

Experiences and Lessons Learned in Financing Municipal Water Services

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Water: A Necessity for Life and an Economic Good

- **Water: The most important foodstuff in the world.**
- **Water must be available to everyone, rich or poor.**
- **Water is an economic good.**
- **Water utilities must be operated as effectively as possible to guarantee low costs and price combined with an acceptable quantity and quality.**

Water Utility Services Management: A Natural Monopoly

- A water utility must be seen as a monopoly activity.
- The authority and access to the water resources must be in public hands.
- Regardless of how the municipal water services are operated – by a private company or a public company – leadership, organisation, and skilled and motivated personnel are fundamental for success.
- Public water utilities organised and operated effectively and without profit making will have a great chance to give inhabitants good service at the lowest possible price.

A Swedish Perspective

- A new Swedish Water Law has just been adopted.
- Establishment of water and sanitation treatment plants and networks for municipalities and cities is defined as "a public water and sanitation installation".
- The municipality has a juridical right of determination.
- The tariffs consist of one tariff for the right to connect to the utilities networks for water and sanitation and one tariff for water consumption that includes wastewater treatment.
- The tariffs must not exceed what is needed to cover necessary costs for organisation and operation of the water utility. No profit is accepted!

A Swedish Perspective

- **It is allowed to set aside eventual surplus to cover future investments within the water utility, provided that there is an investment plan and that the deposition is related to a specified project.**
- **If the water consumers have any complaints, they can go to the Swedish Water Court.**
- **Almost every Swedish water utility finances yearly operations and management entirely by tariffs that also cover installments and interest to the banks for loans to investments.**

A Swedish Perspective

- **Communication and cooperation with the inhabitants, including schools and households, are fundamental. Water quality, environment and tariff levels vary very much depending on peoples' motivation and behaviour.**
- **Cooperation with other municipal departments and enterprises within and outside the municipality could result in great economic and technical advantages. Large-scale advantages through joint plants, bulk purchases and coordinated work plans, street and network repairs, etc.**
- **Cooperation with industry and universities for new and more cost effective technical solutions.**

A Swedish Perspective

- **Cooperation and comparison with other big water utilities in Scandinavia. Among others we have developed a common system of performance indicators for comparisons between Nordic and other European public and private water actors.**
- **French consultant BIPE analysed drinking water and wastewater services in eight European Capitals, placing Stockholm in first place.**



A Swedish Perspective

- **Concentration of the management made by own resources first of all to normal operations and maintenance of plants and networks, including short and long-term planning to guarantee and take responsibility for quality and quantity both in the short and long-term perspectives.**
- **Moreover, buy as much as possible from different external specialists and press the competitive market to guarantee good quality at lowest possible price.**
- **As an example, Stockholm Water Company buys about 50% of its turnover in competition while many other companies buy less than 20-30% outside their own concern.**

Engaging People Living under Poor Conditions – Experiences from Latvia and Lithuania

- Shortly after the disintegration of the Soviet Union, when the Baltic States regained independence, the public company Stockholm Water was engaged as twinning partner to the water utilities in Riga (Latvia) and Kaunas (Lithuania).
- First of all, we had to build trust with our colleagues in Riga. Stockholm Water Company was not taking over Riga Water; rather, we were just colleagues and speaking partners to support and give advice to the city.
- We used our experiences from Stockholm to convince them to work with school children, households and others through different channels like young school informants and advertising.

Engaging People Living under Poor Conditions – Experiences from Latvia and Lithuania

- Message: You can give you and your children much better health and a future with clean drinking water, you can eat the fish in the river and swim in the Riga Bay if you treat the waste water effectively, but it will need great efforts from you and we know that money for water must come from an already poor economy.
- Every month we will give you a report in TV and newspapers about progress in our work.
- All information to the inhabitants in Riga and Kaunas was of course given only by the respective Riga and Kaunas water utility personnel.

Engaging People Living under Poor Conditions – Experiences from Latvia and Lithuania

- The result: a hard time, with continuous tariff increases "opening the doors" to aid given by governments in Finland, Sweden and Switzerland and to loans from the banks.
- Ten years later, the two cities had modern water utilities with good drinking water quality and sanitation conditions.

Comments Concerning a Project in Africa

- Experiences from educating young children in water knowledge, already from pre-school, could be used worldwide.
- An investment for the future, with the next generation caring for water, health and environment.
- Water education programme in cooperation between UN-Habitat and Stockholm Water Company together with several African capitals, their water utilities and schools – great interest from the participants.

Comments Concerning a Project in Africa

- Together with International Water Association (IWA) and Sida, I have been involved to engage target communities in order to improve the water and sanitation conditions for small and middle-sized cities in Africa.
- In this project, IWA seeks to pilot test an effective and replicable approach to community engagement called "Local Action Agenda" (LAA).
- The first step financed by Sida is soon finished.

Comments Concerning a Project in Africa

From bad to good water conditions

- **Today**
 - *Bad water quality*
 - *Poor and sick people*
 - *High unemployment*
 - *Sanitation destroying groundwater and reservoirs*
 - *Groundwater problems during dry periods*
- **Tomorrow**
 - *Good conditions for farming*
 - *Individual vegetable production*
 - *Geographical location (close to the highway, promoting market access for industry and trade)*
 - *Access to the river*
 - *Access to labour*
 - *Strong local engagement*
 - *Governmental support*

Some Thoughts on the Way Forward

- **It is a very good idea to establish a network between public utilities south/south but also north/south, and as a result of network contacts even directly between municipalities and their water utilities.**
- **Activities within the network must be combined with practical projects that develop best practice, local knowledge and responsibility.**
- **Public water utilities among others in the Nordic countries have extensive and positive experiences as twinning partners in institutional development and technical support to cities and municipalities in other countries.**

Some Thoughts on the Way Forward

- **Water problems are huge around the world. It is necessary that all available resources take responsibility and cooperate. A forum for dialogue between public and private water companies, not at least between western countries in order to find ways to support colleagues in developing countries, could be one alternative.**
- **Industry must develop more affordable, cost-effective, locally tailored sustainable technical solutions for water in developing countries and have a long-term economic view where industry not only sees present or lack of present possibilities, but also the chance of future markets.**
- **Innovative "step-by-step" solutions are often necessary.**

Some Thoughts on the Way Forward

- **It is important that aid organisations and other financial institutions not only define their activities as institutional development but also support different practical projects (investments and operation and maintenance) to increase the number of best cases so that people can see real improvements in water quality, quantity and how this influences health and environment.**
- **Last and not least, in all projects local engagement, competence and devotion, plus knowledge of local traditions, religion and culture, are vital for progress.**