STRATEGIC ACTION PLAN
About the Water Finance Coalition

The Water Finance Coalition gathers national and international public development banks aiming to improve the financing of the water & sanitation sector in order to achieve Sustainable Development Goal 6, the Paris Agreement objectives and to enhance biodiversity protection.

www.waterfinancecoalition.org

ACKNOWLEDGMENTS

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WATER FINANCE COALITION
STRATEGIC ACTION PLAN
BACKGROUND

With less than seven years remaining to achieve the targets agreed for the Sustainable Development Goals (SDG), reports indicate that countries are not on track to meet them. The gap is particularly severe in SDG 6: Ensure availability and sustainable management of water and sanitation for all.

We need to accelerate action and multiply efforts and resources to get back on track. Estimates stress the need to triple or quadruple current levels of investment in most regions. For example, a study by CAF (development bank of Latin America and the Caribbean) shows that annual investments in water security\(^1\) in Latin America and the Caribbean (LAC) must reach, on average, USD 35 billion per year, with a major part for water and sanitation. This implies investments at least three times greater than recent years.

This situation poses significant challenges, not only in terms of increasing the volume of available financing, but also of absorption capacity, execution capacity and existence of a proper enabling environment. Governance and finance enjoy a symbiotic relationship: increasing financing demands solid policies and institutions while creating these (through sectoral reform) requires financing.

Covid-19 has had catastrophic consequences, increasing poverty and inequality in countries. Therefore, countries and their governments have concentrated on economic recovery, which must be greener and aligned to the commitments of the Paris Agreement on climate change, where water security plays a key role.

In this context, a joint effort is vital, in which governments, development banks (international, national, and subnational), the private sector and civil society, bring their forces and actions together, to move decisively towards the achievement of the development goals.

The Finance in Common Summit (FiCS) aims at recognising and incentivising all the public development banks (PDBs) in the world to act together as a system and, thus, to unleash their full potential. And, in so doing, mobilise the investments required to deliver the SDGs and the implementation of the Paris Agreement, as well as strengthen the means of implementation and revitalise the global partnership for sustainable development.

During the November 2020 Finance in Common Summit, a group of banks agreed on the need to strengthen alliances, cooperation, and knowledge, leading to the creation of an ad-hoc network called the Water Finance Coalition (WFC). One of several coalitions created under the umbrella of FiCS, the WFC brings together multilateral, regional and national public development banks, all of whom share the common interest of improving water and sanitation financing and, thereby, supporting the achievement of SDG 6 and other water-related SDGs, as well as the principles of the Paris Agreement.

A key hypothesis made when the WFC was initiated, and subsequently confirmed in the 2022 study on The Role of Public Development Banks in Scaling up Sustainable Financing\(^2\), was that there is potential to raise finance for water security from PDBs, and especially from national PDBs. The study included suggestions on the potential role of PDBs including:

- Providing loans to the water sector to finance expansion of water and/or sewerage networks and treatment including desalination plants.

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1 Throughout this document the term “water security” is used to refer to the combined SDG 6 targets and the water-related goals of the Paris Agreement.
- Channelling sovereign loans from international PDBs to smaller municipalities and utilities.
- Channelling central government transfers to local governments and utilities (from taxes or sovereign loans).
- Administering dedicated trust funds for the water sector. In some cases, setting up these funds at the request of national government or external financiers.
- Participating in projects to finance special purpose vehicles (SPVs); also helping to structure these, including through creating co-financing mechanisms and supporting private-public partnerships (PPPs) for the operation of water and sanitation services.
- Supporting project preparation, either grant funded, or through repayable loans. Ensuring that project preparation leads to bankable projects.
- Providing technical assistance (capacity strengthening) to enhance creditworthiness of water utilities and local governments, focusing on improvement of their technical and financial performance.
- Promoting sector dialogue to improve regulatory frameworks.

Following the 2020 call to action the WFC moved forward to strengthen dialogue and collaboration, and to mobilise and promote public and private financing towards water security.

This strategy document provides a guiding framework for collective action by WFC members between now and 2030. The next section sets out the framework in further detail, while section 3 introduces a set of medium-term (2024-2026) objectives and activities.
2030 VISION AND STRATEGY

The WFC exists to support and encourage public development banks (PDBs) around the world to act together as a system and unleash their full potential. In this context, to contribute to water security and recognise the key role financing plays in achieving it, the WFC is pleased to present its vision, mission and strategy for the period 2023 to 2030.

