

FIRST UFM ANNUAL CONFERENCE ON WATER INVESTMENT AND FINANCING

organised in partnership with ISPI in the framework of the Mediterranean Dialogues

Rome (Italy), 5th December 2019

CONCEPT NOTE

Draft, 9th October 2019

1. The private sector and the financial sustainability of the Mediterranean water sector

Ensuring the financial sustainability of the water sector is of paramount importance to support economic growth and achieve the Sustainable Development Goals in the UfM region. There is a significant funding gap for water management in the Mediterranean region. To close the funding gap, there is a need to adjust tariffs, taxes and transfers.

The private sector can mobilise financial resources, but these will need to be paid for. If private sector involvement in financing the water sector is to be increased, more attention needs to be paid to defining its role and improving the enabling environment. Different countries in the region have different positions about the desired level of involvement of the private sector. The private sector is made of different actors – private water sector providers, large water users, banks, and financial investors, to name a few – with different goals and requirements. The international experience suggests that private water sector providers cannot be expected to mobilise significant funding unless very specific conditions are in place. Mobilising commercial finance, in particular from domestic sources, would require in most cases additional policy reforms to promote efficiency gains, cost reduction and cost recovery.

Not enough attention is being paid in many Mediterranean countries to engaging private sector investors. Economic growth has increased savings in most countries in the region. Domestic commercial finance institutions (commercial banks) are looking for opportunities to lend money to projects with appropriate risk/return profiles. There are opportunities to blend development finance (including guarantees) and domestic commercial finance to provide such appropriate risk/return profiles, provided that the sector is adequately funded from tariffs, taxes, and transfers.

2. The UfM Financial Strategy for Water

In April 2017, UfM Ministers called for a Union for the Mediterranean Water Agenda to enhance regional cooperation towards sustainable and integrated water management in the UfM region and mandated the development of an associated Financial Strategy. In December 2018, UfM Senior Officials approved the UfM Water Agenda and the UfM Financial Strategy for Water.

The aim of the UfM Financial Strategy for Water is to facilitate increased financing of investments that contribute to access to water; protection against risk of droughts, floods or

polluted water; and sustainable growth in the Mediterranean region, while enhancing the financial sustainability of the water sector. Its main message is that UfM member states need to approach water financing in strategic way, and combine making the best use of existing financial resources with mobilizing additional domestic and international financial resources.

The UfM Financial Strategy for Water sets 10 common strategic objectives and a menu of 48 actions that individual countries are expected to prioritize and implement according to their individual circumstances, priorities, and capacities. Multiple actors have a role to play in the implementation of the UfM Financial Strategy for Water, including international partners. The exact actors and roles will vary from country to country, according to their specific institutional settings and policies.

3. The UfM Annual Conference on Water Investment and Finance

In order to support UfM member states with its implementation, the UfM Financial Strategy for Water includes a menu of supporting activities to be developed over the coming years by the UfM Secretariat as well as technical and financial partners. They include country-level activities (such as the National Workshops on Water Financing carried out in Jordan in March 2019 and Albania in October 2019) as well as regional activities (such as the capacity development workshop on climate financing organised in June 2019).

At its 10th meeting (Brussels, 13th-14th June 2019), the UfM Water Expert Group (WEG) decided that the series of high-level regional conferences on water investment and finance proposed in the UfM Financial Strategy for Water should take place once a year around the month of November, and the first conference should focus on Public-Private Partnerships.

The chosen label for this series of annual events is UfM Annual Conference on Water Investment and Finance (UfM ACWIF). It is hoped that UfM ACWIF will overtime become well established in the region as a space for safe and informed dialogue between UfM member countries, and financial and technical partners on matters of water finance and investment.

The aims of the UfM Annual Conference on Water Investment and Finance are:

- to raise the profile of the water finance and investment issues on the international political agenda and within the finance community;
- to disseminate and discuss evidence-based knowledge on how to overcome the barriers to investment, pushing the boundaries of traditional thinking about financing water-related investments; and
- to promote impactful ways of financing water-related investments.

The UfM ACWIF is aimed at high-level representatives from UfM member countries, as well as technical and financial partners. Participation from UfM member countries would include representatives from ministries in charge of water, ministries of finance, and other ministries as appropriate, local government, parliament, private sector (banks, other financial institutions, major water users), and civil society. In order to facilitate meaningful discussions, UfM ACWIF would be limited to a selected number of participants: about 60 participants of which about 40 would represent UfM member states (including advisors to high-level representatives) and about 20 would represent technical and financial partners. Participation at UfM ACWIF is by invitation only.

4. First UfM Annual Conference on Water Investment and Financing: Financial Dimension of PPPs Right

The UfM Secretariat has been in discussions with the EU Delegation (EUD) in Cairo as well as with the Italian Institute for International Political Studies (ISPI) to explore synergies between the organisation of the first UfM ACWIF and the organisation of two relevant events of regional importance: Cairo Water Week (CWW) and the Mediterranean Dialogues (MED).

The first UfM ACWIF will be preceded by a Water Financing Focus Session in the framework of the EU-UfM Water Governance and Business Forum. The Focus Session will take place in the morning of Monday 21st October 2019 in Cairo (Egypt) under the title “Sustainable Financing for the Mediterranean Water Sector: Role and Requirements of Public Private Partnerships”. The conclusions of the Focus Session will be gathered in a short (2 pages) outcome document and transmitted to the first UfM Annual Conference on Water Investment and Financing.

The first UfM Annual Conference on Water Investment and Financing will take place on 5th December 2019 in Rome (Italy) in the framework of the Mediterranean Dialogues. It is aimed at High Level representatives of stakeholders of the Mediterranean Water Sector – ministries in charge of water and their partners, but also ministries of finance and economic development, ministries of foreign affairs, sectoral ministries, sub-national governments, private sector representatives (water service providers, water users, financial sector,...) and civil society representatives. The special topic of the first edition is “Public-Private Partnerships and Financial Sustainability of the Water Sector”

The outcomes of the first UfM Annual Conference of Water Investment and Financing will be transmitted by H.E. Nasser Kamel, Secretary General of the UfM, to the Mediterranean Dialogue on 6th December 2019 and to the UfM Senior Officials’ Meeting on their meeting of December 2019.