

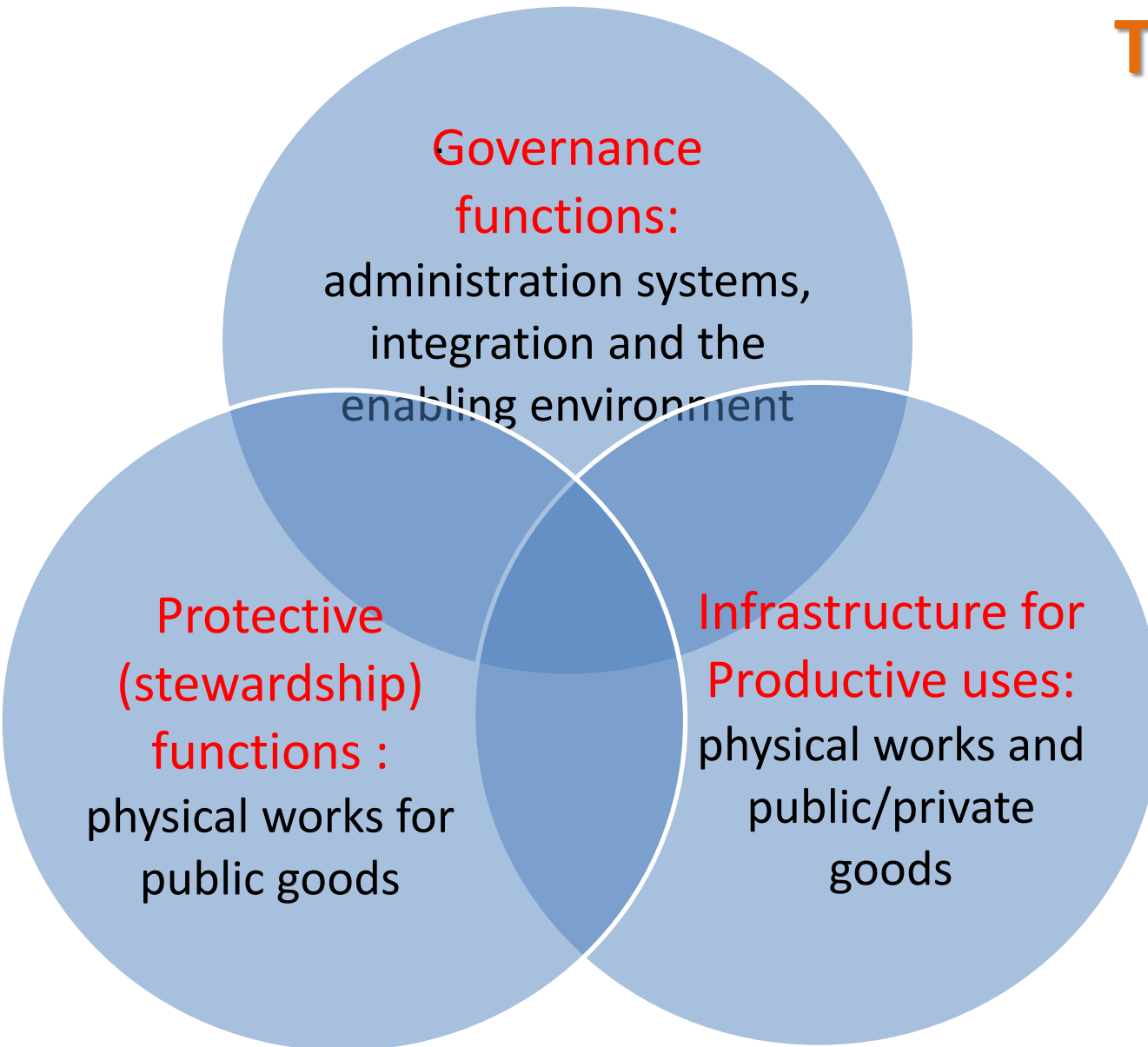
4<sup>th</sup> Africa Water Week  
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# Financing National Water Resources Management

