EAP TASK FORCE

OECD OCDE

Proposed work on water utility indicators and inputs to the Belgrade Environment for Europe Conference

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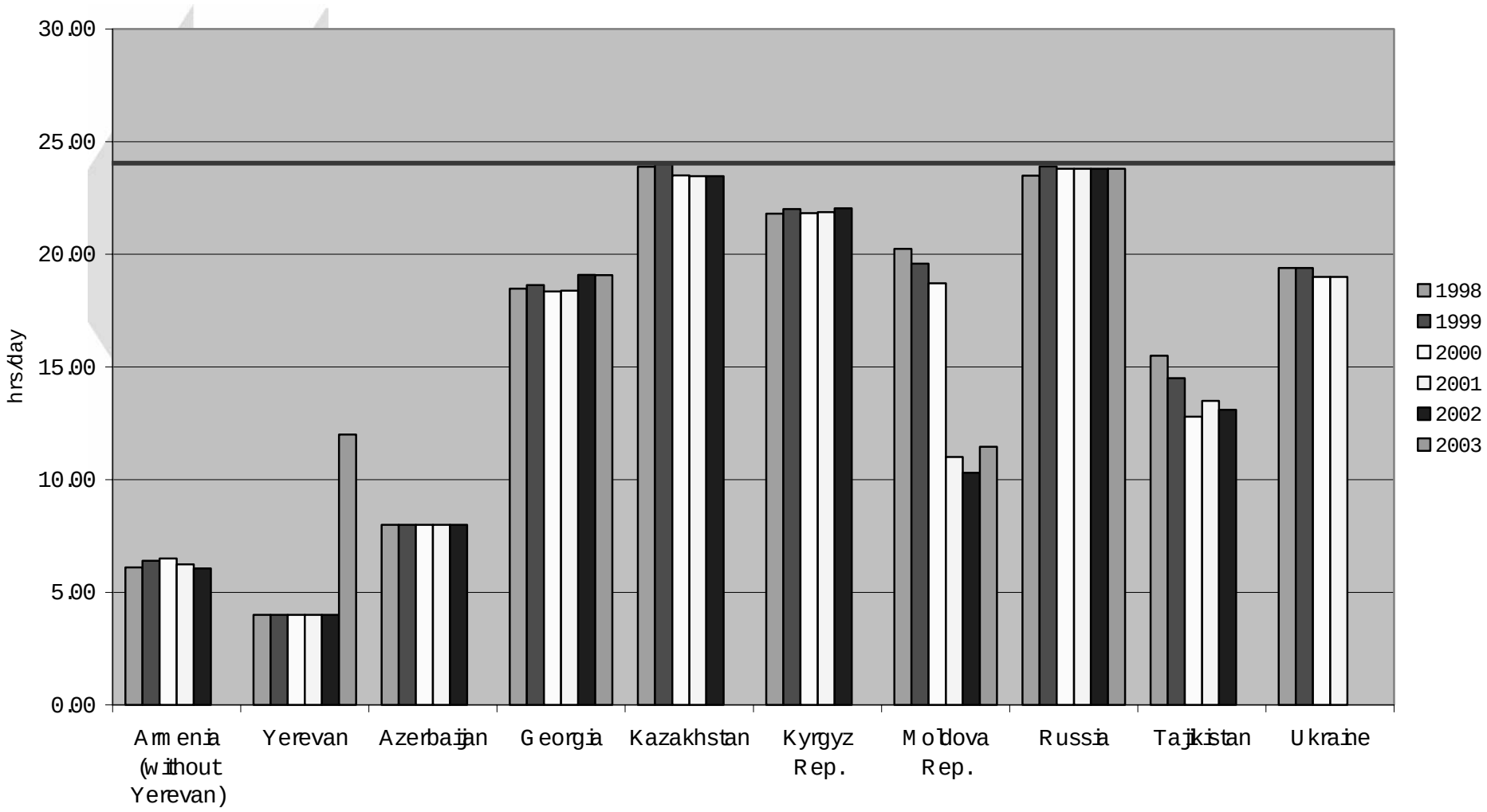
Past EAP Task Force work on water utility benchmarking

