

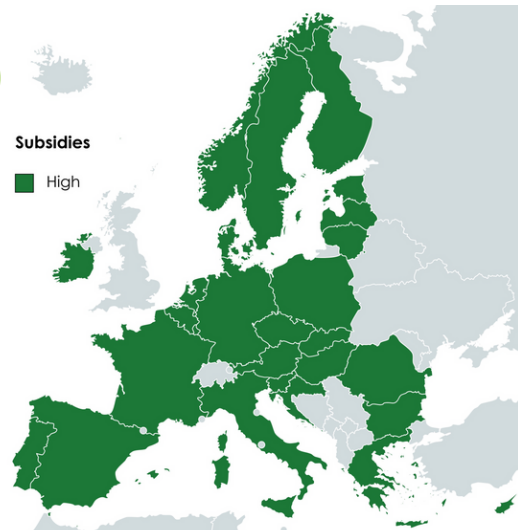


DESCRIPTION OF THE INSTRUMENT

Financial tools to promote positive outcomes related to water resources. Their goal is to encourage **responsible water usage**, **improve access to water**, and **support positive externalities** such as ecological flows. There are two main types of subsidies: Explicit and implicit subsidies. **Explicit subsidies** are more easily recognizable, including price support, direct payments, and subsidized loans. These are direct forms of financial aid aimed at helping individuals or organizations afford water-related expenses. **Implicit subsidies**, on the other hand, are less obvious and involve **indirect forms of support**. They can take the form of **reduced regulations**, **tax relief**, and **not fully recovering the costs of water services**.

Subsidies can **enhance positive outcomes**, **lower production costs**, and **increase the availability of water-related goods and services**. This can lead to a decrease in prices and other positive impacts. However, allocating too much water through subsidies can negatively affect the environment during water shortages. **Subsidies remain Europe's most commonly used economic tool for managing water**. Subsidies are **closely connected to funds provided by the European Union (EU)**. However, specific water projects also require co-financing from national budgets and the beneficiaries' financial resources.

MAP SHOWING THE LEVEL OF IMPLEMENTATION



More information
on the economic
instrument



EXAMPLE OF SUBSIDIES

- Subsidized loans for irrigation modernization programs
- Structural Funds of the EU to support infrastructure building
- Subsidies to revitalize and renature water bodies (e.g. Slovak Recovery and Resilience Plan)
- Subsidies from Common Agricultural Policy to reduce the use of pollutants, increase water retention measures, land ownership consolidation etc.
- Rainwater collection subsidy in Luxemburg

CONTRIBUTION TO GOVERNANCE

- Investment leverage
- Sustainability of water systems
- Management of water-related risks

BARRIERS OR CHALLENGES FOR IMPLEMENTATION

- Failure to hold polluters responsible for the costs of pollution they cause
- Budgetary constraints
- If not well designed, leading to an increase in withdrawals.
- Issues with low effectiveness and cost-effectiveness.
- Complicated administration and bureaucracy
- Land ownership issues hinder investments
- Subsidies offering short-term fixes rather than long-term systemic solutions

PATHWAYS FOR IMPLEMENTATION

- Cost-benefit analysis
- Design of complementary tools such as charges to limit water usage
- Clear conditions for applicants and transparent selection processes



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