
Multiannual Financial Framework

€300 Billion That Builds More Than Water Pipes





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SECURING EUROPE'S FUTURE THROUGH STRATEGIC WATER INVESTMENT

Water is an essential infrastructure for Europe's economy, security, and resilience; yet water investments remain below 3% of EU funding, a critical gap compared to energy, transport, and defence. With global demand expected to rise 30% by 2050, GDP losses can amount to €500 billion in Europe due to water stress.

The next Multiannual Financial Framework (2028–2034) is an opportunity to build water resilience, foster competitiveness, and strengthen Europe's preparedness against droughts and floods. By prioritising research, digitalisation, and dual-use infrastructure, the EU can transform water into a pillar of resilience, competitiveness, and security. Investing in water is not a cost: it is Europe's most strategic investment for the future.

Introduction

Water is one Europe's key infrastructures. Without it, there can be no green transition, no competitive economy, and no resilient society. Investing in water is a proven growth driver, as each €1 invested generates an estimated €2.35 in economic output and creates approximately 16,000 jobs for every €1 billion of capital expenditure¹. Yet the governance of water remains fragmented, underestimated, and structurally underfunded. Within the debate on the Water Resilience Strategy, financing water remains a key question².

The EU area affected by water scarcity³ has been increasing since 2010, reaching 29% of the EU territory (excluding Italy) in 2019, and impacting 38% of the EU population⁴. With a global water demand projected to rise by 30% by 2050⁵, the expected growth in population, increasing levels of industrial and agricultural uses of water and pollution, as well as the degradation of the ecosystems and climate change, will affect the certainty of water supply. Meeting these challenges will require an estimated €855 billion in global water investments over the next decade⁶. In Europe alone, EU countries would need to allocate an additional €255 billion by 2030 for water supply and sanitation just to comply with the Drinking Water and Urban Wastewater Directives, excluding the added needs of agriculture, industry, or defence preparedness⁷.

The recent European Water Resilience Strategy is a milestone, listing 50 urgent actions by looking at all values of water: environmental, societal, and

economic⁸. It also recognises a structural financial investment gap of EUR 23 billion per year. in Europe. The next Multiannual Financial Framework (MFF) of EUR 1.763 trillion⁹ for the period 2028-2034, must support water-related investments by providing funding opportunities and financial stimulation, with clear alignment to the following priorities:

- **Respond to the structural underinvestment in water services** in Europe and beyond.
- **Anticipate the water risks' impact on the value chain** that could put not only jobs and growth at risk but also strategic sectors relevant to ensuring the autonomy and sovereignty of Europe.
- **Strengthen the comparative advantage of Europe on the global market** by stimulating technologies and services exportation while responding to the climate change impacts, such as floods and droughts, as well as the SDGs Agenda.
- **Stimulate the use of blended finance mechanisms and investment platforms** to accelerate funding absorption - an approach that aligns with current EU strategies under STEP, InvestEU, and the potential European Competitiveness Fund (ECF).

¹ OECD, Inter-Country Input-Output (ICIO) Tables, Paris, OECD Publishing, 2023. The multiplier figures (€2.35 output and ~16,000 jobs per €1 billion investment) were derived by the author based on analysis of ICIO data.

² Water Europe, Advancing investment in water resilience: A strategic pathway towards a water-smart society and economy, Brussels, 2025.

³ Water scarcity occurs when water abstraction frequently exceeds water availability, which is the capacity of the natural ecosystem to supply freshwater.

⁴ European Environment Agency, Water scarcity conditions in Europe (Water exploitation index plus), 2023.

⁵ World Economic Forum, 2023.

⁶ BNP Paribas, Market360: Water: the trillion-dollar investment gap, 7 September 2023.

⁷ Water Europe, 2024.

⁸ European Commission, Water Resilience Strategy, Brussels, COM(2025) 280 final, 2025.