Alan W Hall

EUWI Finance Working Group & GWP

# What?

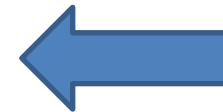


# Where from? The 3 T's

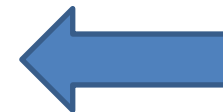
**TAX**



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**TRANSFERS**



# Programme to build knowledge on Financing WRM

- EUWI-FWG, GWP, OECD and UNEP-DHI have been working on this issue for the last 3 years.
- The aim is to develop the issue of Financing WRM to the same level as that for financing water supply and sanitation.
- Work has been done to build knowledge and consensus on WRM as well as build capacities – brought together finance and water officials
- It has included 5 workshops in each African sub-region to support political processes
- 3 country case studies in Ghana, South Africa and Uganda.
- 2 Training courses in Kenya and Cameroon with CapNet.

# Building a community for WRM financing

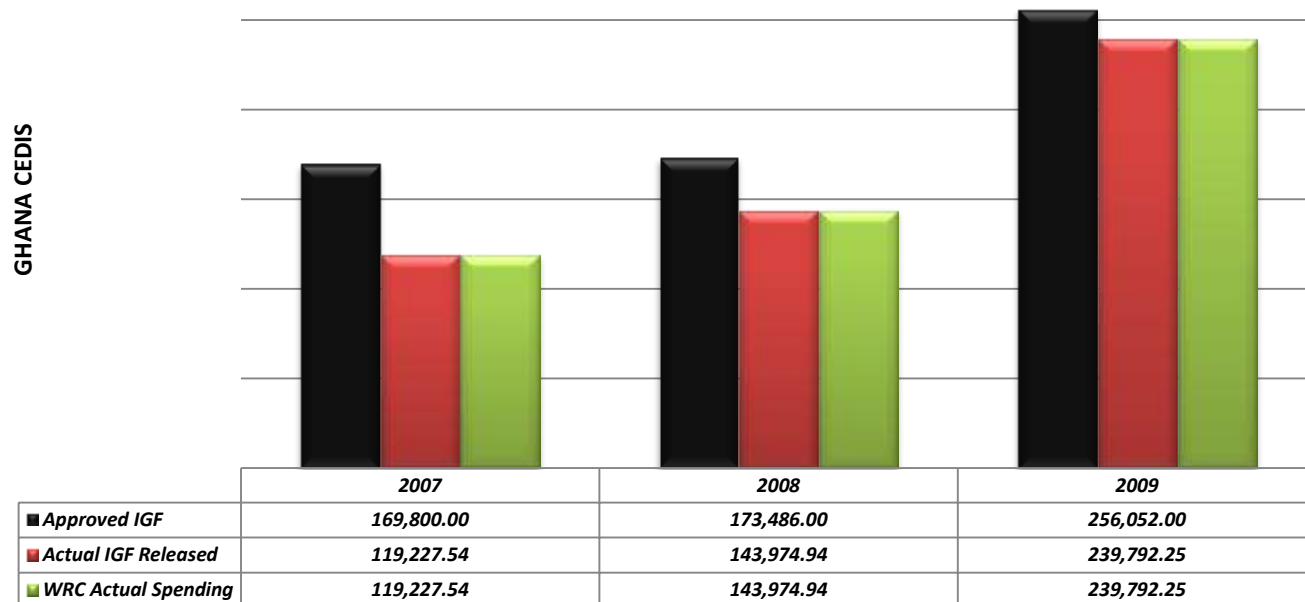
- Mobilised officials and experts from different areas of expertise including from finance and planning ministries.
- Partnerships: OECD, AfDB, AWF, Regional Banks (BDEAC, DBSA), RECs, etc.
- Contributed to IWRM planning process in 10 countries to include financing issues.
- Increased understanding and knowledge of a broader range of financing instruments.