VISION: Increased financing to leverage water security for all.

MISSION: To be a network of PDBs committed to strengthening water dialogue, collaboration, alliances, and knowledge, with the goal of mobilising and catalysing more financial resources, both public and private, for water security.

VALUES: Cooperation, coordination, knowledge sharing, proactiveness, innovation, integrity, and accountability.

Based on the mission and vision above, and former goals set out in the 2021 Joint Declaration, the following goals are formulated.

GOAL 1: A STRENGTHENED WATER FINANCE COALITION PROMOTES PEER LEARNING AND KNOWLEDGE SHARING FOR WATER AND SANITATION FINANCING

Outcome 1.1: The network of PDBs is strengthened to deliver the objectives of the WFC.

Outcome 1.2: Peer learning on best practices and lessons learnt is shared to build knowledge on water and sanitation investments, especially between domestic and international PDBs.

Outcome 1.3: Concrete cooperation opportunities are implemented to increase knowledge of the sector.

GOAL 2: THE WATER FINANCE COALITION CONTRIBUOTES TO ATTRACTING FINANCING FOR WATER SECURITY AND THE INTERLINKAGES Linkages WITH CLIMATE COMMITMENTS

Outcome 2.1: Capacity to monitor total funding of water security is developed, and results are communicated on a regular basis.

Outcome 2.2: Water-related investments that contribute to climate adaptation and mitigation commitments are inventoried, as well as those to protect the environment.

Outcome 2.3: Advice on water-related investment risks leads to enhanced decision making for financing water security.
**Goal 3:** The Water Finance Coalition expands policy dialogue, and technical support is provided to national PDBs leading to increased financing of water security.

**Outcome 3.1:** Governments are aware of the role of national PDBs in financing water security, while effective regulation and policy reform are promoted.

**Outcome 3.2:** Stakeholder expectations regarding PDB interventions in the water sector are better understood, ensuring that strategic orientation, priority areas, geographical priorities and short-term issues are addressed.

**Outcome 3.3:** Selected (national) PDBs increase their involvement in water sector financing.

The Water Finance Coalition has devised a series of descriptive activities, jointly developed by its members*, Chairs, and co-chairs, as detailed in the Theory of Change (page 8) and further elaborated in the annex 1. These activities are central to realising the Coalition’s goals and strategic vision for 2030. To effectively achieve these objectives, the Coalition has formulated a set of medium-term objectives and activities, derived from the lines of actions, to be achieved by 2026.

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*The Water Finance Coalition defines ‘members’ as ‘a representative from a Public Development Bank or a National Public Development bank that has signed up for the Water Finance Coalition newsletter and participated in at least one WFC Quarterly Meeting.’
Since its foundation in 2020, the WFC has created a network of members and established a track record for thought leadership. Discussions during the first half of 2023 confirmed that there is enthusiasm and commitment among current members to deliver the WFC’s strategy. At the same time, it is also clear that while there are currently over sixty interested PDBs, those in a position to actively contribute to or lead WFC activities are much more limited in number, as are the resources (time and money) that they can commit to supporting the WFC agenda.

As such, there is a need to stabilise and grow the WFC while maintaining and accelerating the momentum developed in the first two years. The 2024-2026 activity plan sets out the twin processes required to achieve this in which already committed members use existing resources to demonstrate the effectiveness and potential of the Coalition while developing the institutional and resource base required to allow the WFC to deliver on its ambitious vision.

Linked to the 2030 theory of change, this medium-term activity plan is centred on a reduced set of activities and key objectives, all intended to contribute to strengthening the WFC whilst maintaining and then accelerating momentum. As such, the plan represents a minimum viable product that can be added to when opportunities arise, but that will serve as the focus of the WFC leadership and Secretariat.

The vision of the WFC is that by 2030 the financing gap for the water sector will be reduced through increased financing that contributes to water security for all. To contribute to this, the intermediate objective for the year 2026, is: a stable, effective, and growing WFC that has raised awareness of the potential for PDBs to contribute to financing water security and that is attracting increasing interest and finance to deliver this.

This overarching objective will be achieved through actions and the delivery of key results under the main goals of the WFC strategy – listed below. The results will be assessed annually, and progress will be reported in the annual report to track the Coalition’s progress.

