EAP Task Force

EUWI

EU WATER INITIATIVE

JOINT MEETING OF

THE EAP TASK FORCE'S GROUP OF SENIOR OFFICIALS ON THE REFORMS OF THE WATER SUPPLY AND SANITATION SECTOR IN EASTERN EUROPE, CAUCASUS AND CENTRAL ASIA

THE EAP TASK FORCE'S ENVIRONMENTAL FINANCE NETWORK

THE EU WATER INITIATIVE'S EECCA WORKING GROUP

DOCUMENT 4

PROPOSED ANALYTICAL APPROACH AND KEY MESSAGES ON WATER SUPPLY AND SANITATION FOR THE EECCA ENVIRONMENT STRATEGY PROGRESS REPORT

Action Required: For discussion and endorsement

PROPOSED ANALYTICAL APPROACH AND KEY MESSAGES ON WATER SUPPLY AND SANITATION FOR THE EECCA ENVIRONMENT STRATEGY PROGRESS REPORT

Background

In October 2007, Ministers of Environment of the ECE region are going to meet at the 6th "Environment for Europe" conference in Belgrade. This will be the opportunity to review progress on implementing the EECCA Environment Strategy that Ministers adopted at their previous meeting in 2003 in Kiev. The EECCA Environment Strategy has 7 objectives, of which one sub-objective is to: "Improve the management of municipal water supply and sanitation infrastructure".

The EAP Task Force secretariat has been mandated to prepare a report assessing progress on the implementation of the EECCA Environment Strategy and is currently starting the work in this area. It is planned to include a 2-4 page chapter on progress in the water supply and sanitation sector in EECCA, which would provide some of the key indicators and trends that have characterized the sector for the past years.

This paper is intended as a basis for discussion. It outlines some of the indicators and key messages that could be presented in the chapter. The indicators that are being proposed are of a high level of aggregation given that they should allow to capture the key trends throughout the region, and given the space constraint. The annex contains the questionnaire, which is proposed to be addressed to EECCA Ministries responsible for communal services. Both will help to generate more up-to-date information about the sector for the purpose of this report and other analytical products that the secretariat will produce for the Belgrade conference of Ministers.

Delegates are invited to comment on the relevance of the selected indicators, on the appropriateness of the key messages, as well as on the questionnaire in the annex.

Key messages emanating from the Conference of EECCA Ministers of Economy/Finance and Environment held in Yerevan on 17-18 November

At a conference of EECCA Ministers of Economy/Finance and Environment and their partners from the OECD on "Financing Water Supply and Sanitation in EECCA" the situation in the sector was assessed as follows.

Available data suggest that the overall situation in the water supply and sanitation sector of EECCA, already assessed as critical five years ago, has deteriorated further since then. This appears to be especially true for the quality of water services, where relevant indicators have shown a deterioration in virtually all EECCA countries. At the same time, there is also reason for some optimism as the situation in EECCA, as of today, presents a significantly more favourable context for sector reform than in 2000: the economies of most EECCA countries have significantly improved since the year 2000, which, both at the level of governments and households, creates new opportunities to improve the sector's performance; and there are now examples of reforms that demonstrate how some of the existing problems can be successfully addressed.

The coverage of urban populations with centralised water services remains high, but disruptions of water supply, pipe breaks, and unaccounted-for water have steadily increased since 2000. Similarly, key financial indicators suggest stagnation at poor performance levels. Tariffs often do not cover operational costs, let alone maintenance and capital costs. Overall, investment falls short by a factor of five to 10 of the level that would be required to maintain and renew existing water infrastructure.

Some indicators have shown positive signs, such as significantly increased levels of metered water connections in virtually all countries, decreasing levels of water consumption, and improved rates of bill collection. These do not suffice however to reverse an overall negative trend: the EECCA water sector is deteriorating further, and so far there are no signs that deterioration will slow or that this trend will be reversed in the near future.