# Case study - Ghana

- Government budgetary allocations for the Water Resources Commission reduced from 2007 to 2009.
- And actual releases are much lower than the allocations - fluctuating between 3% and 12% of the allocations.
- This is despite WRM featuring strongly in national development plans
- There is a disconnect between policy, plans and finance.
- Difficult to disaggregate data on WRM and WS&S,

# WRM revenue raising - Ghana

- Internally generated funds from the Water Resources Commission exceed government budgetary approvals and actual releases.
- Revenues from four main sources – administration fees, application fees, raw water abstraction fees and drillers’ licensing fees

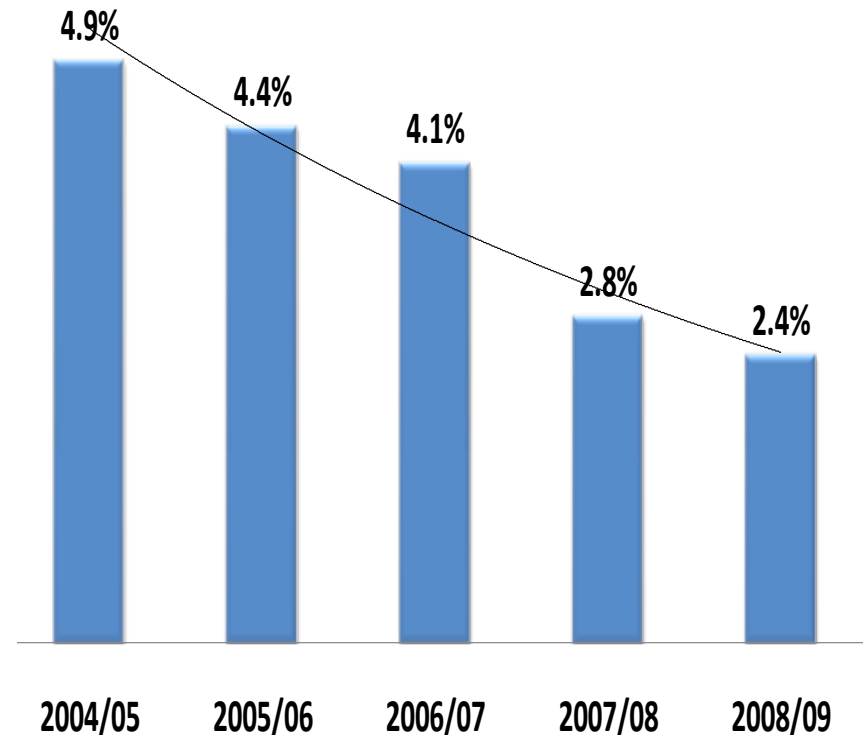


# Investment in increasing - South Africa

- Governance expenditures increasing to match complexity of WRM.
- Progress in reducing costs by optimizing infrastructure operation and better regional coordination.
- Sophisticated policy framework and more cost recovery instruments used.
- Issues arising: Lack of knowledge on benefits, register of users, quality of govt. services provided, overly complex system.
- Broad experience with commercial finance through off-budget special purpose vehicle – TCTA.

# Declining budgets - Uganda

- Declining budget allocations (from 4.9% to 2.4% of national budget)
- Modern policy framework includes polluter-pays principle
- Several cost recovery instruments used (permit application, laboratory, abstraction, effluent discharge) but minimal revenue (which goes to the Treasury)
- 40% of funding provided by donors, mostly for WS&S.
- WRM contributes to 5 of 6 national objectives, but the benefits not well understood.