**GOAL 1: A STRENGTHENED WATER FINANCE COALITION PROMOTES PEER LEARNING AND KNOWLEDGE SHARING FOR WATER AND SANITATION FINANCING.**

The WFC will develop and deliver an engagement and knowledge-sharing strategy that identifies and caters to the diverse needs of its partners (IFIs, multilateral development banks (MDBs), NPDBs) and other stakeholders.

<table>
<thead>
<tr>
<th>Medium-term activities</th>
<th>Expected outcomes</th>
<th>Monitoring indicators (annually)</th>
<th>Target (2024)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Map the interests and requirements of different members and stakeholders.</td>
<td>Members of the WFC are actively engaged. Community increases and is more engaged.</td>
<td>An updated database of areas of interest. Active members (read participating in the Quarterly meetings) (#).</td>
<td>Database created. Active members increase by 10%.</td>
</tr>
<tr>
<td>1.2 Create a bi-monthly newsletter with members’ and Secretariat news.</td>
<td>Members of the WFC are actively engaged. Community increases and is more engaged.</td>
<td>Newsletters published (#).</td>
<td>6 newsletters published.</td>
</tr>
</tbody>
</table>
1.3 Maintain a schedule of quarterly peer-learning meetings.

<table>
<thead>
<tr>
<th>Members of the WFC are actively engaged.</th>
<th>Attendees of Quarterly Meetings (#).</th>
<th>Increase by 10%. 4 Quarterly Meetings are organised.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community increases and is more engaged.</td>
<td>Quarterly Meetings organised (#).</td>
<td></td>
</tr>
</tbody>
</table>

1.4 Create and deliver a pipeline of WFC knowledge products.

<table>
<thead>
<tr>
<th>At least two new documents are published and disseminated by WFC annually.</th>
<th>A library is created and updated on the WFC website.</th>
<th>Library created.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Library of Knowledge products contributing to WFC’s objectives are acknowledged as key resources by members and partners.</td>
<td>Knowledge products generated within the framework of WFC (#).</td>
<td>2 knowledge products.</td>
</tr>
</tbody>
</table>

1.5 Upgrade the WFC website with relevant members’ activities (linked to WFC objectives).

<table>
<thead>
<tr>
<th>The activities of WFC members are visible on the website.</th>
<th>Member activities reported (including stories in newsletters/presentations) (#).</th>
<th>At least 6 member activities reported on the webpage.</th>
</tr>
</thead>
<tbody>
<tr>
<td>WFC members feel valued within the Coalition; there is an increased feeling of community.</td>
<td>Satisfaction of members based on member survey (%).</td>
<td>Annual member survey shows that more than 60% of participants are very satisfied (level 5).</td>
</tr>
</tbody>
</table>

1.6 Participation of the WFC at international events, dissemination of outcomes

<table>
<thead>
<tr>
<th>At least 1 international event led by WFC annually.</th>
<th>International events lead by the WFC (#).</th>
<th>WFC leads in at least 1 international event.</th>
</tr>
</thead>
<tbody>
<tr>
<td>WFC is seen as the leading voice in financing water</td>
<td>Self-evaluation using traffic light indicators (see annex 2).</td>
<td></td>
</tr>
</tbody>
</table>

GOAL 2: THE WFC CONTRIBUTES TO ATTRACTING FINANCING FOR WATER SECURITY AND THE INTERLINKAGES WITH CLIMATE COMMITMENTS.

The WFC will establish a baseline of current member activities in financing water security, and document and share at least one example of the innovative use of climate finance in water security investments.

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<tbody>
<tr>
<td>2.1 Identify and share current levels of water security investment among members.</td>
<td>Water sector finance of WFC members is known.</td>
<td>Water security investments of WFC members (USD).</td>
<td>Baseline created.</td>
</tr>
<tr>
<td>2.2 Establish a tracking and reporting mechanism on finance for water security.</td>
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<td></td>
<td></td>
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</tbody>
</table>
2.3 Identify and Illustrate joint projects that contribute to climate adaptation and mitigation as part of water security (international/national PDBs).

Members of the WFC are familiar with their initiatives on climate and water security finance.

Joint initiatives undertaken by WFC members to attract climate and water security finance documented and shared by the WFC (#).

