FINANCIAL ANALYSIS OF WATER SUPPLY PROJECT – A CASE OF ISLAMABAD CAPITAL TERRITORY

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ABSTRACT

It is generally accepted that the provision of safe water is a major factor behind the improvement of living conditions and economic development. Islamabad is facing increasing water shortages; the present water supply is not sufficient to bare future requirements to support the healthy living of the present population. Therefore to solve this problem it is necessary to complete new water supply schemes before this problem become severe.

Water supply from shah Allah Ditta Reservoir to Islamabad is one of the project that will solve present as well as future water requirements of Islamabad. The planning horizon adopted for the study is the year 2030. The projection of future population and water demand has been calculated up to the planning horizon. The basis of cost estimate is previous project rates (Rawalpindi Urban Water Supply and Sanitation Project) that were Asian Development Bank funded.

The cost of water per 1000 gallons including capital cost and O&M cost at 10% discount rate comes out to Rs 14.57. Which is Rs 6.57 more than the prevailing average tariff of Rs 8. Expected profit of the project for ten years after normal capacity is reached (at proposed tariff of Rs. 16 per 1000 gallons) comes to Rs. 482.33 million . The revenue per 1000 gallon at prevailing tariff rate is Rs. 8.00 and at proposed tariff is Rs 16.

As regards risks of cost overrun or revenue shortfall they have been analyzed in sensitivity analysis.

According to WTP survey conducted in the beneficiary area, the beneficiaries in the area are on average willing to pay Rs.2.20 per 1000liter (Rs.9.98 per 1000gal). It is assumed that their willingness to pay will grow in future in parallel with the growth of their income.

Benefits derived from the project are

i)   More area served.

ii)   Continuous availability of water to the consumer.

iii)   Improved quality of life.

iv)   Reduction in water borne diseases.

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