

Working Group Report

Theme 2: A "New Economy"

Chairs:

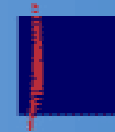
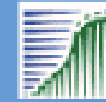
Mr. Ricardo Zarati Rojas

Mr. Anil Agarwal

Reporter: Mr. Saleh Mouhyddine Mahamat

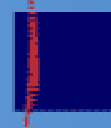
Wednesday 2 February 2005

Working Group Theme 2: A new economy



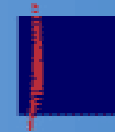
Towards a New Economy

- Different countries have different needs
- Therefore, useful to identify a “good process” towards a New Economy as an “overarching good practice”



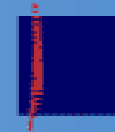
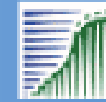
General process towards a New Economy

- Scarcity is central
 1. Awareness raising and capacity building
 2. Translating into values and allocation decisions
 3. Using price tags and market mechanisms



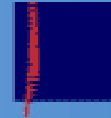
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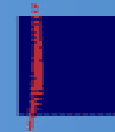
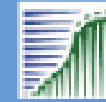
1. Awareness raising and capacity building

- Acknowledge the complexity of systems and interdependencies
 - one group or element cannot do without the other; true need for integration
- Awareness is spreading that not taking into account the whole basin level is a costly mistake
- Awareness needs to be translated into political commitment



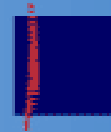
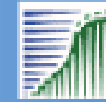
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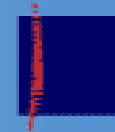
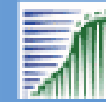
Proposed good practices for step 2.

- Assess economic, but also environmental and social values
 - Also look at livelihoods and food security impacts in subsistence economies
- Disaggregation of costs and benefits:
 - For communities in different locations and for different socio-economic groups – impacts on poor?
- Take stakeholders as a starting point
 - In dealing with competing values, engage stakeholders in joint process to get shared understanding and enable discussion on common priorities; foster an awareness on the need to sometimes compromise



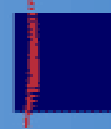
Benefits and drawbacks

- Benefits:
 - Valuation can help to make the stakes and options transparent
- Drawbacks:
 - Decision often based on political arguments
 - Valuation requires data, which may not be available, or hardly shared, and costly to collect



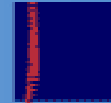
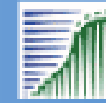
Implementation

- A better dialogue among stakeholders is imperative to maintain the value of water and allocate its value among the different stakeholders and interests
 - It is more important that stakeholders agree on priorities and solutions, than it is to know the quantitative value of everything
 - Learning by doing – cannot afford to wait until everything is known in detail, need to start action, in adaptive manner



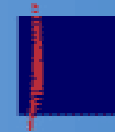
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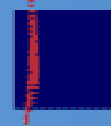
Good practices for step 3

- Fund that collects money from beneficiaries of water resources to promote conservation of these resources
 - Mix of public and private actors
 - Right to water remains government decision, Fund supports implementation and promotion of good practices
 - On voluntary basis
 - Credibility based on user contributions and transparency of the funds' procedures for selection of projects
 - Can also be redirection of existing funds, new taxes or fees are not necessarily required



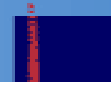
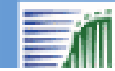
3. Benefits and drawbacks

- Promotes conservation and environmental protection
- Can provide a source of income for rural poor, by making reduction of negative externalities, or production of positive externalities profitable for them
- Helps to create awareness among stakeholders of water values in a river basin setting



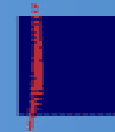
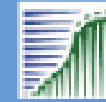
3. Benefits and drawbacks

- How to ensure that all who should pay, actually do pay?
 - When beneficiaries are small in size but large in number (households and small farmers)
 - Polluter pays principle difficult to apply for diffuse pollution that comes from various small sources
- Voluntary basis is key to success in case, but how does this address “free-riders”?
 - (free riders - people who do not participate in payments, but do enjoy the benefits)
- More knowledge needed to assess links between practices and impacts on water resources
 - Required to assess the effectiveness of projects financed by Fund
 - Contributors like to see results, which are now difficult to show



3. Implementation

- Long-term commitment is needed
- Establishment of river basin organizations that can act as integrating institutions
- Diversity of members crucial for successful implementation – representation of different stakeholders in management
- Balancing roles of public and private sector actors is crucial for success but delicate issue
- Funding sources: voluntary user contributions, obligatory taxes or other?



General process towards a New Economy

- Scarcity is central: scarcity of water resources or (means to) access to and/or exploit water resources
 1. Awareness raising and capacity building on water as valuable resource and raising local water productivity
 2. Translating this awareness into quantitative values, allocation decisions and conflict resolution
 3. Putting price tag on water for food and ecosystems: Water charges, water trading and markets, payment for environmental services, etc.