

## 11.479: Water and sanitation infrastructure planning in developing countries

Policy memo #2

*Due April 22<sup>nd</sup>*

The Government of Ukraine (GoU) has undergone tremendous changes since its independence in 1991. With support from international development agencies, GoU began a process of assessing the status of its infrastructure and devising strategies to bring it closer to the level of other European countries, as one element of its economic development strategy. With respect to the water and sanitation sector, GoU undertook parallel assessments of the legal and institutional state of the country's public service providers in some of its largest cities. Your background reading for this assignment is a draft report from a consulting firm that was hired by the World Bank to carry out a combined technical, financial, and institutional assessment of water and sanitation service provision in the city of Odessa, Ukraine.

The assessment highlights several concerns with respect to W&S service provision in Odessa, including the precarious financial position of the water utility OVK; water quality problems; limited information on water flows in the network; and resistance to change among some stakeholder groups. The primary recommendation of the consulting firm is an investment program that prioritizes investment in water treatment (Section 1.7.1), along with implementing several institutional and tariff reforms (Sections 1.4 and 1.5). However, three different possible project designs are provided (summaries in Section 18.2.2) which emphasize, respectively, additional treatment and production capacity, apartment block metering, and universal (household-level) metering.<sup>1</sup>

Assume that you are a World Bank Task Manager in charge of developing the project design for a loan that will be made to GoU for improvements in W&S service delivery in Odessa. You have two main tasks in front of you as you prepare to present your project design to the board for approval. First, you must decide whether to adopt the consultants' recommendations for allocating most of the loan funds toward water treatment improvements, or if you think that other project components (such as metering as mentioned above) deserve more emphasis. Second, as per World Bank policy, you must explain to the board what measures you are recommending to ensure that low-income households will not be adversely affected by your project.

Your assignment is to review the consultants' report on Odessa and to draft a policy memo in which you lay out a proposed design for a World Bank-supported water supply improvement project. (Because water supply and sewerage are managed separately in Odessa, it is acceptable to limit yourselves to water supply for the purposes of this exercise.) You must address in your memo the following issues:

- Whether you are proposing to invest in improved/increased water treatment capacity (as per the consultants' recommendation) or not;
- Whether you propose to include metering in the investment program (and if so, what type);

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<sup>1</sup> Note that each of these options includes an estimate of the tariff that would need to be charged to make the project feasible.

- Which, if any, of the three project designs provided by the consultant you are recommending;
- What, if any, major institutional changes in W&S service delivery you are recommending;<sup>2</sup> and
- What measures you are proposing to help low-income households obtain adequate services for reasonable prices.

In each case, you should back up your recommendations with data/information from the consultants' report; your knowledge of other cases whose experience might be relevant for Odessa; and/or justifications based on your training as a W&S expert.

Note that there is a lot of information in the consultants' report—you will find that you can skim several of the sections lightly. If you think you need other information that is not contained in the consultant's report in order to lay out your recommendations, let me know what data you're lacking in case they are something I can provide to the class. If I can't, then your policy memo should simply (1) state what data you did not have and (2) explain how they might impact the design of your project for Odessa.

You are permitted to discuss this assignment with your classmates *and* to submit joint products from groups of up to four students. (You can, of course, work alone and submit an individual memo as well.) For those working in teams, each member should complete the brief survey available on the class website once your memo is finished, and post your responses by the assignment due date (9:00 am, April 22). Finally, please note that all memos will be available for perusal by all class participants after April 22<sup>nd</sup>.

Your memo should not exceed five pages in length and should follow the format on the "Guide to Policy Memos" handout available on the class website. Please note that memos that do not conform to this format will be returned unread.

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<sup>2</sup> Note that you do not need to delve into the level of detail found in the consultants' report regarding the institutional arrangements for W&S service delivery that you'd like to see in Odessa. We are just looking for 'broad stroke' ideas about this topic (*e.g.*, you want to bring in a private firm to manage the network), along with a rationale for your recommendations.