

Foreword

Water resources management is a key function of governments around the world. Governments need to ensure that available water resources are used in ways to meet economic and social objectives, and this task is becoming increasingly complex as the intersection of water policies with other policy areas (such as energy and agriculture) increases. In many countries, however, water resources management is hampered by a lack of financing and capacity that restricts countries' abilities to effectively harness water resources for economic growth and prosperity. Water resources management covers a wide range of functions, from the "hard" end of construction, operation and maintenance of water infrastructure to the "soft" end of the design, implementation, monitoring and enforcement of water policy. All this requires resources, without which governments will be increasingly frustrated in the effective management of their water resources.

Relatively little attention has been paid to the financing of the broader water resources management functions of governments. This is in stark contrast to the issue of financing for water supply and sanitation, which has been the subject of much international debate over the past decade. Key questions on the broader topic of financing water resources management include: What functions does water resources management cover? What are the public and private benefits of water resources management? Who are the beneficiaries of water resources management and how much should they pay? What instruments can governments use to recoup some of the costs of water resources management? These and other questions are addressed in this report.

This project was initiated in the context of the OECD Horizontal Water Programme, which brings together the expertise from across the OECD and articulates the OECD response to the water challenge. The first phase of the OECD Horizontal Water Programme (2007-2008) focused on water services, namely drinking water supply, sanitation, and water for irrigation. A series of studies, synthesised in the report *Managing Water for All* (OECD, 2009), explored in particular policy issues related to financing and pricing of water services. The second phase (2009-2010) provided for additional work on the economic benefits of drinking water supply and sanitation services. In addition,

a series of workshops and studies on water resources management was initiated, focused on information needs, multi-level governance arrangements, coherence among key policies, and financing. The third phase (2011-12) has explored in more details the reform of water policies, with particular attention to economic and governance issues, culminating in the report *Meeting the Water Reform Challenge* (OECD, 2012c). The next phase (2013-14) will focus on selected instruments (economic instruments for water allocation) and challenges (urban water, groundwater management, nitrogen flows).

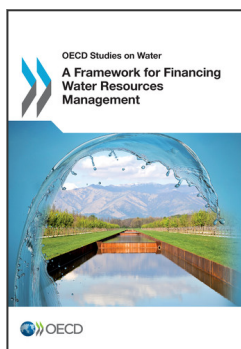
Further information on the OECD Horizontal Water Programme can be found at www.oecd.org/water.

Acknowledgments

This report draws on contributions by many experts, who participated in a brainstorming meeting in May 2009 in Paris, a consultation in September 2009 at the Stockholm World Water Week, in an OECD Expert Meeting on Water Economics and Financing in March 2010 in Paris, and in the EU Water Initiative Finance Working Group. The OECD Working Party on Biodiversity, Water and Ecosystems supervised its progress. Special thanks are due to Jonathan Fisher (UK), Josefina Maestu (UN-Water), Mike Muller, Pierre Strosser, and James Winpenny. Alan Hall, advisor at the Global Water Partnership and chair of the EU Water Initiative Finance Working Group, has been a source of intellectual and material support in the initial stages of the project.

This report relies on country case studies drafted by teams of experts associated to governments in Australia, Brazil, China, the Czech Republic, France, Israel, Korea, Mexico, the Netherlands, Spain, Sweden and the UK. R.P.S. Malik (IWMI) and Guy Pegram (Pegasys) led the drafting of case studies on India and South Africa respectively. A case study on Uganda, initially developed with support from Palle Lindgaard (UCC-Water) is not referred to here, as the report covers OECD countries and BRICS. Additional input was provided by Eric Buhl-Nielsen (PEM Consult) and ACTeon (led by Pierre Strosser).

At the OECD Secretariat, the project on Financing Water Resources Management was initiated by Roberto Martin-Hurtado, who also organised the Expert Meeting and prepared the first draft of this report. Xavier Leflaive took over the management of the project in January 2011 and prepared the final draft, with support from colleagues in the OECD Water Team (Gérard Bonnis, Kathleen Dominique, Tatiana Efimova, Alexandre Martoussevitch). Nadine Rocher, Barbara Aiello and Šárka Svobodová provided administrative support. The project has been supervised by Anthony Cox, Head of the OECD Horizontal Water Programme.



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