



What is the OECD?



An organisation with global reach



Working with countries around the world

Debrecen, 7-9 June 2007

International Network of Basin Organisations



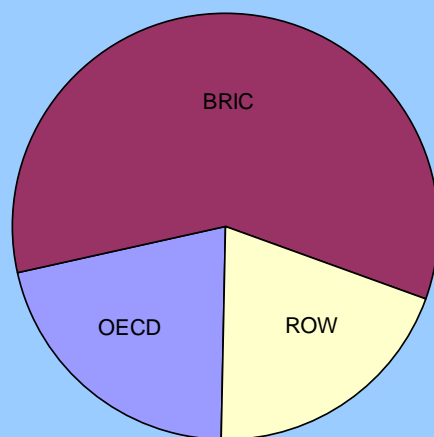
ECONOMIC INCENTIVES TOWARDS SUSTAINABLE WATER MANAGEMENT

I. APPLY SOUND PRICING PRINCIPLES TO WATER USERS AND POLLUTERS

High water stress

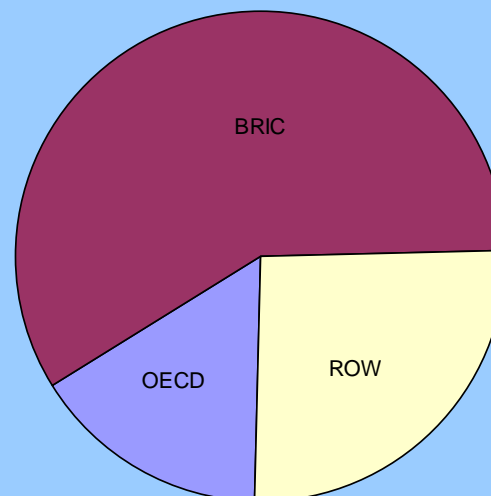
(million people)

2000



Total 1884
(31 % of World
population)

2030



Total 2584
(31 % of World
population)

River nitrogen exports to coastal waters (million tonnes)

	2000	2030
OECD	13	15
BRIC	21	27
ROW	17	18
Total	52	60

« Appropriate resource pricing »

- Should at least cover the opportunity costs, i.e. the capital, O&M and environmental costs (OECD 1989)
- Supplements the polluter-pays-principle (OECD 1972)
 - Cost allocation: who pays for pollution prevention and control?
 - Cost internalisation: how much should be paid?

