ROUNDTABLE on Financing Water

DISCUSSION HIGHLIGHTS

11th Roundtable on Financing Water: regional meeting on the EU's Eastern Partnership (EaP) countries, 30-31 May 2024, Brussels, Belgium

For further information on the Roundtable, please visit our website.

Funded by the European Union

OECD

Ministry of Infrastructure and Water Management

WORLD WATER COUNCIL

WORLD BANK GROUP Water

Introduction

The OECD and the European Commission co-convened the *11th Roundtable on Financing Water: regional meeting on the EU's Eastern Partnership (EaP) countries* on 30 and 31 May 2024, in Brussels, in partnership with the government of the Netherlands, the World Water Council and the World Bank.

The 11th meeting of the Roundtable on Financing Water focused on the EU's Eastern Partnership (EaP) countries: Armenia, Azerbaijan, Georgia, the Republic of Moldova, and Ukraine. It shed light on the needs and opportunities to accelerate investments into water in line with EaP priorities. EaP countries are working on aligning with the EU acquis on water management - including the Water Framework Directive - and moving towards river basin management planning. Investment backlogs and other barriers are tremendous, and the application of economic instruments is weak. The meeting consequently focused on policy, strategic planning, economic regulation, economic instruments, and mobilising finance efficiently, including through strengthening the enabling environment for investment in water security.

Environmental and climate resilience and promoting fair and inclusive societies are among the key objectives of the EaP's post-2020 agenda, which includes specific targets related to improving air and water quality and are part of the European Union's Global Gateway Initiative, which aims to mobilise up to EUR 300 billion in investments. The far-reaching Economic and Investment Plan for Eastern Partnerships underpins this agenda, which aims to mobilise EUR 17 billion in investments by 2027. The meeting covered water supply and sanitation, water resources management, and water-risk management, as well as adaptation to climate change.

A wide variety of actors from the water and finance communities were present to incentivise efficient water-related investment in EaP countries. This meeting brought together leaders and representatives from governments (in particular from the EU's EaP countries and EU Member States), public and private investors, private equity firms, financial institutions, development banks, water utilities, regulators, international organisations, commercial banks, and others. It provided countries with an opportunity to highlight policy reforms undertaken at the national level, which have facilitated investments for water security, and identify remaining priorities.

Key Messages

EaP countries face a unique blend of opportunities and challenges in financing water-related investments, particularly in their journey towards aligning with EU water legislation. These challenges encompass the inadequate application of economic instruments, the exacerbation of costs by climate change, the transboundary nature of water bodies, and the geopolitical complexities arising from Russia's war of aggression against Ukraine. However, the silver lining lies in the wealth of knowledge that can be gleaned from the experiences of EU Member States. These experiences include valuable insights into water investment planning and financing, the economics of water scarcity, the polluter-pays principles, and cost recovery. Other messages from EU Member States underscored the importance of training young people to ensure the next generation of water professionals can come on board. This call to action is a testament to the shared responsibility of all stakeholders in the water sector. It also highlights the need for subsidies to get flood protection built and the necessity of building in adaptability to deal with emerging challenges on climate change, further motivating EaP countries to take proactive steps.

Lessons learned from the assessment of the enabling environment for investments in water security in EaP countries has generated valuable analysis and recommendations for decision-makers in the region. The analysis notably noted that private sector engagement in the region could be further supported by donors by reinforcing their support during project implementation, in addition to project

preparation. The private sector has shown interest in increasing its collaboration with international financial institutions to bridge current gaps in the countries, filling voids that domestic banks cannot yet address. Donors are additionally particularly willing to fund investments in capital expenditure for water-related services.

While specific challenges in mobilizing domestic finance persist in EaP countries, the region is not standing still. Ongoing reforms are being planned and implemented to tackle these challenges head-on. For instance, Georgia has taken the lead by initiating a law in 2023 that will implement an integrated approach to water resources management across the country. Armenia is strategizing to increase domestic financing through revised fees for ground and surface water abstraction, pollution charges, and new approaches to Water User Associations involved in agriculture. Moldova is also making significant strides in updating its regulatory framework to align with the EU WFD and address water pollution and climate change challenges. Even Azerbaijan, with its awareness of the need to reform subsidies to the agricultural sector, is taking steps in the right direction, particularly in a context where subsidies for agricultural water have led to unsustainable use.

The financial sector can drive innovative approaches that support water security, including blended finance. Innovative approaches with the potential to leverage diverse sources of finance for water include whole-of-government approaches to national reforms, including applying the OECD Guidelines to create State-Owned Enterprises, and innovative blended finance mechanisms, such as the "Water Access Acceleration Fund" launched by Incofin Investment Management. Green bond initiatives are also considered as a great opportunity for moving the needle of financing water in EaP countries. Finally, strong institutional regulations to provide long-term investor reassurance and develop efficient public-private partnerships, as well as capacity-building structures, have proven to be essential in enabling the implementation of innovative approaches to mobilising finance.