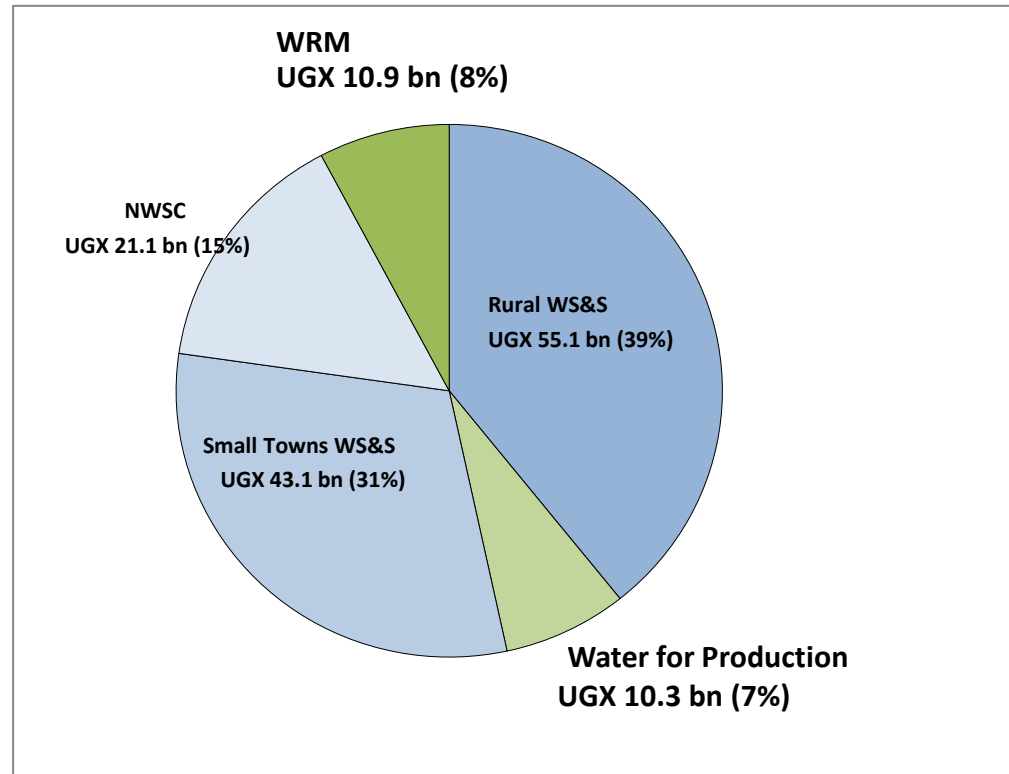




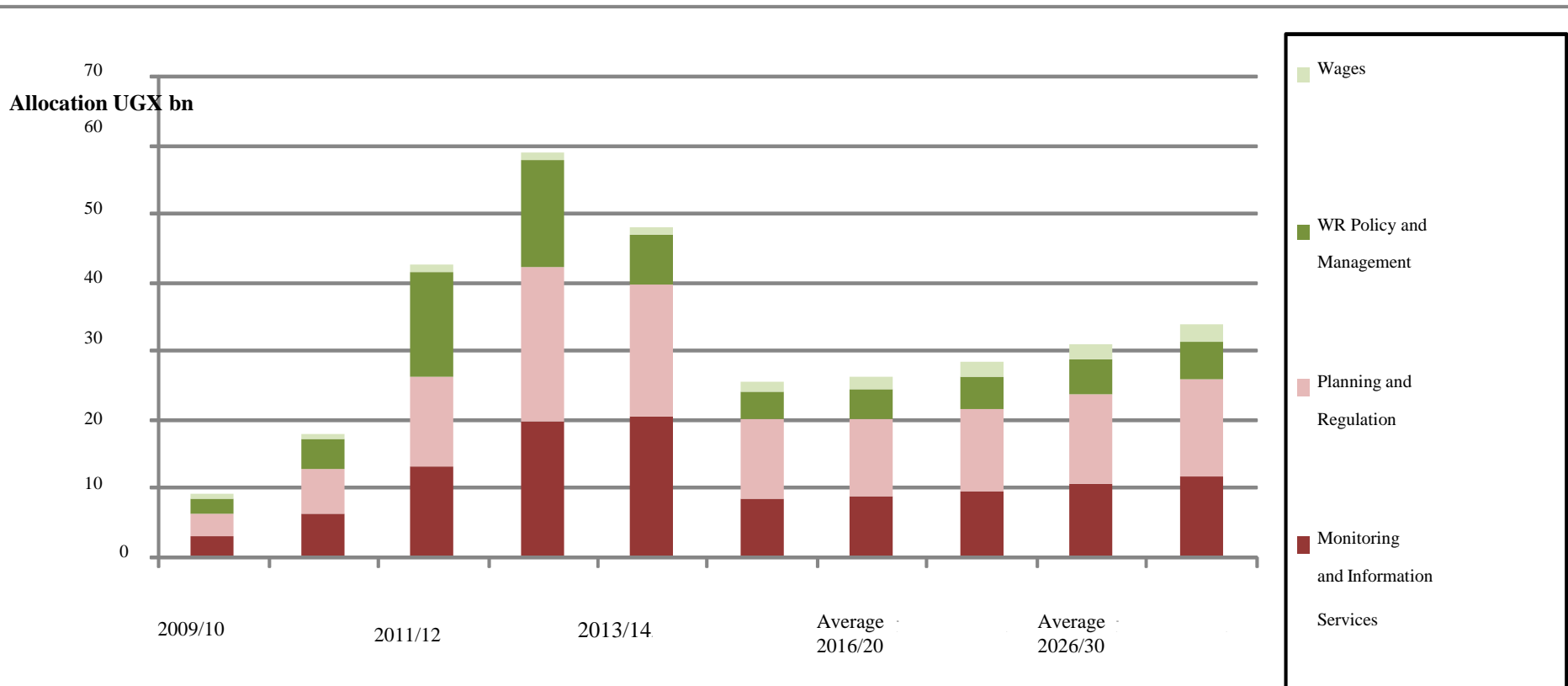
# WRM a small part of watsan budget - Uganda

