Financing Water Resources Management

Botin Fundacion, 2012
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Outline

• Framing the issue
• 4 principles
• Empirical issues
• The added value of economic instruments
Framing the issue

- Finance, one of the governance gaps
- Challenges ahead
  - Increasing complexity of water management
  - High investment needs
  - High cost of O&M of existing infrastructures
- Competition to access public finance
Water demand to increase by 55% by 2050

Global water demand: Baseline scenario

Rapidly growing water demand from cities, industry and energy suppliers will challenge water for irrigation to 2050.

Source: (OECD, 2012), OECD Environmental Outlook Baseline; output from IMAGE
Principles for Financing WRM

• **Polluter Pays**  
  – Make pollution costly  
  – Generate revenues

• **Beneficiary Pays**  
  – Harness beneficiaries

• **Equity**  
  – Affordability issues  
  – Competitiveness issues

• **Consistency across adjacent policies**
Related empirical issues

- Earmarking revenues from water-related taxes
- Enhancing the operational efficiency of service providers
- Attracting private finance
- Valuing water services
- Governance
  - Multilevel and multisector
  - Non-prescriptive regulations and institutions
The added value of economic instruments

• Economic instruments can
  – Promote efficient uses
  – Allocate water where it creates more value
  – Value the benefits of water-related services
  – Provide incentives to explore low-cost options
  – Raise revenues

• The benefits of international experience
  – Requisites
  – Accompanying measures

• One remaining challenge
  – Reach out to the wider community
Thank you

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