STRENGTHENING WATER MANAGEMENT & GOVERNANCE: OECD LESSONS

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PRESENTATION OVERVIEW

- Progress and challenges
- Financing water supply and sanitation
- Effective water pricing
- Addressing social aspects of water pricing
- Ensuring sustainable water use in agriculture
- Main messages
WATER GOVERNANCE IN OECD COUNTRIES

Progress has been made:
- Comprehensive framework of water management policies, laws, and institutions.
- Application of volume-based water charges
- Use of flanking policies to address social concerns.
- Expanding access to water supply and sanitation.
- Development of river basin councils and Integrated Water Resources Management (IWRM) plans.
- Reduced point-source pollution; clean-up of surface waters.

…but this has taken time
Challenges remain:

- Remove subsidies to water use, particularly for irrigation.
- Increase water investments to finance upgrading/replacement of ageing piped water infrastructure.
- Protect against floods and droughts.
- Ensure sufficient water to support ecosystem services.
- Improve the level of wastewater treatment.
- Reduce diffuse pollution (e.g. from transport, agriculture).
- Protect quantity and quality of groundwater resources.
<table>
<thead>
<tr>
<th>Water Connections &amp; Investments</th>
<th>OECD Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to safe drinking water</td>
<td>About: 98%</td>
</tr>
<tr>
<td></td>
<td>Range: 86-100%</td>
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<tr>
<td>Population connected to public water supply</td>
<td>About: 91%</td>
</tr>
<tr>
<td></td>
<td>Range: 55-100%</td>
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<tr>
<td>Population connected to public sewerage</td>
<td>About: 75%</td>
</tr>
<tr>
<td></td>
<td>Range: 51-98%</td>
</tr>
<tr>
<td>Public sector waste water pollution abatement &amp; control expenditure (% of GDP)</td>
<td>About: 1.6%</td>
</tr>
<tr>
<td></td>
<td>Range: 0.1-3.7%</td>
</tr>
</tbody>
</table>
A stable financial base is essential.

Combination of sources:
- water charges
- public funding (financed from tax revenues)
- private investment (international & local)
- ODA and International Finance Institutes

Improving the quality of the demand for financing is as important as increasing the supply of finance.
ODA TO WATER SECTOR

- Bilateral & multilateral ODA commitments increased in 2004, reversing the downward trend seen since mid-1990s.
- ODA continues to be targeted to a few recipient countries.

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</thead>
<tbody>
<tr>
<td>Bilateral commitments</td>
<td>2673</td>
<td>2598</td>
<td>9</td>
<td>6</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td>Multilateral commitments</td>
<td>593</td>
<td>1335</td>
<td>6</td>
<td>8</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>3266</td>
<td>3934</td>
<td>8</td>
<td>7</td>
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</tbody>
</table>
EFFECTIVE WATER PRICING

- Water pricing is essential for:
  (i) securing stable financing for water services.
  (ii) providing incentives to use water efficiently.

- Water tariffs should reflect the full costs of water services provision, and at least operating & maintenance costs.

- How to move towards full cost recovery pricing?
  - Phase-in water charges slowly, according to an agreed timetable.
  - Involve stakeholders and those affected.
  - Apply social tariffs to ensure affordable access.
Poorest communities often pay the most for water services, because they are not connected to public supplies.

A number of mechanisms can be used:
- Increased income support
- Increasing block tariffs
- Capped water bills
- Reduced connection fees
- No disconnection policies

Target support to those in need, rather than offering across-the-board cheap water.
### Water charge burden for household groups with lowest income (lowest 10-20% income group), selected countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>Charge Burden</th>
</tr>
</thead>
<tbody>
<tr>
<td>England &amp; Wales</td>
<td>1999-2000</td>
<td>3.8%</td>
</tr>
<tr>
<td>Scotland</td>
<td>1999-2000</td>
<td>2.2%</td>
</tr>
<tr>
<td>Hungary</td>
<td>1999</td>
<td>2.5%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1999</td>
<td>2.4%</td>
</tr>
<tr>
<td>Mexico</td>
<td>2000</td>
<td>3.8%</td>
</tr>
<tr>
<td>USA</td>
<td>2000</td>
<td>0.7%</td>
</tr>
<tr>
<td>Armenia (Yerevan), 2002</td>
<td></td>
<td>8.1%</td>
</tr>
<tr>
<td>Indonesia, households buying</td>
<td>2004</td>
<td>16-33%*</td>
</tr>
<tr>
<td>water from vendors</td>
<td></td>
<td></td>
</tr>
</tbody>
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ENSURING SUSTAINABLE WATER USE IN AGRICULTURE

- Agriculture is the major user of water worldwide (70%) and a major polluter.

- Technologies and practices exist that could increase the efficiency of water use.

- Governments need to provide the right incentives to farmers to use these:
  - Define property rights
  - Use tradable permits, apply abstraction charges, etc.
  - Reduce subsidies to irrigation infrastructure provision
  - Raise farmer awareness of technologies & processes
MAIN MESSAGES

- Strengthen institutional governance and local support for reforms.
- Increase the efficiency of irrigation water use and reduce agricultural pollution.
- Secure reliable financing using a variety of sources.
- Move towards full cost recovery water charges.
- Target support to those who need it, rather than subsidising water across-the-board.