

Statement of the

Conference on Water Governance in MENA and wider Mediterranean region

Strengthening integrity and financing for water security and sustainable development

12-14 December 2017 Barcelona, Spain

The 136 participants, representing a range of different stakeholders, gathered in Barcelona on 12-14 December 2017 for the Regional Conference on *Water Governance in MENA and wider Mediterranean region: Strengthening integrity and financing for water security and sustainable development*, we endorse the following statement and kindly request the Union for the Mediterranean (UfM) Secretariat to utilise it for the implementation of the UfM Water Agenda and also to forward it to relevant and appropriate political constituencies, working groups and fora.

The Regional Conference was co-organised by the Sida-funded ‘Governance & Financing for the Mediterranean Water Sector’ project implemented by the Global Water Partnership – Mediterranean (GWP-Med) and the Organisation for Economic Cooperation and Development (OECD), and the Sida-funded ‘Regional Water Integrity Capacity Building Programme in MENA’ implemented by SIWI UNDP Water Governance Facility, GWP-Med and IUCN-ROWA, and in close synergy with the EU-funded ‘Sustainable Water Integrated Management and Horizon 2020 Support Mechanism (SWIM-H2020 SM)’ regional project.

- Water is fundamental for sustainable development, having a crucial role in human well-being, socio-economic growth and the health of the environment and ecosystems alike. The Middle East & North Africa (MENA) and wider Mediterranean region faces serious water challenges that pose obstacles to its development trajectory. Further to water scarcity, translating into acute water stress in some cases, explosive demographic changes, unemployment, poverty, changing consumption patterns including rising water and food demands, urbanisation, growing energy needs, environmental degradation, climate change, gender disparities are among the conditions exacerbating further the already complex and difficult situation. Moreover, part of the region currently faces an enduring economic crisis, socio-political instability, conflicts and large-scale migratory movements often under dramatic conditions. The vast majority of these conditions have a direct impact on the availability and the quality of water resources for people and nature in the Mediterranean, with high and rising associated costs in human lives and livelihoods in general and in monetary terms. At the same time, political unrest in the region has amplified the need for socio-economic and political reforms. There is a clear demand for more efficient water and sanitation service provision, wider participation of stakeholders, more decentralised planning and implementation processes and more transparent and accountable decision making.
- With due respect to the human right to water and sanitation, the provisions of the Sustainable Development Goals (SDGs) and the Paris Agreement, there is widespread recognition that governance lies at the heart of the water predicament and is key to overcoming the related challenges and achieving water security. Creating a functional institutional, legal and regulatory environment, and enabling sustainable water financing including through facilitating private and public-sector initiatives that fit within the social, economic

and cultural setting of the society, is integral for good water governance, while integrity is critical for enhancing ownership, reducing corruption and building trust in the water sector.

- In the MENA and Mediterranean region, despite the significant allocation of public funds and the flow of aid, countries struggle to meet the financial requirements that water-related strategies and plans entail. The lack of a sound governance framework undermines the quality and financial sustainability of the water and sanitation sector in particular. Mismanagement, low financing and lack of absorption capacity at both national and local levels impede the efficient mobilisation of additional managerial and financial resources, particularly from the private sector. Capitalising on lessons learnt from the Governance & Financing project (including the National Dialogues on the governance & financing nexus and the interface of public-private-civil society actors during the regional meetings) and the shared experiences of the Barcelona Conference, we urge the continuation of a multi-layered line of work on the governance & financing nexus concerning:
 - i. the provision of technical support for deepening and/or replicating the used methodology in more countries in the region,
 - ii. the pilot testing of the recommendations on the enabling environment for private sector participation, including micro-PSP, banks and green financing also through blending finance, and
 - iii. the set up and facilitation of a structured regional platform for exchanges and joint learning.
- In the MENA and Mediterranean region, water's contribution towards reduced poverty and inequality, economic growth and ecosystem sustainability is compromised by the way water resources are managed and water and sanitation services are provided. Weak governance squanders resources and hinders people from acting together in line with agreed goals. Fragmented institutions obstruct accountability in a sector with high investment and aid flows. Lack of water-related integrity incurs huge cost for societies, in lives lost, stalling growth, wasted talent and degraded resources. In addition, the SDG agenda provides a set of agreed development goals that cannot be achieved without addressing the governance challenges in the water sector. Building on the experience of Regional Water Integrity Capacity Building Programme, and the discussions of the Barcelona Conference we propose further investments in building collective action on water integrity through:
 - i. clarifying roles and responsibilities of water actors,
 - ii. strengthening and professionalising public institutions and service providers in delivering impartially on their mandates,
 - iii. building information sharing and opening the decision-making processes to all possible actors in society, with particular attention to the next generations, the women and vulnerable groups; as well as developing engagement and coordination mechanisms with all different stakeholders,
 - iv. learning from the experiences accrued, sharing and upscaling positive water integrity practices, and
 - v. monitoring progress and benchmarking through agreed standards.

We believe that these set of actions will contribute to enhance trust in the water sector and its institutions, strengthen the social contract and set a new water governance paradigm in the region that leaves no one behind.

- Regarding the engagement of the banking sector in sustainable water financing, we welcome the SWIM-H2020 SM current and upcoming activity on promoting green banking through peer-to-peer exchange. Capitalising on scoping work done and on the Conference's deliberations, we support the identification of smaller scale projects in collaboration with banks interested in piloting the 'learning by doing' approach,

while communication will be kept open with all the remaining banks and other interested stakeholders. We therefore, urge the continuation and expansion of this activity with more countries during a follow-up phase.