The consequences for public health, the environment, and economic development in the region are serious. WHO Global Burden of Disease programme has been collecting data on burden of disease due to different causes, one of which being due to unsafe water, sanitation and hygiene. In the EECCA countries, the 2002 estimates show that out of the 281 million populations, 5,900 people died of unsafe water, sanitation and hygiene, among which 4,700 were children under the age of 15. The figures suggest that, on average, 2.08 people out of 100,000 died in the EECCA sub-region for unsafe water, sanitation and hygiene in 2002. For EECCA sub-region, almost 80% of the deaths are among children under the age of 15.

Communicable Disease Surveillance and Response team of the WHO Regional Office for Europe have recently upgraded their centralized information system for infectious diseases (CISID) database, which now captures all the waterborne diseases of primary importance to the Protocol on Water and Health – cholera, Shigellosis, EHEC, viral Hepatitis A, and Typhoid fever. A number of EECCA countries have been reporting on the cases and incidence of these diseases, and disease data are available in time series.

However, while the trend towards further deterioration of water services is broadly the same across the EECCA region, the overall state of water services and their adverse impacts is quite diverse. The situation in the poorest EECCA countries is significantly more alarming than in the more affluent states, especially in terms of water quality and resulting health impacts. There is also an important difference between urban and rural areas. Water services in many rural areas have collapsed following the dismantling of the state and collective farm system in the 1990s.

A review of the major institutional and legal reforms in EECCA indicates that many countries have undertaken measures to improve the situation in the water supply and sanitation sector, most of them in line with the recommendations in the Almaty Guiding Principles[1]. In particular, central governments have sought to improve the coherence of the institutional set-up governing the water sector, as well as developing framework legislation to better guide local level actors, mainly in setting tariffs.

However, these measures remain partial. Despite recognition that local authorities lack capacity and resources to manage water systems properly, central governments have done little to address these problems. Those actions that have been taken are still very recent, and their implementation at the operational level has not yielded results yet. Equally, lack of reform at the local level, particularly the establishment of utilities as autonomous, commercially-run institutions, is impeding positive effects from improved institutional and legislative measures taken at the central level.

The focus of policy makers should therefore shift from developing to implementing laws and regulations, and from central to local governments and utilities. Further efforts are needed to integrate water-related objectives into national policies, including Poverty Reduction Strategy Papers, and to take advantage of opportunities to link reform of the water sector to the achievement of the internationally

[1] Adopted by Ministers of Economy/Finance and Environment at their previous meeting held in Almaty, Kazakhstan in October 2000 (www.oecd.org/env/water).

agreed water targets. There are a number of positive examples of reforms at the local level that hold important lessons for how such reforms can be carried out. A key challenge is to find ways to disseminate and scale up these best-practice examples.

Definition of Proposed Indicators:

Delegates are reminded that the purpose of these indicators is to provide an easily accessible picture of the situation in the water supply and sanitation sector in aggregated form. The secretariat perceives the chapter format to be too restrictive to allow for a more differentiated analysis on the basis of indicators. Narrative references to disparities that exist in the region will be included in the text.

Key status indicators to characterize the situation in the EECCA Water Supply and Sanitation Sector:

- Countries where people receive water for more than 20h per day on average
- Countries where unaccounted for water stands at more than 30% of total water production;
- Countries where the average water tariff covers 100% of operational costs (excluding capital costs) or more.

Key progress indicators to characterize policy action to reform the EECCA Water Supply and Sanitation Sector:

- Countries where more than 30% of water connections are metered;
- Countries where tariff setting mechanisms have recently been reformed according to best international practice;
- Countries where there are at least 5% of the population are served by utilities that have a performance-based contract with the owner of the infrastructure (this includes both, cases where the operator is a private and a public one).

Health Impact Indicators:

- Countries where the microbial and/or chemical failure rate of drinking water exceeds 10%
- Countries where national surveillance, early-warning and response systems for waterborne diseases in place for priority diseases.
- Countries where national reporting systems provide data on mortality due to unsafe water, sanitation and hygiene.

Current situation in EECCA with respect to these indicators:

Delegates should be aware of the fact that this is the picture that can be obtained from the data that is currently available, but that a data collection effort that will be undertaken by the secretariat in the second half of the year will allow to up-date the figures (to include figures for 2004 and 2005 for a number of countries), so as to better reflect the most recent changes to the situation that may have occurred.

