

Table of Contents

<i>List of Abbreviations and Acronyms</i>	11
<i>Executive Summary</i>	13
The benefits of strategic financial planning for water supply and sanitation	14
Tariffs: reconciling different policy objectives	16
How to best harness the capabilities of public and private actors for water supply and sanitation services	17
Economic instruments to promote sustainable water use for agriculture	18
Notes.....	19
<i>Introduction</i>	21
Overview	21
Structure of the report.....	21
Notes.....	22
<i>Chapter 1. Setting the Stage</i>	23
The economic backbone of water policies	24
Current water policy challenges	31
The evolution of the policy debate	38
Notes.....	41
Annex 1.A1. Projected Expenditures on Water and Wastewater Services.....	42
Annex 1.A2. A Brief History of International Conferences on Water	43
References	45
<i>Chapter 2. Financing Water and Sanitation Services: Key Challenges and the Way Forward</i>	47
Financing water supply and sanitation: redefining the perspective on the problem.....	48
Strategic financial planning: policy options to reduce costs	49
Strategic financial planning: policy options to increase revenue from the 3Ts.....	54
Policy dialogue on WSS financing: good practices from OECD and developing countries	65
Notes.....	68
References	70

<i>Chapter 3. Water Services: The Central Role of Tariffs</i>	73
The 2007-08 OECD survey: main trends and data limitations	74
Pricing “water”: the challenge of multiple objectives	79
Tariff structures to address the policy trade-offs	83
Pricing sanitation and wastewater management: a special challenge	92
Notes	94
Annex 3.A1. Comparison of Data from GWI Surveys and the World Bank IB-Net Database for EECCA Countries and BRIICS	96
Annex 3.A2. Criteria Matrix for Assessment of Tariff Structures	100
References	102
<i>Chapter 4. Beyond Money: The Roles of Governments and Private Actors in Water Services</i>	105
Trends in private sector involvement in water supply and sanitation: new actors, new responsibilities	107
Government responsibilities: the need for clarity	113
Beyond public and private roles: the key elements for successful private sector participation	117
Private responsibilities: the elements of responsible business conduct	120
Notes	122
References	124
<i>Chapter 5. Managing Water Resources in the Agricultural Sector</i>	127
Recent trends and outlook	129
OECD policy experiences and options for sustainable water resource management in agriculture	135
Notes	145
References	146
Tables	
Table 1.1. Cost of water supply and wastewater infrastructure for centralised systems	27
Table 1.2. Coverage of water supply and sanitation services in OECD countries	39
Table 2.1. Per capita investment costs of water supply improvements	52
Table 3.1. Tariff changes in OECD and selected non-OECD countries	80
Table 4.1. The diverse nature of the private sector: recent market entrants	108
Table 4.2. Typology of risks	111
Table 4.3. Typology of contractual arrangements between governments (G) and private sector (P)	112
Table 5.1. Agricultural water use	131
Table 5.2. Irrigated area, irrigation water use and irrigation water application rates	133

Figures

Figure 1.1. The vicious circle of underinvestment and unrealised benefits	29
Figure 1.2. Financial flows to water supply and sanitation	30
Figure 1.3. People living in areas of water stress	33
Figure 2.1. Shares of official development assistance, national governments and users in water supply and sanitation finance in various countries	54
Figure 2.2. Trends in official development assistance to water supply and sanitation.....	61
Figure 2.3. Aid to water supply and sanitation per capita in relation to the degree of access to water supply by recipient countries	62
Figure 2.4. Aid to water supply and sanitation per capita in relation to the degree of access to sanitation facilities by recipient countries.....	63
Figure 3.1. Domestic price of water and wastewater services, including taxes, in selected OECD countries.....	76
Figure 3.2. Average water and wastewater bills as a share of average net disposable income	87
Figure 3.3. Average water and wastewater bills as a share of income of the lowest decile of the population.....	88
Figure 4.1. Evolution of investment involved in public private partnership projects in developing countries, 1991-2007	110
Figure 4.2. The OECD Checklist for Public Action: encouraging responsible business conduct.....	121
Figure 5.1. Agricultural water use.....	130
Figure 5.2. Irrigated area, irrigation water use and irrigation water application rates.....	132
Figure 5.3. Share of agricultural groundwater use in total groundwater use, and total groundwater use in total water use	132

Boxes

Box 1.1. Definitions.....	24
Box 1.2. The economic nature of water services: a clarification	25
Box 1.3. Sustainable cost recovery	31
Box 1.4. Water agency subsidies in France	31
Box 1.5. Water stress definitions	32
Box 1.6. Defining access	36
Box 1.7. The burden of legacy in EECCA countries	37
Box 2.1. Transparency International's Global Corruption Report 2008.....	50
Box 2.2. The challenge of achieving the water-related MDGs in Moldova	53
Box 2.3. Subsidy policy in Uganda	59
Box 2.4. Evolution of subsidy policy in Korea.....	59
Box 2.5. The Philippine Water Revolving Fund (PWRF)	64
Box 2.6. Results of strategic financial planning processes in Moldova and Armenia, using the OECD's FEASIBLE methodology	66
Box 3.1. The 2007-08 OECD survey: difficulties in data collection and solutions adopted	75
Box 3.2. Tariff structures: some definitions	78
Box 3.3. Tariff structures: the case of Mexico.....	79
Box 3.4. Elasticity of water demand to marginal price changes vs. tariff regime.....	84
Box 3.5. Tariff policy reforms based on affordability considerations: the case of Portugal	89
Box 3.6. The Mumbai Slum Sanitation Project (Water and Sanitation Programme)	89
Box 4.1. Alternative models of water and sanitation provision.....	109
Box 4.2. Summary of the ADB-OECD regional expert meeting: call for greater capacity building	114

Box 4.3. The IMTA-OECD regional expert meeting: setting a high-quality regulatory framework	115
Box 4.4. The Chilean experience of involving the private sector.....	116
Box 4.5. Regulation and small-scale providers	117
Box 4.6. The Armenian experience of implementing a performance-based contract.....	118
Box 4.7. The affermage contract for urban drinking water in Senegal.....	119