- Of the total watsan budget only 8% is for WRM and 7% for Water for Production.
- Bulk of funds 85% for WS&S – social needs.
- In addition some modest funds are allocated from the Environment and NR budget for watershed management.

## Water and sanitation budget allocations 2008-9



# Strategic Investment Plan - Future total governance funding requirements 2009-35



**“given the importance of WRM for Sustainable economic development of the country, allocations to WRM should be given the highest priority in the funding allocations of the water sector.”**

# General case study observations

- Financing WRM is more complex than for WS&S.
- Financing needs are greater than WS&S.
- Most countries have no idea how much they spend on WRM, nor what it is spent on.
- Poor information on ODA for WRM.
- WRM is fragmented across many government institutions. No clear structure of the different functions.
- WRM not measured > not managed > not financed.

# Raise revenues from beneficiaries

- Invest in establishing a range of cost recovery instruments.
- Raise revenues from water users and business consumers including from those responsible for pollution. Revenues are predictable.
- Ring-fence revenues for reinvestment in WRM.
- ODA can support government budgets and reforms, whilst gradually increasing the finance from revenues.
- Make the most of existing mechanisms (rate-setting, invoicing and collection rates).
- RBOs – need to have revenue raising ability otherwise unsustainable

# Invest in better governance to close the financing gap

- build a favourable investment environment to attract finance
- Invest in critical governance and infrastructure O&M functions (prevent the asset base from deterioration)
- Focus more on reducing costs – explore opportunities for savings through improved coordination, planning, regulation and operation as well as demand management
- Fragmented sector approach makes it difficult to improve allocation of public expenditures – adopt an integrated approach to WRM financing
- Carry out more in-depth country studies to better understand Financing WRM

# Resolve budget constraints

- Address the inconsistent and irregular flow of government budget allocations for water and sanitation.
- Reform systems to overcome administrative and water governance bottlenecks
- Build absorption capacity – even with low budgets they are often underspent.
- More consistent budgets year-on-year (presently fluctuate 0.3% - 2.5%) needed to implement plans. Also use funds more effectively.
- Early budget approval needed for effective use of taxpayers money.

# Financing WRM a national priority?

- It ought to be ....
  - economic growth, green economy, climate adaptation, social needs, environmental protection ..... all depend on WRM and yet financing for WRM remains a mystery
- .... but it clearly is not .....
- policy documents often make the right noises but they are not backed by actions.
- to interest the MoF a more robust **economic case** must be made for investing in WRM
- .... as political conviction is still lacking.
  - There is no leadership in most countries and water supply services dominates the agenda

# THANK YOU

EUWI finance reports are available to  
download on:

[www.euwi.net](http://www.euwi.net)

[www.gwp.org](http://www.gwp.org)

