

Accessing climate finance for sustainable water, sanitation and hygiene services in Timor-Leste

Key findings and recommendations

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Sra Terezinha waters her garden, in Liquiça District, Timor-Leste. She says, “With water nearby I have grown a garden and produced income to pay for my children to go to school. Sometimes people say all you do is work in your garden, but I don’t care because I love my garden.” Photo: WaterAid/Tom Greenwood

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WaterAid Timor-Leste

No.19 Rua de Nu'u Laran, Bairro dos Grilos, Dili

WaterAid is a registered charity: Australia: ABN 99 700 687 141. Canada: 119288934 RR0001. India: U85100DL2010NPL200169. Sweden: Org.nr: 802426-1268, PG: 90 01 62-9, BG: 900-1629. UK: 288701 (England and Wales) and SC039479 (Scotland). US: WaterAid America is a 501(c) (3) non-profit organization

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Overview

This report summarises the main findings and recommendations of new research into the barriers to accessing climate finance for sustainable water, sanitation and hygiene (WASH) services in Timor-Leste.

WaterAid commissioned this analysis by the Overseas Development Institute (ODI) in 2016 as part of the WaterAid Climate Finance Initiative, which aims to identify the changes needed to ensure that a share of climate finance is spent on increasing the water security and climate resilience of people living in WASH poverty. ODI conducted field research and interviews in Timor-Leste and two other Least Developed Countries: Mozambique and Madagascar.

WaterAid is working in Timor-Leste with partners across government, civil society, international and community organisations, and the private sector to translate these findings into action. Our aim is to increase decision-makers' recognition of WASH as a vital building block in adapting to climate change and increase the resilience of communities. We welcome new partners interested in supporting this mission by contributing technical expertise, research capabilities, capacity building or financing. For more information, please contact Justino da Silva at justino.dasilva@wateraid.org.au or Alex Grumbley at alex.grumbley@wateraid.org.au.

Why is climate finance needed to support water, sanitation and hygiene in Timor-Leste?

As a post-conflict Least Developed Country and Small Island Developing State (SIDS), Timor-Leste is extremely vulnerable to the impacts of natural hazards and climate change. Over 55% of all *sucos* (villages) in Timor-Leste are considered at risk from climate change.¹ Impacts such as rising temperatures, flooding, landslides, drought, coastal inundation and sea level rise – coupled with low levels of adaptive capacity – threaten to undermine the country's development progress.

Climate change could reverse many of the crucial gains achieved in increasing access to WASH services in Timor-Leste to date, especially among the poorest and most vulnerable populations, which already grapple with many other overlapping challenges. Sustainable WASH services are an essential feature of resilient communities. It is therefore critical that governments and their development partners integrate climate risk in WASH policies, programmes and projects – not only to make WASH services truly sustainable, but also as a foundation for achieving many of the Sustainable Development Goals (SDGs).

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The water sector in Timor-Leste has been identified as one of the sectors most at risk from climate change, facing projected changes to water availability and water quality, including through saline intrusion into coastal groundwater bodies. Yet the water sector is also recognised for the major contribution it could make to increasing Timor-Leste's resilience.^{2,3}

In 2009, at the 15th UN Framework Convention on Climate Change (UNFCCC) meeting in Copenhagen, industrialised countries committed to jointly mobilising US\$100 billion a year by 2020 to help developing countries address the risks posed by climate change. Yet, while climate finance is growing, there is concern among the international development community that the most vulnerable countries are not 'climate finance ready' and need considerable institutional support to effectively access, spend and manage funds.

There is major potential to invest the increasing flows of international climate finance in sustainable WASH services as a fundamental adaptation and resilience-building measure. Climate finance flows to SIDS and other high-need countries are expected to increase in the coming years – for example, half of the international funding provided by one of the major global climate funds, the Green Climate Fund (GCF), is earmarked for supporting adaptation in particularly vulnerable countries. However, to date, SIDS in general have found it difficult to access finance for climate change adaptation activities because of their small size and the broader challenges of navigating new funding arrangements and approval processes.^{4,5}

Timor-Leste has a strong interest in accessing climate finance, in part to compensate for its declining oil and gas revenues.⁶ The country first secured international climate funds in 2008; by 2016, commitments amounted to US\$35.84 million, all in the form of grants, with roughly 75% earmarked for adaptation.⁷ This represents 14% of the US\$247 million in official development assistance (ODA) flows given in just one year (2014). The Global Environment Facility's Least Developed Countries Fund has been the principal climate finance donor to date, primarily funding projects identified in Timor-Leste's National Adaptation Programme of Action (NAPA), published in 2011.

Some of these funds in Timor-Leste have been directed to WASH-related activities, but no dedicated multilateral investment has been directed to a WASH-specific project to date. Water-related activities have mainly been linked to projects that promote broader community resilience. Climate-related WASH activities are also being funded through ODA. According to information accessed via the Government of Timor-Leste's Aid Transparency Portal, for the period 2013 to 2018, one project (funded by the Australian government) was identified as contributing towards delivering climate-resilient WASH.⁸

What are the major enabling factors and barriers in Timor-Leste?

Some important building blocks are already in place to support increased access to climate finance in Timor-Leste. In addition to its existing experience in securing climate finance (including for WASH-related activities), the government has integrated climate concerns into many national policies and plans, and is receiving GCF 'readiness support' to move towards GCF accreditation to directly channel funds to projects and programmes.^{9,10}

However, there are still major obstacles impeding Timor-Leste's access to and use of international climate funds, especially for WASH. This research examined Timor-Leste's national policy context and institutional and financial management settings to identify actions that both government and non-government actors could take to access and apply climate finance for sustainable WASH policies and interventions.

