



The 3Ts - Tariffs, Taxes, and Transfers - in the European Water Sector

Project

Duration

Jul - Nov 2011

Ecologic Institute supported EUREAU in its contribution on financial sustainable solutions for the water sector within the context of the 2012 World Water Forum in Marseille. One key aspect of these solutions is the promotion of the "3Ts" approach developed by the Organisation for Economic Cooperation and Development (OECD). The final report is available for download.

The "3Ts"

The 3Ts concept has been developed by the OECD Horizontal water programme in order to describe and categorise the three ultimate financial sources of investment for the water sector: Taxes, Tariffs and Transfers (primarily official development assistance).

Establishing the water sector on a financially sustainable basis requires establishing the appropriate balance and relationship between the 3Ts. The aim of this concept is to assist decision makers by promoting and explaining the distinctions between the 3Ts and other forms of finance such as loans, bonds or equity. Unlike the 3Ts, these need to be repaid or issue a return. Thus, they may serve as a stop-gap solution in order to assist in meeting short term budgetary needs, whereas the 3Ts are essentially the ultimate sources of finance which provide the future cash flows to fulfil budgetary requirements.

Rationale of the work on the "3Ts"

- Continuing the development and promotion of the 3Ts constitutes a concrete contribution to a better transparency in the financing of water services, an objective promoted by the Water Framework Directive (WFD);
- It is a useful diagnosis and decision-making tool, a tool for the promotion of policy dialogue processes and strategic financial planning of water services;
- This work would serve as a catalyser for dialogue among European institutions (ie. European Investment Bank; DG Environment) and global ones (ie. OECD).

Objectives of the study

The study will develop a methodological practical guide (handbook) to establish a consistent procedure tailored to end-users for the structuring of financial data based on the 3Ts methodology established by the OECD. In order to provide concrete examples and illustrations, the study will apply the elaborated 3Ts methodology using quantitative analysis of selected European Utilities at varying geographical and administrative levels

(municipality/region/country).

The ultimate objective of the manual is the development and promotion of the 3Ts as a key decision-making tool in the financial planning of water services, a tool to be used in various publications and in the first place in EUREAU publication.

The [final report](#) [pdf, 1.4 MB, English] can be downloaded here.

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