The indicators are presented in two bar-charts: the first (figure 1) presents the current situation through a number of status indicators, the second (figure 2) captures some of the key policy actions that have been undertaken, through a number of progress indicators.

Figure 1: Key status indicators to characterize the situation in the EECCA Water Supply and Sanitation Sector

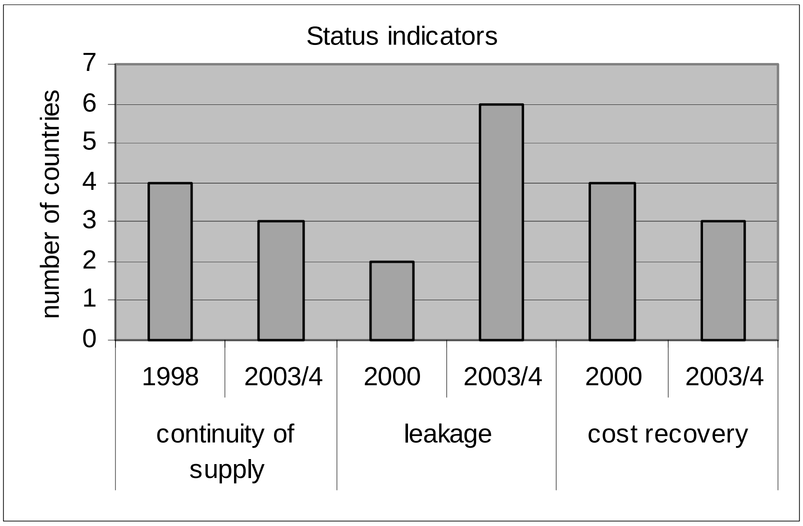
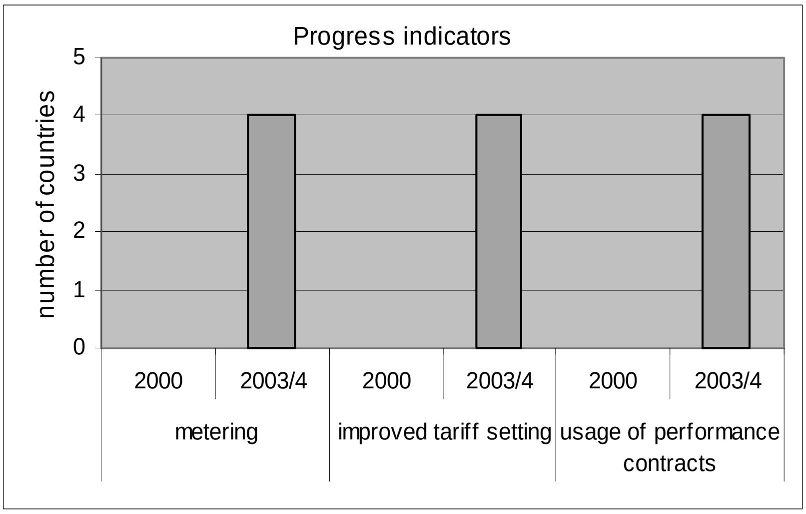


Figure 2: Key progress indicators to characterize policy action to reform the EECCA Water Supply and Sanitation Sector



ATTACHMENT 1 QUESTIONS TO GOSSTROY/STATE COMMITTEES OF HOUSING AND COMMUNAL SERVICES (OR THEIR EQUIVALENTS), THE MF (DEPT OF HCS SECTOR FINANCING), MIN OF ECONOMY ETC.

1. What was/is the amount of water sold by the WSS industry, number of connections (abonents) and the proportion of metered drinking/potable water users?

WSS	2002	2003	2004	2005	2006
Water sold (in million m3), total *in that to:*					
Households					
Budgetary organisations					
Industries and commerce					
Other consumers					
% of users paid for actual (metered) water consumption					
Households, total *in that:*					
- individual meters					
- collective meters (at building or block)					
Budgetary organisations					
Industries					
Commerce					
Other categories (agriculture, etc.)					