Financing River Basin Management Planning (RBMP) requires extensive, broad, on-the-ground cooperation, notably with industrial users. Regionalisation is a critical point for RBMPs, as it can help improve technical, financial, and lending capacity by pooling projects and needs and increasing the ability to meet the EU Water Acquis.

Finally, **nature-based solutions (NbS) represent a significant potential to improve water security in a sustainable and economically efficient manner, including in EaP countries**. NbS can be a useful complement to grey infrastructure (or in some cases, substitute) to improve water security. They also have the potential to generate multiple co-benefits. Financing NbS will, however, require diversifying revenue streams and the proper valuation of its benefits. A case study on integrating NbS into a RBMP in Georgia demonstrates that while there are amble opportunities in the region for cost-effective NbS deployment, there is also a need for further knowledge and capacity building to identify those opportunities and finance them.

Opening/Session 1. Improving investment decisions for the implementation of EU water legislation

The High-Level Opening and Session 1 identified the challenges and opportunities the EU's Eastern Partnership countries face in financing water-related investments, particularly towards alignment with EU water legislation. This included learning from EU Member States' implementation of the Water Acquis, regional collaboration, and lessons from public and private sector engagement. The Opening included keynote speeches from the OECD, the Kingdom of the Netherlands (Founding Members of the Roundtable), as well as a Ministerial panel from each of the EaP countries. Session 1 included speakers from the governments of Austria and Germany, the OECD, the European Investment Bank, and the European Bank for Reconstruction and Development.

In the context of efforts to align with EU water legislation and specific regional challenges, the **EU's Eastern Partnership countries face increased financing needs for water**. While 9.2 billion EUR have already been mobilised as part of the Economic Investment Plan for the EaP, much more focus is needed to reach the 17 billion EUR target. The **application of economic instruments** and the **mobilisation of domestic finance** for water requires significant attention. In Armenia, inadequate application of economic instruments has been mentioned as creating disputes over water resources between sectors. The need to reform economic instruments and water taxation systems was mentioned as a key priority in Moldova to be able to better mobilise financing for water. In Ukraine, the cost recovery rate of water services is very low, around 30%.

Climate change is driving costs up, with 98% of Armenian land facing threats of droughts, and droughts and floods increasing in both intensity and frequency in Moldova. **Russia's war of aggression against Ukraine** has additionally disrupted progress in the region, destroying critical water and sanitation infrastructure and generating additional costs and pressures throughout the water value chain both in Ukraine and in neighbouring countries. Total reconstruction and recovery costs are estimated at 10 billion EUR, and the damage to water resources is estimated at 2 billion EUR. Furthermore, the **transboundary nature of water bodies** in the region, such as the Dniester River[1] shared between Ukraine and Moldova, highlights the potential cascading effects of the war in the region and is an additional challenge to financing water security. The International Commission for the Protection of the Danube River (ICPDR) aims to provide programme support by providing a coordinating platform to address such transboundary issues. Finally, **alignment with EU legislation** requires significant investments across the region. Romania, Ukraine, Georgia, and Moldova have all highlighted the challenge of implementing River Basin Management Plans without adequate financing, both for infrastructure but also for capacity and institutional support. Despite these challenges, EaP countries have a crucial opportunity to strengthen water management. The EU approximation process, which means that they will need to introduce reforms to align with EU legislation and the Water Acquis, creates momentum in this direction and is a key priority for Georgia, Moldova and Ukraine.

The EaP countries can "leapfrog" adoption of the EU Water Acquis by learning from the experiences of EU Member States. All Member States need to increase their annual expenditures for water supply and sanitation by at least 20% and up to 170% (in the case of Romania), in order to reach and maintain compliance with drinking water and urban wastewater treatment directives[2]. The total investment need by 2030 is estimated at 289 billion EUR, and sanitation represents the bulk of the total additional expenditure needed. Many lessons learned from EU Member States, including on water investment planning and financing, the economics of water scarcity, the polluter-pays principles and cost recovery, are relevant for EaP countries. Key lessons learned with regards to the application of economic instruments for water, water equity and environmental justice in the context of the WFD were discussed during the session on the back of newly released OECD Working Papers on these topics[3]. Furthermore, representatives from Austria and Germany shared a national perspective, noting that a holistic approach is needed – training for young people to ensure the next generation of water professionals can come on board, providing subsidies to get flood protection built, and building in adaptability to deal with emerging challenges on climate change. Germany also presented lessons learned from their work in Central Asia

[1] For instance, 80% of the Moldovan population depends on the Dniester River.

