

## **Implementing Financing Strategies for Water and Environmental Infrastructure**

### ***Objective***

To facilitate implementation of already developed financing strategies for water and environmental infrastructure.

### ***Background***

In the work program 1999-2003 several EECCA countries and regions (Armenia, Georgia, Kazakhstan, Moldova and Ukraine) and six regions (Kaliningrad, Novgorod, Pskov, Rostov and Yaroslavl in Russia, and Eastern Kazakhstan) have undertaken analyses that identified feasible strategies for realistic and affordable financing of urban water supply, wastewater and solid waste management infrastructure. Using a state-of-art tool - the 'FEASIBLE' model, developed in cooperation with Denmark, systematic estimates of expenditure needed to operate, maintain, rehabilitate and develop urban water, sanitation and municipal waste infrastructure were estimated. Likely financial deficits were simulated and realistic, affordable measures to mobilize needed finance where and when they will be needed were identified. As part of these analyses specific institutional and policy reforms that could enable assumed increases of financial flows to the given environmental sector were analyzed. This included reforms to be undertaken at the central government level as well as the actions that the provincial and municipal governments can take to facilitate effective financing of urban water and environmental services.

### ***Activities***

- Updating previous scenario analysis by incorporating the changes to water and environmental infrastructure that occurred since the first simulations and by accounting for the recent trends in availability of financing.
- Evaluating progress in implementing previously recommending measures to mobilise additional financing, including improved tariff policy – analysing where the main bottlenecks to financing lie and what steps need to be taken by different actors in the short to medium term (1-3 years).
- Undertake micro-affordability analysis of present and projected user charges for households, focusing on the poorest (low deciles) and vulnerable groups, for which present or projected user charges might not be affordable, calculate necessary social protection budgets for different tariff increase scenario and identify user charges providing the highest net benefits (incremental water utility revenues minus incremental expenditure on social protection) - where feasible this activity can be implemented jointly with Task 1.3.2 “Assessing the social impacts of water sector reform” of the Work programme, then recommendations on social protection measures for the poor and vulnerable people will also be developed.
- Structured consultations between key actors (various government agencies, parliament, domestic and international financial institutions, donors, civil society, private sector) to establish partnership for short-to medium term actions that are essential to implement financing strategies and to agree on indicators to measure progress.
- Assistance and training in undertaking the key short term actions to implement financing strategies: e.g. developing rolling portfolios of projects, integrating financing strategies into budget process and public short- and medium term investment programs, reforming tariff policy and improving related social protection measures, revising construction standards, using public funds to leverage debt financing, reducing risks for private sector, etc.).

### ***Outputs***

- Updated financing strategies for water supply and/or wastewater management infrastructure with micro-affordability check of suggested tariff policy :
- Multi-stakeholders' consultations and workshops to establish partnership for implementation of financing strategy;
- Strengthened institutions and built capacity to undertake key short term steps towards implementation.

***Benefits/Outcomes***

The project will facilitate implementation of realistic investment programmes and financing strategies credible to financial institutions and potential investors, improvement in tariff policy and related social protection measures, as well as in public awareness and information campaign, build capacity of implementing agencies and strengthen relevant institutions.