Water Sector Reforms in Estonia

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MINISTRY OF THE ENVIRONMENT

Contents

1. Introduction

Estonia is located in entirely in the catchment area of the Baltic Sea. The sea determines social, economic and environmental priorities.

- The surface area of the Baltic Sea is more than 415 000 km^2, catchment area 1,7 M km^2 and home for more than 85 M people
- The size of Estonian land territory (43 000 km^2) is comparable with Denmark or Netherlands
- Approximately 1,3 M people live in Estonia
- Main water issues in Estonia:
- How to decrease the nutrient loads
- Improving wastewater collection and treatment
- Capture of losses from agriculture
- Quality of drinking water
- Hydro energy production in small rivers and management of surface water resources
- Contaminated land and water areas
- Water use for energy production
- Water cooperation with neighbouring countries

2. Water sector reforms

I phase of reforms starting from 1990

- Keywords:
  - Regaining independence and establishing market economy
  - Establishing ownership rights
  - Privatization
  - Elaboration of new legislation

II phase of reforms starting from 2000

- Keywords:
  - Becoming a the EU member state
  - Harmonisation of national legislation
  - Sustainability of water services
  - Involvement of stakeholders and the public

Main focus areas:

Legislation	Infrastructure	Financing

3. Consequenses - legislation

1.Privatization and establishment of ownership rights

–It is difficult to make the state/government to comply with its own regulations (incl. infrastructure, water bodies, etc)

2.Harmonisation of legislation with EU directives

–Harmonisation of legislation does not ensure the implementation of legislation. Instead of asking how to harmonise the legislation it should be asked how to make this work in reality?

- Harmonisation of directives text (2000-2004)
- Harmonisation of obligations and requirements (2004-2009)
- Making the legislation to work (2009- until today)

–Harmonisation and following implementation should not be two different processes but instead aim on common objective or result to achieve

3.Understanding and interpretation of legal requirements

–The good status of waters:

- In 2000 - mainly physico-chemical indicators for rivers, lakes and coastal waters
- In 2004 – additionally some biological indicators
- In 2008 – the number of indicators to be assessed was increased approximately 10 times, by specifying 22 types of water bodies
- Still missing the hydro-morphological indicators to assess the water bodies

3. Consequences – infrastructure

1. The ownership of infrastructure/water companies

–State owned → state owned company → municipally owned → municipally owned company (private company, exceptional)

–For the RBM → grouping of municipally owned companies

–Special requirements needed for companies providing water services, in order to ensure the quality and sustainability of services

2. The technical state of infrastructure

–2000-2010 transition period for urban wastewater treatment directive

–2000-2013 transition period for drinking water treatment directive

3. Upgrading the infrastructure

–Every municipality dreams of becoming a new capital of country

–Feasibility studies should be carried out in a river basin scale instead of municipality