[2] The Drinking Water Directive, the Urban Wastewater Treatment Directive and the Floods Directive

[3] The Four Working Papers on the Economic Aspects of Implementing the EU Water Framework and Floods Directives cover the topics of water investment planning and financing, the implementation of the Polluter Pays Principle, the economics of water scarcity, and cost recovery. These can be found on the Roundtable website.

that can be relevant for EaP countries, including the use of “demonstration projects” to motivate investment in water security.

Some lessons learned from the rest of the world are also particularly relevant for EaP countries. According to the World Bank, less than 1% of GDP is spent on water globally. With climate change impacts looming ahead, this will need to increase. Additionally, only 72% of every dollar allocated effectively goes to water. Implementing tariff reforms and ensuring that water users, polluters, and taxpayers all contribute to financing water are key to enhancing public spending on water. Subsidy reform is essential to improving water finance: for example, governments spend an estimated 635 billion USD per year on inefficient agricultural water subsidies. Provided certain conditions (adequate regulation, fair sharing of risks and rewards) are met, there is significant scope to mobilise private finance more effectively to bridge the water finance gap. Currently, private climate finance favours mitigation (91%) over adaptation and water (9%). Attracting more private financing means translating economic benefits into financial revenue streams for water: tapping into the potential of green bonds, mobilising patient capital, ensuring the worthiness of projects to move away from project-based financing, and offering long maturities and low interest rates for adaptation infrastructure.

Solutions tailored to EaP countries for improving the efficiency of water-related investments and diversifying sources of finance for water are numerous. Solutions highlighted by participants included the application of the principles of integrated water resources management, regionalisation of water services to encourage efficiencies, increasing the use of cost-effective nature-based solutions, and engagement with water users (such as farmers) and civil society organisations. On financing models and investments, participants highlighted the need to further prioritise the allocation of scarce financing resources to the most pressing challenges and investments to identify opportunities to leverage private finance sources where it is efficient to do so (e.g., valuing wastewater resources), to use innovative funding mechanisms (e.g., green bonds), and to invest in project preparation. In addition, a long-term approach to investments is key (ensuring maintenance costs are covered) to minimise the high replacement costs of degrading water infrastructure. Finally, there is significant potential for integrating digital tools in water management**,** including using smart metering and asset monitoring and decentralised and modular-contained water systems to reach rural populations.

Through their financial support and expertise, public development banks are part of the solution for mobilising finance for water in EaP countries. For instance, the Chisinau River Bic project in Moldova, part of the bigger Green Cities Program of the European Bank for Reconstruction and Development (EBRD), illustrates the potential of nature-based solutions to attract financing by solving multiple issues and creating a real asset for the city, with 8 million EUR of grant and loan money mobilised by the EBRD.

Session 2. Lessons learned from assessing the enabling environment for investment in water security in EaP countries: Challenges and policy options

As part of the European Union-funded EU4Environment Water Resources and Environmental Data Programme, **the OECD pilot tested the Scorecard for assessing the enabling conditions for investment in water security in countries that form part of the European Union’s Eastern Partnership**. This tool aims to identify existing barriers to investment in water security for public and private investors. Findings can help inform policy reforms aimed at addressing these barriers. The assessment offers policy makers and donors a snapshot of the current situation and recommendations on how to enhance the enabling environment for investing in water. This session delved into the lessons learned from the pilot test of the Scorecard in the EaP countries, both from the perspective of governments and donors.

It brought together a diversity of speakers from the OECD, the Republic of Armenia, the Asian Development Bank, Aqualia, and the Dutch Water Authorities.

Assessment based on the Scorecard has generated valuable analysis and recommendations for regional decision-makers. During the session, senior representatives noted that the results from the assessment and the policy process helped unlock political opportunities for policy reform, for example for drafting a water security strategy in Armenia. Additionally, donors highlighted that the assessment provides a transparent and structured analysis applicable across countries, aids in project preparation by offering standardised assessments and data, reduces costs, and supplies actionable recommendations for policymakers which can be financed (or at least partially) by donors. It also fosters donor coordination and creates a common assessment framework.

Private sector engagement in the region could be further supported by donors by reinforcing their support during project implementation, in addition to project preparation. For example, accompanying private operators and governments with technical assistance during project implementation could help ensure the sustainability of the engagement. Private actors, such as private investors and operators, monitor the enabling environment in the region to identify investment opportunities. For example, in Georgia, policy reforms increased private sector interest in the drinking water sector. The introduction of a regulator and the review of tariff regulations provided long-term visibility with respect to operational costs and revenues and signalled strong political will to attract additional investment to the sector.