⁹ *Numbers are given in 2025 constant prices (which do not account for inflation) unless stated otherwise.* 2025 prices are the basis for negotiations so will help comparability in future updates. European Commission, A dynamic EU Budget for the priorities of the future - The Multiannual Financial Framework 2028-2034, Brussels, 2025.

IMPLEMENT, STRENGTHEN, AND PROTECT FOR A PROSPEROUS AND SECURE EUROPE

The MFF constitutes a key tool for a comprehensive and cross-cutting framework for water investment, delivering co-benefits for health, employment, economic resilience, and defence. Today, current investments are limited to environmental aspects based on quality performance indicators.

The EU must scale up blended finance instruments and Public-Private Partnerships (PPPs) to channel private capital into water resilience. The EIB's €15 billion water lending target shows the potential of this approach, though current volumes fall short of the annual €23 billion investment gap.

Several instruments are relevant to building a water-resilient Europe and must be mobilised to make water investment explicit and prioritised. If the "one national plan per member state" model is used, the European Commission must ensure the prioritisation of water investments and targets over the Recovery and Resilience Facility (RRF). Indeed, the RRF is a missed opportunity as only 3% of financial allocations were invested into water supply and waste¹⁰.

In this context, it is also relevant to note that the Directive¹¹ on the resilience of critical entities explicitly identifies drinking water and wastewater as critical sectors. Utilities responsible for managing these infrastructures are therefore required to implement preventative risk measures, including redundancy and continuity safeguards. This situation emphasises the necessity of mobilising EU and national funds to support compliance while ensuring long-term resilience.

Indeed, Europe should aim to mobilise:

1. **€255 billion in the "EU economic, territorial, social, rural, and maritime sustainable prosperity and security fund"** to meet drinking water and sanitation services. Water infrastructure is a long-term investment that aligns with the MFF's 7-year programming cycle. The OECD estimates

that all EU countries will need to increase investments by at least 25%¹². While the EIB's €15 billion allocation is a good step, it remains insufficient to reach the necessary financial investments¹³. Lastly, agriculture remains the biggest user of water. Unlocking water reuse and efficiency for agricultural purposes will require support to guarantee food security. In the same vein, water reuse for domestic purposes should be stimulated along with industrial water reuse and efficiency processes¹⁴. The different instruments for the National and Regional Partnership Plans 2028-2034 must be fully mobilised.

2. **More than €35 billion¹⁵ in the "European Competitiveness Fund (ECF)"** "to build water-efficient industrial supply chains, with a prioritisation on dual-use industrial plants and water-intensive sectors critical for the green transition. The creation of the ECF, consolidating 14 programmes into a single instrument with an allocation of €450,5 billion, provides a tangible envelope within which these water-related investments can be positioned¹⁶. The €35 billion should complement Horizon Europe (€175 billion) and the Innovation Fund (€41,2 billion) priorities¹⁷. Investing in water infrastructure has a strong ripple effect¹⁸ and the employment multiplier effect. The water sector stands for 1.2% of the EU GDP and supports nearly 1 million direct jobs¹⁹, with indirect effects across multiple sectors. High-value sectors such as semiconductor manufacturing, renewable hydrogen production, data centres, and electric vehicle (EV) battery production are on a rapid growth trajectory. These industries, currently valued at €192 billion, could expand to nearly €1 trillion by 2030, potentially tripling water demand²⁰. The ECF should include dedicated investments to support Europe's water-smart transition and water-efficient industrial activities. Today, nearly €100 billion in economic value is already at high risk due to water scarcity²¹. If no action is taken, water-related risks could result in €500 billion in GDP losses by 2050²².

¹⁰ This amount is at least 3 times lower than the investment into the energy sector. European Commission, *Economic Impacts of the Recovery and Resilience Facility: New Insights at Sectoral Level and the Case of Germany*, 2025.