National policy context

While policy progress on climate change in Timor-Leste has been largely driven by external actors (such as the UNFCCC) rather than domestic constituencies, the country has made progress in developing a strong national climate policy framework. It is now preparing a National Adaptation Plan (NAP) and its second National Communication to the UNFCCC, building on the 2014 Initial National Communication and the 2011 NAPA. The government has also mainstreamed climate action in its national economic strategy. Existing adaptation plans recognise water as a priority, and while they do not single out WASH as a priority sector, it is included in calls for stronger water resources management.

While reforms are underway to review and adopt new WASH laws and policies, the current ones do not incorporate climate change considerations. Cross-ministerial policy-making exchange on adaptation appears to have been limited to the earlier NAPA process, with little interaction since – though the high-level Climate Change Adaptation Working Group (CCA Working Group) has recently been reactivated. Existing WASH sector policy influencing platforms have tended to focus on general WASH sector lobbying, disaster risk reduction and emergency WASH, but could support an adaptation agenda for WASH. The focus to date has been on promoting coordination with the WASH sector; however, both WASH-specific (e.g. the National Working Group for Sanitation) and non-WASH platforms could be used to bridge the gap between WASH and climate change constituencies.

Existing WASH policies prioritise the needs of the poorest and most vulnerable to varying degrees. It will be critical to integrate a pro-poor focus in policies and programs to ensure that climate finance addresses the needs of those most at risk. There is a clear opportunity to integrate WASH in the development of the NAP.

Institutional effectiveness

WASH institutions have not yet been proactive in climate change adaptation planning, and the sector is yet to develop a coherent approach to climate change adaptation. This reflects the limited extent of cross-ministerial cooperation to date on a common climate change agenda in Timor-Leste.

Responsibilities for WASH are currently fragmented across different directorates within the Ministry of Public Works, Transport and Communication and Ministry of Health, in which WASH has low visibility compared to other more dominant policy areas. Moreover, government WASH institutions have not yet made a proactive case for including WASH in the broader adaptation dialogue. This lack of engagement is driven by limited institutional mainstreaming and knowledge transfer, as well as low technical capacity and resources across ministries. Some collaboration between climate change and WASH constituencies has been driven by key individuals, reflecting that there is a limited coordinated institutional approach to cross-government cooperation. However, the government is supporting institutional mainstreaming by reactivating cross-sectoral platforms (such as the CCA Working Group mentioned above), and the forthcoming benefits of the GCF readiness support should help promote stronger integration of the WASH and climate agendas across government.

National public finance management

National ownership over climate spending is limited, as most funds are not channelled through national systems but instead flow 'off-budget' via development partners and non-government organisations. The process of GCF accreditation, including readiness support, is triggering important discussions about procedural changes that might facilitate climate-related fund disbursement through the national budget.

Timor-Leste's public finance management system is improving and climate change spending is occurring in different ministries. However, across WASH sector activities, plans and programmes, climate finance tags are not being used to demarcate projects that might address climate change adaptation and mitigation (a trend replicated across ODA flows). There is also a lack of clarity and transparency around climate finance disbursement. Ministries do not have standardised procedures for expenditure, and there is still some ambiguity around the roles of ministries and working groups in coordinating climate change responses across government.

Existing climate finance supporting a climate-resilient water sector has been coupled with funds from multilateral agencies and international bilateral agencies. Other organisations such as development banks are also providing financial support to climate-related WASH activities. In addition, public climate finance has been used to leverage private investment in urban services (including WASH) in the capital, Dili.

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What are the next steps?

Overall, Timor-Leste's policy landscape, institutions and public finance management system are broadly conducive to attracting further climate finance in the short- to medium-term. However, a major coordinated effort is needed to ensure funds are used to support sustainable WASH and prioritise poorer and more vulnerable regions and groups. As a starting point, stakeholders should develop a common understanding of the principal risks to WASH, particularly for poorer populations, and how they can be addressed in ways that cohere and resonate with both climate fund priorities and broader sustainable development aims.

To increase the likelihood of securing international climate finance for WASH-related activities, **the Government of Timor-Leste could consider:**

- **Developing a WASH sector policy on climate change (a WASH 'roadmap' for adaptation and resilience)**, drawing on lessons learned and potential policy interest resulting from the recent El Niño drought. This sector roadmap could be used to inform key policies, such as the NAP.
- **Incentivising cross-ministerial cooperation on climate change and WASH issues.** The development of the proposed sector roadmap could help consolidate cooperation. One of the WASH directorates, for example DNGRA, could oversee the roadmap process and chair a steering committee with members from across government and partner organisations.
- **Prioritising the development of funding proposals that address WASH and climate change and meet the strict criteria set by international climate funds.** Again, a WASH sector roadmap on climate change could support the creation of 'bankable' proposals, as Timor-Leste starts to benefit from the GCF readiness support and accreditation processes.

In parallel, there are **clear opportunities for WaterAid and other organisations involved in WASH and climate change** to work together to strengthen technical expertise and advocacy on climate-resilient WASH in Timor-Leste. Priorities could include:

- **Consolidating knowledge and advice on the links between WASH and climate change.** Partners could help by clearly articulating what climate-resilient WASH approaches look like, using lessons from the El Niño drought, natural hazards and longer-term climate variability.
- **Supporting the formation of climate-resilient WASH policies and programmes,** such as within the new NAP, as part of the work plans of collaborative platforms such as the CCA Working Group, and potentially through the WASH sector roadmap on climate change proposed above.

- **Supporting government efforts to develop WASH-related funding proposals that meet climate financing criteria.** Non-government organisations and development partners are well placed to create clear connections between proposals and broader national strategies, as well as with the SDGs and global climate change action agenda.

Endnotes

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