



Bundesministerium für  
wirtschaftliche Zusammenarbeit  
und Entwicklung



## Strategy for Water in the Mediterranean Main content of the chapter “Optimizing water financing, water valuation and appropriate instruments with emphasis on innovative mechanisms”

Contribution from Germany and Italy as co-leaders of  
the chapter

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## Structure

1. Setting the scene
2. Objectives and priorities
3. Approaches and instruments
4. Recommendations for action



## 1. Setting the scene (1/2)

- Efficient and sustainable financing is a prerequisite for a functioning water sector.
- Improving the water sector management induces major economic benefits for the national economy that are often not adequately quantified and valued.
- Insufficient funding leads to deterioration and eventual collapse of the water infrastructure.



## 1. Setting the scene (2/2)

- Today in a number of Mediterranean countries the water sector is seriously underfinanced.
- Current trends indicate that in a number of countries tariffs and state subsidies are mainly used for operation and maintenance costs, whereas external transfers (ODA, loans) are mainly used for extension of networks and new infrastructure.



## 2. Objectives and priorities

- a) Improving efficiencies to reduce investment needs and improve cost coverage
- b) Mobilizing financing with emphasis on innovative mechanisms
- c) Enhancing regional action as a complement to national action



### 3. Approaches and instruments

#### a) Improving efficiencies to reduce investment needs and improve cost coverage (1/2)

- Improving sector governance to reach an efficient allocation of water resources between users taking into account an economic and social approach
- Preventing pollution as the most cost-effective strategy



### 3. Approaches and instruments

#### a) Improving efficiencies to reduce investment needs and improve cost coverage (2/2)

- Efficiency improvements in investment planning and technology choice
- Efficiency improvements in the management of irrigation and service providers



### 3. Approaches and instruments

#### b) Mobilizing financing with emphasis on innovative mechanisms (1/2)

- Mobilizing public subsidies
- Strengthening the sector's self-financing capacities through tariffs for water services
- Mobilizing external transfers (grants, ODA loans and private)



### 3. Approaches and instruments

#### b) Mobilizing financing with emphasis on innovative mechanisms (2/2)

- Developing innovative financing mechanisms
- Mobilizing innovative sources of funding – including climate change funds



## 3. Approaches and instruments

### c) Enhancing regional action

- Benchmarking activities, developing methodologies at regional level
- Improving the supply and accessibility of bilateral and multilateral finance: Coordinate, harmonize and innovate
- Supporting projects and preparatory activities for projects



## 4. Recommendations for action (1/4)

- Develop economic models for national strategic choices for water regarding allocation between agriculture, industry and domestic use
- Develop tangible realistic country-sector financial strategies for the water sector
- Integrate river basin planning with spatial and economic development planning



## 4. Recommendations for action (2/4)

- Quantify and communicate economic benefits of investments in the water sector
- Improve fiscal systems to render subsidy flows into the sector and revenues from the sector more transparent
- Transform water service providers into autonomous public entities, operating according to commercial principals in their day-to-day work with a stronger accountability to their customers under an appropriate regulative framework



## 4. Recommendations for action (3/4)

- Support water efficiency measures for irrigation: incentive for water saving irrigation techniques, progressive introduction of tariff structures, support the development of self sustainable irrigators associations
- Improve coordination and synergies between grants and loans between bi- and multilateral financial institutions; market these more effectively by increasing awareness and ensure clear and consistent procedures; improve donor coordination
- Explore and promote innovative financial mechanisms



## 4. Recommendations for action (4/4)

- Raise awareness on existing and emerging funding and financing mechanisms and build capacity to benefit from them
- Identification of niches and subsidy mechanism for crowding in equity / private sector skills
- Development of a pipeline of technical assistance and investment projects with regional visibility aiming at supporting the implementation of the Strategy for Water in the Mediterranean



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# Thank you!

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