The UfM Recommendations on Water Finance

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About the document

- **7-page document** identifying a set of 9 regional priorities on water finance and investment policy and 41 specific actions to address them
- Developed by the **UfM Working Group on Water Finance and Investment**
- Building on the results of the **UfM programme on water finance** (annual conferences and related policy briefs) implemented since 2019
- To be approved by the **UfM Regional Platform on Water** (Barcelona, 5-6 November) and endorsed by **Ministers** (Rome, 24-25 March)

#1 – Develop a national water finance strategy

Why: **To articulate a strategic approach to water finance and gain better control of where the sector is going**

How:

- Allocate responsibility within national government
- Constitute a national working group on water finance
- Invest in collecting data on revenue and spending sides
- Bring external expertise as needed
- Develop an implementation calendar

#2 – Enhance investment planning in the water sector and across the WEFE Nexus

Why: **To seize opportunities and address barriers that exceed the scope of individual projects**

How:

- Support a more inclusive investment planning process
- Develop a more balanced portfolio of investment solutions
- Adopt a more integrated approach for investment planning and programming
- Ensure the financial sustainability of water investment plans
- Identify and manage synergies and trade-offs between infrastructure investment projects across WEFE sectors

#3 – Increase the quality of public expenditure programmes related to water

Why: **To ensure that scarce public resources have maximum impact**

How:

- Enhance Public Financial Management in the water sector
- Reform existing subsidies that promote inequalities, distort water use, and undermine climate resilience.
- Ensure that water expenditure programmes are aligned with policy priorities and provide highest benefits
- Increase value-for-money in the design and implementation of water-related projects
- Carry out regularly (e.g. every 5 years) a public expenditure review of the water sector

#4 – Review WASH tariff polices and strengthen the economic regulation of WASH services

Why: **To ensure that WASH services are financially sustainable, affordable, and contribute to national water demand management goals**

How:

- Review current tariff policies for WASH services and their contribution to financial sustainability, affordability and water demand management
- Implement policy measures to ensure the affordability of WASH services
- Review the current system of economic regulation of WASH services
- Designate an entity to implement and enforce economic regulations
- Ensure that economic regulation reform efforts are coordinated with other sector reform efforts

#5 – Better integrate water, climate and finance

Why: **To ensure that the water sector can fully contribute to a climate-resilient national economy**

How:

- Integrate water and climate at a strategic policy level
- Integrate climate in water investment policies and plans
- Integrate climate finance in national water finance strategies
- Develop regional climate finance hubs

#6 – Mobilise more public finance through Public Development Banks

Why: **To ensure that the potential of public finance institutions to finance water investments is fully realised**

How:

- Ensuring that the mandate of PDBs includes investing in the water sector
- Define the role of PDBs in the national water finance strategy
- Strengthen the capacity of PDBs for engaging in the water sector
- Allocate public funds to help PDBs to start financing water sector investments
- Support the development of a Euro-Mediterranean chapter of the OECD's PDB4Water Initiative

#7 – Promote a larger role of commercial finance

Why: **To free up public resources for worthy projects that are not commercially bankable**

How:

- Develop a more supporting enabling environment
- Enhance the creditworthiness of public utilities
- Develop stronger project pipelines
- Reduce the risks for commercial financiers

#8 – Leverage public private partnerships for enhancing financial sustainability

Why: **To take advantage of private operators' strengths in reducing costs and increasing revenues in the frameworks provided by public authorities**

How:

- Develop government capacities to drive progress in key areas
- Adopt a results-driven approach
- Identify, develop and priorities tools that empower public authorities to drive the partnerships
- Take steps to make the most of water PPPs by focusing first on optimizing assets, promoting competition, knowledge management and digitalisation

#9 – Contribute to improved regional cooperation on water finance

Why: **To accelerate progress by learning from the experiences of other UfM member states**

How:

- Designate a national point for water finance issues
- Establish a permanent national policy dialogue platform on water finance issues
- Make the most of existing regional mechanisms for peer learning
- Consider taking part in the Rome Initiative on Water (currently being defined)

Questions

- Which of the UfM Recommendations on Water Finance resonate more with the priorities of your institution?

- How can water sector leaders facilitate the implementation of the UfM Recommendations on Water Finance?