The private sector is interested in increasing its collaboration with international financial institutions to bridge current gaps in the countries, filling voids that domestic banks cannot yet address. There is a strong appetite for implementing public-private partnerships, with several successful examples already existing. These partnerships can take various forms, such as donors acting as anchor investors for the creation of climate bonds by regional operators, as seen with Georgia Global Utilities in Georgia. However, strong political will, signalled through strengthening enablers such as policy or economic regulation reforms, is a prerequisite to unlocking further private participation.

Funding is available in the region from donors, particularly for investment in capital expenditure for water-related services. However, to ensure the sustainability of service delivery, governments need to continue implementing efficient economic instruments that recover operation and maintenance costs to sustain investment efforts over time. While countries have different fiscal space to increase current tariffs and charges, penalties for infringement could be strengthened to ensure progressive implementation of economic instruments. For example, pollution fines could be significantly higher that the pollution charge to incite payments.

Innovative approaches such as green bonds can complement existing financing sources; however, they also require a solid foundation through secure revenues and business models to maximise their effectiveness.

Data availability remains a barrier for potential investors in the region, including with respect to public investment. Stakeholders emphasised the need to enhance data sharing by governments and between donors. Governments should build on existing capacity-building programmes and standardise data collection across institutions and projects to ensure sufficient data is publicly available. This will support evidence-based decision-making and optimise investment in the region.

The consolidation of operators in urban areas has been a trend in countries in the region, yielding successful results by allowing the development of high-performing service providers and improving water

service levels over time. However, rural areas still have numerous service providers with low capacity, resulting in lower service levels. Consolidating rural operators could be an effective solution, as seen in several EU countries with multiple models available, such as Romania, where there is a low capacity for service payments among the population. This requires addressing the trade-off between strengthening decentralisation while consolidating service delivery. While this may not necessarily attract private operators to manage these systems or integrate them into existing arrangements due to low profitability, it could enhance service levels through cross-subsidisation, professionalise the sector in rural areas, and simplify regulatory oversight of services over time.

Session 3 – Towards a financially sustainable water sector: application and reform of economic instruments

Session 3 drilled down into the experience of the Eastern Partner countries themselves and work initiated under the EU4Environment Water Resources and Environmental Data Programme. The session gave an opportunity for each EaP country to share their specific challenges on mobilising domestic finance and to highlight ongoing reforms, including those undertaken with EU support.

Significant developments are taking place across Georgia's water sector to enhance financial sustainability and come into closer alignment with the EU acquis on water. In 2023, a new law on water resources management was adopted. Based on the EU Water Framework Directive, it aims at implementing integrated water resources management approaches across the country, involving a broad range of government authorities and industry. This is a top priority for EU integration and has also involved local municipalities. However, it was noted during the discussion that developing capacity at every level will be critical for success. A key step to advance sustainable water use will be the introduction of fees on surface water abstraction. With the support of the OECD, a regulatory impact assessment and cost benefit analysis are being considered and a roadmap on how to introduce these fees is under preparation. It was noted during the discussion that learning from best practices in different EU countries will be critical.

Armenia is looking to further increase its domestic finance for water security, including through both revised fees for ground and surface water abstraction, pollution charges and new approaches to Water User Associations involved in agriculture. The changes are complex, and planning is underway for a roadmap over the short, medium and long term. One issue to consider is the distribution of revenues from abstraction fees – unless appropriately allocated, it may end up going into overall budget revenue and not supporting water security. The principle of cost recovery is driving changes in water pricing, including in agriculture. From a detailed review of Water User Association performance, a critical challenge will be balancing affordability with cost-recovery. One potential change would be providing subsidies directly to farmers, which would provide for better targeting of vulnerable populations. However, this has to be done in coordination with other reforms around support to the agricultural sector more broadly.

The challenges of water pollution and climate change both remain high on the agenda in Moldova. To address them, the regulatory framework is being updated to align with the EU WFD, especially for water treatment. River basin management planning has been deployed, but the government is continuing to work to strengthen resilience against flood and drought risks, which are both exacerbated by climate change. Reforming economic instruments is a critical tool to help increase water security – this includes notably the reform of Moldova's water tax. As mentioned by other countries, however, there are challenges around finding the right balance between affordability and effectiveness and ensuring that collected funds are channelled effectively to the water sector.

In Azerbaijan, subsidies for agricultural water have driven unsustainable use: water for irrigation is charged at a rate one hundred times cheaper than that used for other purposes. Significant water losses during transportation have exacerbated the problems. Climate change is also complicating the picture, with reservoirs running low, even as flood risks increase. However, a new water strategy is being prepared that

is aligned with the EU WFD, and a new water agency has been created to help focus attention and expertise on water management issues, including on climate change and adaptation approaches.

