

Regional Workshop on the Economic Instruments for Water Demand Management in the Mediterranean

Marseille, April 12-13, 2018

1 Background

1.1 The CMI¹ program on Water Demand Management

Water demand in the Mediterranean is increasingly met by over-exploitation of renewable resources and fossil water withdrawals at an increasing financial, social and environmental cost. As an alternative to the prevailing strategies, Water Demand Management (WDM) focuses on the efficient use of the existing water supply. It encompasses measures designed to save water and improve water use efficiency as well as water allocation rules and mechanisms across sectors.

The goal of the [CMI program on WDM](#), co-led by AFD and [Plan Bleu](#), is the regional integration of knowledge, public policies and management tools in key areas for WDM. Given the variety of water needs and uses, a common language is to be spoken in order to effectively discuss and prioritize WDM options. The program develops an economic approach to WDM and promotes the use of economic concepts and tools to facilitate communication amongst stakeholders and policy-making in order to improve water security and adaptation to climate change.

The two main themes explored by the program are groundwater resources management, on which a synthesis regional workshop was held at CMI in March 2017 with participation of the World Bank and the FAO (see [link](#)) and the economic instruments to WDM, which is the subject of the workshop described in this concept note.

Main achievements in the area of economic instruments include:

- Knowledge products: see Plan Bleu [Cahier#15](#), [AFD brief](#) and [ppt presentation](#),
- Organization of a side event to the 2nd Mediterranean Water Forum, held in Murcia, Spain in November 2014 (see [link](#)), and

¹ The Center for Mediterranean Integration (CMI) is a cooperative platform and a site where International Finance Institutions, development agencies, Governments, local authorities and civil society from around the Mediterranean convene in order to exchange knowledge, discuss public policies, and identify the solutions needed to address key challenges facing the Mediterranean region. Members of CMI are Egypt, France, Greece, Italy, Jordan, Lebanon, Morocco, the Palestinian Authority, Tunisia, the City of Marseille, Provence-Alpes-Côte d'Azur Region, the European External Action Service (observer), the European Investment Bank, and the World Bank Group. The AFD and the GIZ count among its partners. www.cmimarseille.org, Facebook : /cmimarseille, Twitter : @cmimarseille

- Public policies workshops implemented in Jordan (2011), Morocco (2014, mainly focused on groundwater management, see [link](#)) and Tunisia (2015, see [link](#)), addressing countries' specific needs and priorities.

The specific topics covered under the program comprise:

- Clarifying the concepts of cost and value of water
- Market inefficiencies in the water sector
- The different nature and purposes of taxes, tariffs and subsidies in the water sector
- Principles of water pricing in different sectors: domestic water, industry, agriculture
- The "cost curve" as a tool for prioritizing water mobilization options
- Potential of pricing for saving water and improving water efficiency in drinking water and irrigation
- Effectiveness of subsidization programs for water savings in irrigation
- Innovative instruments: payment for environmental services and water markets
- Relevance of economics for governing water allocation amongst sectors.

These topics are addressed with an aim to serve the design and implementation of IFIs-funded projects, where water tariffs, water mobilization, and subsidies to water savings in irrigation are particularly at stake. It is expected that an upstream dialogue with clients and partners on these often-debated issues will help save time and transactions costs for project preparation, as well as improve project performance.

1.2 The World Bank Report "Beyond Scarcity: Water security in MENA"

This report (see [link](#)) describes how the region's current water challenges go far beyond age-old constraints of water scarcity. The report explores how countries can anticipate and act to strengthen water security, rather than waiting to react to the inevitable disruptions of water crises. It draws on regional and global examples to show that limited water resources need not restrict the region's future, but that a combination of technology, policy and management can convert scarcity into security.

Offering a comprehensive analysis of one of the region's most significant challenges, the report examines the sustainability and efficiency of current water resources management, the challenges to maintain and extend access to affordable water services, and the growth of water-related risks and the adequacy of the actions taken to address them.

Issues such as the low-value uses and low productivity of water in MENA, agricultural water losses, low water tariffs, high water subsidies and weak monitoring and enforcement mechanisms undermining incentives for efficient water use are highlighted. The report calls for valuing water, and creating incentives for water conservation and water use efficiency, including fees, fines, permitting, and pricing; and the reallocation of water from rural to urban users and from agriculture to industry.

2 Purpose and Objectives of the Workshop

Based on the analytical work done by the World Bank and the CMI, the workshop will aim at widely sharing these findings and reflections and progress towards a common understanding with the World Bank's and AFD's clients and partners from Southern Mediterranean countries.

The approach will be a mix of knowledge exchange and strategic dialogue, with a view to yielding policy recommendations for water management with tangible implications for the Bank and AFD portfolio.

Expected results would apply to a range of issues covering project design, targeting of funding, pricing principles, realignment of subsidies, promotion of new instruments, side measures for sectors other than water, projects' conditionalities or triggers for Development Policy Loans, definition of appropriate performance indicators, results monitoring, institutional and governance structures, and the political economy of reforms.

