

Governance & Financing for the Mediterranean Water Sector

Brief Synthesis from the Launching Conference

Endorsed by the 43 countries of the Union for the Mediterranean in July 2012, the *Governance & Financing for the Mediterranean Water Sector* project is a joint undertaking of the Global Water Partnership-Mediterranean (GWP-Med) and the Organisation for Economic Cooperation and Development (OECD). It aims to diagnose key governance bottlenecks to mobilising financing through public private partnerships (PPP) for the Mediterranean water sector and to support the development of consensual action plans based on international good practices. It involves work at national and regional level over three years (mid 2013-mid 2016). Thus far, the work involves seven Mediterranean countries, namely Albania, Egypt, Jordan, Lebanon, Morocco, Palestine and Tunisia with more countries to be engaged during the project's life. Important for launching the project's implementation has been the strategic partnership with the Swedish International Development Agency (Sida) and the European Investment Bank (EIB), as well as the steady support -already since 2009- of the GEF/ MAP UNEP MedPartnership and the Mediterranean Component of the EU Water Initiative (MED EUWI).

The official launching of the Governance & Financing for the Mediterranean Water Sector project took place on 28-29 May 2013 at the Palau de Pedralbes, Barcelona, Spain, under the auspices of the Union for the Mediterranean (UfM) Secretariat.

The Regional Conference that marked this occasion brought together more than 100 participants from 22 countries across the Mediterranean, representing high-level officials from UfM member states, intergovernmental and non-governmental organisations as well as stakeholders from water utilities, water users, civil society, private sector, donor community, financial and academic institutions.

The Conference was opened by H.E. the Secretary General of the UfM, Fathallah Sijilmassi, while a keynote speech on the issue of water governance in the context of the Arab Spring was delivered by the Minister of Water and Irrigation of Jordan, H.E. Hazim El-Naser, representing also the UfM Co-Presidency.

The relevance, added value and timeliness of the project for the region was highlighted in the opening session by the Minister of Water and Wastewater Utilities of Egypt, H.E. Abdelkawi Khalifa; the Minister and Head of the Palestinian Water Authority, H.E. Shaddad Attili and the Deputy Minister of Foreign Trade and Economic Relations of Bosnia and Herzegovina, H.E. Ermina Salkicevic-Dizdarevic. These were complemented by short interventions delivered by the project's core partners and the two implementers. The ceremonial opening of the Conference was marked by the official delivery by H.E. Abdelkawi Khalifa of a support letter from Egypt to the project.

"The UfM-labelled project that we are launching today, aims to effectively address a clear demand for more efficient water service provision, wider participation of stakeholders, more decentralized planning and implementation processes and more transparent and accountable decision making"
Secretary General Sijilmassi

During the discussions that followed, the dire situation characterising the financing of the water sector was particularly accentuated. Although the allocation of public funds and the flow of aid are often generous along with good investment opportunities, it was acknowledged that the countries struggle and usually fail to meet the financial requirements entailed in water-related plans and strategies. Governance deficits, mismanagement and under-financing reinforce a vicious circle where the quality and sustainability of the water and sanitation sector in particular are seriously undermined, eroding at the same time public confidence in the sector. The participants acknowledged the paradigm shift taking place in the region due to the recent socio-political unrest and the opportunities for enhanced transparency, in-depth reform and the clear call for more effective and responsive water service provision, wider participation of stakeholders, monitoring of public spending, more bottom-up, decentralised and accountable policy and decision-making.

In the first working session, chaired by the UfM Deputy Secretary General, Dr. Rafiq Hussein, the two implementers presented in detail the project's objective, scope and expected outputs and outcomes. The two components, national and regional, were further elaborated upon along with a presentation of the planned line of work and the methodology and tools to be employed. At the same time, the roots of the project, firmly situated within successfully completed work jointly undertaken by GWP-Med and OECD in previous years, was explained.

Given the regional context of the project and with due consideration to the wealth of processes, projects, programmes and initiatives focusing on water issues in the Mediterranean, the second session, chaired by H.E. Shaddad Attili, Minister and Head of Palestinian Water Authority, was dedicated to the exploration of synergies and potential partnerships. The session took stock of what exists and what is planned within the work plans of different regional and international organisations and institutions of relevance to the project's theme.

The need to avoid duplication of efforts and waste of resources – both human and financial – was particularly highlighted during the session and therefore, close linkages will be drawn during the project's implementation with the Med component of the OECD Water Governance Initiative, a multi-stakeholder network of public, private and not-for-profit stakeholders that gathers twice a year in a Policy Forum to support better governance in the water sector. In addition, there is ample room for synergetic activities carried out by the Arab Water Council, the Mediterranean Water Institute and the Arab Countries Water Utilities Association (ACWUA). The role of civil society was particularly stressed and examples of effective involvement of stakeholders were offered by the Euro-Mediterranean Regional and Local Assembly (ARLEM), the Mediterranean Network of Basin Organisations (MENBO), the International Office for Water (OIEau) and Friends of the Earth Middle East.

Transboundary issues were mentioned as meriting attention with complementary efforts led by the Stockholm International Water Institute (SIWI) or the WACDEP¹ and SITWA² projects of the Global Water Partnership (GWP). Themes, such as gender and the role of marginalised groups were highlighted by the Green Cross International and the Butterfly Effect. The role

¹ Water, Climate and Development Programme (WACDEP)

² Strengthening Institutions for Transboundary Waters in Africa (SITWA), jointly led by the African Network of Basin Organisations (ANBO) and GWP

and value of legal tools were emphasised by the UN Economic Commission for Europe (UNECE) along with insights on sharing related experiences from other regions. Finally, attention was drawn to environmental aspects and ecosystems through interventions from the International Union for Conservation of Nature (IUCN) and the Mediterranean Wetlands Initiative (MedWet).