Session 4 – Accessing finance for improving sustainable water management: availability, challenges, and innovative solutions for EaP countries

Session 4 delved into innovative approaches to mobilising finance and bringing project ideas to reality in EaP countries and beyond. The session included speakers from the Agence Française de Développement (AFD), the International Finance Corporation (IFC), Incofin Investment Management, and Georgia Global Utilities, who shared specific and concrete project implementation experience, with examples ranging from the EaP region to Sub-Saharan Africa and South America.

To date, the AFD has invested EUR 256 million in water-specific projects in the EaP region in close collaboration with ministries, national agencies and IFIs. These projects aim to improve the sustainable use of water in the region's agriculture, and water supply and sanitation sectors. Close partnerships with EIB and ADB in these projects have ensured the financial rehabilitation of irrigation infrastructures while also providing policy reform advice. The AFD projects also benefit from EU funding to increase technical assistance and capacity building. The whole-of-government approach in national reforms throughout the development and implementation phases of the projects has facilitated investment opportunities in the water sector, notably in Georgia and Armenia. In particular, the “policy-based loan” in Georgia, conditional on State Owned Enterprise (SOE) reform, was presented as an interesting model for replication in EaP countries and beyond.

Financing desalination and wastewater reuse projects could help address climate adaptation issues in water-strained regions. IFC provided examples of projects in Jordan, India, Latin America, and Sub-Saharan Africa, stressing the importance of strong institutional regulations to provide long-term investor reassurance and create public-private partnerships. Key challenges with attracting private investors remain the lack of available data, ineffective tariffs, weak institutions, and lack of fiscal incentives.

The financial sector can drive innovative approaches that support water security, including blended finance. For the past 20 years, the investment fund Incofin has raised and deployed 1.5 billion USD from investors that include financial institutions, commercial banks, pension funds, institutional investors, insurance companies and corporations interested in impact investment projects worldwide that focus on financial inclusion, sustainable agriculture, and, more recently, drinking water. Recognising the fragmented financing solutions currently available in the water sector for medium-sized, local entrepreneurs that target projects that provide access to drinking water to the low-income population, Incofin has created the “Water Access Acceleration Fund” (W2AF), which gathers a diverse group of investors that provides equity and quasi-equity financing to help water business grow globally. The Fund’s first investment with a local company in India in 2023 raised EUR 7 million and addressed the need for more than 2500 water treatment plants installed over 12 Indian states. In one year, the business has provided 1.5 billion litres of water and employed 2.3 million people, of which 50% are female. The second project in 2024 aims to finance a water filter company in Uganda, which will also generate 150,000 carbon credits as part of its business model. Both IFC and Incofin interventions offered examples of approaches and technologies that could have replication potential in EaP countries.

Green bond initiatives present a great opportunity to move the needle of financing water in EaP countries. Georgia's first green bond project was launched in 2020 by Georgia Global Utilities (GGU) to rehabilitate the water supply and sanitation system in Tbilisi and neighbouring municipalities and to refinance existing debt of renewable energy and water assets. The GGU, with assistance from ADB, issued USD 250 million of 5-year green bonds on the Irish Stock Exchange the same year. Since then, it has

motivated several Georgian companies in sectors such as railway, hydropower, and vehicle services to issue green bonds and integrate international standards on environmental responsibility and sustainability measures.

There are additional learning opportunities from capacity-building initiatives for financing water in EaP countries. Following Georgia's water sector reforms, and with assistance from USAID, the GGU has also implemented an educational centre to extend its vocational training and capacity-building projects on technological innovations in smart water management, the Internet of Things (IoT) and Artificial Intelligence technologies to improve services and reduce operational costs. The centre's courses are accessible to all interested companies and agencies, promoting qualified experts and job creation in the water sector.

Session 5 – Financing River Basin Management Planning

Session 5 looked specifically at financing River Basin Management Planning (RBMP), with insights on RBMP implementation from the governments of Georgia, Ukraine, and Armenia. Lessons learned were additionally shared by the UNECE and the European Commission.

Georgia's Deputy Minister of Regional Development and Infrastructure spoke about the deployment of the RBMP approach in Georgia, supported by the EU4Environment Programme, but also noted the critical importance of making sure that both the government and the public understand the economic role of water. **In terms of water supply and sanitation projects linked to RBMP in Georgia, it was noted that the projects mobilise approximately 1 billion euros, with half financed by the state and the other half from external loans from bilateral donors, international financial institutions, and development banks**. In total, approximately five billion euros will be needed to implement all planned investments. In terms of raising tariffs to support this financing, communication with the public will also be critical to explain why they may be expected to pay more for water services and what it means in terms of the quality of service provided.