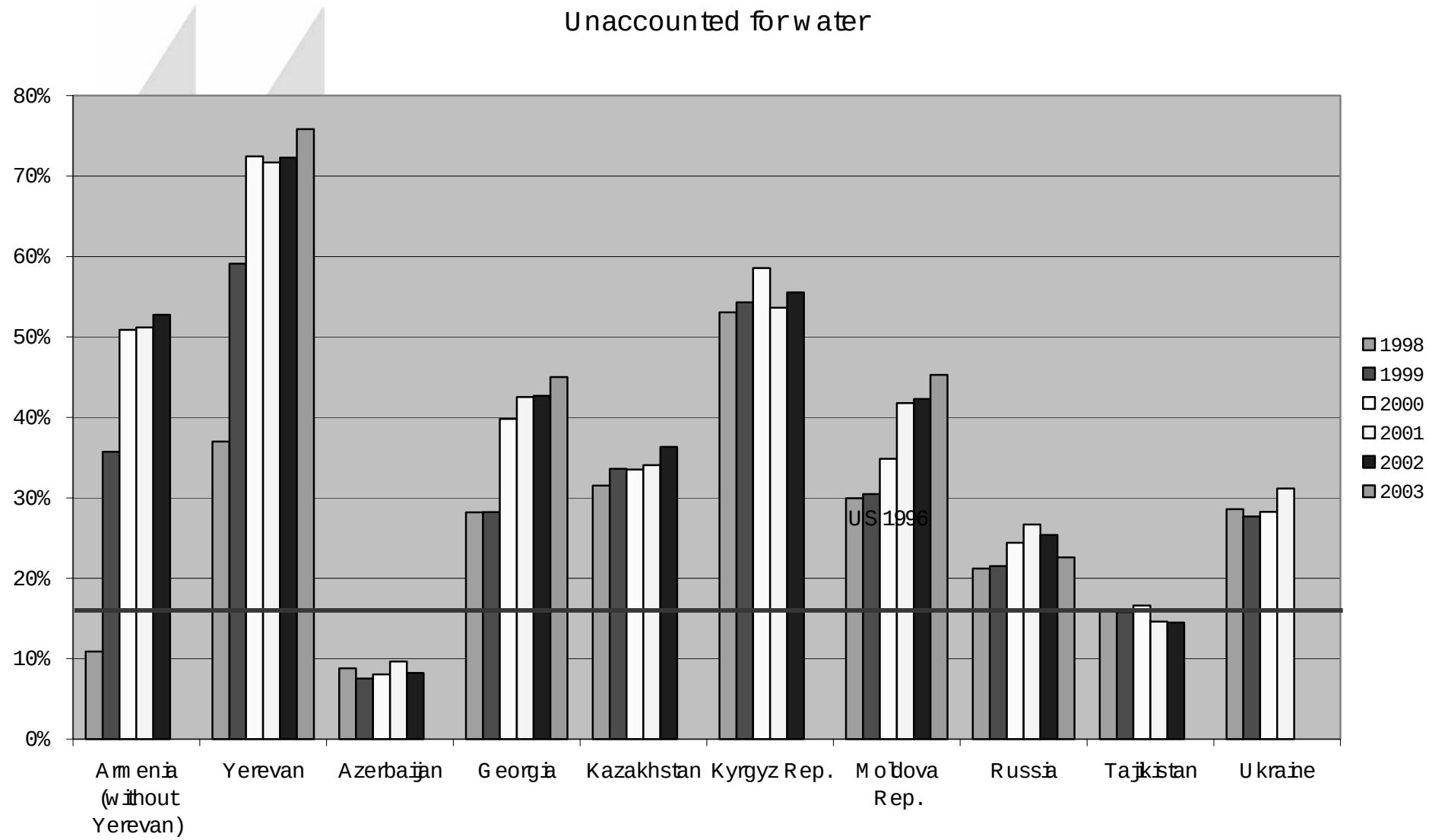
- Collection of benchmarking information in more than 400 water utilities in EECCA
- 9 EECCA countries covered (Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russian Federation, Tajikistan, Ukraine)
- Work carried-out in 2001-2003, using World Bank Benchmarking Toolkit
- Data series for most countries end in 2002
- Data has been useful to prepare WSS status reports for Kiev and Yerevan Ministerials
- Data has been published on OECD and IB-Net websites

Key messages from the data

- Water supply and sanitation infrastructure is deteriorating further
  - Unaccounted-for water increases in many countries
  - Continuity of supply decreases
  - Cost recovery levels stagnate or deteriorate
- At the same time some countries have undertaken reforms in line with the Almaty Guiding Principles
  - Introduction of metering policies have helped reduce water consumption
  - Tariff setting policies have been improved
  - Performance contracts are being used in some municipalities
- In Yerevan some Ministers indicated that more recent data provide a more positive picture
- Hence, there is a need to update the performance data series, and to verify whether these policies have an effect



