

CSO Comments on FP091 ADB Kiribati (BM21, October 2018)

South Tarawa Water Supply Project

The sustainability of the project will largely depend on the willingness and capacity of the people to pay water tariff. GCF projects should contribute to the benefit the poorest, most vulnerable sectors of the community and should not add burden to people who may not have the capacity to pay water tariffs. Hence, GCF should approve projects only if the environmental, social and gender due diligence is already completed and available for deliberation.

This proposal, while proposing a large-scale and long-term solution to meet the undeniable water needs of the people of Kiribati, does not reflect the full and complete information that we expected.

While the project says that it will ensure that the price of water will be based on capacity and willingness of people to pay and not on cost recovery, it is also important that the water tariff acknowledges social structures and economic conditions and constraints in lower-income households. Affordability is one of the social issues and risks of this project as acknowledged by the ADB. However, the assessment of ability to pay water tariff and the project's social due diligence including the gender analysis are not part of the proposal to make a good deliberation to approve this project.

At the time of the proposal's submission to Board Meeting 20, the willingness to pay (WTP) study was ongoing, and a project providing every household with a rainwater tank was commencing, which can and will affect the WTP. While explanations from the AE that a socially-inclusive and regulated tariff will be set based on willingness to pay and not cost recovery were somewhat reassuring, the payee would be the state-owned Public Utilities Board (PUB). PUB will be incurring an operating loss of \$1.5 million a year, with the Government of Kiribati committing to financial supplementation to ensure the sustainability of this project, but we hope a lower-than-expected willingness-to-pay would not imperil the Government's ability to pay long-term.

We left B.20 looking forward with great interest to the completion of the full WTP study to see how the commitment to set the tariffs affordably will be enacted, considering the most vulnerable and reflecting gender as a vital component. Here at B.21, we learned the study has been carried out and that the results would inform further design of the project. As a condition to the project reporting, we expect that the tariff will be monitored over time to ensure it remains appropriate, particularly for female headed households and households with low incomes. We will be following this project with the hope and expectation these tariffs indeed remain affordable across the decades-long timeline.

As conditions to the project, may we propose that

- the Accredited entity provides a thorough gender analysis on the affordability of the water tariff and the capacity to pay.
- a further analysis should be done on toxic/chemical substances to be released to sea/ocean within the international agreements and a gender assessment of the cumulative impacts of chemical import needed for the desalination plant and chemical discharge from these plants to women.
- The project should provide a guarantee that the water supply operation, management and maintenance will remain public and will not be privatized.