



ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT



National strategies and financial plans for water and sanitation – Experience from the former Soviet Union

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Structure of presentation

- What is the OECD?
- State of water infrastructure finance in EECCA
- How can Financing Strategies help?
- Some key messages from work in the former Soviet Union

What is the OECD?

- A forum in which governments work together to address the economic, social and environmental challenges of interdependence and globalisation
- A provider of comparative data, analysis and forecasts to underpin multilateral co-operation
- 30 member countries – the world's most industrialised economies
- Supports policy dialogue with key transition and developing countries



WSS infrastructure in EECCA is in critical condition

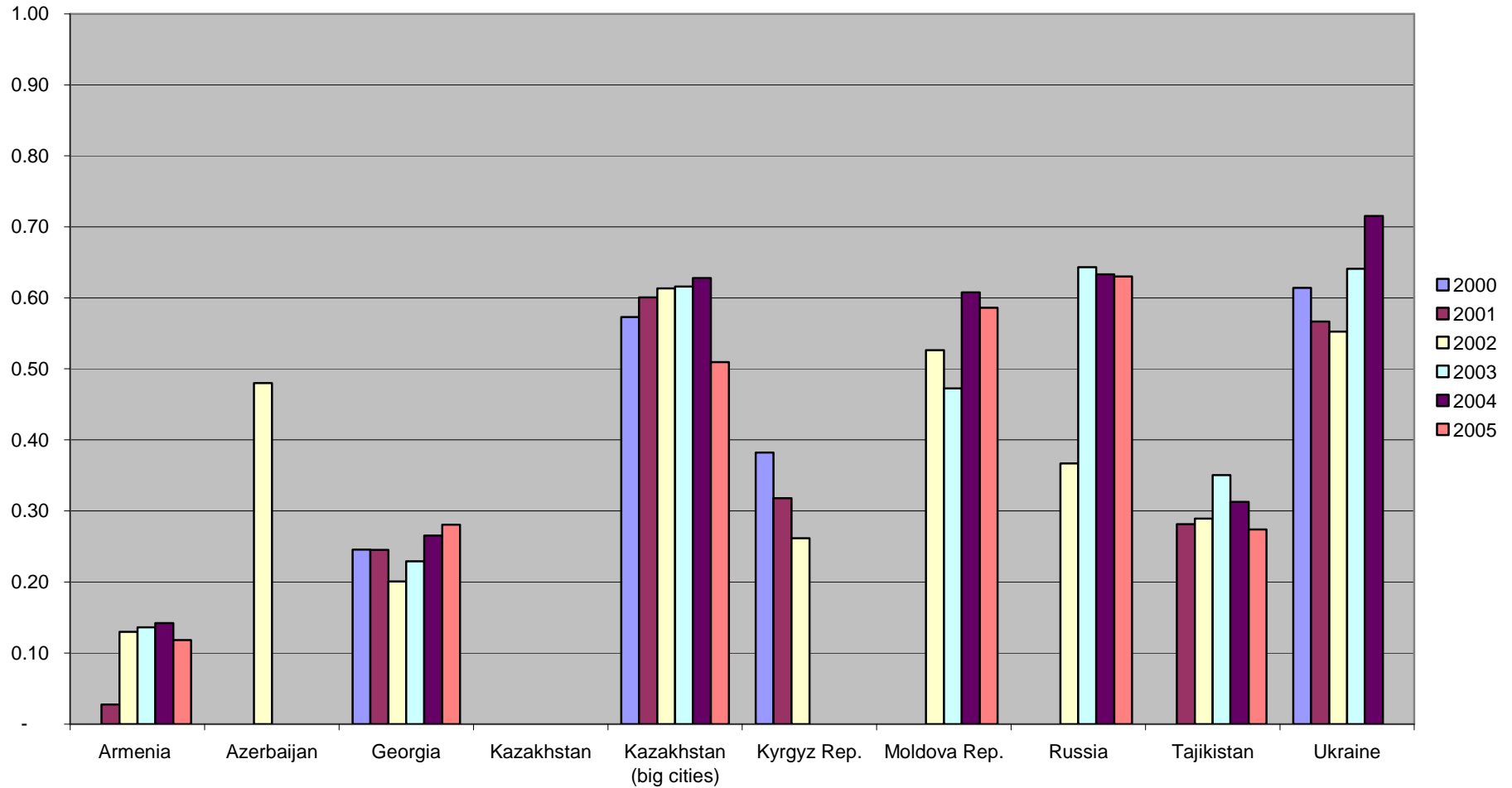
- The water supply and sanitation network is extensive, but increasingly deteriorating
- The quality of service is decreasing as a result, impacting on public health
- Sewerage and wastewater treatment facilities are often the first service items to be shut down resulting in increased environmental impacts
- Adverse impacts on public health stagnate at high levels
- The most alarming situation of water infrastructure exists in small and medium cities