4. The price of water

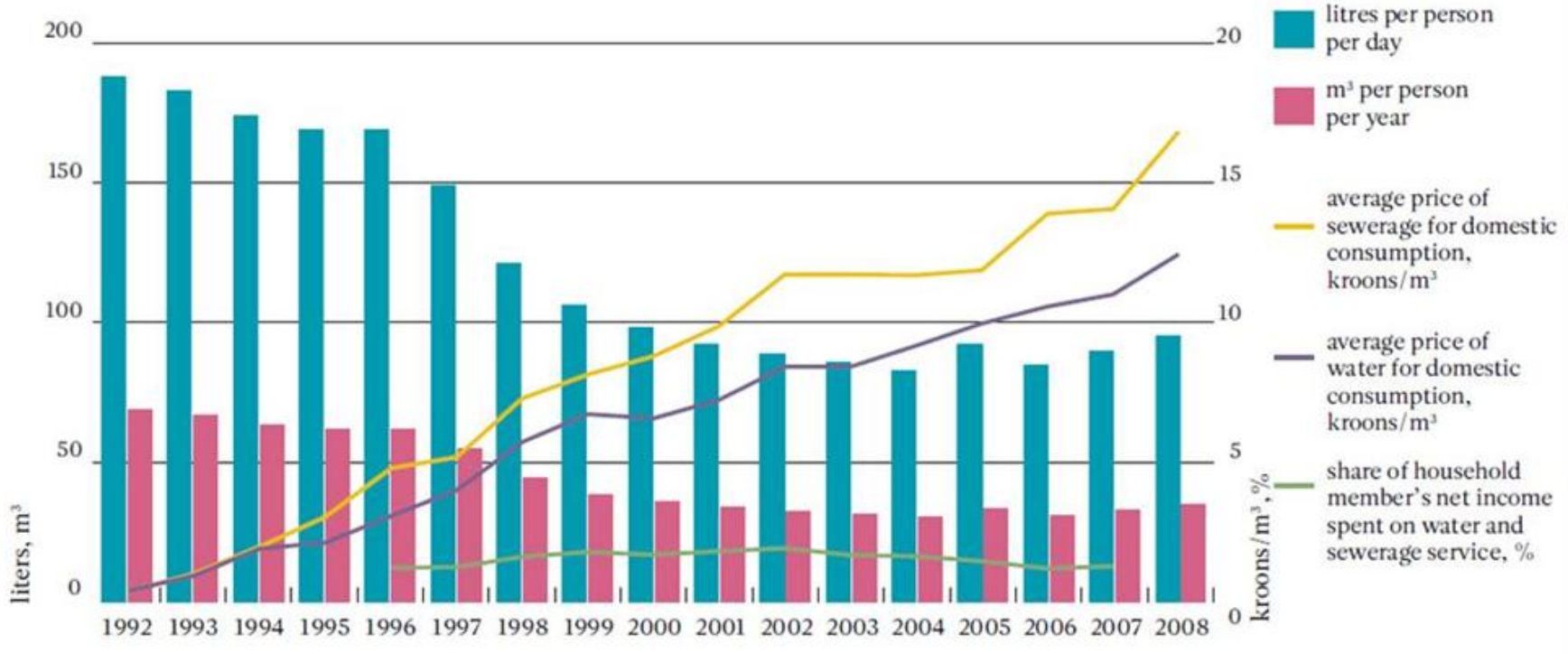
–The price of water should consider the consumer capabilities and needs for investments

–Municipality owned companies tend to earn additional income to municipality budget instead of ensuring the sustainability of water services

–Third party price regulator or legally binding price mechanism should be used

3. Experience and recommendations – infrastructure

The price should not threaten sustainability of water services nor the quality of life



Price of water with respect to use of water and net income of household members. Data: EEIC.

3. Consequences - financing

1.Collecting environmental charges and taxes

–Charges in case of compliance, fees in case incompliance

–Substitution of charges with investment obligation

–50% to the state budget, 50% to the municipality budget

–Additional fund needed to compensate the share not provided by municipalities

2.Using the collected incomes

–Not proportional in terms of polluters and pollution sources, should consider status of water, river basin, pollution load, etc

–Charges collected to the state budget go back to the environment

–Charges collected to the municipalities are not earmarked for the environment

3.Financing

–1995 - almost only foreign grants

–2000 - bilateral and multilateral agreements to provide grants to certain objects

–2004 - Governmental support based on the state investment program, Environmental investment centre, local budgets

–Since 2006 - environmental investment centre 10% , municipality 10% (water company), EU grants 75%, loans 5%

–Financing needs are always higher than finances available

4. Conclusions

- The political context
  - In general positive electoral support
  - Weak opposition
  - Scientific disputes to support the implementation of reforms
  - Points of conflict substantial
- Stakeholder involvement
  - Increased by environmental awareness
  - General acceptance of reforms
- The influence of reforms
  - High administrative burden for legislators, strong international support
  - Quickly and constantly changing regulations
  - Lack of financial and administrative resources
- Outcomes
  - Almost clear and structured water management system
  - Meeting deadlines and achieving the objectives (drinking water, wastewater)
  - Well managed infrastructure