In sum, complementarity and in some cases operational synergies were identified with actors from different sectors together with activities on themes that albeit not directly related to the project, could offer an added value to its scope. The session enriched the regional component of the project that, among other tasks, intends to conduct an inventory of actors working on governance and financing issues in the Med. The session also strengthened the project's outreach across the Mediterranean region and beyond and highlighted the complementarity with the Mediterranean Process of the World Water Fora and the Mediterranean Group of the OECD Global Water Governance Initiative.

Building further on the project's regional component, the third session of the Conference, chaired by H.E. Abdel Kawi Khalifa, Minister of Water and Wastewater Utilities of Egypt, was dedicated to the exploration of the need for a roundtable for reflection among policy makers and private sector actors on ways to progress towards governance reforms and financial sustainability of the Mediterranean water sector. The session's discussions were based on an Issues Paper setting the stage for the discussions, which was shared in advance with the participants. Important insights were offered by H.E. Abdelkawi Khalifa on the need to find a balance in the triangular interaction between the service provider, the regulator and the service receiver with all three needing to be well aware of their rights, obligations and responsibilities.

During the session's interventions, experiences were offered from existing public-private-partnerships by the government representative of Mauritania, while the Libyan official stressed the value of such partnerships in the new socio-political setting in Libya and the urgent need for capacity building in order to better cope with the related challenges. The lack of – and thus the need to invest in – both financial and human resources, were emphasised by ACWUA along with the essential requirement of demand-driven policies for enhanced ownership and implementation of decisions. Addressing the issue of confidence building through a regional roundtable was among the key themes raised by the Arab Network for Environment and Development (RAED), while being theme-focused through working groups was suggested by the Arab Water Council as a potential *modus operandi* of such roundtable.

Significant reflections were offered by the Sociedad General de Aguas de Barcelona (AGBAR), representing the perspective of the private sector, with positive examples from Algeria and insights on regulation and training as key elements of success stories. The view of a financing institution, through the intervention of the African Development Bank, highlighted the need for further focus on corruption and transparency indicators and the benefits of decentralised structures in that respect. Further interventions offered experiences from the region and beyond (e.g. Israel and the Baltic Sea) and stressed the need to include consumers in such a roundtable and perhaps other key stakeholders from outside the water supply and sanitation sector, such as agriculture.

The Conference closed with a summary delivered by the two project implementers. Working together in partnerships (synergetic, public-public, public-private, etc.) was underlined as a solid way of effectively responding to the governance-financing challenges. At the same time, the need for adjustments to accommodate the working model of the private sector through emphasis on benefits, incentives/disincentives and risk aversion was also acknowledged. While the contractual arrangements with the private sector are an important determinant of the risk allocation across partners and as such need to be adequately drafted, they will not replace or make up for conducive public governance. The need for sound regulatory framework, institutions and processes were acknowledged by all participants as a way of ensuring legally sound and socially acceptable contracts that cannot be jeopardised by vested interests. Utility reform was raised on several occasions as crucially needed, but with care as to cost recovery, financial sustainability and the impacts on the poor segments of society. Being realistic as to the expected outcomes was also underlined, taking into consideration the often rapid change of the framing conditions that necessitates some latitude in available accurate information and provisions for adaptation. In that sense, it was stressed that the enabling environment for private-public-partnerships goes beyond governments, the private sector and utilities and extends into the entire society; a change of culture concerning water services is needed and a restoration of trust among the different stakeholders and public institutions in particular.

Final remarks were provided by the project partners and the Ministers, the latter reaffirming the added value of the project, the timeliness given the current developments in the countries and their commitment and strong support for the implementation of the activities and the success of the UfM-labelled project.

Some extracts from the Opening Statements

“Nations and civil societies need to work on enhancing prevailing water governance with all its elements: foremost transparency, accountability, coherence and participation. This UfM-labelled project aims to effectively address these issues and identify and promote solutions that are realistic and implementable. With this in mind, let me restate Jordan’s support to this UfM project and our commitment to work together with GWP-Med and OECD for its success”.

H.E. Hazim El-Naser, Minister of Water and Irrigation of Jordan

“The key factors behind Egypt’s decision to join the project are the promotion and attraction of private sector, both local and international, to invest in the sector of water and wastewater services; the discussion of plans and programmes for improving the investment environment in the region; as well as the exchange of expertise, problem solving and best practices in the sector”.

H.E. Abdelkawi Khalifa, Minister of Water and Wastewater Utilities of Egypt

“We have been engaging efforts in the reform of the water sector and we are conscious that we need to further these efforts to improve the governance framework and encourage the private sector to invest in the water sector in Palestine despite the political situation. That is why we strongly support this project and praise UfM and our partners, GWP-Med and OECD, who are providing their expertise and assistance for the development of Palestine and allowing dialogue and exchanges with our neighbouring countries”.

H.E. Shaddad Attili, Minister and Head of Palestine Water Authority

“For governance of the Mediterranean water sector, the recent developments at the global and regional level have marked the beginning of a phase in which the international law may begin to play a bigger role in governing this resource. These developments seem to herald acceptance of the shared nature of problems...States have geared up to deal with relevant problems in cooperative or coordinated fashion in number of ways from informal arrangements to a few bilateral and multilateral treaties for specific problems”.

H.E. Ermina Salkicevic-Dizdarevic, Deputy Minister of Foreign Trade and Economic Relations of Bosnia and Herzegovina