Current state of financing WSS in EECCA

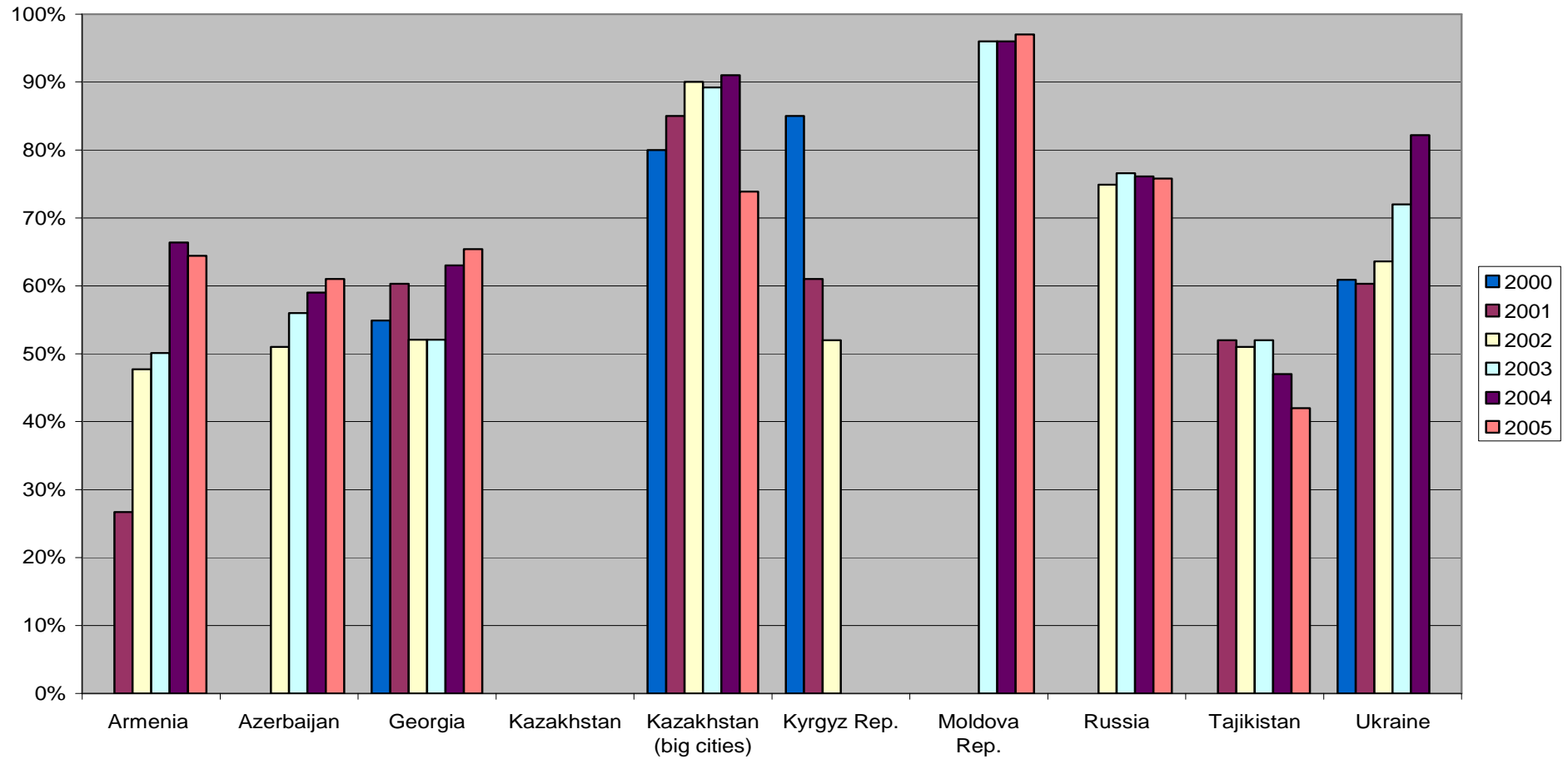
- 50-90% of water utility revenue is generated by user charges
- The rest mostly comes from public budgets
- But these funds are insufficient even to cover operational costs
- In some countries utility revenue covers only 60% of operational costs