Source: EAP Task Force Water Utility Performance Indicator Database



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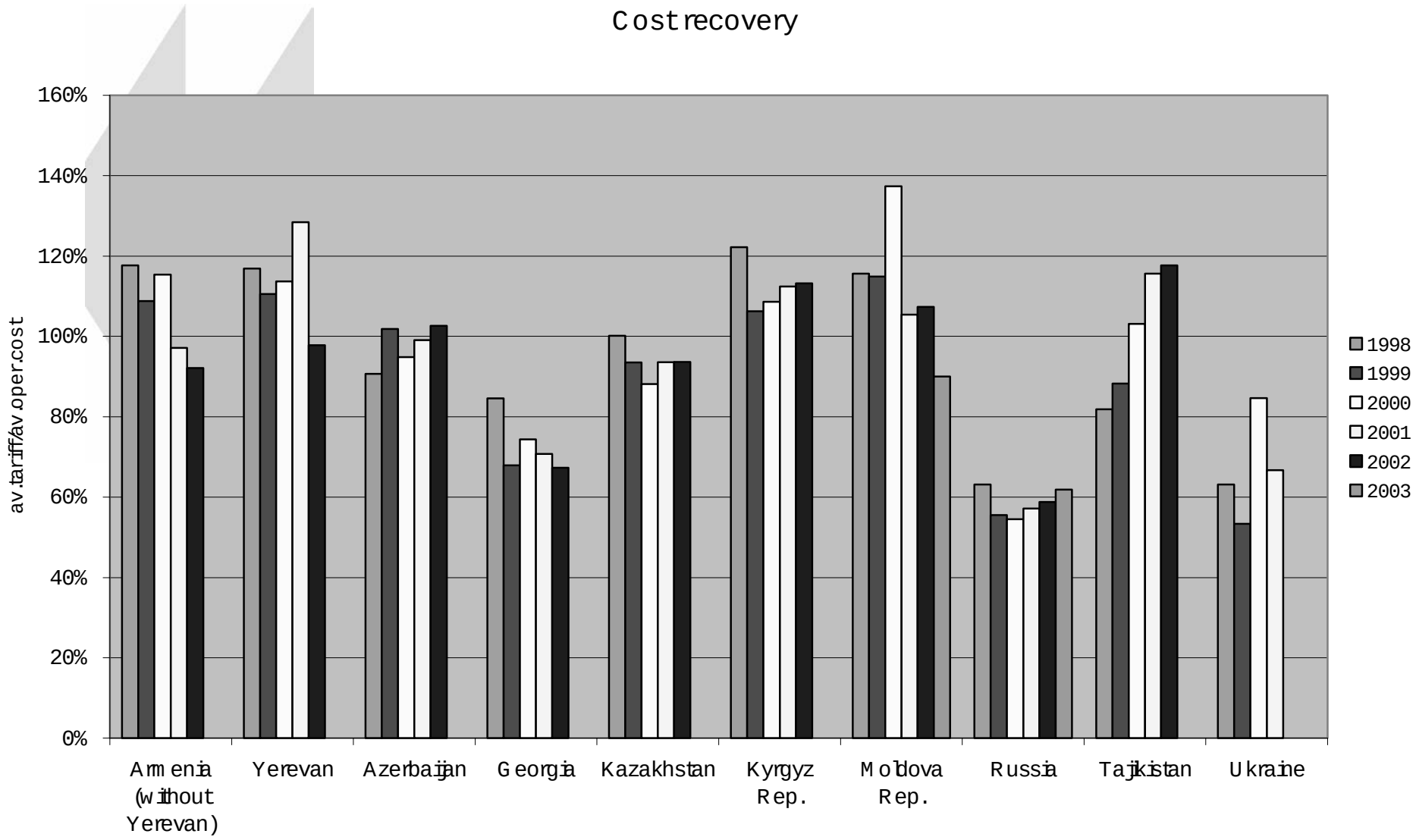


