



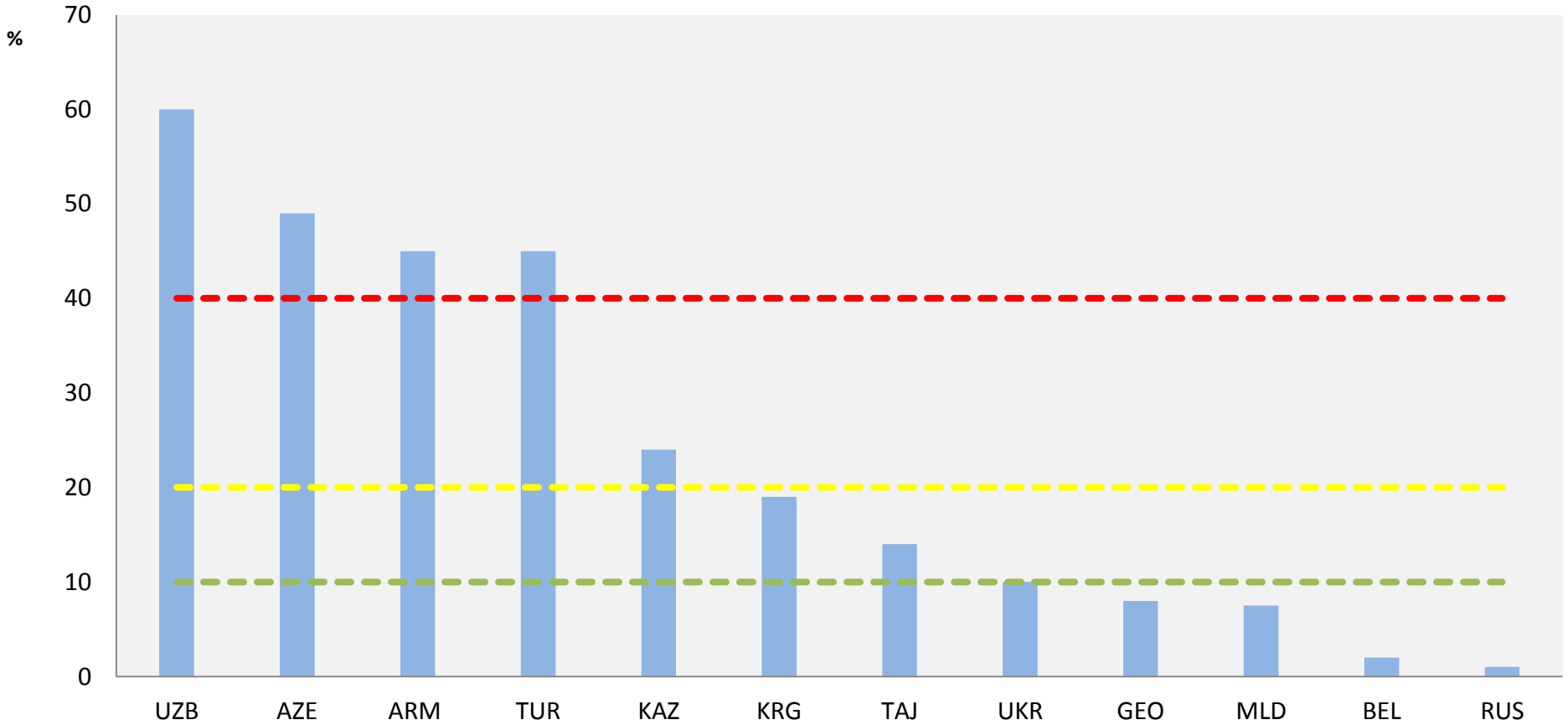
Economic Instruments for Water Allocation

