

THEME 6: FINANCING

The problems with delivering satisfactory water supply in Pacific Island urban areas are primarily financial and institutional rather than technical. They reflect inappropriate policies, undue government interference, the lack of appropriate incentives for consumers to reduce demand to sustainable levels, and adequate cost recovery mechanisms, all of which undermine the ability to operate and maintain water supply systems properly. Budgetary support for water and sanitation operations – a major contributor to government budgetary deficits in a number of Pacific countries – is unsustainable.

The financing needs of the water sector are huge, water projects tend to be indivisible and capital intensive, and many countries in the Pacific have major backlogs in developing water infrastructure. All governments need a strategy for financing and cost recovery in the water and wastewater sector.

External aid is limited in relation to requirements as are government sources. Private finance is available but is costly and is most relevant to larger urban centres where ability to pay is higher. In some cases joint public – private investment is an alternative option. Therefore there is a need for demand management to limit consumption and for cost recovery policies and tariffs to ensure that all users meet the costs of services in line with accepted levels of ability to pay.

A Planning Meeting held in Vanuatu in February 2002 identified *Financing* as one of a number of major themes to be addressed at the forthcoming Pacific Regional Consultation Meeting to be held from 29th July – 3rd August in Fiji. The list of the six Themes adopted for discussion at the Regional Consultation Meeting and further details about the meeting are provided in the “Information for Participants” brochure.

SCOPE

At the Regional Consultation Meeting, the Financing Theme (Theme 6) will consider a number of key elements, including the following:

- ?? Defining the principles that should be considered when developing tariff structures
- ?? Defining cost recovery objectives that should be met from tariffs
- ?? Defining acceptable levels of affordability and willingness to pay for adequate service provision
- ?? The economic costs of supply and signals that should be incorporated into tariffs
- ?? The importance and integrity of Billing and Collection Systems
- ?? Subsidy implications of current tariff policies
- ?? Sources of financing available to the urban water sector
- ?? The need for clear financial objectives for the sector to ensure long term sustainability.
- ?? Examination of the success or failure of selected alternative institutional and financial models.
- ?? Benchmarking as a means of improving sector performance and cost control

Inevitably, there are some overlaps with the other five Themes, in particular Institutional.

SESSION

Outline

The Theme 6 session, to be held on the afternoon of Thursday 1st August, will include presentation of a theme paper and case studies. These papers are intended to set the scene for a discussion involving all delegates, particularly those involved in financing, cost recovery and tariff policy and structures.

Theme Paper

The theme paper, to be presented at the Regional Consultation Meeting will provide an overview of each element. A summary of key issues, concerns and constraints in relation to financing, cost recovery and tariffs will be provided. The paper will also explore measures at international, regional, national and local level that have been taken in recent years to address some of the fundamental issues impacting this theme in small island countries. Finally, the paper will outline measures that could be taken to improve the situation, and suggest possible actions for consideration.

The focus of this paper is on financing and cost recovery in the urban water sector rather than on the water sector as a whole.

Case Studies

To emphasise certain aspects of this theme speakers will present four case studies from selected small island countries. The purpose of these case studies is to provide practical examples of pricing and financing issues in selected countries together with a discussion of water utility benchmarking - and to provide a catalyst for discussion.

The selected case studies are:

- ?? Pricing and Financing of Water and Wastewater Services for Suva – Nausori, Fiji.
- ?? Costs and Financing of Water, Kiribati.
- ?? Mixed Capital - Public and Private Sector Partnerships.
- ?? Water Utility Benchmarking in the Pacific.

Discussion

Following the presentations, there will be time for discussion of key issues and draft proposals. It is anticipated that Country delegates will comment on relevant national experiences, concerns and possible actions based on their own National Consultations (prior to the Regional Consultation Meeting) and Country Briefing Papers (presented on the first day of the Meeting).

Working Group

It is intended that a Financing Working Group will be formed during the Theme Session to develop proposals and priority actions arising from the papers and the discussion for later endorsement by later plenary session of the Regional Consultation Meeting. This Working Group will meet, as required, after the Theme session to develop such proposals and a draft action plan.

INPUT FROM COUNTRY DELEGATIONS

Country delegations are encouraged to identify their own key issues and concerns in relation to this theme and to develop their own priorities for actions. The major opportunity for this is through the National Consultations and the Country Briefing Papers. Further opportunity will exist during the discussion phase of the Theme 6 session and through the proposed Working Group.

FURTHER INFORMATION

For further information, please contact the Theme 6 Resource Person, **Mr. Ian Walker**

E-mail: iwalker@kcq.net.nz or Fax: + 64 9 292 7583.
