

# T4 • Blue Finance and Blue Investments for Water

## 1. BACKGROUND

The Mediterranean basin faces a structural water investment gap of USD 40 to 80 billion per year, equivalent to roughly 0.5 to 1% of the region's combined GDP, a challenge whose scale and nature differ significantly between the two shores. In EU member states, the priority is modernisation: reducing network losses, eliminating emerging contaminants such as PFAS, accelerating digitalisation, and adapting existing infrastructure to climate change. These are economies with mature regulatory frameworks, deep capital markets, and a sophisticated ecosystem of institutional investors capable of deploying blue bonds, ESG-aligned debt, and long-term infrastructure finance at scale. On the southern and eastern shore, the challenge is predominantly one of expanding and modernising water networks, storage systems and sanitation services to meet the needs of growing and urbanising populations, in contexts where infrastructure investment needs are estimated at 5.6% of GDP per year and where the conditions for large-scale private investment are still being consolidated. Within this picture, the diversity of the southern and eastern shore must be recognised. Morocco has become a regional benchmark for non-conventional water resources, combining large-scale desalination, wastewater reuse and green industrial investment, notably through OCP's green bond issuances. Egypt pioneered sustainable finance by issuing the MENA region's first sovereign green bond in 2020. Jordan has developed one of the most advanced water regulatory frameworks in the region and has worked for decades with international development partners to manage structural scarcity under exceptional pressure. These achievements demonstrate real technical and institutional capacity that deserves to be built upon and scaled across the basin, even as the pace of financial market development and project preparation capacity continues to vary considerably across countries.

The fundamental constraint across the region is not the absence of financial instruments, many exist, but their misalignment: with each other, with project preparation capacity, with regulatory frameworks, and with the political economy of the sector. The financial sustainability of water systems on both shores ultimately rests on the same structural foundation: the 3T framework of Tariffs, Taxes, and Transfers. In the Mediterranean context, these three levers are systematically under pressure: tariff reform is politically constrained, public fiscal space is contracting under debt pressure across the southern neighbourhood, and international transfers remain fragmented and poorly coordinated. Financial innovation, from capital markets to blended finance, must strengthen and complement rather than substitute this foundation.

The 6th Euro-Mediterranean Water Forum opens at a moment of exceptional political density. A high-level UfM event on water is expected at the opening of the Forum, creating a direct link between political commitment and practitioner dialogue that this session is designed to exploit. The New Pact for the Mediterranean commits Global Gateway, NDICI, Global Europe, and the EU Water Resilience Strategy 2025 to water resilience as a shared strategic priority. Whatever operational vehicle emerges to translate these commitments into a bankable investment pipeline, T4 is where the underlying financial architecture will be debated, shaped, and committed to, with outputs feeding directly into the 2026 UN Water Conference and the 11th World Water Forum in Riyadh 2027, positioning the Mediterranean as a laboratory and advocate for water-stressed regions worldwide.

### Italy as Host Country and Strategic Protagonist

This Forum places Italy not as a neutral venue but as an active protagonist. The Italian PNRR allocated EUR 4.5 billion to water sector modernisation, generating both important advances and cautionary lessons on large-scale public investment deployment, directly relevant to future EU instrument design. ARERA's regulatory model for the integrated water service stands as a reference for the Mediterranean. The Mattei Plan for Africa, with a total budget of EUR 5.5 billion, with water security as one of its strategic priorities alongside energy, food security and digital transition, connects Italy's domestic investment experience to south-south Mediterranean and African finance. CDP anchors Italy at the heart of both conversations, bridging capital markets and development finance across both shores.

## 2. KEY CHALLENGES AND OBJECTIVES

T4 brings both financial worlds to the same table to ask what a common Mediterranean water finance strategy looks like across the structural North-South divide, and to begin building it. The session addresses the three interconnected challenges that prevent political commitment from translating into funded projects.

### Challenge 1 • The Two-Speed Finance Landscape

EU member states and non-EU Mediterranean countries face structurally different water finance challenges, and a credible regional strategy must address both with instruments calibrated to their respective realities. In the north, the task is deepening and accelerating investment through capital market instruments, institutional finance, and regulatory innovation within already mature financial ecosystems. In the south and east, the priority is consolidating the enabling conditions for investment: stronger utility governance, independent regulation, bankable project pipelines, and the blended finance structures needed to attract private capital at greater scale. Alongside multilateral and institutional finance, private water operators and multiutilities, whose concession and service delegation models already represent a significant source of operational investment and technical capacity in both northern and southern Mediterranean markets, are a critical link between financial commitments and operational delivery. Several southern Mediterranean countries have demonstrated that this transition is achievable, with green bond issuances, private sector partnerships and world-class water technology deployments pointing to what is possible. The challenge for the Mediterranean is to generalise these successes, reduce the gap between the most and least advanced contexts, and design a common financial architecture flexible enough to serve the full diversity of the basin.