At least 2 initiatives.

GOAL 3: THE WFC EXPANDS POLICY DIALOGUE, AND TECHNICAL SUPPORT IS PROVIDED TO NATIONAL PDBS, LEADING TO INCREASED FINANCING OF WATER SECURITY.

The WFC will promote inclusion of the vision and needs of related external stakeholders. The WFC will establish and expand policy dialogue and support the development of roadmaps that help to bring NPDBs without current water security activities into the sector and to grow the engagement of those who already have some experience but wish to expand.

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<tr>
<td>3.1 Involve external stakeholders (governments, utilities, private sector, civil society) in WFC activities as part of policy dialogue.</td>
<td>The WFC is seen as a key decisive stakeholder in financing water security by external stakeholders (governments, utilities, private sector, civil society).</td>
<td>Stakeholders collaborating with WFC (#).</td>
<td>Increase by 5%.</td>
</tr>
<tr>
<td>3.2 Boost National PDBs participation in WFC activities.</td>
<td>National PDBs see the WFC.</td>
<td>National PDBs participating in WFC knowledge sharing activities(#).</td>
<td>At least 4 National PDBs participates as special guests in meetings organised by WFC.</td>
</tr>
<tr>
<td>3.3 Identify a shortlist of interested National PDBs for technical support.</td>
<td>National PDBs with little or no experience in the water sector have had their capacity built and started activities.</td>
<td>National PDBs that have received support (#).</td>
<td>At least 3 National PDBs received support.</td>
</tr>
<tr>
<td>3.4 Carry out roadmap activities; document and share results.</td>
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**GOAL 4: THE WATER FINANCE COALITION IS STABLE, WELL-GOVERNED AND GROWING.**

The WFC will clarify and stabilise its governance and operational model, including the role and resourcing of a Secretariat.

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<td><strong>4.1</strong> Consult members on expectations relating to governance and Secretariat.</td>
<td>The governance of the Coalition is clearly framed and defined.</td>
<td>Expressions of Interest (EoI) to be Chairs, and co-chairs.</td>
<td>EoI increases by 10%.</td>
</tr>
<tr>
<td><strong>4.2</strong> Develop a simple governance document.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>4.3</strong> Annual review of the governance document, making necessary updates</td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>4.4</strong> Establish ‘working groups’ of members to deliver key elements of the work plan, supported by the Secretariat</td>
<td>The group members expand and engage in WFC activities.</td>
<td>Working groups created.</td>
<td>Creation of a first working group and an increasing number of members participate in the work groups.</td>
</tr>
<tr>
<td><strong>4.5</strong> Develop a plan and seek resourcing for a stable Secretariat supporting the members vision, strategy; coordination of Working Groups and meeting preparation.</td>
<td>The WFC is supported by an adequately resourced Secretariat.</td>
<td>Budget Secretariat (USD).</td>
<td>The Secretariat budget increases by 10%.</td>
</tr>
</tbody>
</table>
ANNEX 1: DETAILED ACTIVITIES FOR THE WFC 2030 STRATEGY

To deliver the aforementioned outcomes, the WFC and its members will collaborate on the four following lines of action by 2030.

ACTIVITY SET 1: PEER LEARNING AND KNOWLEDGE SHARING.

- Support peer learning, knowledge management and sharing between international and national PDBs focused on critical issues, including:
  - Develop water sector financing strategies.
  - Lift barriers to project bankability.
  - Adopt a programmatic approach, including the standardisation of processes and contracts, and financing of water projects with different risk levels.
  - Articulate an approach towards mitigation and adaptation in the water sector.
  - Identify and share successful experiences of PDBs catalysing financing from other sources.
  - Support innovative financial instruments in global contexts, such as blended finance schemes, projects for results, impact bonds, sustainability-linked loans, and others, based on the experience of international financial institutions (IFIs) and PDBs.

ACTIVITY SET 2: ADVOCACY ON WATER SECTOR FINANCING AND INTERLINKAGES WITH CLIMATE.

- Contribute to and support evidence and narrative creation on the water sector, climate change adaptation, and the mitigation nexus.

- Promote water-related investments contributing to climate adaptation and mitigation commitments, as well as to biodiversity protection, by showcasing the contributions that water investments make to SDG and climate-related targets.

