



Financing water supply

Resources are needed for:

- **Management and maintenance** which may comprise cost of salaries, fuel, electricity, spare parts; but also funds for water testing, awareness raising, and capacity building
- **System repairs**, which may include cost of materials, labour cost possibly of private sector and supervision
- **Development of new systems or extensions**, which may include upgrading of the system

How are these costs financed

- Users contributions (cash, kind, tariffs) –
- Government funding donating systems as well as their time
- NGOS
- Loans (provided the WASHCO is legally registered)



Differentiate between Kebele and WASHCO

- Part of the cost may be clearly at system and WASHCO level
- Other costs may be at Kebele level where priorities may have to be established
- Part of the cost may have to be included in Woreda planning

What cost are involved in a water system

- **Initial construction cost** mainly paid by government or NGOs with some community contribution in cash and kind
- **O&M cost** (salaries, fuel, electricity, small spareparts, chlorine? etc.) mainly covered by users (tariffs and fines).
- **Larger repairs** (sometimes because of absence routine maintenance) usually paid by Govt. and NGOs; some by users.
- **Water quality testing** if done then paid by NGOs or Govt.
- **Extension** (larger extensions paid by Govt. and NGOs; but making house connections etc. paid by users)

These costs occur at different moments

Estimating Operation and Maintenance cost

For rural water supply at least the O&M cost need to be covered by the users. These costs need to be calculated and compared with the tariff.

- List the cost involved in O&M; (salaries, energy/fuel, transport, materials, External support (regular checks, routine maintenance))
- Check if you need to add the cost of saving money for larger repairs
- Estimate water production (check water loss)
- Calculate price per m^3 and compare with tariff
- Adjust tariff as needed in collaboration with users

Taking action for improvements

The KWSP has identified a number of actions which will include different types of costs in cash and/or kind. To be able to implement these actions it is necessary to

1. Estimate the cost involved in each of the (priority) actions to achieve the necessary improvements
2. Explore how and when these cost can be met possibly from different funding sources
3. Develop a plan to obtain the necessary funding

If cost are high then it may be necessary to review and adjust the priority setting and/or timing

Estimate the cost for improvements

The cost for the envisaged actions need to be calculated taking into account that it is important to try and optimise the use of community resources (cash and kind). In general cost may include:

- Salaries,
- Cost for advice (which may be in kind if given by Govt.)
- Materials, and equipment
- Transport
- Meeting costs

Identify potential sources of funding

To meet the cost involved in the KWSP actions different sources may be available:

- **Users** (in kind and in cash including possible savings); contributions may be easier to obtain if clear information is provided and proper reporting is done)
- **Special users** like water sellers or larger entrepreneurs may be interested to provide additional resources particularly if they get some benefit healthier employees, own collection tap
- **Government** (via Woreda or Water Bureau)
- **NGOs and donor projects**

How to get support

- The first option for support are the users
- However if cost are beyond community or Kebele capacity then the main entry point for support is the Woreda. They can request:
 - Support from Water Bureau (zone, region)
 - Support from government budget
 - Support from NGOs

Approaching External funding sources

Approaching external funding sources require:

- **Developing a proposal** - (that has details with regards to each cost component, each source of income -from tariff, fine etc,-) and also that justifies the need for external funding for some of the cost components.
- **Make the proposal accessible to potential funding sources/implementers** – including making the proposal part of the big annual wereda work plan

Create openness in financial issues

It is crucial to be open about financial issues as poor accountability is an important problem in many systems. Hence it is important to be:

- Transparent in writing about roles and tasks of different actors as well as the payments and cost involved
- Accountable – by making a clear report (including financial information that can be checked by others) and report back on this to the users