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UN 2023 Water Conference Side Event

Assessing Public Spending in the Water Sector & Addressing Financing Gaps

March 23rd, 1:00 pm to 3:00pm, Millennium Hilton, New York

Organized by: Water Global Practice, The World Bank

Background on the event (one paragraph)

This event presents the key findings and recommendations from an upcoming report by the World Bank on public spending in the water sector entitled “*Thirsty for Change: Challenges and Opportunities in the Global Water Sector Public Spending.*” This event was held between 1:00pm and 3:00 pm at the **Millennium Hilton, in New York**. Gustavo Saltiel, Lead Water & Sanitation Specialist from the World Bank made the opening remarks for the event, followed by a presentation of the report by **George Joseph (Senior Economist, Water GP) and Yi Rong Hoo (Consultant Economist, Water GP)**, co-authors of the report. Finally, an engaging panel discussion was held to discuss and reflect upon the findings that were presented. The panellists included Mr. Gopal Prasad Sigdel, Secretary for the Government of Nepal with the Ministry of Energy, Water Resources and Irrigation; Kathleen Dominique, (acting) Team Leader at the OECD; Betsy Engebretson, Project Manager at Global Analysis and Assessment of Sanitation and Drinking Water (GLAAS); Alan Nicol, Director Strategic Program on Water Growth and Inclusion, East Africa Region for IWMI; María Pérez Urdiales, Economist at the Water and Sanitation Division at the Inter-American Development Bank; and, Niall Boot, WASH specialist with the UNICEF.

Water Action Agenda (one paragraph, if possible, please include the link to your commitment in the [Water Action Agenda database](#))

Key Issues discussed (5- 8 bullet points)

- Around US\$ 164 billion are being spent on an annual basis in the water sector. The public sector is the primary contributor to spending in water at about 86% of the total spending while the private sector only contributes to 2% of total spending.
- Annual spending gaps to achieve SDG targets 6.1 and 6.2 by 2030 is estimated to be approximately US\$ 141 billion per year between 2017 – 2030. Regionally, the Sub-Saharan and South Asia regions have the largest spending gaps to achieve the same targets.
- Meanwhile, annual spending gaps for irrigation is estimated to be US\$ 3.9 billion.
- While there exist large spending gaps in the sector, the water sector also struggles with low budget execution. On average, almost one quarter of the allocated government budget for spending in the water sector is not utilized.
- Low budget execution is not correlated with the income levels of a country but rather the quality of governance, measured by governance effectiveness, state legitimacy and performance of political institutions.
- Between 2009 and 2002, there has been a decline in total factor productivity in the provision of both basic level as well as piped and sewerage services. Despite considerable technological change over the years, it costs between 5% to 6% higher to achieve the same level of improvement in services in 2022 compared to 2009.
- Water utilities also suffer from poor technical efficiencies. For any given level of inputs, the output achieved by utilities is only around 74% of the best performing utility, on average.
- Finally, the water sector also suffers from inequalities. Spending in the water sector tend to benefit urban and richer populations compared to their rural and poorer counterparts.

Key recommendations for action (5 - 6 bullet points)

- **Improving utilization and efficiency of public spending:** First, there should be an improvement in Public Investment Management (PIM) to streamline decision making and implementation at all levels of the investment program. Next, is a reform on Public Financial Management, which refers to the flow of public funds within the government machinery. One of the main reasons attributed to the observed low execution rates in the water sector is the lack of predictability of funds and consistent delays. Additionally, given long-term nature of investments in the water sector, there is a need for medium to longer term budget planning for the sector with a focus on multi-year programs.
- **Catalysing the flow of long-term financing:** Credible regulatory systems to determine tariffs and service standards can be established as well as facilitate risk pooling arrangements for water utilities, with support from the government and the private sector, which will enable them to make long-term borrowing from the financial market. Through risk pooling, smaller utilities with varying levels of performance could be aggregated either administratively or financially to be able to borrow from the market.

- **Reform the water sector for more and better public spending:** This reform should include cost recovery and demand management; improving state capacity and capacity of human capital in the water sector and most importantly, improving data access and transparency.