Cost recovery



Source: EAP Task Force Water Utility Performance Indicator Database

Collection rate



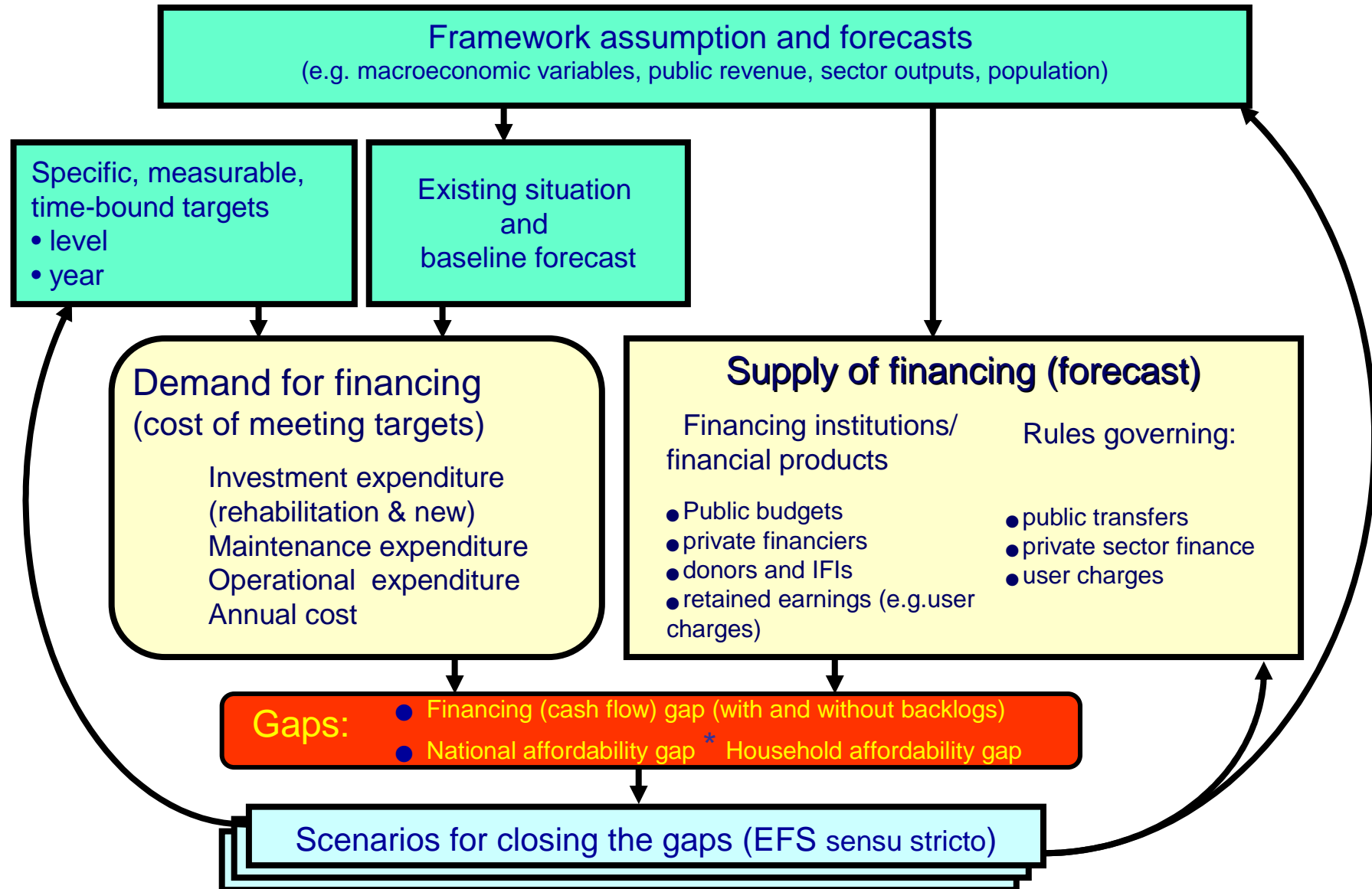
Source: EAP Task Force Water Utility Performance Indicator Database



Financing strategies – what and why?

- A policy dialogue process supported by strong quantitative analysis
- Objectives:
 - to structure a policy dialogue involving all relevant stakeholders and to forge consensus
 - Initiate discussions and illustrate effects of different objectives/targets for a long-term perspective
 - Provide a missing link between sector policies and programs and feasibility studies
 - Pave the way for external financing by providing clear and transparent data on financing requirements

Structure of the FEASIBLE model



Financing Strategies applying FEASIBLE approach – case-studies in FSU

Country	Region	Urban water supply	Urban wastewater collection and treatment	Municipal Solid Waste
China	Sichuan Province			
Georgia	National			
Moldova	National			
Russian Federation	Kaliningrad			
	Novgorod			
	Pskov			
	Rostov on Don			
	Yaroslavl			
	Khanty-Mansijsk (KhMAO)			
	Leningrad Oblast + St.Petersburg			
	Caucasus Mineral Water region			
Kazakhstan	National			
	Eastern Kazakhstan Oblast			
Ukraine	National			
Armenia	National			
Latvia	Riga			