Source: EAP Task Force Water Utility Performance Indicator Database

Planned work on utility benchmarking

- World Bank has recently been updating data sets for Ukraine (2004), Georgia and Armenia (2003) and envisages some more work in the latter two.
- EAP Task Force is planning to launch a project to collect data in four countries (possibly Kazakhstan, Kyrgyzstan, Russian Federation, and Tajikistan), and collect 2005 data where possible
- Looking for partners in these countries to support the work on updating the indicators
- Planned to use the updated World Bank Benchmarking Toolkit to carry-out the work

Publication of this data in several reports

- EAP Task Force Report on the status of the water supply and sanitation sector in EECCA
- Publication on the new, updated World Bank Benchmarking Toolkit and refurbished IB-Net/ World Bank website
- EECCA Environment Strategy Progress Report – a publication for the «Environment for Europe» conference in Belgrade in 2007

EECCA Environment Strategy Progress Report

- EECCA Environment Strategy was adopted by Ministers of Environment at their previous meeting in Kiev, 2003
- EAP Task Force mandated by Ministers to facilitate and monitor the implementation of the Strategy
- Progress report will be prepared as a « category 1 » document for the Environment for Europe Ministerial Conference in Belgrade, October 2007
- EECCA Environment Strategy has 7 objectives. One sub-objective relates to « Improve the management of municipal water supply and sanitation infrastructure »
- 3-4 page chapter assessing progress in improving water supply and sanitation in EECCA will form part of the report
- Group of Senior Officials to provide an analytical input into this chapter

Strategy Progress Report: Background

- A chapter on progress in the water supply and sanitation sector in EECCA will provide some of the key indicators and trends that characterize the sector for the past years

- The paper "Proposed Analytical Approach and Key Messages on WSS" is intended as a basis for discussion

Structure and purpose of the paper

Structure of the paper

- Proposed aggregated indicators to capture the key trends throughout the region
- The questionnaire annexed, which is proposed to be addressed to EECCA authorities responsible for communal services

Purpose of the paper

- Delegates are invited to comment on:
  - the relevance of the selected indicators
  - the appropriateness of the key messages
  - the questionnaire annexed

Proposed indicators

Key status indicators to characterize the situation in the EECCA WSS 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

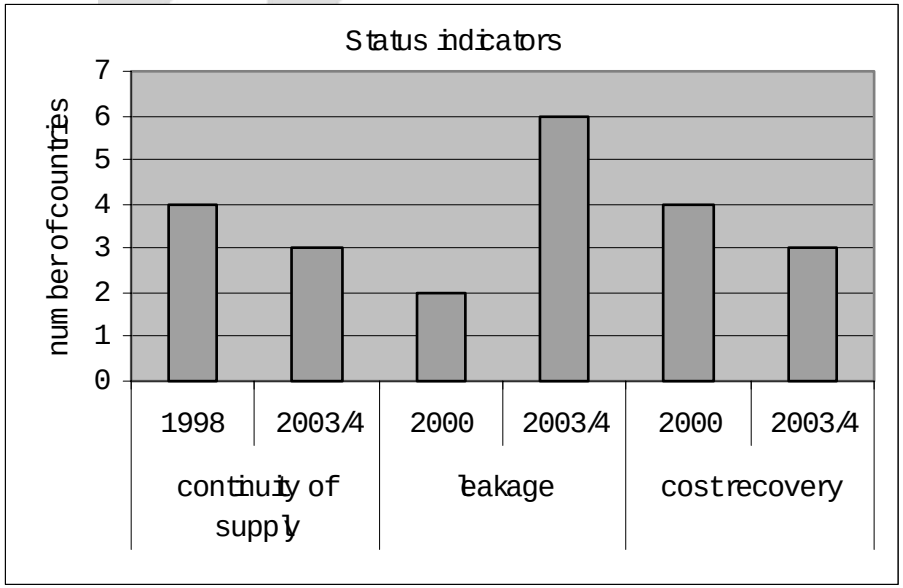
Key progress indicators to characterize policy action to reform the EECCA WSS sector