UNECE provided an overview of the Water Convention and underlined the critical role that cooperation plays in RBMP. However, it was also noted that more needs to be done to explain the concrete benefits of transboundary cooperation. Even as more and more countries join the convention on transboundary water management, transboundary basins are often perceived as risky to manage. However, the benefits can be enormous if effective governance is in place. For instance, the Senegal Mauritanian Aquifer Basin, shared between Senegal, Guinea-Bissau, Mauritania, and the Gambia, has had a lengthy political process but is now proving effective in attracting investment and technical support.

Romania noted challenges related to financing RBMPs, even for an EU country, and emphasised that **under the current program of measures in Romania going from 2010-2027, out of a 21 billion EUR investment plan, six billion EUR still remained unfunded**. Contrasting examples of mobilisation of domestic finance were further used to illustrate the importance of contextualising water tariffs with public acceptance. For example, in the Netherlands, the public is willing to pay because it is existential. Without proper water management, they will have flooding. But in a country like Romania, it can be more challenging to get people on board. Regionalisation was emphasised as a critical point for RBMPs, as it can help improve technical, financial, and lending capacity by pooling projects and needs and increasing the ability to meet the EU Water Acquis.

Ukrainian progress on RBMP implementation was additionally shared, stressing the continued progress despite Russia's war of aggression. **92% of the Programs of Measures for RBMPs in Ukraine involve the construction, reconstruction, and modernisation of treatment facilities and sewage networks**. Challenges remain around financing, as water tariffs are not sufficient. With that in mind, Ukraine has been working to leverage RBMPs as an instrument to attract investments, including through major EU programmes.

Finally, the European Commission's Department for International Partnerships shared its experience in leveraging broad, on-the-ground cooperation to get basin management working, including the importance of getting industrial users involved. The opportunities that exist for a "Team Europe" approach to focusing support on the target countries were discussed, along with lessons learned for targeting this cooperation and support for EaP countries.

Session 6 – From grey to green- adapting and financing novel approaches to water management in EaP countries

Nature-based solutions (NbS) represent a significant potential to improve water security in a sustainable and economically efficient manner, including in EaP countries. Session 6 discussed the multiple opportunities brought by green infrastructure as a complement to grey infrastructure, as well as innovative tools and financing approaches to foster the use of NbS approaches. Insights and experiences were shared from the OECD, the European Commission, and the IUCN, with specific insights on financing NbS from the European Investment Bank and the World Wildlife Fund (WWF).

While traditional grey infrastructure may not be appropriate to meet the growing water-related challenges in EaP countries, NbS can be a useful complement (or in some cases, substitute) to improve water security and generate multiple co-benefits. Most of the time, grey and green infrastructure can be combined to address complementary issues. Whereas grey infrastructure usually targets one issue, green infrastructure can potentially deliver solutions to a collection of issues. The case study of the multi-issue Alazani-Lori River Basin in Georgia illustrates the complementary nature of NbS (creation of buffer strips and hedges) to mitigate diffuse pollution from agriculture and generate benefits for biodiversity, climate, agriculture, and industry in combination with grey infrastructure (construction and renovation of wastewater treatment plants) to mitigate point source pollution from untreated wastewater. Furthermore, green infrastructure is usually more adaptable to increasing (climate change-related) uncertainty in planning, as it has a greater buffering effect, irrespective of actual impacts. Green and grey infrastructures work on a different timescale: the delivery of NbS services is usually longer than for traditional grey infrastructure. Therefore, to build towards social acceptance of NbS, a transitional period with both grey and green infrastructure is useful to give time to NbS to show its benefits. Of note, NbS solutions generally increase in value over time while grey infrastructure depreciates.

While the lack of funding and financing for NbS is the main impediment to its widespread adoption, there is scope to diversify revenue streams for NbS, provided its benefits are properly valued. NbS financing faces many challenges, such as the small-scale nature of projects, the lack of standardisation and of common definition, and the difficulty to value its non-monetary benefits. In addition, grey infrastructure benefits from experience in terms of design, regulation and operation giving confidence over performance. Globally, NbS are primarily funded with public money. This includes funding from the EU, national funds, and tax revenue. According to the European Investment Bank's assessment, only 3% of investors in NbS are private investors.

