

PROJECT FICHE 2

Title	Support to OECD Water Governance project		
Total cost	EC contribution: € 1.5 Million Contribution of other donors foreseen		
Aid Method	Project approach – centralised management		
DAC-code	14010	Sector	Water supply and sanitation

1. RATIONALE

1.1. Strategic framework

The proposed intervention is in line with the EC's overall commitment to the Millennium Development Goals (MDGs), notably objective 7 "Reduce by half the proportion of people without sustainable access to safe drinking water".

The same objective is also cited amongst the specific objectives of the TACIS Multi Annual Indicative Programme (MIP) 2004-2005, under the thematic line "Sustainable Management of Natural Resources".

Other two MIP's specific objectives are relevant to the proposed action, "Implementation of the EU-NIS partnership on water for sustainable development" and "Leveraged investment from IFI and participation of the Private Sector in the water sector of the NIS".

1.2. Lessons learnt

The EC water-related activities in the Region, including previous and on-going project preparation facilities, have highlighted not only the significant need for investments in the water sector but also the lack of proper investment planning and the poor level of service delivery in both quantitative and qualitative terms.

Some responses to these problems already exist, for example under the ongoing EU Water Initiative or under the Guiding Principles for Urban Water Sector Reforms adopted by the Environment Ministers of the EECCA countries.

The Environmental Action Programme (EAP) Task Force, whose secretariat is the OECD, in cooperation with IFIs and beneficiary countries is overseeing the implementation of the Guiding Principles and has since developed a number of technical assistance approaches, including the proposed one.

1.3. Complementary actions

The EC has a long standing tradition of working together with partner IFIs, especially with the European Bank for Reconstruction and Development (EBRD) and the World Bank (WB), in the development of municipal infrastructures in the Water Supply and Sanitation (WS&S) sector in the EECCA Region.

In the last years the EC has funded a number of Project Preparation Facilities (especially the Joint Environment Programme, the Black Sea Investment Facility and the upcoming Water Investment Support Facility). Several feasibility studies on municipal water and waste water schemes, have been identified and carried out under these facilities revealing, inter alia, the need to associate software activities to future investments, in order to strengthen the capacities of the water utilities.

It is now proposed to follow up on some of these feasibility studies with a twofold approach, which will provide on the one hand a grant fund in support of the IFIs loans for investments (addressed in a separate project fiche) and on the other hand capacity building mechanisms for the recipient water utilities (this proposed action).

1.4. Donor coordination

The project will link up with the existing EECCA component of the EU Water Initiative Working Group, which is expected to function as ~~regular~~ consultation body amongst the beneficiary countries, the EC Services, the Member States and the partner IFIs.

The project implementing partner is the OECD, which functions as EAP Task Force secretariat. The EAP Task Force plays in turn an active role in co-ordinating discussions among NIS countries on water policies-related issues. Currently the EAP Task Force's activities are being overseen by a Group of Senior Officials for Water Supply and Sanitation Sector Reform in EECCA co-chaired by the EC (DG-ENV) and Ukraine.

The EU Water Initiative Working Group for the EECCA, brings together, inter alia, EU Member States and beneficiary countries and can act as a platform of discussion on the activities undertaken under this project.

2. REGIONAL CONTEXT

2.1. Cooperation related policy of beneficiary country

In most of the Countries' Poverty Reduction Strategies of the EECCA, water does not feature or is just briefly mentioned. Further, it is not a priority in national sustainable development strategies.

Integrated Water Resources Management (IWRM) and WS&S plans either do not exist or are not integrated. IWRM has become the basis for water policy only in four countries (Armenia, Moldova, Russia and Ukraine).

Political commitment remains low and water governance at all levels is weak.

2.2. Sector context

No studies of the current status of WS&S infrastructures and related investment strategy exist in the EECCA countries, with the exception of Ukraine.

Utilities have poor levels of investment planning. Project identification and prioritisation is lacking enough reliability to attract external sources of financing. The absence of monitorable service and management targets means that utilities are not held to account for the provision of adequate and efficient services to the public.