- In closing, we stress that advancing water governance requires vision, leadership, consistency, dedication of human and financial resources, time and commitment of institutions and stakeholders to the principles of transparency, accountability and participation, creating at the same time a fertile ground for water investments. We thus, strongly encourage that the necessary steps are taken, and assistance is provided for the continuation of the processes presented in the Conference through follow up projects and other coordinated undertakings.

Annex – Recommendations from working sessions

Recommendations addressed to Decision Makers

From a financing perspective:

1. On the regulatory/legal/policy level: Decentralization of the decision-making process for more ownership by the involved stakeholders and legal definition of the roles of the different stakeholders. Political will and development of an enabling environment that would attract the private sector
2. On the mobilization of financial resources level: Transparency and accountability in the bidding procedures and allocation of projects; financial autonomy of water service providers; efficient water tariffs; allocation of financial resources adequate for long term investments
3. On the management/institutional level: Awareness and capacity building on the fact that water is NOT a free good; maintaining and rehabilitating water networks to decrease non-revenue water; proper control procedures and monitoring for efficient service delivery.

From an integrity perspective:

1. Implementation of legal provisions, including enforcement mechanisms, that ensure integrity at all levels and allow stakeholder participation and access to information with respect to water governance and project development. Tools in that direction include public hearings, obligation to publish public information on public governance KPIs, operations of complaint and appeal mechanisms, consultations procedure prior to development of water projects
2. Strengthening of the judiciary authority with respect to water governance
3. Implementation of a national independent regulatory agency with civil society representation in the agency's board.

Recommendations addressed to Regulators & Water Utilities

From a financing perspective:

1. Pursue cost reductions through Improved efficiencies including in energy consumption, reductions in non-revenue water, preventive maintenance, water saving measures and utilisation of non-conventional water resources
2. Practice proper financial management through ring fencing utilities' accounts, accurate and fair tariff structures covering O&M costs, reinvesting not needed available funds, annual updating of financial projections
3. Improve collection efficiency through the engagement of customers in decision making (especially tariff adjustments), surveys on willingness to pay and ability to pay, adopting pro-poor policies, ensuring that

customers pay the connection fee, and eliminating free water (except for identified poor cases and with coordination with related government institutions)

From an integrity perspective:

1. Awareness raising in-house on the importance of water integrity and capacity building in managing integrity risks.
2. Engaging in a participative setting of governance indicators and reward-based assessment process
3. Gain/rebuild trust of serviced citizens by putting in place “Customers complaint mechanisms” guaranteeing and demonstrating short response time

Recommendations addressed to Civil Society & Academia

From a financing perspective:

1. Civil society to be considered as a full partner and engaged at all levels, while increasing the integrity and transparency of NGOs
2. Unnecessary preconditions for participation should be removed.
3. Priority to be given to local Civil Society organisations and to equal opportunities

From an integrity perspective:

1. Engage in a “Systematic Approach to Water Integrity”. This implies a systematic data collection and open information sharing, building sustainable relationships with the project owners and developers, participating to the projects development at all stages, and building its own capacity.
2. Map the different actors and relations between them, to clarify each other’s roles and responsibilities, to engage in development of integrity standards within the Civil Society institutions, to act as observatories (adequately financed)
3. Promote a culture of integrity. It is recommended to integrate the integrity values and practices in schools’ curricula, starting with the first years at school.

Recommendations addressed to Private Sector & Banks

From a financing perspective:

1. Raising awareness for both bankers and private sector
2. Consider non-conventional types of collaterals such as future cash flows and feasibility of the project, reputation of the project developer
3. Reduce risks in Nexus projects by integrating the advantages of certain sectors to address the disadvantages of other sectors

From an integrity perspective:

1. Formally commit to progress on environmental, social, and governance issues (ESG) within their core business and disclose ESG information.
2. Develop strong CSR policies based on international standards including anti-corruption
3. Proactively work and communicate their CSR activities and progress.

Recommendations addressed to International Financing Institutions & Donors

From a financing perspective:

1. Increase the visibility of water in the international financing landscape and National Strategies on Development or Climate. Investing in “water” is essentially investing in a wide variety of industries
2. Focus not only on large projects, but also on “soft” funding (such as for capacity building for project preparedness and accessing funds) as well as at the small scale.
3. Explore cross-sectoral synergies and interlinkages, ensure policy integration, involve all relevant actors, and promote coordination among funders to avoid duplications, utilise economies of scale and promote synergies between the development and climate agendas

From an integrity perspective:

1. Full transparency on the funding opportunities and the funded projects. A common platform should serve this purpose.
2. Support “collective action” for the strengthening of Water Integrity, to support stakeholder networks at national and subnational level, and adopt human rights and integrity indicators for the selection of initiatives to be financed.
3. More attention to be given to the “sustainability” of the water projects financed e.g. by a holistic and nexus approach, long-term funding strategies aligned with national and regional strategies as well as the SDGs, enforcement of the Human Rights Based Approach, engagement with local actors for continuous financing after implementation, dialogue and co-creation mechanisms with public and civil society
4. Integrate “Integrity” within donors’ strategies, by streamlining integrity within the donor’s institution, creating a coalition of donors supporting good governance and integrity, especially in high-risk sensitive areas, by investing more in building the integrity capacity of public and civil organizations and developing case studies demonstrating the return on investment related to integrating integrity into project financing.