What is the OECD?
An organisation with global reach

Working with countries around the world

30 OECD member countries
ECONOMIC INCENTIVES TOWARDS SUSTAINABLE WATER MANAGEMENT
I. APPLY SOUND PRICING PRINCIPLES TO WATER USERS AND POLLUTERS
High water stress
(million people)

2000
- BRIC
- OECD
- ROW

Total 1884
(31% of World population)

2030
- BRIC
- OECD
- ROW

Total 2584
(31% of World population)
River nitrogen exports to coastal waters (million tonnes)

<table>
<thead>
<tr>
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<th>2000</th>
<th>2030</th>
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<tr>
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<td>15</td>
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<tr>
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<td>ROW</td>
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<tr>
<td>Total</td>
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« 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

#### 2000-04, annual average commitments, USD million.

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<th>JAPAN</th>
<th>GERMANY</th>
<th>UNITED STATES</th>
<th>FRANCE</th>
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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