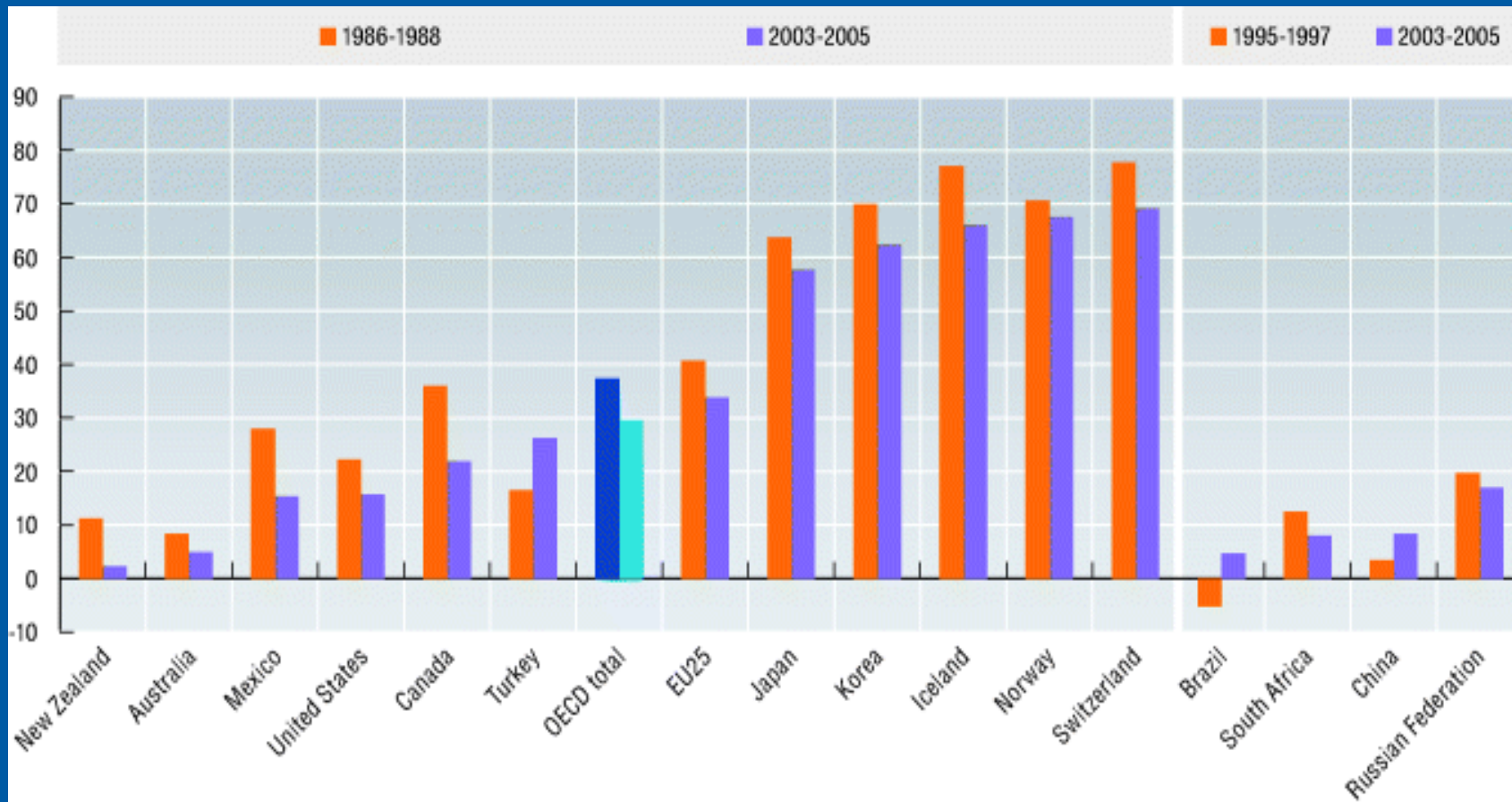
In practice

- A third of OECD countries cover O&M costs and all/part of capital costs, and environmental costs are not reflected
- Half of OECD countries levy charges for water abstraction or pollutant discharges directly into water bodies

The case of agriculture

- Investment in irrigation is subsidised or cross-subsidised
- Agricultural support
 - Draws water resources into farming and out of other uses
 - Misaligns farmer incentives and aggravates water pollution

