

"FINANCING BASIN ORGANIZATIONS"

RECOMMENDATIONS

A " Technical seminar on the financing of Basin Organizations " was organized during the General Assembly of the International Network of Basin Organizations, which was held in VALENCIA (Spain) from October 2 to 4, 1997, at the invitation of the Spanish Authorities.

During this " technical seminar ", the delegates of INBO's Member-Organizations had the opportunity to listen to addresses on the on-going experiments in their different Countries and to discuss the suitability and efficiency of the funding systems adopted or envisaged and on the practical conditions of their setting up.

At the end of the presentations of case studies and discussions that followed, the delegates adopted the following recommendations, and expressed their wish that those be widely disseminated and sent to the Authorities of the Countries interested or involved in a policy of river basin management and to the large bi and multilateral cooperation institutions that support programmes of administrative reforms of the water sector based on such an approach.

I - Reminder of the relevance of INBO's founding principles

The works confirmed the relevance of the four principles that are the base to any membership of the International Network of Basin Organizations:

I.1 - a global and integrated water resources management that aims at preventing natural hazards, meeting the rightful and sound needs of the various categories of users, controlling pollution of all kinds, protecting and rehabilitating aquatic ecosystems and areas;

I.2 - the organization of this management on a consistent scale, that of large watersheds and aquifers;

I.3 - the participation in decision-making of the local Authorities concerned and various interested categories of users beside the appropriate Governmental Administrations.

I.4 - the implementation of appropriate financing systems, based on the " user-polluter-pays " principle.

II - A complete vision of all the tasks to be carried out

This global and integrated management of the resource implies that tasks be carried out in a complementary and consistent manner, regarding:

- general administration, security and enforcement
- structuring developments

- individual and collective equipment that are directly linked to the use of water for meeting various needs
- operation, maintenance and management
- research and studies
- training, education and awareness raising
- organization of observation and information systems
- etc ...

All these tasks must be organized in a sustainable manner and their funding in investment and operation must be mobilized and guaranteed whatever the conditions.

The direct costs of water services are generally the ones to be individualized and therefore visible. The indirect costs, often covered by the Public Authorities, are ignored or under-estimated, and in all cases rarely fully and rigorously estimated together with operation, maintenance and management expenses...

It is very important to get a clear and complete vision of all the costs to be borne.

III - Transparency is necessary for reaching a consensus and mobilizing all the partners involved

All functions are not always assumed by a sole organization and the most frequent case is that of coexistence, in the same basin, of many competences and initiatives, either individual or joint, public or private.

A consensus must be found.

It is thus necessary to establish, in a clear, indisputable and transparent manner:

the role and skills of everyone,

the state of the resource, either in quantity or quality in all geographical locations,

the withdrawals and discharges of each user,

the estimate of expenses to be covered and the follow up of efficiency of effort as regards improvement.

The **setting up of modern and efficient information systems**, according to the recommendations of INBO's General Assembly of Morelia (Mexico) in March 1996, is a prerequisite to the mobilization of all partners and to the search for a consensus..

IV - Long-term rules and objectives must be defined as well as the priorities to progressively reach them

Any sound water policy implies **regulations, procedures** and **standards** that clearly define a **legal framework** and the **commitments** of each actor.

The objectives to be reached and the necessary means of all kinds must be defined in **masterplans for development and management**, for a 15 to 20 year-period.

This **policy must indeed be planned in the medium-term**, due to the delays required for mobilizing partners and for the study and implementation of projects, and, on the other hand, due to the general limitation of available financial means that does not allow the implementation of all projects at once.

The elaboration of **successive Priority Action Programmes**, the duration of which must be realistic and may be 5 years, is the instrument for the implementation of this planning.

Thus, the efforts required and possible implementations must be progressive and sustainable.