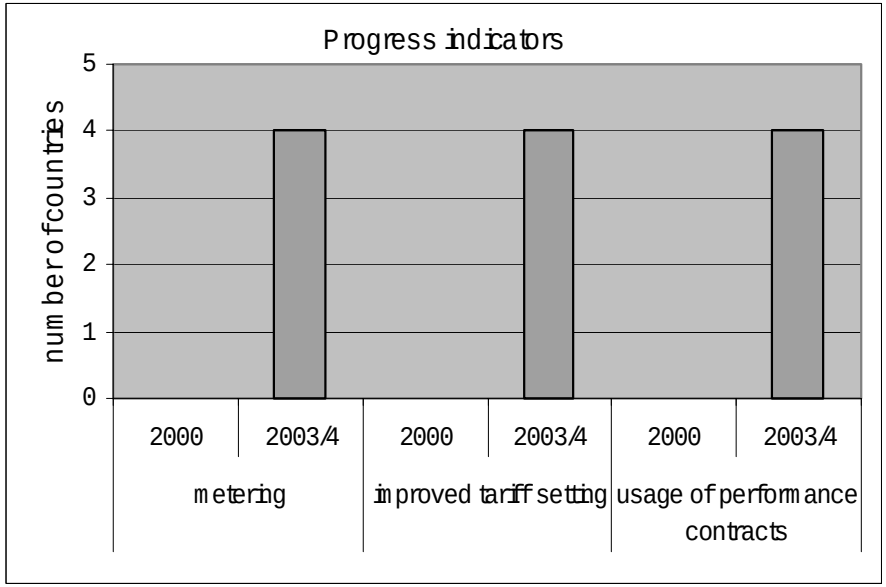
- Countries where more than 30% of water connections are metered
- Countries where tariff setting mechanisms have recently been reformed according to best international practice
- Countries where there are at least 5% of the population are served by utilities that have a performance-based contract with the owner of the infrastructure

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

Picture based on the data currently available





An up-date of the figures is expected in the second half of the 2006 year (to include figures for 2004 and 2005 for a number of countries)

Key messages (1)

Negative trends

- Deterioration of the overall situation (quality of water services)
- Increased number of water supply disruptions, pipe breaks and UfW
- Tariffs do not cover operational costs; fall of investments in maintenance and renewal of WSS infrastructure

Positive signs

- Revival of the economies of most EECCA countries creates a favorable context for sector reform
- Increased level of metered water consumption
- Improved collection of billed water charges

Key messages (2)

Infrastructure

- In terms of water quality and resulting health impacts there is an alarming situation. Especially,
  - in rural areas; and
  - in the poorest EECCA countries.
- Adverse environmental impacts - substantial proportion of the collected wastewater is discharged into water bodies without any treatment affecting the quality of the raw water.

Institutional and Legal Reforms

- Institutional and legal reforms have been undertaken in EECCA, though the measures are partial and progress is very uneven: some progress at national level; little progress at municipal level; while in rural areas the institutional set-up should be created almost from scratch.

Recommendations

- Need for a shift from developing to implementing laws and regulations, as well as from central to local governments and utilities; much more attention to rural areas;
- High relevance of sound strategic planning and integration of water-related objectives into national policies, incl. PRSPs; need to link the water sector reform with achieving the internationally agreed water targets (MDGs).

Questionnaire

Questions to the State committee of Housing and Communal Services, or Gosstroy (or their equivalents), the Ministry of Finance (Dept of HCS sector financing), the Ministry of Economy etc.:

Trends (2002-2005)

- amount of drinking/potable water sold by the WSS industry, and the proportion of metered drinking/potable water users
- number of utilities/enterprises providing WSS services
- average level of tariff rates for water supply and sewerage; in nominal terms and as % of the rate which would allow to fully cover the O&M cost (the O&M cost recovery tariff, sometimes also called the Economically Justified Tariff (EJT) - it may also include a regulated profit margin)
- average collection rate (current year revenues (cash basis) to current year billing), all consumers, and by consumer category
- level of public operational subsidies to the utilities providing WSS services, level of in-kind subsidies to some consumer categories (discounted tariffs or free services)
- level of capital investment in municipal WSS infrastructure, of which what is the level of investment in water supply; and the major sources of finance for investment

Questionnaire (continued)

to list 10 biggest municipalities in your country …

- … where the ownership rights for the WSS infrastructure were properly registered
- … where the WSS infrastructure (state- or municipality-owned) was transferred to the water utility on the basis of a contract/agreement on transfer of the fixed assets
- … which had signed performance-based contracts with WSS utilities (only state- or municipality owned !), with remuneration/sanctions depending on some performance indicators (incl. service quality)

Yes/No

- Has a specific/dedicated tariff regulation for WSS services (or for WSS and other communal services) been adopted in your country? Has an Affordability check become a part of the tariff setting procedure for WSS ?
- have professional regulatory bodies regulating tariffs for WSS services (or for WSS and other communal services) been established?

Proposed deadline for draft filled-out questionnaires is July 1, 2006