2. What was the number of utilities/enterprises providing WSS services?

number of enterprises providing WSS services	**2002**	**2003**	**2004**	**2005**
Total number:				
of which:				
Municipal water companies				
State owned water companies				
Private water companies				
Other (private industries, farms, etc.)				

3. In 2002-2006 what were/are the average level of tariff rates for water supply and sewerage? What were/are the tariff rates as % of the tariff which would allow to fully cover the O&M cost and may also include some regulated profit margin (hereafter: O&M cost recovery tariff, sometimes also called the Economically Justified Tariff (EJT))?

Tariffs for water supply+sewerage *(NCU / m3)*	2002	2003	2004	2005	2006
O&M cost recovery tariff					
Average tariff (all consumers)					
Average tariffs by consumer category:					
Households					
Average tariff rate (NCU / m3)					
as % of O&M cost recovery tariff					
Industries and commerce					
Average tariff rate (NCU / m3)					
as % of O&M cost recovery tariff					

Note: NCU stands for the **National Currency Units**

4. In 2002-2006 what were/are the average collection rates (current year revenues (cash basis) to current year billing), all consumers, and by consumer category?

Collection rates (% of billing)	2002	2003	2004	2005	2006
Average collection rate (all consumers)					
Collection rates, by consumer category:					
Households					
Budgetary organisations					
Industries and commerce					

5. In 2002-2005 what was the level of public operational subsidies* to the utilities providing WSS services? And the level of in-kind subsidies (discounted tariff or free service) to some consumer categories?

WSS, million NCU	2002	2003	2004	2005
Public operational subsidies to water utilities*				
Total due to pay				
Actually paid				
In-kind subsidies (discounted tariff or free service) provided to some categories of consumers				
Total, *in that:*				
Households (veterans, poor, etc.)				
Other consumers				

*** -** to compensate for: the cash flow gap; and/or for the difference between the O&M cost recovery tariff and the domestic/Household tariff, etc.

6. What was the level of capital investment in municipal WSS infrastructure? Of which what is the level of investment in wastewater collection and treatment? What were the major sources of finance for the investments? How much was allocated under Federal target programmes?

Capital Investment in WSS, million NCU	**2002**	**2003**	**2004**	**2005**
Total investment in WSS				
of which:				
Water supply				
!! data below is optional (if data is easily available):				
Total investment in WSS by source of finance:				
Public budget, total				
in that:				
National budget				
Regional budget				
Municipal budget				
IFIs and donors				
Vodocanals' own funds				
***Private sources,* total**				
in that: **private operators**				

7) Please, list 10 biggest municipalities in the country where **ownership rights for the WSS infrastructure were properly registered:**

In 2002	**In 2005**
1	1
2	2
3	3
4	4
5	5
6	6
7	7
8	8
9	9
10	10

8) Please, list 10 biggest municipalities in the country where WSS infrastructure (state- or municipality-owned) **was transferred to the water utility on the basis of a contract/agreement on transfer of the assets (!! in (..) please, indicate the cities which have private operators of the WSS system):**

In 2002	**In 2005**
1	1
2	2
3	3
4	4

5	5
6	6
7	7
8	8
9	9
10	10

9) Please, list 10 biggest municipalities in the country **which had contracts with WSS utilities (!! only state- or municipality owned) on performance (service quality)** with utility management remuneration/sanctions depending on some performance indicators:

In 2002	In 2005
1	1
2	2
3	3
4	4
5	5
6	6
7	7
8	8
9	9
10	10

10) **Have a specific/dedicated tariff regulation for WSS services (or WSS and other communal services) been adopted in your country?**

in 2002 (Yes/No) ____ in 2005 (Yes/No) ____

Has an **Affordability check** become a part of the tariff setting procedure for WSS ?

in 2002 (Yes/No) ____ in 2005 (Yes/No) ____

11) Have professional regulatory bodies regulating tariffs for WSS services (or WSS and other communal services) been established?

At national level in 2002 (Yes/No) ____ in 2005 (Yes/No) ____

At regional level in 2002 (Yes/No) ____ in 2005 (Yes/No) ____

At municipal level: please, indicate the % of municipalities which had a professional regulatory body regulating WSS tariffs on their territory: in 2002: ___ % and in 2005: ___ %