

Water finance Glossary

Abstraction – the process of taking water from any source, either temporarily or permanently

Augmentation of water – see Water augmentation

Benefit sharing – exchange between those who grant access to a particular resource and those who provide compensation or rewards for its use

Block tariff – volumetric charge, a tariff, in terms of which the price per kilolitre of water increases from one block of consumption to the next

Blue water – water in rivers, lakes and shallow aquifers

Bm3 – Billion cubic metres

BOOT – Build Operate Own Transfer

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Budget – an estimate of income and expenditure for a set period of time

Budgetary allocation – the amount of funding designated to each expenditure line

Bulk supplier – organisation that provides large quantities of water for redistribution

Bulk water supplier – see Bulk supplier

Catchment – area drained by a river or body of water; also called catchment basin

Commercial water use – water used by any customer other than domestic customers and indigent customers, including business, industrial, government and institutional customers

Concession – contract between the authority owning public service infrastructure to another party allowing the latter to operate the public assets and retain the revenues for a specified period; the contract typically requires the concessionaire to invest in extending or modernizing the assets

Concessional loan – loan, usually to poor countries or needy borrowers, on more favourable terms than market rates (e.g. lower interest, longer maturity, and grace periods before payment of interest or payment of principal); also known as soft loan

Consumptive use – part of water withdrawn that is evaporated, transpired, or incorporated into a manufactured product, or consumed by humans or animals, or otherwise removed from the immediate water body environment

Cross-subsidisation – using the revenues from one consumer category to subsidise the fees due by another; widely used in water, power and other public services to ensure affordable tariffs for poorer or smaller consumers

DBSA – Development Bank for Southern Africa

Direct infrastructure and management costs – capital, operation and maintenance costs of infrastructure, and the costs of managing water that include planning, monitoring, regulating, etc.

Discharge – volume of water flowing through a river (or channel) cross-section in unit time

Domestic water use – water for drinking, washing, cooking, bathing, sanitation and stock watering purposes

Due diligence – process of investigation and verification before making an investment

EAW – see Economic Account of Water

Economic Account of Water (EAW) – conceptual framework for organising economic and hydrological information in a way that permits a consistent and coherent method for analysing the contribution of water to the economy and the impact of the economy on water resources.

Economic efficiency – use of resources in such a way as to maximise the production of goods and services

Economic good – scarce resource that is limited in quantities in comparison to the demand for the resource; treating water as an economic good recognises that water has an opportunity cost

Economic water scarcity – term used to describe lack of access to water, not from physical shortages, but the economic means to sustainably provide water in sufficient quantity and/or quality

Externalities – consist of two elements: positive externalities, such as the groundwater recharge benefits from irrigation; and negative externalities, such as downstream pollution impacts from industrial discharge

Facility – fund constituted to finance projects and programmes related to a specific object, e.g. Global Environment Facility

Financial sustainability – a condition where core activities of an organisation will continue, even if external funding is withdrawn

Financing gap – the difference between a country's requirements for foreign exchange to finance its debts and imports and its income from overseas

Fiscal policies – use of government spending and taxing powers to affect the behaviour of the economy

Fiscal transfer – financial transfer from the national budget to sub-sovereign bodies such as local governments, parastatal bodies, regional development authorities, etc.

Fiscus – treasury of the State: financial resources that are under the control of the central government

Foreign direct investment – foreign investment that establishes a lasting interest in or effective management control over an enterprise

Full costs – the sum of the supply and economic costs, plus environmental and social externalities such as costs to public health and ecosystems arising from, for example, pollution of water resources

Green water – water supply for all non-irrigated vegetation, including forests and woodlands, grasslands and rain-fed crops; a somewhat wider interpretation of green water may also be used, referring also to the water that is available in the root zone

Gross Domestic Product (GDP) – total market value of all goods and services produced in a country in a given year; measured by total consumer, investment and government spending, plus the value of exports, minus the value of imports

Household – traditional family unit or other people living together in one living unit

ICP – see International Cooperating Partner

IMF – International Monetary Fund

Industrial water use – water used for industrial purposes

Infrastructure asset – installations and services such as roads, water supply, sewage systems, power supply, flood management, leisure facilities, etc.