- Strengthen capacity of PDBs on how to access climate funds, including systematisation of successful experiences in the use of climate funds in the water sector and on the potential of Green Climate Fund (GCF)/Global Environmental Fund (GEF)/Adaptation Fund (AF) financing for water projects. Develop a roadmap to access climate funds.

- Train on water-related risk assessments for investment decision making.

- Explore opportunities to include investment decision-making processes — calculations of water footprints and assessments of water-related risks.
**ACTIVITY SET 3: POLICY DIALOGUE AND SUPPORT TO AND COOPERATION WITH PDBS.**

- Support policy dialogues with governments and regulators around water sector financing strategies, including: the enabling environment and water regulation necessary to facilitate PDB participation in the water sector; measures to improve creditworthiness and performance of water sector institutions; and, the potential for governments to allocate public funds to attract PDB investments in the water sector.

- Promote dialogue with private investors to assess their willingness to finance the water sector and interlinkages with PDBs.

- Interact with other stakeholders to build a better understanding of their expectations regarding PDB interventions in the water sector, in terms of strategic orientations, priority areas of intervention, geographical priorities or short-term issues to address.

- Strengthen capacity of PDBs, especially those with scarce water portfolios, to ensure that the water sector is seen as a sector of opportunities in the internal strategy of the PDBs; and to raise awareness of the opportunities to finance water sector investments.

- Provide technical support to selected PDBs with an existing water portfolio and who are keen to increase their involvement in water finance by developing a roadmap/strategy, including: an analysis of the current opportunities and barriers; the finance landscape of the water sector; and characteristics of the water sector that may influence the demand for water-related finance.

- Support selected PDBs in developing dedicated programmes for project preparation, utility performance improvement and/or technical support of project execution, including south-south cooperation, pipeline identification and analysis of financing alternatives.

- Explore and support concrete cooperation opportunities between international and national PDBs and between national/subnational PDBs. This may include technical assistance for project preparation, and/or provision of guarantees for a specific water project, co-financing loans and potential to channel funds through PDBs in local currencies.

**ACTIVITY SET 4: ACCOUNTABLE AND TRANSPARENT WATER FINANCE COALITION GOVERNANCE**

- Establish transparency and accountability of WFC; establish a clear and transparent decision-making process; implement regular reporting mechanisms on the Coalition activities and financial performance.

- Clearly define governance structure to all members, especially requirements and terms of WFC Chair. Establish a process for soliciting expressions of interest and feedback from members and stakeholders.
ANNEX 2: TRAFFIC LIGHT INDICATORS — SELF EVALUATION

The chairs and co-chairs of the Water Finance Coalition will annually assess the Coalition’s overall position as a leading voice in water financing using a set of simple traffic light indicators, as outlined in our monitoring framework and below. This process helps track progress, make improvements, and stay committed to our mission to increase financing water.

LEVEL 1: RED - NOT A LEADING VOICE

**Indicator:** Limited recognition

**Description:** The WFC is not recognised as a leading voice in financing water. It lacks influence and impact in the field. Its initiatives and efforts are not acknowledged nor followed by other organisations.

LEVEL 2: ORANGE - EMERGING INFLUENCE

**Indicator:** Moderate recognition

**Description:** The WFC is gradually gaining recognition as a player in water financing, but it is not yet considered a leading voice. It has some influence and might have initiated notable projects, but it needs to do more to establish itself as a prominent figure in the field.

LEVEL 3: YELLOW - ESTABLISHED INFLUENCE

**Indicator:** Recognised as a leading voice

**Description:** The WFC is considered a leading voice in financing water. It has a substantial presence and influence in the field. It is recognised for its contributions, expertise, and its ability to shape discussions and policies related to water financing.

LEVEL 4: GREEN - HIGHLY REGARDED

**Indicator:** Widely acknowledged leadership

**Description:** The WFC is widely regarded as a dominant force in financing water. Its expertise, projects, and influence is well-respected in the water financing community. It sets the agenda, influences decisions, and is considered a thought leader.

LEVEL 4: DARK GREEN - UNQUESTIONABLE LEADERSHIP

**Indicator:** Leading Voice in Water Financing

**Description:** The WFC is unquestionably the leading voice in financing water. It is the most influential organisation in the field, setting the standards and serving as a role model for others. Its work has a global impact and is highly regarded.