Agricultural support estimates



As a percentage of value of gross farm receipts

II. TAKE ACCOUNT OF AFFORDABILITY

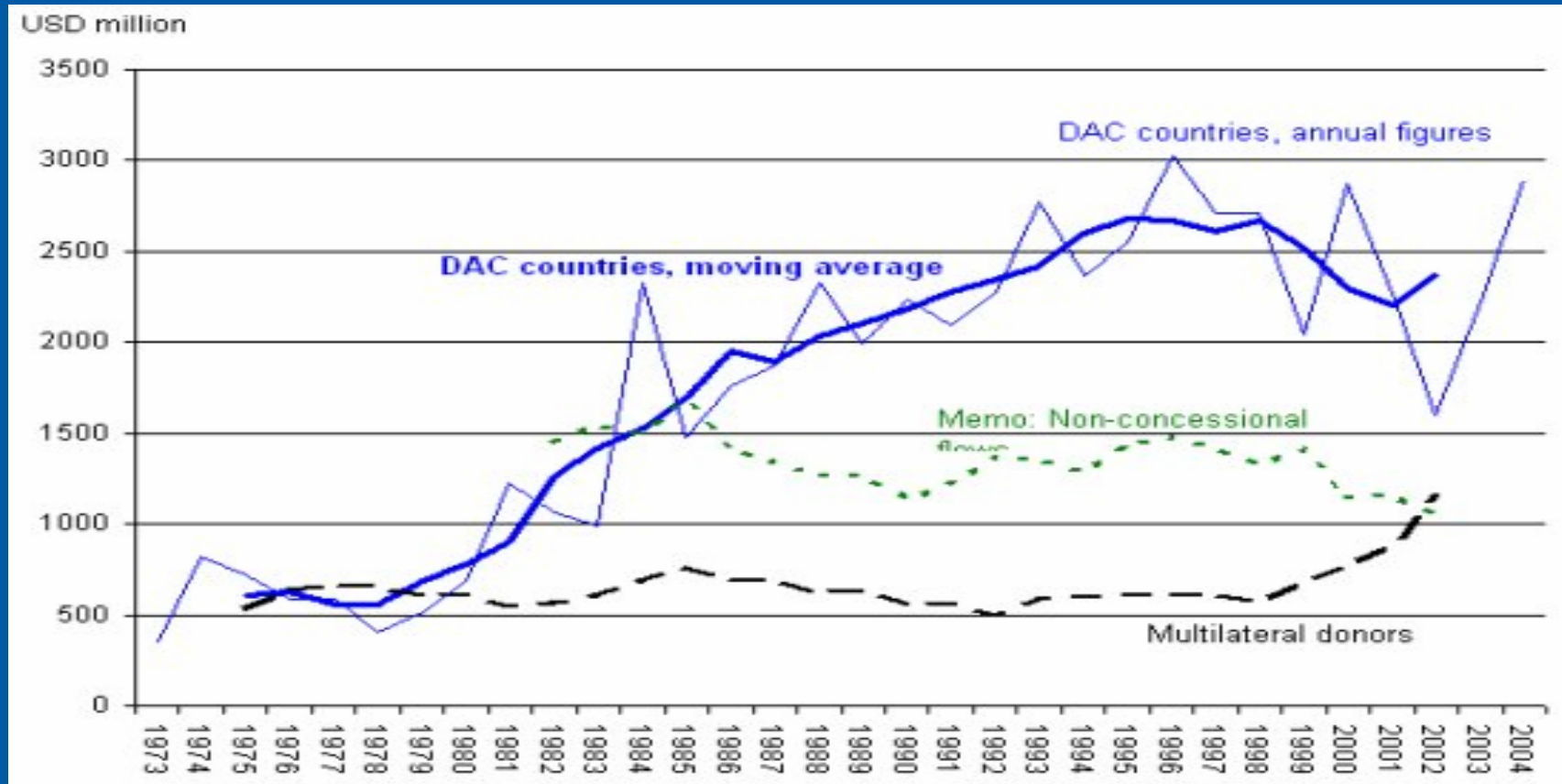
Social equity goals

- Affordability of water prices is an issue in half of OECD countries
- It entails targeted support, either through budgetary support or cross-subsidisation (from rich to poor)

Cost-benefit analysis

- Benefits of halving the proportion of people without access to improved water and sanitation services far exceed the costs (WHO)
- OECD development assistance supports the sustainable management of freshwater resources (USD 3 billion a year), though the share of bilateral aid to the water sector has declined

Trends in aid to water supply and sanitation



Main donors and recipients of bilateral ODA to water supply and sanitation

	JAPAN	GERMANY	UNITED STATES	FRANCE	NETHERLANDS	Other DAC countries	Total DAC countries
CHINA	222	5	1	6	4	37	275
IRAQ	0	1	170	-	0	10	181
VIET NAM	52	10	0	17	7	30	117
PALESTINIAN A/A	2	23	72	5	1	9	113
INDIA	39	8	2	3	18	32	102
JORDAN	6	24	45	-	0	12	87
MALAYSIA	80	-	-	-	-	1	81
MOROCCO	24	26	2	16	0	7	75
PERU	55	11	0	-	1	6	74
TUNISIA	28	12	-	26	-	1	68
Other recipients	326	254	52	100	93	420	1245
Total	835	375	344	173	124	567	2417

2000-04, annual average commitments, USD million.



III. FOSTER BASIN-BASED MANAGEMENT

Integrated policies

- Can be expected to bring more efficient results than can be obtained in the absence of co-ordination
- Facilitate cost recovery

Basin-based land use planning

- Coherent policy approach towards nature and water management
- Extend water policy to risk management

Forest policy and water

- Sustainable forest management has multiple benefits (e.g. regulating water flows)
- Reward the provision of well-targeted forest ecosystem services instead of granting subsidies to timber production