Outcomes

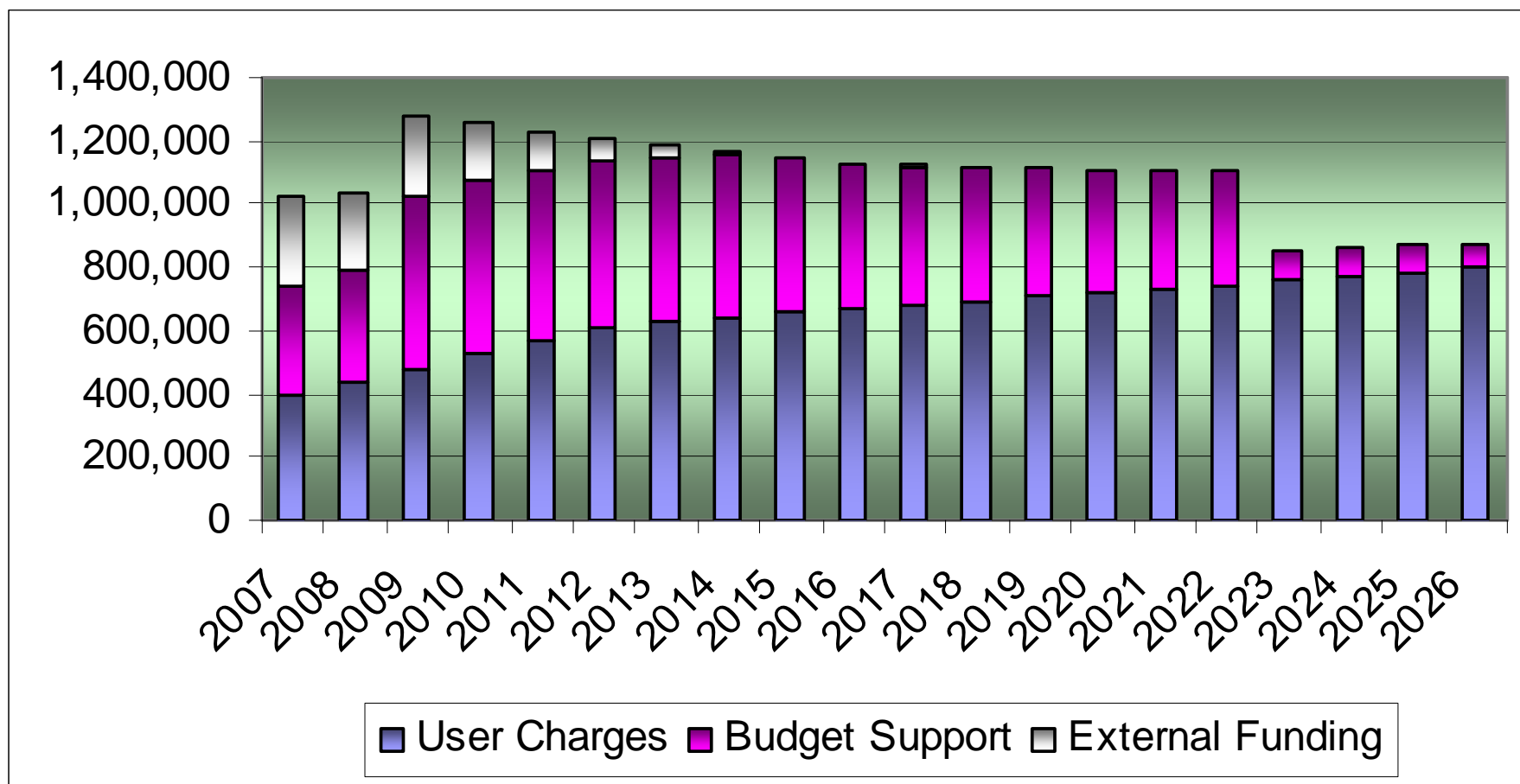
- Shared understanding of issues
- Consensus on realistic infrastructure targets
- More objective discussion of tariff policy
- Reflection on realism of social and environmental objectives
- Opportunity to improve dialogue with MoFin
- Opportunity to incorporate results into MoFin MTEF and into PRSP



Some key messages from work in the former Soviet Union

- There is some room to increase tariffs, but it is limited
- The capital costs of water services in many EECCA countries need to be co-financed from public budgets, for the foreseeable future
- Significant finance will be needed from central budgets, since municipalities are often too weak to generate the necessary levels of finance locally
- Effective mechanisms to channel this finance will need to be developed
- ODA has an important role to play in the poorest countries

Summary of Financing Sources for Baseline Scenario (Lei '000), Moldova



Source: OECD/EAP Task Force (2008)

Thank you!!



www.oecd.org/water/