

Experiences and Lessons Learned in Financing Municipal Water Services



Mr. Sven-Erik Skogsfors
Stockholm International Water Institute (SIWI)
E-mail: s.skogsfors@telia.com

 STOCKHOLM INTERNATIONAL WATER INSTITUTE

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.

 STOCKHOLM INTERNATIONAL WATER INSTITUTE

Water Utility Services Management: A Natural Monopoly

- A water utility must be seen as a monopoly activity.
- It would not be acceptable to use this situation to make a profit as a main purpose – as a business idea.
- It is necessary that the authority and access to the water resources are in public hands.
- Regardless of how the municipal water services are operated – by a public company, authority or department, or by a private company – leadership, organisation, and skilled and motivated personnel are fundamental for success.
- Public water utilities organised and operated effectively and without profit margin will have a great chance to give inhabitants good service at the lowest possible price.

A Swedish Perspective

- 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 connection 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 (continued)

- **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 consumer has any complaints, he can go to the Swedish Water Court.**
- **Almost every 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 (continued)

- **Communication and cooperation with the inhabitants, including schools and households. As members of the municipality, they are owners of the water utility. Water quality, environment and tariff levels very much depend on peoples' behaviour.**
- **Cooperation with other municipal departments and enterprises within and outside the municipality. 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 (Continued)

- Cooperation with other big water utilities among the Nordic countries. Among others we have developed a common system of performance indicators for comparisons between Nordic and other European public and private water actors.
- So far we are very proud of the result.



A Swedish Perspective (Continued)

- Concentration of the management made by own resources first of all to normal operations and maintenance of plants and networks, including administration, short and long-term planning and also with some resources for applied research. All of this to guarantee and take responsibility for quality and quantity both in the short and long-term perspectives.
- As an example, Stockholm Water Company buys about 50% of its turnover in competition to receive good quality at the lowest possible price while many of the private 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 Stockholm Water Company was engaged as twinning partner to the water utilities in Riga (Latvia) and Kaunas (Lithuania).
- We had to convince our friends in Riga that the 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 work with school children, households and others through different channels like young school informants and advertising.

 STOCKHOLM INTERNATIONAL WATER INSTITUTE

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, 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 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.

 STOCKHOLM INTERNATIONAL WATER INSTITUTE

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

- The result: Continuous tariff increases “opened the doors” to aid given by governments in Finland, Sweden and Switzerland and loans from the banks.
- Ten years later, the two cities had modern water utilities with good drinking water quality and sanitation conditions.



SIMI STOCKHOLM INTERNATIONAL WATER INSTITUTE

Comments Concerning Two Projects 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.



SIMI STOCKHOLM INTERNATIONAL WATER INSTITUTE

Comments Concerning Two Projects 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. Three communities in Zambia, Mozambique and South Africa have been selected and a plan for local organisation, technical solutions and financing is underway.

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 from western countries in order to take responsibility and find ways to support the poor and needy, could be one alternative.
- Industry must develop cost-effective 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.

Some Thoughts on the Way Forward

- It is important that aid organisation 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 competence, responsibility and devotion, plus knowledge of local traditions, religion and culture, are vital for progress.