3 Target audience

The workshop will gather around 30 participants comprising of decision-makers, managers, experts, researchers and qualified representatives from Southern Mediterranean Countries; AFD, WB and Plan Bleu staff; and selected consultants.

4 Expected outcomes

The workshop will result in a synthesis report showing where there is a consensus for the use of economic instruments for WDM; which principles, tools or instruments could be directly applied and which ones would deserve further discussion; and the way these conclusions would inform project design and implementation.

Presentations, discussions and recommendations of the workshop will feed the next report on the State of the Environment and Development in the Mediterranean (2019) produced by UNEP/Mediterranean Action Plan components (including Plan Bleu).

5 Organisation and funding

The workshop is jointly organized and funded by AFD, the World Bank and the CMI, with the technical support of Plan Bleu and IRSTEA.

The workshop will be bilingual (French/English) with translation provided.

Presentations and outcomes of the workshop will be posted on the CMI website.

6 Agenda

Day 1: Thursday, April 12

8:30 am Reception and registration of participants

9:00 am Workshop opening

Speaker(s): Ms. Blanca Moreno-Dodson (CMI), Ms. Carmen Nonay (World Bank), Ms. Celine Dubreuil (Plan Bleu) and Mr. Dominique Rojat (AFD)

9:30 am Setting the stage: the economic aspects of WDM

Speakers will present on the main topics concerning the economic aspects of WDM, with an operational perspective i.e. including relevance for effective WDM, state of the art and lessons learnt from operations.

10-15 minutes for each presentation followed by 10-15 minutes of Q&A

Moderator: Mr. Frederic Maurel, AFD

Outlook for Water Security in MENA – an overview

Mr. Anders Jägerskog, World Bank

Basics of Economic Instruments

Mr. Dominique Rojat, AFD

Financing Water Services: The 3Ts, and an Historical Perspective

Mr. Olivier Crespi-Reghizzi, AFD

11:00 am Coffee break

11:30 am Pricing Water in Different Sectors

Moderator: Ms. Carmen Nonay, World Bank

Pricing of Dams Raw Water in Algeria

Mr. Guillaume Fabre and Ms. Beatrice De Abreu, BRLi

Pricing of Municipal Water with reference to Tunisia and France

Ms. Marielle Montginoul, IRSTEA

Pricing of Agricultural Water

Mr. Sebastien Loubier, IRSTEA

1:00 pm Lunch

2:00 pm Cost Recovery and the Use of Subsidies

Moderator: Ms. Celine Dubreuil, Plan Bleu

Principles of Cost Recovery in the Water Sector

Mr. Sebastien Loubier, IRSTEA

Applying the EU WFD Cost Recovery Principles to the *Aqua Domitia* Water Transfer Project

Mr. Guillaume Fabre and Ms. Raphaëlle Lavenus, BRLi

Economic analysis of the Red Sea – Dead Sea transfer project

Mr. Frederic Maurel, AFD

Subsidization Programs for Water Saving in Irrigation

Ms. Marielle Montginoul, IRSTEA

3:30 pm Coffee break

4:00 pm Group works: potential of Economic Instruments for WDM

Participants will be split into 3 to 4 working groups aimed at reflecting on the relevance, effectiveness and limits of economic instruments for WDM, and the way to enhance their use and improve their significance for a sound management of water resources. Groups will be provided with a list of issues/questions to address/answer.

5:30 pm Wrap up of Day 1 and framing of Day 2

6:00 pm End of Day 1

Day 2: Friday, April 13

8:45 am Introduction to Day 2

9:00 am Working group presentations

Working groups of Day 1 will present on their outcomes, followed by Q&A and discussions.

Moderator: Mr. Fadi Georges Comair, General Director of Hydraulic and Electric Resources at the Ministry of Energy and Water in Lebanon

10:30 am Coffee break

11:00 am Innovative instruments for WDM

Moderator: Mr. Mohammad Said Al Hmaid, CEO, Water Sector Regulatory Council, Palestine

Payments for Environmental Services

Mr. Thomas Binet, Vertigo Lab

Water Markets

Mr. Nicholas Brozovic, Director of Policy, Daugherty Water for Food Global Institute; University of Nebraska

12:30 pm Lunch

1:30 pm Group works

Participants will be split into 3 to 4 working groups aimed at reflecting on the relevance, potential effectiveness and limits of Innovative Instruments for WDM, and the way they could be implemented for a sound management of water resources. Groups will be provided with a list of issues/questions to address/answer.

3:00 pm Coffee break

3:30 pm **Working group presentations**

Working groups will present on their outcomes, followed by Q&A and discussions.

Moderator: *Mr. Anders Jägerskog, World Bank*

4:30 pm **Plenary session: wrap up and discussion**

Main conclusions of the workshop. Implications for project design and implementation.

Moderator: *Mr. Dominique Rojat, AFD*

5:30 pm **Closing of the workshop**

Speaker(s): Mr. Dominique Rojat (CMI/AFD), Ms. Celine Dubreuil (Plan Bleu), Ms. Carmen Nonay (World Bank) and Mr. Frederic Maurel (AFD)

6:00 pm **End of the workshop**