In most of the cases municipal water infrastructures lie in critical conditions and are further deteriorating along with the level of the services delivered. This result is an increasing negative impact on public health, on the economic and social development and on the environment.

The project aims at addressing these issues both at central Government level, by means of support in the preparation of financing strategies in the water sector and at the level of the municipalities and utilities by providing capacity building for the improvement of the service delivery.

3. DESCRIPTION

3.1. Objectives

Overall objective

Improved commitment to the achievement of the relevant water-related Millennium Development Goals is declared by the relevant EECCA authorities, through the acknowledgement of water supply and sanitation as priority sectors of intervention in their Poverty Reduction Strategies.

Specific objective

Relevant authorities are capable to prepare realistic and sustainable WS&S investment and financial plans.

3.2. Expected results and main activities

Results

- a) Support is provided to two of the CIS-7 countries (Armenia, Azerbaijan, Georgia, Uzbekistan, Kyrgyzstan, Tajikistan and Moldova) for the preparation and implementation of a national financing strategy for the water sector
- b) A multi-year financial planning tool, in support to the management cycle of water utilities is piloted.
- c) Support is provided for the preparation of a contract between a municipality and a water utility.
- d) Successful outcomes of the pilot activities are disseminated beyond the project boundaries.

Activities

As regards the achievement of result a), the proposed project is to develop a financing strategy for the WSS sector in two CIS-7 countries, using the FEASIBLE methodology that has been developed by the EAP Task Force. The main activities foreseen in this component are an initial review of the costs of WSS infrastructure investment, a review of current socio-economic and financial constraints in the WSS sector, the further development and comparison of various investment and financing scenarios and the preparation of an investment financing strategy.

Under result b) the project will improve the quality of financial planning in utilities by supporting the introduction of transparent, well recognised planning methodology. Key activities will be the development of a capital replacement programme and operations and maintenance programme, a cash flow analysis and a preparation of a corporate development plan.

On a pilot basis the project will support the development of a performance based contract between a municipality and a water utility (result c). This shall be carried out through a review of the current level of services provided and an analysis of the levels of service to be provided within the funds available in comparative terms with international benchmarks.

Achievement of result d) will consist in setting up a train-the-trainer programme for selected institutions in a number of EECCA countries. To the extent possible this phase of training could be built into some of the above-mentioned activities. In a second phase of work, training workshops for municipal and utility staff would be carried out.

3.3. Stakeholders

Direct beneficiaries of the intervention will be the relevant staff of the central and local Governments institutions, municipalities and utilities.

Trainings and workshops will be also made available for non-state institutions, for example the Regional Environment Centres.

Participating institutions, utilities and municipalities will be selected in consultation with the IFIs, donors and the EC Services.

3.4. Risks and assumptions

The project will succeed only with a high commitment by the authorities and the institutions concerned. Replication of successful project outcomes will principally be based on the political willingness of the concerned countries.

3.5. Conditionalities

Synergies are to be created with the EC support to WS&S investments under which a number of water and sewer schemes will be constructed or upgraded. The current proposal will simultaneously provide the water utilities with a better tool for the management of the schemes, therefore the selection process of beneficiary municipalities will necessarily reflect the pipeline of investments identified under the complementary investment project. This twofold approach is meant to have a pilot purpose, whose replication might be pursued with future Action Programmes.

3.6. Crosscutting issues

The project is relevant to all good governance aspects.

4. Implementation issues

4.1. Implementation method

Centralised management

4.2. Budget and calendar

The budget requested is € 1.5 Million to be entrusted to the OECD, which functions as secretariat of the EAP Task Force.

The foreseen duration of the project is 36 months.

4.3. Procurement and award of grants procedures

All contracts implementing the financing agreement must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.

The project implementation will be governed by an international organisation agreement between the EC and OECD, based on joint management between the two organisations or a Multi-donors Action if the latter is applicable.

4.4. Performance monitoring

Quarterly and annual reports will be produced by the contracting party. Objectively verifiable indicators will be agreed upon and included in the direct agreement at the start-up of the project.

4.5. Evaluation and audit

Evaluations and audits will be carried out using standard EuropeAid procedures.

Annexes

None.