International Cooperating Partner – agency offering financial and or technical assistance to developing countries

Investment – outlays made by individuals, businesses, or governments to add to their capital

Least cost approach – comparing costs of how project inputs are supplied and used to achieve specific outputs with a view to finding lowest cost options

Loss in distribution – difference between the amount of water supplied and water received; includes real (such as evaporation and leakages) and apparent (theft and illegal use; inaccuracies associated with production and consumption) losses

Metered connection – see Water meter

Mm3 – Million cubic metres (1000 m³)

Net asset value – the value of an entity's assets minus the value of its liabilities, often in relation to open-end or mutual funds

Net official assistance – sum of grants and concessional loans from donor country governments to recipient countries, minus any repayment of loan principal during the period of the loans

Non-revenue water – water that is lost before it reaches the customer, usually measured as the volume lost as a share of net water produced see also Loss in distribution

ODA – see Official Development Assistance

Official Development Assistance – the formal term for "aid", some through government-to-government transfers from OECD member states

Watering life, together, forever



Water finance Glossary continued

to developing countries and some provided by multilateral sources such as the United Nations, the European Development Fund and special funds of the World Bank

Opportunity cost – cost of an alternative that must be forgone in order to pursue a certain action

Per capita – the average per person for any given concern, such as consumption of water, income, etc.

Per capita water storage – the volume of water available in reservoirs per person in the population; including the person's share of consumption of services and goods from industrial and agricultural production

Policy harmonisation – agreement on the manner in which each Member State will exercise or use a particular instrument over which it retains control

PPP – see Public-Private Partnership

Private Sector Participation – situation where a private company or investor bears a share of the project's operating risk, e.g. where a foreign state-owned enterprise is considered to be a private entity

Public supply withdrawal – water withdrawn by public and private water suppliers and delivered to domestic, commercial, and industrial users, to facilities generating thermoelectric power, for public use, and occasionally for mining and irrigation; see also Self-supplied withdrawal

Public-Private Partnership – involvement of private businesses in the operation, management, financing and/or ownership of public service providers, in the form of service and management contracts, leases, concessions, etc.

Public-Public Partnership – collaboration between two or more public authorities or organisations, sometimes of more than one level of government

PUP – see Public-Public Partnership

Raw water – untreated water found in the natural environment, such as rivers and springs

Recurrent expenditure – for goods and services, expenditure that does not result in the creation or acquisition of fixed assets

Revolving fund – special financing facility from an initial supply of lending capital, where repayments from those borrowers are used to make additional loans, thus "revolving" or reusing their capital

Revolving loan facility – financial institution that allows the borrower to obtain a business or personal loan where the borrower has the flexibility to decide how often they want to withdraw from the loan and at what time intervals

Rising block tariff – see Block tariff

Seed capital – money used for initial investment in a project, for proof-of-concept, market research, or initial product development

Self-provider – local, small-scale infrastructure such as local boreholes and small dams with small supply capacity

Self-supplied withdrawal – water withdrawn from a surface- or groundwater source by a user rather than being obtained from a public supply such as homeowners getting their water from their own well

Service level – measurement of the performance of a system

Sewage tariff – a tariff for the discharge of waste water, industrial effluent, standard domestic effluent and other liquid waste, either charged separately or in combination

Social good – a commodity to which social value is attached

Stress – see Water stress

Subsidised service – service provided to a customer at a rate that is less than the cost of providing the service

Subtractive consumption – consumption of a resource that limits or prevents resource use by another because it is used up or degraded

Tariff – fee paid by water users to cover all the costs related to the delivery of water to users and the removal of wastes

Taxes – A compulsory contribution to state revenue, levied by the government on workers' income and business profits, or added to

the cost of some goods, services, and transactions

Transfers – funds from external donors and investors, including private voluntary contributions

Unaccounted-for water – see Non-revenue water

User fee – see Tariff

Water access entitlement – a perpetual or ongoing entitlement to exclusive access to a share of water from a specified consumptive pool as defined in the relevant water plan

Water augmentation – process of artificially adding water to an existing surface water supply (such as a reservoir, lake, river, or wetland) or groundwater in aquifers or groundwater reservoirs

Water deficit – water shortage that is either natural or man-made

Water demand – demand of various user groups for water

Water demand management – adaptation and implementation of a strategy to influence water demand and usage to meet specific objectives: economic efficiency, social development, social equity, environmental protection, sustainability of water supply and services, or political acceptability

Water governance – political, economic and social processes and institutions by which governments, civil society, and the private sector make decisions about how best to use, develop, and manage water resources

Water licence – permit to abstract a given amount of water over a given period of time

Water meter – any meter, method, procedure, process, device, apparatus or installation that enables the quantity of water services provided to be quantified

Water productivity – contribution of water to the economy (USD produced per cubic metre of water used in the various industries)

Water stress – demand for water that exceeds availability during a certain period or when poor water quality restricts its use

Water transfer – a water management strategy aimed at reducing the mismatch between water supply and demand by transferring water to augment local supply in water-scarce areas or reduce damage caused by excess water

Water utilities – state or private companies that provide water and/ or wastewater services

WDM – Water Demand Management