan, Hong Kong (SAR China), Niue, Cook Islands.

Potential sources of funding and financing for water-related investments

Water supply and sanitation

Sources of Funding

Water security

Sources of Funding

Development/ benevolent (grants, philanthropies)

Public budgets

Beneficiaries (tariffs, PES, value capture, public goods charges, self-financed)

Repayable Finance

Concessional finance

Commercial finance

Key Findings
Sources of funding

Taxes
- Public taxes are the main source of finance for water-related infrastructure

ODA
- Official Development Assistance remains a comparatively small share of finance in water infrastructure
- Need to leverage
- It may not be targeting those countries who need it most

Tariffs
- Water supply and sanitation tariffs are under-utilized
- Affordability acts as a barrier in selected countries
### Public and private expenditure for water supply and sanitation, select economies, select years (% of GDP)

<table>
<thead>
<tr>
<th>Country</th>
<th>Public</th>
<th>Private</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
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<td>Papua New Guinea</td>
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<td>Mongolia</td>
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<td>Pakistan</td>
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<td>Philippines</td>
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<tr>
<td>Myanmar</td>
<td>3.5</td>
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<tr>
<td>Indonesia</td>
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<td>Sri Lanka</td>
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<td>Georgia</td>
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<td>Maldives</td>
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<tr>
<td>India</td>
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<td>Viet Nam</td>
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<tr>
<td>Bhutan</td>
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<tr>
<td>China, People’s Republic of</td>
<td>7.0</td>
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</tr>
</tbody>
</table>


Notes: Includes ODA disbursements for the following water-related infrastructure: water supply and sanitation, water storage, flood protection, irrigation. Data are in millions of USD, gross disbursements, constant 2017 prices. 2017 population figures. Data issues for some countries prevented their inclusion in the graphic. Particularly: Brunei, Cook Islands, Nauru, Timor Leste, Turkmenistan, and Tuvalu.

Policy Recommendations

It is not just about more money

Make the best use of available assets and financial resources

- Enhance the operational efficiency of service providers
- A role for independent economic regulation

Avoid building future liabilities

- Build resilience into water management
- Manage water demand and strengthen water resources allocation
- Develop cost-effective flood risk mitigation strategies
- Encourage policy coherence across water and other policy domains

Improve tools to plan and decide on investments and financing mechanisms

- Develop climate-resilient plans to future-proof the water sector
- Support plans with realistic financing strategies
- Exploit innovation in line with adaptive capacities

Harness additional sources of finance

- Ensure tariffs for water services reflect the costs of service provision
- Consider new sources of finance from polluters and beneficiaries
- Leverage development finance and public funds to crowd-in commercial finance