V - "The Welfare State" cannot bear all the costs and the traditional public funds have reached their limits

All analyses converge to show that almost everywhere, it is impossible to meet the needs of the sector with traditional public budgetary means and therefore **it is necessary to set up funding systems that are based on the participation and solidarity of the users.**

Due to the lack of a sole responsibility, **complementary specific means must be envisaged that have also a reducing effect and create an incentive to limit wastage and decontaminate discharges.**

The modern funding systems must be adapted to the proper situation of each country, but may generally rely on:

administrative taxes for the issue of authorizations (deed cost) or for the use of State property (taxes for granule extraction, concession taxes for hydroelectric falls or infrastructure or reservoir land width, taxes on waterway transportation...)

penal fines for non compliance with regulations and standards or for liability in case of an accidental or deliberate action causing damages

industrial and commercial tariffing of collective services related to water uses

It consists in having the consumers and users pay all the direct, and whenever possible the indirect costs, of the collective services, either in investment and maintenance of the services that are provided.

These services, organized by either public or private organizations, must balance their expenses with an income issued from invoices sent to the users that are calculated in proportion to the services provided or to the consumption (drinking water, wastewater, industrial raw water, irrigation, etc...).

The setting up of subsidy systems that aim at limiting the exceptionally high costs and/or for equalization between the various categories of users may be adapted to the diversity of the situations encountered.

water charges, that are earmarked parafiscal taxes to finance actions and equipment for the benefit of the community and whose cost cannot be directly passed to the users.

It is advisable that the basis of such charges be calculated proportionally to consumption and pollution of all kinds, of all categories of users.

They aim to enable the total or part, but incentive, funding of Priority Action Programmes (IV).

Successful experiments that have been carried out for several decades, show that all these financial means can mobilize, if efficiently implemented, the huge amounts necessary for the modernization of the water sector and resources conservation.

VI - Basin water charges: means for funding and mobilization in partnership

Local water charges systems in particular, organized on the scale of a river basin, have shown their high efficiency. This does not exclude the advantage of using national water charges systems that are justified by constitutional rule or allow the funding of solidarity between towns and rural areas or between rich and poor basins, or the funding of large inter-basin projects or actions.

In "operational" systems that exist, the "**Basin Committees**" generally set or propose rates for these water charges, the levy and reallocation of which transiting by "**Financial Basin Agencies** ", whose statute is that of Public Administrative Establishments under State supervision.

These **Financial Basin Agencies play the role of real mutual-aid funds** and levy taxes, negotiated and even accepted by the users concerned, whose rate are calculated to cover the expenses required for multiannual Priority Action Programmes (PAP).

In this case, there is a fair return, or in any case a benefit for the parties paying water charges: for instance funds are levied in the basin to help build works in the basin or even at the users-payers' homes..., therefore there is a direct cause and effect relationship between payment and the improvement it provides.

A small levy (# 15 %) as compared to the direct cost of water services, can mobilize huge amounts to implement such actions, and, in addition, can help reducing investments.

There is transparency and direct correlation between a real programme and the funds brought in. This approach, which is based on a system of consensus, the Basin Committees, is making people highly responsible and is educational.

"Should you want more results, you must pay more and if you pay less you will have fewer results... it is your decision! "

There are no "on-line losses" for the users of the Basin and they are sure that all the amounts they pay come back entirely to them.

It is important to show, as soon as these new measures are taken, **the universality principle of levying charges on all uses and pollution**, whatever their importance, even minimal, in order not to make people believe that pollution is allowed and not to create inequalities.

However, in the phases of the system strengthening, that can be long, for reasons of administrative efficiency or for being generally accepted, a "non-levy" of charges can be envisaged below some thresholds, if no risk of serious consequences on resource conservation exists.

The system must be **progressively organized**, in the medium term, to extend the system to more parameters, to more categories of users, to higher and higher rates and to lower and lower thresholds ...

Modulations may be envisaged depending on the scarcity of the resource or the sensitivity of the receiving media to pollution.

This can also be organized progressively, using technical criteria, such as the installation of meters to **measure consumption**, starting with the biggest users, then using **standard assessment systems**, and finally real assessments of the pollution discharged.

The very high cost of meters, sampling and analyses, most of the time prevent its immediate systematic implementation in the short term.

It is always recommended not to theorize the procedures to be established, but to search for a real adaptation to local conditions, which also depends on the possibilities of organizing more and more complex and efficient administrative systems while taking into account the indispensable time factor.