Multiple revenue streams from the many beneficiaries of NbS could be mobilised more effectively, through economic and financing instruments such as environmental tariffs, payments for ecosystem services, commercial revenues, operational/capital expenditure savings, or eco-tourism revenues. In Europe, the very large amount of funding for the agricultural sector could be monitored and deployed more effectively, including to support NbS. WWF's pioneering consortium bringing together financial and non-financial actors, initially created to support a wetland restoration in Zambia, illustrates the potential mobilisation of private finance for NbS, by highlighting NbS's potential value and risks to inform investment decisions. The multi-sectoral nature of NbS is an opportunity to diversify funding and financing sources,

such as from relevant biodiversity, climate, and agricultural funds. Finally, **better valuation of the non-monetary benefits of NBS** (such as well-being and health benefits), through economic analysis and modelling tools, would enable to better identify revenue streams and financing sources.

In EaP countries, awareness of the potential of NbS to foster water security is increasing, including through support from the EU4Environment Water and Data Programme. Alignment with the WFD is a key driver for NbS adoption, especially as it encourages its use for river and lake ecosystems in the context of implementing River Basin Management Plans (RBMPs). The lower Danube Green Corridor, a significant floodplain restoration project for flood protection in Romania and Bulgaria, nicely illustrates this growing trend.

Improving access to data and tools to better assess the relevance and long-term viability of NbS could encourage their development in the EaP countries. Indeed, while NbS can be very cost effective, the lack of data and systemic approaches clearly impedes their development in these countries. The open-access IUCN Global Standard for Nature-based Solutions has been designed to help relevant stakeholders (individuals, donors, local governments) with designing, assessing, monitoring and scaling-up NbS. The tool includes 8 criteria and 28 indicators which can be used in different contexts, from policy development to investment decisions and helps to assess the long-term sustainability of NbS including from an economic viability, social inclusivity, and societal challenges perspective. The IUCN Global Standard for NbS was notably applied to the NbS at the Alazani-Lori River Basin in Georgia in a joint study between the OECD and the IUCN and highlighted the NbS's ability to address economic viability (multi-sectoral approach to attract funding), social inclusivity (transparent decision-making process) and societal challenges (pollution reduction, biodiversity increase, climate mitigation and adaptation).

Closing session

The closing session discussed the next steps, key actions to be implemented in EaP countries, and key ideas to be taken forward in the international agenda, including the One Water Summit, COP 29 and future meetings of the Roundtable on Financing Water. The World Bank (Founding Member of the Roundtable) and Heads of Delegations (at Minister and Deputy Minister level) from EaP countries shared their perspectives on these concrete solutions to be implemented in the region and shared in upcoming international fora. The 'key messages' section has the beginning of the Discussion highlights and summarises these key outputs.

Annex – Detailed agenda and links to presentations

Opening Session

Time	**Moderator: Matthew Griffiths**, Senior Programme Manager, Finance, Investment and Global Relations Division, Environment Directorate, OECD
9:00 – 10:00	**Keynote speakers:** **Jo Tyndall,** Director, OECD Environment Directorate (online) **Meike Van Ginneken**, Special Envoy for Water, Netherlands **Severin Strohal**, Acting Head of Unit, Directorate-General for European Neighbourhood and Enlargement Negotiations (DG NEAR), European Commission **Ministerial panel:** **Ruslan Strilets,** Minister, Ministry of Environmental Protection and Natural Resources, Ukraine Link to presentation **Tigran Gabrielyan,** Deputy Minister, Ministry of Environment, Armenia **Umayra Taghuyeva**, Deputy Minister, Ministry of Ecology and Natural Resources, Azerbaijan (online) **Mzia Giogobiani**, Deputy Minister, Ministry of Infrastructure and Regional Development, Georgia **Irina Punga**, Deputy Secretary General, Ministry of Environment, Moldova **Ruslan Gavrilyuk,** EaP Civil Society Forum

The video recording of the Opening is available here.

Session 1: Improving investment decisions for the implementation of EU water legislation

Time	Moderator: **Gérald Audaz**, Team Leader on Economic Development, Connectivity, Digital and Green Transitions, Directorate-General Neighbourhood and Enlargement Negotiations, European Commission
10:00 – 11:00	**Speakers:** **Aude Farnault**, Water Policy Analyst, OECD Environment Directorate **Günter Liebel**, Former Secretary General, Federal Ministry of Agriculture, Forestry, Regions and Water Management, Austria Link to presentation **James Hunt,** Senior Engineer, Water Division, European Investment Bank Link to presentation **David Tyler,** Associate Director – Head of PPI Unit, Sustainable Infrastructure Group, European Bank for Reconstruction and Development Link to presentation **Jürgen Keinhorst,** Head of Division, "Eastern Europe, Central Asia, Africa and the Middle East" Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection, Germany

The video recording of Session 1 is available here.