### Challenge 2 • Risk, Insurance, and the Resilience Dividend

The Mediterranean is warming approximately 20% faster than the global average, with cascading consequences documented by the MEDECC scientific panel: intensified droughts, flash floods, coastal aquifer salinisation, and wildfires with direct hydrological impact. Water-related extreme events already generate losses of billions of euros annually across both shores, losses that are underinsured and systematically undervalued in public investment decisions. For institutional investors, insurers, and reinsurers, this risk landscape is both a challenge and a strategic opportunity. Parametric and index-based drought and flood insurance products, catastrophe bonds, and multi-year resilience facilities represent an emerging asset class with Mediterranean relevance. The insurer-as-co-investor model, deploying long-term capital alongside water utilities and national development banks, is moving from pilot to mainstream in some markets. The resilience dividend, the measurable additional economic value generated by climate-resilient infrastructure design, provides the analytical bridge between risk assessment and investment prioritisation. For financiers and insurers, it is expressed in lower lifecycle costs, stronger ESG credentials, and lower insurance premiums; for technical operators, hydraulic engineers, governments, and industry, the same concept is better understood through the language of environmental externalities: the costs of inaction that are systematically omitted from conventional project appraisal but that accrue, invisibly, to societies and ecosystems. Building this bridge between financial and technical language is one of the specific ambitions of T4, ensuring that the session speaks not only to bankers and investors but equally to the operators who will ultimately implement the investments that finance makes possible.

### Challenge 3 • Water Finance and the Blue Economy: Instruments, Alignment, and Scale

Water finance connects naturally to the broader Mediterranean blue economy context, though the two fields operate at different scales and address different challenges. The Mediterranean blue economy, maritime industries, fisheries, aquaculture, coastal tourism, port activities, and offshore energy, generates over EUR 450 billion annually. It depends on healthy aquatic environments whose condition is directly shaped by how freshwater resources are managed: terrestrial ecosystems, river flows, and coastal water quality are all expressions of the freshwater cycle, and their degradation has measurable consequences for marine biodiversity and blue economy productivity. The link is real and policy-relevant, but it is a relationship of influence rather than equivalence, and T4 addresses it as such. Blue bonds, biodiversity bonds, nature impact bonds, blue and carbon credits, sukuk, waqf, and debt-for-nature swaps are rapidly evolving from conceptual instruments to deployable financial tools, while de-risking mechanisms, illustrated by OCP's experience in Morocco, are already demonstrating how catalytic public capital can mobilise private investment at scale. The Blue Mediterranean Partnership, supported by EIB, EBRD,

AFD, KfW, CDP and others, represents a coordinated IFI blended finance instrument for the southern shore that T4 is designed to scale. The New Pact for the Mediterranean and the European Ocean Pact together create a policy architecture aligning freshwater governance, marine ecosystem protection, and capital market development within a single strategic framework, making the blue economy not a separate theme but an integral dimension of Mediterranean water finance.

### 3. GUIDING QUESTIONS

The following questions are designed to draw on the complementary experience and perspective of each panelist, building a shared and constructive picture of the path ahead for Mediterranean water investment.

- Both shores of the Mediterranean have already invested significantly in water security, from network modernisation and desalination in the north to large-scale wastewater reuse and storage innovation in the south, yet the scale of what remains to be done is growing under the pressure of climate change. Building on what has worked, how can the pace of investment be accelerated across the region, and how can public and private resources be combined more effectively to meet that growing need?
- De-risking instruments, from guarantees to blended finance structures, have shown their ability to bring private capital into infrastructure sectors such as energy and transport at significant scale. How can these same approaches open the water sector to private investment at comparable scale, and what specific role can the insurance and reinsurance industry play as a long-term partner in that effort?
- Considerable groundwork already exists, from the UfM Water Agenda and Financial Strategy to national investment plans on both shores. What would it take to bring this groundwork together into a shared Mediterranean approach to water investment, including the case for a dedicated regional financing facility, what priorities should it place first, and what regional and national policy steps would do the most to unlock the financing that the sector needs?
- Water security is not only a sectoral priority but a foundation for stability, opportunity, and shared prosperity across the Mediterranean. As the region looks ahead to the sustainable development and economic potential of its southern shore, how can water investment be placed at the centre of that effort? What regional cooperation framework would allow the Mediterranean to grow together rather than apart, ensuring that progress is balanced across territories and that no shore is left to face the water challenge alone?

### 4. EXPECTED OUTCOMES

T4 is designed to produce two formal outputs that feed directly into post-Forum political and intergovernmental processes. The outcomes below are proposed as directions for discussion, not pre-determined conclusions.

#### **Outcome 1 • The Rome Initiative on Mediterranean Water Finance**

The Rome Initiative on Mediterranean Water Finance, to be adopted at the high-level UfM opening event, will establish the political mandate for a new generation of Mediterranean water investment partnerships. T4 is the first structured dialogue in which that mandate begins to take operational shape. Its purpose is not to resolve the architecture of implementation, as that work will be developed collaboratively in subsequent technical processes, but rather to surface the foundational ideas, priorities and points of convergence among the key financial and institutional actors whose engagement will be essential to the Initiative's success. The orientations emerging from T4 will be transmitted to the UfM as an initial contribution to the Rome Initiative's implementation process, to be refined through the Forum's technical sessions, the CDP Special Event, and the broader follow-up process involving IFIs, development finance institutions, private sector and member actors.

**Outcome 2 • Contribution to the UN 2026 Water Conference**

T4 will generate a structured policy contribution to the UN 2026 Water Conference, building on the voluntary commitments framework established at the 2023 UN Water Conference in New York. This contribution will advance three specific directions. First, the formal recognition of the insurer-as-co-investor model, including parametric products, catastrophe bonds, and combined underwriting and investment structures, as a systemic instrument for water infrastructure finance in developing and middle-income countries. Second, the case for a Mediterranean Water Finance Facility as a joint project preparation and de-risking mechanism serving the full diversity of the basin, which could draw inspiration from recent examples of multilateral coordination without being constrained by any single existing model. Third, a call for stronger alignment between international climate finance commitments and water-specific investment needs in non-EU Mediterranean countries.