



UN 2023 Water Conference Side Event

NDC Enhancement through a Water Nexus Approach

22 March 2023, 3:30-4:45 pm, Conference Room 6, UN Headquarters

Organized by: NDC Partnership, International Fund for Agricultural Development (IFAD), the Kingdom of the Netherlands

Background

Water management and informed decision-making are core to achieving the SDGs and critical for achieving ambitious climate action. This is particularly illustrated through the water-food-climate nexus. The UN Water Conference presented an opportunity to strengthen this nexus approach through discourse and concrete action.

Prioritizing water sector investment as a political and economic choice by Ministries of Finance offers numerous benefits. Though "political choice" doesn't imply partisanship or controversy, it highlights the issue's national importance. A dependable water supply is vital for various economic sectors, including agriculture. Investment in water infrastructure can boost productivity, job creation, and economic growth. It also helps build climate resilience and ensures a sustainable water supply for future generations. Finance ministries' commitment to water sector investment can attract additional funding from international donors, development banks, and private investors.

The Netherlands is working through the NDC Partnership to mobilize a broad group of stakeholders, including Ministries of Finance, large spending ministries, private sector, and non-state actors to scale policy, financial, and institutional solutions toward informed decision-making based on a holistic and integrated approach to water access and efficiency, climate action, and SDG implementation. Key areas of support being explored include: 1) Integrating water following a nexus approach (water-food security-climate) into the ambition-raising cycle of NDCs and the design of Long-Term Low Carbon Development Strategies (LT-LEDS); 2) Mainstreaming water nexus approach into the Public Financial Management (PFM) system with ministries of finance; 3) Guidance on project preparation for water adaptation and mitigation; and 4) Knowledge exchange to scale learning and best practices across governments and partners.

Water Action Agenda

The event underscored water management's potential as an initiator and catalyst for ambitious climate action and development. It explored the link between water and climate, emphasizing the role of stakeholders, especially finance ministries, in executing well-coordinated, transparent, and sustainable solutions amid water scarcity, delayed actions, insufficient resources, and unequal access. NDC Partnership support is expected to address the constraints, reduce climate vulnerability related to water, and boost investments in water-nexus opportunities. The Partnership, initially supported by the Netherlands' Ministry of Foreign Affairs, will provide

technical assistance to integrate water and the water-nexus approach into countries' NDC formulation, financing of bankable project design, and implementation. By leveraging its 200+ member network, the NDC Partnership will promote the water nexus approach's benefits, share best practices, and facilitate financing for NDC implementation. In this context, the Ministry of Foreign Affairs of the Netherlands and the NDC Partnership will leverage the International Fund for Agricultural Development's (IFAD) on technical assistance and project development expertise to channel water-nexus-related requests for support from members.

Key Issues

- **In a context where planetary boundaries of freshwater use have been breached, addressing water management as a multiscale and multi-layered issue is crucial for daily life, the SDGs, and climate action, requiring interconnected solutions and a nexus approach.** Sustainable water management investments are essential to avoid costly future actions, and systemic solutions must replace the siloed approaches that have failed. As water crises impact various aspects of the economy and communities, a nexus approach that connects water programs, planning, and economic decision-making to other sectors is the way forward.
- **Water is among the top sectors for NDC support requested by NDC Partnership members, highlighting the need for improved data and information on water to ensure accessibility, transparency, and evidence-based decision-making.** This empowers stakeholders to better understand the value of solutions and for more comprehensive decision-making.
- **Ministries of Finance, supervisors of financial institutions and central banks, and the private sector should recognize that investing in water management is not merely a cost but an opportunity for development and that water-related risks should be fully embedded in the pricing and flow of finance.** Countries' NDCs, intricately linked to the SDGs, serve as comprehensive plans to address climate change. By leveraging NDCs as entry points for water action, countries can adopt a holistic approach to climate and development planning.

Key Recommendations for Action

- **Adopt a Nexus Approach:** Transition from siloed strategies to a comprehensive, interconnected system that addresses the complex challenges our water systems face and the competing claims on water inherent in different development strategies.
- **Integrate Water into Economic Policies:** Collaborate with Ministries of Finance, **supervisors of financial institutions and central banks** to ensure water is fully incorporated into national economic policies, budgets, and planning, highlighting its critical importance.
- **Innovate Flexible Financing Mechanisms:** Develop and invest in scalable financing solutions for water systems, such as debt-for-water swaps, SDG bonds, and blended finance, to create markets that value and secure our water future.
- **Establish Just and Transparent Governance:** Implement transparent governance mechanisms that promote trust, prevent inequality, and ensure equitable distribution and stewardship of water resources.
- **Empower Local Communities:** Foster a framework that encourages ownership and active participation of those most affected by the water crisis, ensuring their voices are heard, and needs are addressed.
- **Leverage National NDCs for Water and Climate Action:** Utilize the processes within national NDCs to coordinate a nexus approach, engaging stakeholders, advocates, and responsible parties in comprehensive water and climate action.