



**UN**  
**2023 WATER**  
**CONFERENCE**

NEW YORK  
22-24  
MARCH  
2023

## **UN 2023 Water Conference Side Event**

### ***Water Finance in the Mediterranean***

Thursday 23<sup>rd</sup> March 2023, 15:30-16:45, Conference Room 6

Organized by: UfM, European Commission, Ministry of Water and Irrigation of Jordan, Ministry of Agriculture and Forestry of Türkiye, Ministry of Equipment and Water of Morocco, Ministry of Foreign Affairs of Finland, OECD and EIB.

#### **Background on the event**

The global water crisis is at full force in the Mediterranean – the world’s most water-scarce region, warming 20% faster than the rest of the world, where freshwater availability is set to decrease by 15% due to climate change, and where within 20 years more than 250 million people will be classified as “water-poor”. The 43 member states of the Union for the Mediterranean (UfM), which includes countries from the European Union, South Eastern Europe, Western Asia and North Africa, are cooperating to develop and implement a regional response to the water crisis. Following the mandate of the 2017 UfM Ministerial Meeting on Water, they developed in 2018 the UfM Water Agenda and the UfM Financial Strategy for Water. This Strategy, organised around 3 pillars and 10 objectives, presents a menu of 47 options to enhance the financial sustainability of water management in the Mediterranean. The responsibility for implementing the UfM Financial Strategy for Water stays with individual UfM member states, while the UfM Secretariat carries out a programme of activities to facilitate its uptake. The UN 2023 Water Conference provides a timely opportunity to share with other regions the progress made by UfM member states in enhancing the financial sustainability of water management, reflect on how their efforts could be more effective and efficient, and re-affirm their commitment to continue to implement the UfM Financial Strategy for Water.

#### **Key issues discussed**

- **In the Mediterranean, regional cooperation around water is an example of positive cooperation, and includes a particular emphasis on water finance issues.** UfM-led supporting activities include regional conferences, national workshops, policy briefs, and the recent development of the Cairo Action Agenda on Water, Climate and Finance.

The European Union (EU) has expanded its financial instruments for regional cooperation and they now include blending, guarantees and sub-sovereign support.

- **Countries around the Euro-Mediterranean region share similar water finance challenges** – including increasing costs of adapting to climate change and tightening constraints on public budgets. Even when the water management challenges are not always the same, the water finance solutions often are – from increasing user contributions to fighting corruption to making the most of public-private partnerships.
- **User contributions are the keystone of sustainable water finance.** Within the EU, the adoption of the EU Water Framework Directive in 2000 has provided a strong regulatory framework that drives water investments and guides water finance through the flexible application of the cost recovery and polluter pays principles. Non-EU countries are aware of the water finance gap and the options to close it, but political barriers prevent the reform of water tariffs.
- **Water investment planning is being strengthened through national programmes and basin plans.** They increasingly incorporate soft and nature-based solutions. Countries in the region are starting to adopt a Water-Energy-Food-Environment (WEFE) nexus approach, which should help to better coordinate cross-sectoral investment planning and finance.

#### **Key recommendations for action**

- **At national level, better balance the focus on new projects with more attention to improving policy frameworks.** Currently, too many projects are delayed or fail. The Mediterranean water sector needs more policy dialogue, technical assistance, and project preparation; as well as better engagement of all actors (including private banks and the private sector more generally). Partners are ready to support this agenda through water-related initiatives such as the Blue Med Partnership involving EBRD, EIB and UfM, and the OECD scorecard for assessing enabling conditions for water finance.
- **At regional level, update the UfM Financial Strategy for Water and deepen experience sharing to support improved national water finance frameworks.** The agenda set out by the UfM Financial Strategy for Water remains relevant, but more attention could be paid to reforming subsidies that have a negative impact on water (moving away from funding misdirected and anti-resilient activities), strengthening economic regulation (to support tariff reform, better performance standards, and improved creditworthiness), and improving enabling conditions. Countries around the region are trying out different solutions that could be better shared.