

Launching Conference
Governance & Financing for the Mediterranean Water Sector
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Remarks – Nick Malyshev, head, OECD Regulatory Policy Division

Ministers, Secretary General, partners and distinguished guests,

Let me first thank you for the opportunity to be with you today. I would like to express the apologies of the OECD Secretary General Angel Gurría who is unfortunately unable to attend because of the OECD Forum and Ministerial meeting which are being held today and tomorrow in Paris.

This conference on the *Governance & Financing for the Mediterranean Water Sector* is officially launching the work we are starting with partners in the region – including the *Union for the Mediterranean* and the *Global Water Partnership for the Mediterranean*.

Why is it an important project for the OECD?

This work, which encompasses strategic countries of the Mediterranean, aims to provide governments with policy support and guidance to overcome the obstacles and to mobilise funding in the region's water sector. It is of importance to the OECD for several reasons.

First because this project is both timely and critical for the Mediterranean region.

- *Timely*, because accelerated population growth, economic development and rapid urbanisation in the Mediterranean region have placed additional pressures on already limited water resources. This will require urgent and innovative solutions to do better with less.
- *Critical* because water can be a factor of peace and support regional integration, especially as 2013 is the International Year on Water Cooperation.

Second, because this project is at the crossroad of OECD expertise on water and OECD involvement in the MENA region.

Water is a topic close to the heart of our Secretary-General, as many of you know.

- Water is increasingly viewed as a critical issue by OECD countries. Recent trends have put major threats on water security including in rich (developed and emerging) countries. The OECD projects that, by 2050, water demand will increase by 55% and 4 billion inhabitants will be living in water-stressed areas.
- Strengthened interest in water is translating concretely in strong demand for OECD-type policy dialogues. In response to this demand, the OECD Water Programme has led to the development of major policy tools in governance, private sector participation, financing and economics. This work has been tested in OECD, LAC, MENA and EECCA regions.
- Beyond issues related to water quality and quantity, governance deficits have been identified as the major impediments to water reforms. Better attention thus needs to be paid to the affordability for the public purse and the equity in the access to water. Reform to the water sector has to

address gaps due to the fragmentation of roles and responsibilities, weak regulatory and transparency frameworks; patchy financial management; and unpredictable investment climate.

- This is precisely part of the work carried out by the OECD: look at the “how” policies are designed and implemented, to better understand *who* does *what* at different levels, and set effective process through which stakeholders articulate their interest and are held accountable.

The MENA region has been a region of strategic importance to the OECD since 2007. We have a long tradition of working with MENA countries both on issues of public governance and investment frameworks. This has translated in different projects, including on water (with Egypt, Lebanon and Tunisia). More recently, as part of the Transition Fund mechanisms, we have been developing projects with Tunisia on PPPs.

The OECD believes that high-quality public services can enhance trust in governments and contribute to institutional stability. In our experience, however, there is no blue print for the institutions and skills needed for water management. While there is no one-size-fits-all solution, better institutional and regulatory frameworks, place-based policies and capacity-building at all levels are essential to improve the management of the resources and services within and across MENA countries.

What is the role of the OECD in this project?

The core activity of the OECD is to advise governments on the design and delivery of better policies. And the OECD’s ambition for this project is to put our tools, expertise, and comparative advance at the service of the region.

- *We will provide for a neutral and independent international platform.* We do not fund infrastructure project, nor do we demand binding regulations or conditionality. Our role is to provide governments with the objective analysis that can guide decision-making. This is precisely what we will be doing in the country reviews that will substantiate the project. We will carry out the evidence-based assessment that can dispel the myths about private sector participation in water service provision, show recent trends, diagnose bottlenecks, and provide policy recommendations.
- *We will bring international comparisons across and beyond Mediterranean countries.* Looking at how other countries managed the political economy of reform is an excellent means to learn from what works, what does not work and how to make things work. In this project, we will focus not only on what to do but also on how to do it. For this, one needs to understand which incentives are needed to make change happen, accompanying measures and compensation mechanisms required to transition to a new water governance model based on successful stories on the ground.
- *The OECD has a strong convening power.* Putting everybody around the table for what we call, a peer to peer exchange of practices and experience, has proven critical to build consensus on needed reforms, reveal information gaps and manage trade-offs related to the alignment of interests. The workshops we carry out in the country reviews of this project will, by definition, be of multi-stakeholder nature. The dialogue among peers – which is made possible by the involvement of high-profile experts during the missions - shows the range of alternative approaches and concrete implementation bottlenecks that countries may face in reforming the water sector.

Because one size does not fit all, country-based policy dialogues are of utmost importance to make reform happen. In recent years, the OECD has worked with a number of countries to support water reforms, for example in Russia (on private sector participation), in Egypt (on strategic financial planning and private

sector participation), and more recently in Mexico (to diagnose and overcome multi-level governance, river basin, economic regulation and financial sustainability challenges). Work is underway with the Netherlands to diagnose the performance and sustainability of the Dutch water governance system and its capacity to cope with future challenges.

How is our involvement translating for Tunisia and Jordan, the first 2 countries with which we are cooperating? Following the Arab spring and the wide call for decentralisation, the issue of roles and interdependencies between different levels of government to ensure efficient use of resources has become critical. Based on the OECD tool on multi-level governance in the water sector, the OECD can help identify the multi-level governance gaps and specific solutions to address territorial disparities. In addition, in a context where some countries (such as Jordan) have identified the establishment of a dedicated regulatory body to address some of the inefficiencies in water service provision, we will contribute the experience of our Network of Economic Regulators to discuss the core regulatory functions, as well as the governance arrangements and operational modalities of water regulators. In addition, through the OECD network of Budget Officials, we have a long tradition of working with countries on budget transparency and value for money in the selection of projects.

A collective effort, based on strong political support in the region is needed – this is what this project offers

- Let me extend warm thanks to our co-implementers on the project: GWP-Med. GWP-Med is notably handling (thanks to SIDA funding) a critical dimension of the project: the regional platforms.
- This project could not be developed without strategic partnership with project developers and financiers. The partnership with the EIB goes beyond the funding of activities. It is crucial to connect high level policy dialogue and evidence based analysis (typically brought by a policy institution such as the OECD) with lessons learnt from project development, financing and implementation (typically in the hand of a bank).
- The OECD is at the service of countries' government and responds to country-led demand. The support letters from the ministers of Tunisia, Jordan, Morocco, Lebanon, Palestine and Albania and the labeling process by the UfM in June 2012 are sine qua non conditions for the success of the policy dialogue. Let me here thank you for this support, which is a strong signal of the expectations and trust of countries involved in the project.