¹¹ EUR-Lex, *Directive (EU) 2022/2557 of the European Parliament and of the Council of 14 December 2022 on the resilience of critical entities and repealing Council Directive 2008/114/EC (Text with EEA relevance)*, 2022

¹² Laubenstein, Helen, and Xavier Leflaive. 2024. *Water Investment Planning and Financing*. OECD Environment Working Papers, No. 237. Paris: OECD Publishing.

¹³ Reuters, *EIB commits 15 billion euros to protect EU's water resources*, 4 June 2025.

¹⁴ Water Europe, *OMNIBUS Environment – a Strategic Initiative for Water Reuse while Ensuring Legal & Financial Security*, Brussels, 2025.

¹⁵ It has been calculated by considering the current €100 billion in economic value is already at high risk due to water scarcity with a progressive reach €500 billion in GDP losses by 2050, divided by 5 as the cost of inaction is 5 times higher than the required investment for industry (CDP, 2020)

¹⁶ European Commission, *Proposal for a Regulation on establishing the European Competitiveness Fund ('ECF'), including the specific programme for defence research and innovation activities*, Brussels 2025

¹⁷ European Commission, *COM 2025 570 1 - Commission Communication on A dynamic EU budget for the priorities of the future – The Multiannual Financial Framework 2028-2034*, 2025.

¹⁸ CDP (Carbon Disclosure Project), *CDP Global Water Report 2022: Riding the Wave—How the Private Sector Is Seizing Opportunities to Accelerate Progress on Water Security*, London, CDP, 2022.

¹⁹ Water Europe, 2024.

²⁰ Water Europe, *investing in Water: Securing Europe's Sustainable future*, 25 October 2024. <https://watereurope.eu/investing-in-water-securing-europes-sustainable-future/>

²¹ Patricia Claderon, *How mismanagement of global river basins is putting \$105 billion in business revenue at risk*, in Reuters, 2024.

²² The €500 billion by 2050 GDP loss stems from global average risk projections (8–15%) applied to EU output, along with the share of GDP exposed to high water risk by 2050.

3. **€10 billion²³ in the “Union Civil Protection Mechanism and Global Europe” funds** to resilience of infrastructure (e.g. droughts & floods) in Europe and beyond, where strategic assessments are still underdeveloped. In 2023, the average economic losses caused by floods amounted to €20 billion. An investment of €10 billion could have a significant multiplier effect, helping to mitigate economic impact on industries, agriculture, services, and insurance costs²⁴. This year, the various droughts affecting the Mediterranean region highlight the existing investment gap in water-smart infrastructure and materials, essential for preventing and reducing the consequences of droughts, such as wildfires.

A DYNAMIC BUDGET NOW FOR A WATER-SMART AND RESILIENT FUTURE

The allocation of specific water funds in each pillar of the new MFF Europe could leverage resilience dividends for all segments of our society, building its competitiveness, defence preparedness & sustainability. These goals should be supported by:

- **Investments in research and innovation:** Building Europe’s leadership in global water standards and the export of water-smart technologies should be a core priority of the next research agenda. The European Water Resilience Strategy (WRS) names several critical challenges that demand targeted innovation, including non-PFAS materials and products, nature-based solutions, energy & water-efficient technologies²⁵. It will help Europe stay a global leader in water innovation, while responding to both internal resilience needs and global water insecurity. Water Europe welcomes the new Horizon Europe with a dedicated €175 billion to continue this program. It must substantially contribute to achieving the objectives of the Water Resilience Strategy.
- **Upgrade dual-use water infrastructure for defence:** The ReArm Europe Plan readiness 2030 aims to upgrade essential dual-use infrastructure, remove obstacles hindering

military transport, and fill the gap in military production²⁶. However, water footprint data for weapons manufacturers is mostly absent from public disclosures, which is a weakness for supporting Europe’s defence industrial clusters and readiness. Beyond water availability for defence supply-chain and military operations, the weaponisation of water requires an assessment of strategic water bodies, infrastructure and use to secure them. A soldier needs 8-9 litres of water per day²⁷, while there are plenty of examples of the usage of water bodies as strategic parameters on the battlefield. The new Defence and Space funds should consider water-related risks in their implementation. Paired with the ECF, the national and regional partnership, as well as the Global Europe instrument, it should support this critical investment.

