

system entities, insurance and securities markets, non-regulated financial institutions and associated public institutions. The overarching goal is to expedite alignment with the objectives outlined in the National Environmental Policy for 2030, climate commitments, biodiversity targets, and the Sustainable Development Goals (SDGs), among others.

Notwithstanding these efforts, advancements in sustainable investment in the country are still incipient. The absence of updated information translated into financial terms regarding climate risks, coupled with the slow progress in integrating socio-environmental considerations across various corporate entities and investments ventures, has hindered progress. Moreover, the lack of incentives and the absence of clarity surrounding green and sustainable taxonomy remain challenging. The Action therefore proposes to work with the MEF, MINAM, MVCS and other public and private actors to strengthen the regulatory framework, financial mechanisms, and instruments, and to develop a taxonomy of sustainable green finance to facilitate investments a sustainable transition in Peru.

Circular economy transition in water and sanitation

In Peru, approximately 3 million people do not have access to drinking water, 49.5 % of whom live in rural areas. In terms of wastewater treatment, 77.5 % of the wastewater treatment service is provided by the Sanitation Service Providing Companies (known as EPS by its Spanish acronym). In 2020, there were 23 EPSs of the 49 existing EPS that did not carry out wastewater treatment, of which 18 do not have a Wastewater Treatment Plant (WWTP). The lack of wastewater treatment has a high environmental, health and economic impact.

Furthermore, 66% of the population lives in desert areas, where water-intensive economic activities such as agriculture and food production are carried out and pose a risk to changing rain patterns due to climate change. This generates a potential demand for wastewater reuse. Currently, only 4% of all wastewaters is reused and the objective for 2030 is to get to reuse 20% of wastewater.

Given the described issue, the Ministry of Housing, Construction and Sanitation (MVCS) has changed the paradigm regarding water consumption. It has focused on moving from a linear economy to a circular economy, whereby wastewater is no longer seen as waste, but as a valuable resource in the context of water scarcity²¹. In that sense, the MVCS has published the draft Supreme Decree approving the 'Roadmap towards a Circular Economy in Water and Sanitation by 2030- HdR - AS'²².

The Roadmap towards a Circular Economy in Water and Sanitation by 2030 (known as HdR - AS by its Spanish acronym) is complemented by the Universal Water and Sanitation Service Law²³, which provides for preventive environmental actions, through the implementation of appropriate technologies for wastewater treatment, the commercialisation of untreated wastewater for reuse purposes, as well as treated wastewater, solid waste and by-products generated in the process of treating water for human consumption and wastewater treatment. Better utilisation of water resources will also be crucial in the adaptation to climate change, especially for the population and economic activities in desert areas and any region with a fragile ecosystem including the Amazonian basin).

One of the most common issues in water and sanitation infrastructures is that most of them are being managed by Municipal Sanitation Service Providers (EPS) who do not invest enough in their maintenance, thus leading to a short life cycle and obliging the central Government to concede important financing to repair the damages due to the lack of maintenance. A proper governance system, either by prioritising the funds requested to maintain the infrastructures or by revising water tariffs is therefore needed to ensure the sustainability of the investments done in this sector.

The action therefore proposes to enhance water and sanitation governance, regulatory frameworks and rules at national and local, water circularity and regeneration in order to contribute to adequate implementation of the Roadmap towards a Circular Economy in Water and Sanitation and at the same time to deliver on Peru's Nationally Determined Contributions' (NDC) targets, which includes a

²¹ Exposición de Motivos que lo sustenta Resolución Ministerial N.º 190-2024-VIVIENDA

²² Resolución Ministerial 190-2024-VIVIENDA que dispone la publicación del proyecto de Decreto Supremo que aprueba la «Hoja de Ruta hacia una Economía Circular en Agua y Saneamiento al 2030»

²³ Decreto Legislativo N° 1620 (publicado el 21/12/2023) que modifica el Decreto Legislativo N° 1280, Decreto Legislativo que aprueba la Ley marco de la gestión y prestación de los servicios de saneamiento.