

**Resolution**  
**of**  
**the Regional Consulting Meeting on Water Financing**  
**held in Tbilisi, Georgia**  
**February 5-7, 2008**

Regional consulting meeting on “Water financing” for Central Asia and South Caucasus countries took place in Tbilisi, Georgia, funded by European Union Water Initiative Finance Working Group. The meeting was organized by the Global Water Partnership and aimed at discussion of and dialogue on vital aspects of water sector financing and support of implementation of principles of integrated water resources management (IWRM) in the countries of the region.

Participants of the meeting were familiarized with the concept of European Water Initiative on Financing Water in Central Asia and South Caucasus countries, by the EU Delegation EU delegation to Georgia, Mr. Michal Nekvasil. Mr. Alan Hall of GWPO reported on how IWRM helps to solve Water Financing problems. Representatives of each country presented their analysis reports on the Financing Water situation in respective Central Asia and South Caucasus countries.

In the course of discussions it was clarified that water sector financing (for support and development) is provided from the following main sources:

- Central state budget;
- Budgets of local administrations;
- Water supply fees;
- Electrical supply fees (hydropower);
- Water related recreation services fees;
- Loans, government grants, technical support from international funding institutions and organizations, etc.

Due to the transition period hardships, the government funding is insufficient and reaches 10-40% of the fixed levels in sub-regional countries. Special attention should be given to financing of the sanitation and drinking water supply sector that need additional investments. It was demonstrated that water sector reforms based on IWRM principles had already been implemented or is under implementation, i.e. Armenia, Kazakhstan. It was concluded that water sector financing status is quite different in the regional countries.

Cost estimate of reforms in water management system oriented on implementation of EU Water Framework principles in the regional countries had been discussed at the meeting. It was concluded that:

1. Established water standards can be acceptable and possible for implementation and monitoring in terms of prices and content.
2. In case of entering into convention with EU within the framework of Neighborhood policy, the level of necessary reforms should be established.
3. Reforms implementation takes time and should be consistent.
4. The specialty of CACENA region is access to three markets, namely EU, Middle East and Russia.

In the context of existing payment systems in the water sector and establishment of the estimation basis for water management services payment as well as for its legal and organizational aspects the following issues were discussed and agreed upon:

1. Differentiate payments for water supplied for different needs, including service, drinking and irrigation water.
2. With regard to drinking water supply it is necessary to develop and present to the regional countries' governments differential tariff policy, considering social aspects, i.e. providing support to the poor.
3. Intensify remedial activities with respect to water leakage both in irrigation and water supply systems.
4. Need for financing of water treatment and sewerage purification activities.
5. Expand and improve monitoring systems for quality and quantity of water supplied to the irrigation networks and water supply systems.

While considering water sector financing sources, it was agreed that not only foreign donors, but also local investments and other financing opportunities, must be looked at. The following was concluded:

1. It is necessary to expand sources of financing to obtain less dependence on state budget.
2. It is important to widen financing to consumers and contaminating organizations, i.e. increase tariffs for the services and introduce the Polluters Pay Principle:
  - Tariffs should be introduced step by step and should be subject to water taxes and services improvement;
  - Tariff committees should be involved for regulation activities and to avoid monopoly, including measures for unprivileged population protection;
  - It is important to avoid establishment of too high standards in order to avoid financial inadequacy of providing services, e.g. sustainable sanitation options that are feasible from economical as well as social and environmental aspects.
3. The following proposals were elaborated for development and involvement of the private sector:
  - Private sector should be entitled for differential payment for qualified water supply and have the possibility to reduce water use through introduction of new technologies as well as through stimulation methods fixed by the legislation and private contracts.
  - The funds of corporate social liability should be established aimed at support of the unprivileged population.
4. It is necessary to establish new financing tools, so called revolving funds, guarantee systems, etc.

With respect to enhanced involvement of local organizations in joint financing of water sector the following aspects were summarized:

1. In order to enhance involvement of local organizations into joint financing it is necessary to provide them with comprehensive water sector financing data.
2. Efforts and finances of local organizations should be consolidated for elaboration of efficacious solutions for water management and financing.
3. With support of GWPO it is necessary to attract funds for pilot projects on enhanced participation of Water Users Associations (WUAs) and the public in water management at country level.

4. With respect to WUA establishment, experience exchange between Azerbaijan, Kyrgyzstan, Kazakhstan, Tajikistan and Uzbekistan should be facilitated.

Agreed next steps for strengthening of GWP's role in supporting the countries in water sector financing:

1. GWP network can attract experts, representing both Government and the Civil Society;
2. GWP CACENA should advance their activities in partnership development and better understanding of its possibilities;
3. GWP should foster dialogues between key actors in society, including government, non-governmental organizations and private sector.
4. GWP should promote efficient water use in context of water financing.
5. GWP CACENA should assist countries in basin management both at national and transboundary levels, by elaborating recommendations for efficient operation of the Basin Councils.
6. GWP should disseminate and share its experience and information at the regional and interregional levels, e.g. by scrutinizing the GWP CEE experience.
7. GWP should assist in comprehension of the EU legislation and should elaborate recommendations for harmonization of regional countries legislation.
8. GWP should continue to further popularize IWRM principles in the society.
9. GWP should facilitate private sector involvement in water management.

Based on held discussions' results the following steps were agreed to be taken in 2008:

- Make use of EUWI funds available for a water financing meeting to be organized by a CWP in early 2008
- Conduct a review on water financing issues in each regional country for elaboration of a consolidated report and expert appraisal on financing water status.
- Prepare and publish a review on IWRM and basin management experiences as well as on the experiences of WUAs establishment in the regional countries.
- Study of GWP CEE experience on introduction of EU Directive in new EU countries and water financing, holding joint workshops and elaboration of corresponding recommendations for the countries of the CACENA region.