- **Support the digital transition of the water sector:** the lack of data collection and interoperability at all levels (local, national, and European) will require investment to a structured digitalisation of water-related infrastructure to monitor and anticipate quantitative and qualitative risks. It could also benefit our society by raising awareness about the value of water. In line with the Niinistö report, this transition should be done by anticipating potential threats to water infrastructure and data collection²⁸. The digital leadership instrument, as well as the National and regional partnerships, should be mobilised to ensure safe digital water²⁹ in Europe.
- **Fulfil water resilience commitments through Global Europe.** Beyond the EU Preparedness Strategy, contaminated drinking water affects globally at least 2 billion people, and 4.2 billion people do not have access to sanitation³⁰ which creates migration, insecurity, and public health risks. Looking at the economic aspect, 50% of the water footprint of high-income economies is from areas of the global south facing extreme water insecurity³¹. Global Europe should allocate dedicated water funds to fulfil its commitment taken under the Water Resilience Strategy and during the UN Water Conference 2023³².

²³ This estimate is derived from the average annual economic losses caused by weather- and climate-related extreme events across EU Member States. An investment of €10 billion represents half of these costs and it is three times lower than the economic losses caused by floods alone in 2023. The initiative is designed to stimulate investment in critical water infrastructures by both public and private actors, helping to mitigate the impacts of extreme weather events. European Environment Agency (EEA), *Economic Losses from Weather- and Climate-Related Extremes in Europe, Analysis and data*, Indicators, published October 14, 2024, accessed September 4, 2025.

²⁴ Guzmán González-Torres Fernández and Miles Parker, “The Economic Impact of Floods,” *ECB Economic Bulletin*, focus box in Issue 1/2025, European Central Bank, accessed September 4, 2025.

²⁵ European Commission, *Water Resilience Strategy*, 2025

²⁶ European Union, *Introducing the White Paper for European Defence and the ReArm Europe Plan- Readiness 2030*, 2025,

²⁷ NATO, *How to water an army*, 2014. <https://www.youtube.com/watch?v=mg394-YEY3c>

²⁸ Niinistö, Sauli. *Safer Together: Strengthening Europe’s Civilian and Military Preparedness and Readiness*, Brussels, 2024, European Commission.

²⁹ Digital water means : “exploit the benefits of the extreme interconnectivity of people, devices and processes, and create capillary networks capable of monitoring the water system, starting at its multiple sources through to the individual end-user, thus generating continuous flows of valuable data for innovative decision-support systems at different governance levels. Water Europe, *Vision: the Value of Water*, Brussels, 2023.

³⁰ United Nations, *Billions globally lack ‘water, sanitation and hygiene’*, new UN report spells out, 17 June 2019.

³¹ CDP, *Stewardship at the Source Driving water action across supply chains*, March 2024

³² European Commission, *EU efforts on the global water agenda: Beyond UN 2023 Water Conference*, Brussels.

Recommendations

1

Secure dedicated funds in the main segments of the European Budget up €300 billion as such:

- **€255 billion in the “EU economic, territorial, social, rural, and maritime sustainable prosperity and security fund”** to meet drinking water and sanitation services.
- **€35 billion in the ECF** to support research & innovation and build water-efficient industrial supply chains, with a prioritisation on dual-use industrial plants and water-intensive sectors critical for the green transition.
- **€10 billion in the “Union Civil Protection Mechanism and Global Europe” funds** to resilience of infrastructure (e.g. droughts & floods) in Europe and beyond.

2

Set up performance criteria also for quantitative aspects, competitiveness performance related to water efficiency, as well as the reduction of extreme-event damage target.

3

Ensure the prioritisation of water-related targets into single national plans. If the “one national plan per member state” model is used, the European Commission must ensure the prioritisation of water investments and targets rather than the RRF. National plans should also include an approach for cross-border cooperation (e.g. river basin management) the Water Resilience Strategy.