Bucharest, 8 November 2011



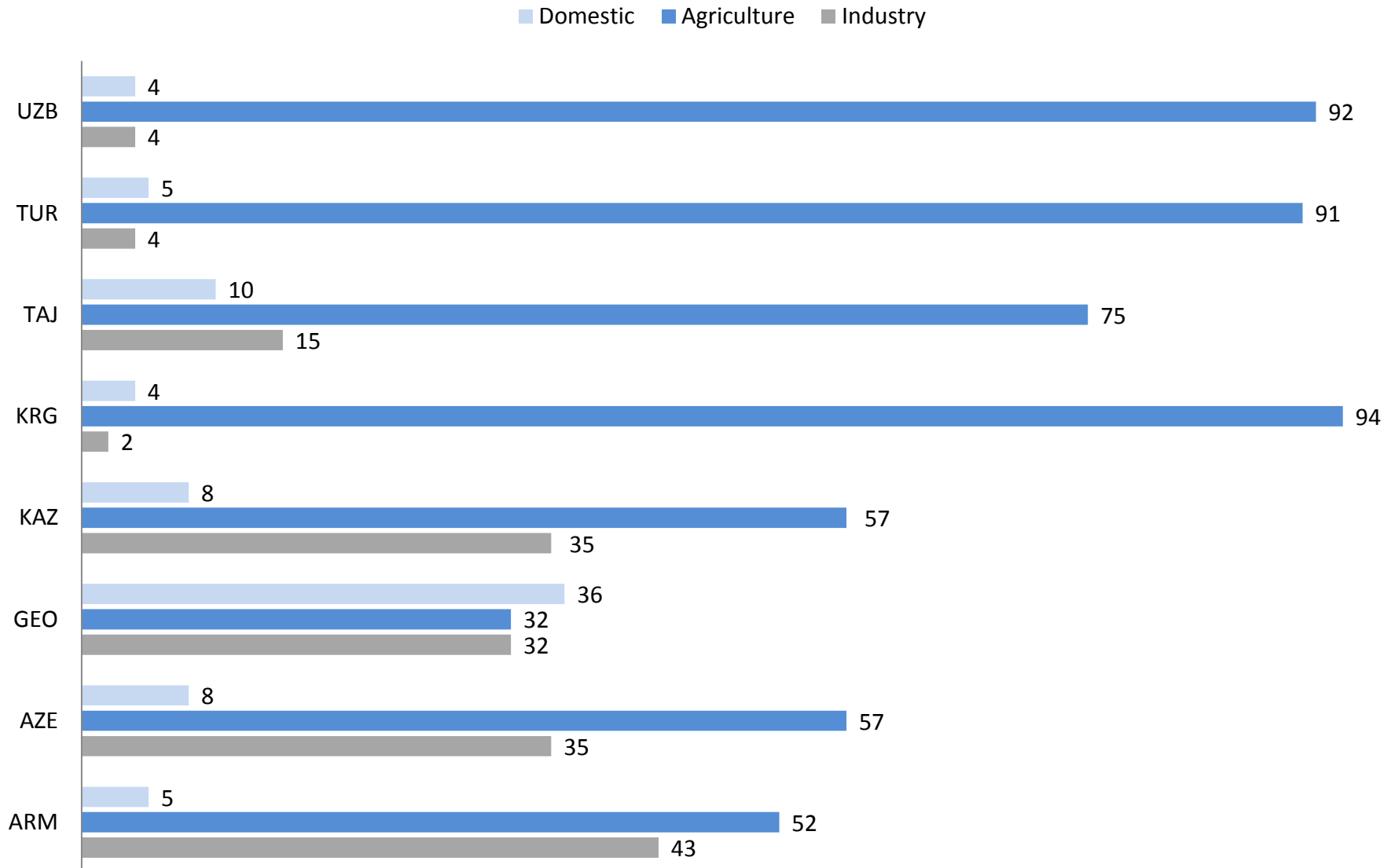
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High degree of water stress in several countries



Overwhelming share of agriculture in several EECCA countries

Freshwater use by sectors in %, 2009



The use of economic instruments for water allocation

- Water as a driver for green growth
 - Competition across users
 - From supply augmentation to demand management and allocation
- Principles for economic management of water resources
 - Efficiency
 - Productivity
 - Equity
 - Flexibility

Policy issues regarding economic instruments for water allocation (1/2)

- Abstraction charges and efficient water prices
 - Efficiency level
 - Reflect scarcity of the resource
 - Affordability (equity)
 - Tariff structure and targeted social measures
- Subsidies
 - Review water harmful subsidies, phase out
- Tradable water rights
 - Over-allocation, third parties (environment)
 - Transaction costs
 - Balance between productivity and equity
 - A prerequisite: the reform of water rights

Policy issues regarding economic instruments for water allocation (2/2)

- Pollution charges
 - The cost of pollution is location-specific
 - The impact on emissions is unknown
 - Enforcement and compliance
 - Focus on a limited number of pollutants
 - Control
- Emission trading
- The issue of non-point sources of pollution

To conclude

- Flexible mechanisms to face uncertainty
- Design and implementation
- Stakeholder engagement
- Regular assessments
- Combine economic instruments with command-and-control measures