Session 2. Lessons learned from assessing the enabling environment for investment in water security in EaP countries: Challenges and policy options

Time	Moderator: **Delia Sanchez Trancon**, Environmental Economist, OECD
11:30 – 13:00	**Speakers:** **Guy Halpern**, Policy Analyst, Environment Directorate, OECD Link to presentation **Tigran Gabrielyan**, Deputy Minister of Environment, Republic of Armenia **Maria Pia Ancora,** Senior Urban Development Specialist, ADB Sectors Group (online) **Francisco Atanasio**, Head of Treasury, Finance Team, Aqualia **Luzette Kroon,** Dijkgraaf, Water Authority of Frieland / Member of the board and international representative, Dutch Water Authorities

The video recording of Session 2 is available here.

Session 3 – Towards a financially sustainable water sector: application and reform of economic instruments

Time	Moderator: Iordanca-Rodica Iordanov, Professor of Law and NGO EcoContact, State University of Moldova
14:30 – 15:30	**Speakers:** **Nino Tandilashvili,** First Deputy Minister, Ministry of Environmental Protection and Agriculture, Georgia **Umayra Taghiyeva**, Deputy Minister, Ministry of Ecology and Natural Resources, Azerbaijan (TBC) **Lilit Abrahamyan,** Head of Water Policy, Ministry of Environment, Armenia **Martiros Nalbandyan**, Deputy Chairman, Water Committee of the Ministry of Territorial Administration and Infrastructure, Armenia **Victoria Gratii,** Head of Integrated Water Resources Management Policy Department, Ministry of Environment, Moldova

The video recording of Session 3 is available here.

Session 4– Accessing finance for improving sustainable water management: availability, challenges, and innovative solutions for EaP countries

Time	Moderator: **Matthew Griffiths**, Senior Programme Manager, Finance, Investment and Global Relations Division, Environment Directorate, OECD
16:00 – 17:30	**Speakers:** **Tanguy Vincent**, Task Team Leader Agriculture, Rural Development, Biodiversity, Agence Française de Développement (AFD) Link to presentation **Vladislav Li,** Investment Officer, International Finance Corporation (IFC) **Dina Pons,** Managing Partner, Incofin Investment Management Link to presentation **Nino Sulkhanishvili**, Head of Integrated Management Systems Department, Georgia Global Utilities

The video recording of Session 4 is available here.

Session 5 – Financing River Basin Management Planning

Time	Moderator: **Francesca Bernardini**, Chief of Transboundary Cooperation Section, Environment Division, UNECE
9:00 – 10:30	**Speakers:** **Mzia Giorgobiani**, Deputy Minister, Ministry of Regional Development and Infrastructure, Georgia **Tamara Kutonova**, National Policy Dialogue Programme Manager, Environment Division, UNECE Link to presentation **Gheorghe Constantin**, Ministry of Environment, Water and Forests of Romania Link to presentation **Mykhaylo Yanchuk**, Head of the State Water Agency, Ukraine (online) Link to presentation **Arnaud De Vanssay**, Head of Water Sector, DG INTPA, European Commission (TBC)

The video recording of Session 5 is available here.

Session 6 – From grey to green- adapting and financing novel approaches to water management in EaP countries

Time	Moderator: **Sophie Tremolet,** Water Team Leader, Environment Directorate, OECD Link to presentation
11:00– 12.30	**Speakers:** **Karin Zaunberger**, Policy Officer, European Commission, Directorate General for Environment (DG ENV) Link to presentation **Ala Al Dwairi,** Natural Infrastructure Officer, International Union for Conservation of Nature (IUCN) **Stephen Hart,** Senior Loan Officer, European Investment Bank (EIB) (online) **Aaron Vermeulen,** Global Lead Finance Practice, WWF

The video recording of Session 6 is available here.

Closing Session

Time	**Moderator: Gérald Audaz**, Team Leader on Economic Development, Connectivity, Digital and Green Transitions, Directorate-General Neighbourhood and Enlargement Negotiations, European Commission
12:30 – 13:00	**Speakers:** **Ruslan Strilets,** Minister, Ministry of Environmental Protection and Natural Resources, Ukraine **Nino Tandilashvili**, First Deputy Minister, Ministry of Environmental Protection and Agriculture, Georgia **Tigran Gabrielyan,** Deputy Minister, Ministry of Environment, Armenia **Umayra Taghuyeva**, Deputy Minister, Ministry of Ecology and Natural Resources, Azerbaijan (online) **Paula Tatamirov**, Principal Consultant, International Relations and External Assistance Section, Moldova **Jason Lu**, Global Lead for Water and Finance, World Bank

The video recording of the Closing session is available here.