4

Support Horizontal water-related objectives, which will stimulate synergies with other relevant strategies:

- **Set-up a substantial financial allocation in the new Horizon Europe** to realise the Water Resilience Strategy and develop solutions to anticipate future water risks.
- **Support the digital transition of the water sector** via a dedicated support under the Digital Leadership instrument.
- **Prioritise the upgrade of the dual-use water infrastructures** to strengthen the competitiveness of the European defence, security, and industry, as well as support the Union’s preparedness, threat detection and crisis response, including by strengthening cybersecurity and ensuring the resilience of critical infrastructure.

Fulfil Water Resilience Commitments through Global Europe taken during the UN Water Conference 2023 and in the Water Resilience Strategy.

Best Practices

WATERVERSE: Data management for effective implementation

WATERVERSE's mission is to develop a Water Data Management Ecosystem (WDME) for making data FAIR (Findable, Accessible, Interoperable, Reusable), improving the usability of data and the interoperability of data-intensive processes.

WATERVERSE tackles the fragmentation of data in the water sector by:

- Lowering the entry barrier to data spaces
- Enhancing the resilience of water utilities
- Boosting the perceived value of data and therefore the market opportunities behind it



WATERVERSE enhances the implementation of the Water Framework Directive and shows that digital infrastructure is essential for meeting EU targets on water quality and resilience. Investments in WDME technologies can:

- Reduce administrative burdens
- Improve compliance
- Enable Member States to anticipate risks like algal blooms, floods, or pollution incidents

WATERVERSE shows that supporting digital capacity building and interoperable data platforms is essential for turning policy commitments into measurable results. A dedicated funding to digital water governance would support greater compliance with the Water Framework Directive and promote future implementation of the actions within the Water Resilience Strategy.

IDEATION: Digital Twins for Water Resilience

IDEATION is an EU-funded project focused on creating a Digital Twin Ocean (DTO) of inland waters, linking rivers, lakes, and wetlands with the ocean. The project's success depends on the collaboration of an experienced consortium of 11 European partners.

By combining real-time and historical data across rivers, lakes, reservoirs, and coastal waters, IDEATION enables:

- Early warning systems
- Infrastructure resilience
- Transboundary risk management.



IDEATION shows how digital innovation can:

- Reduce economic losses from floods and droughts
- Strengthen cross-border cooperation
- Support the EU Water Resilience Strategy

IDEATION proves the feasibility of scaling digital twins to all Member States, underlining the need to dedicate MFF funds to digital water innovation and data integration. Best practice: Integrate Digital Twins into River Basin Management Plans and fund EU-wide digital water infrastructures as part of the MFF's resilience and competitiveness agenda.

NEXOGENESIS: Governance and nexus-based policy innovation

NEXOGENESIS is a 4-year (2021-2025) European research and innovation project funded by the European Commission under the H2020 programme. It gathers 20 partners from Europe and South Africa with the aim of enabling the next generation of intelligent water-related policies, using artificial intelligence and machine learning to assess policy impacts on the WEFE nexus and suggest improved policy design for coherence.

NEXOGENESIS addresses governance challenges by applying its Nexus Policy Assessment Tool (NEPAT) to assess trade-offs across Water, Energy, Food, and Ecosystems (WEFE).



NEXOGENESIS shows how embedding WEFE indicators into EU planning frameworks can:

- Strengthen coherence between the Water Framework Directive, the Common Agricultural Policy, and the Energy Union.
- How investing in nexus-based governance tools ensures that every euro spent on water generates wider co-benefits, avoiding inefficient, duplicated investments
- Establish permanent multi-level governance platforms and fund WEFE-based training to ensure long-term institutional resilience

NEXOGENESIS highlights the urgency of funding governance innovations, training programmes, and cross-sector platforms that institutionalise the WEFE nexus in EU law and funding instruments.