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Findings on Financing

Rural Water Supply and Sanitation Services in the Danube Region

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Small scale providers form a large part of the sector structure

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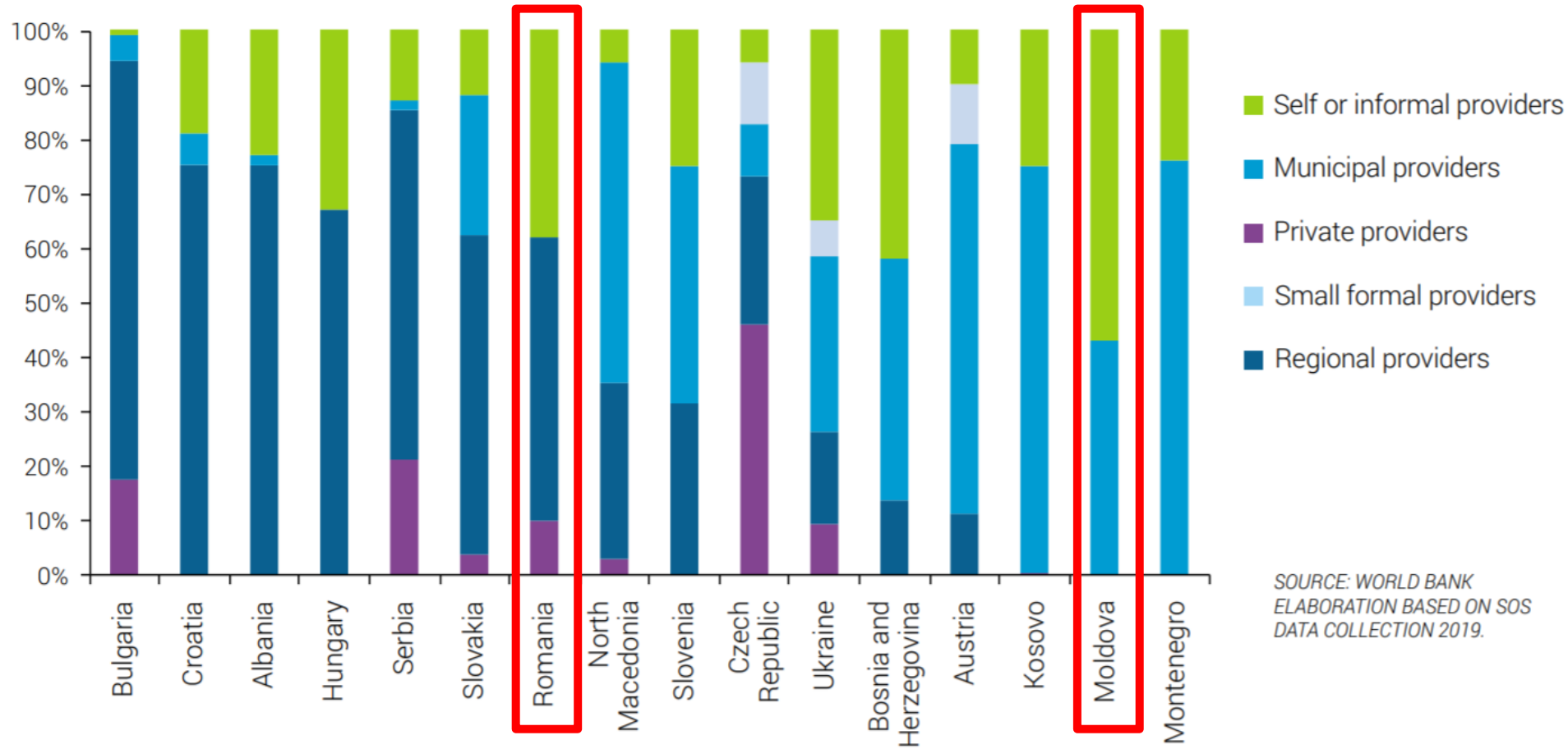
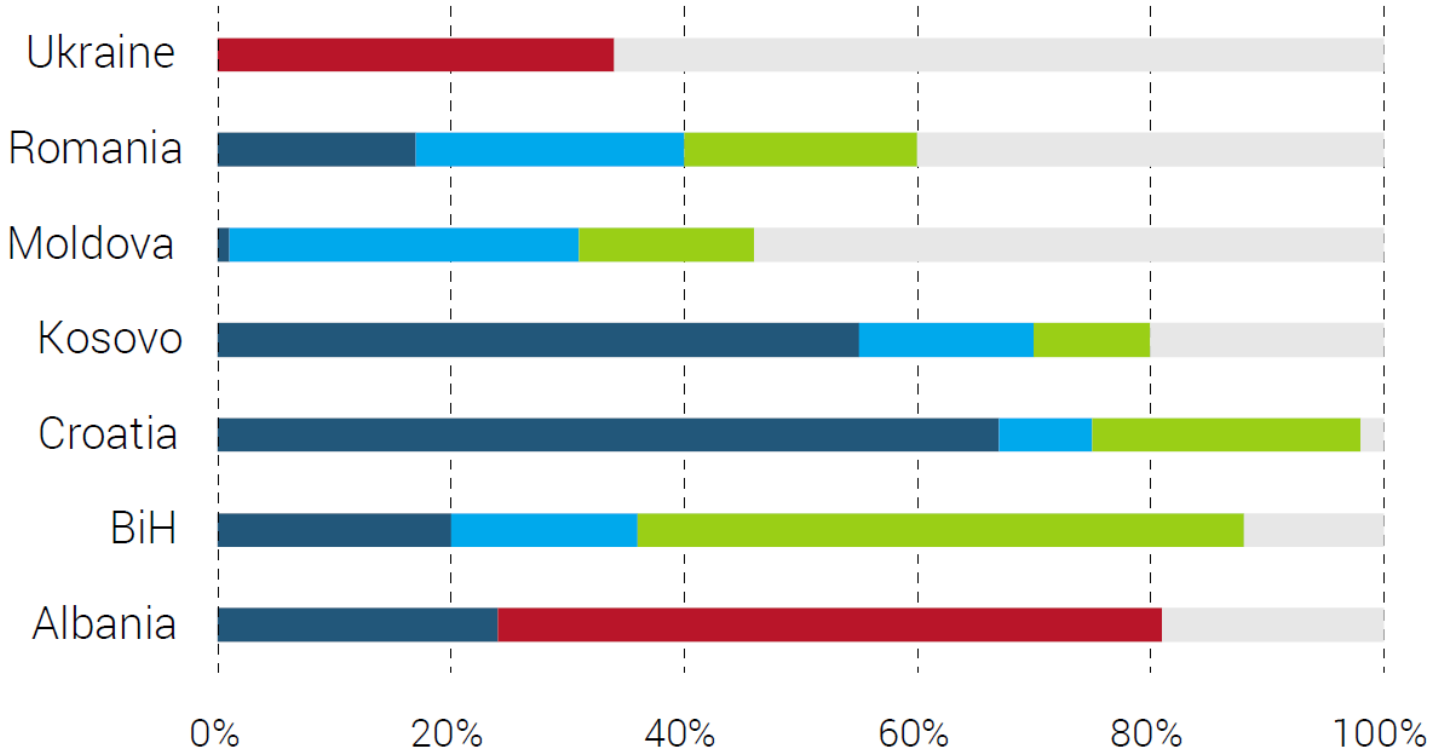


SOURCE: WORLD BANK ELABORATION BASED ON SOS DATA COLLECTION 2019.

Rural: service delivery models reliant on local - formal and informal operators and self-supply



SOURCE: WORLD BANK 2018A.

SDG agenda and Reforms are putting rural services on the agenda

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Moldova, Romania, Ukraine: large rural access gaps

- Large number of local service providers, although in Romania Regional Utilities serve rural areas to some extent

Croatia: largely closed the urban-rural access gap

- Aggregation of multi-city utilities, with further consolidation planned

Kosovo: reform addressing urban-rural access gaps

- Regional Water Companies are successfully integrating stand-alone rural systems and expanding services

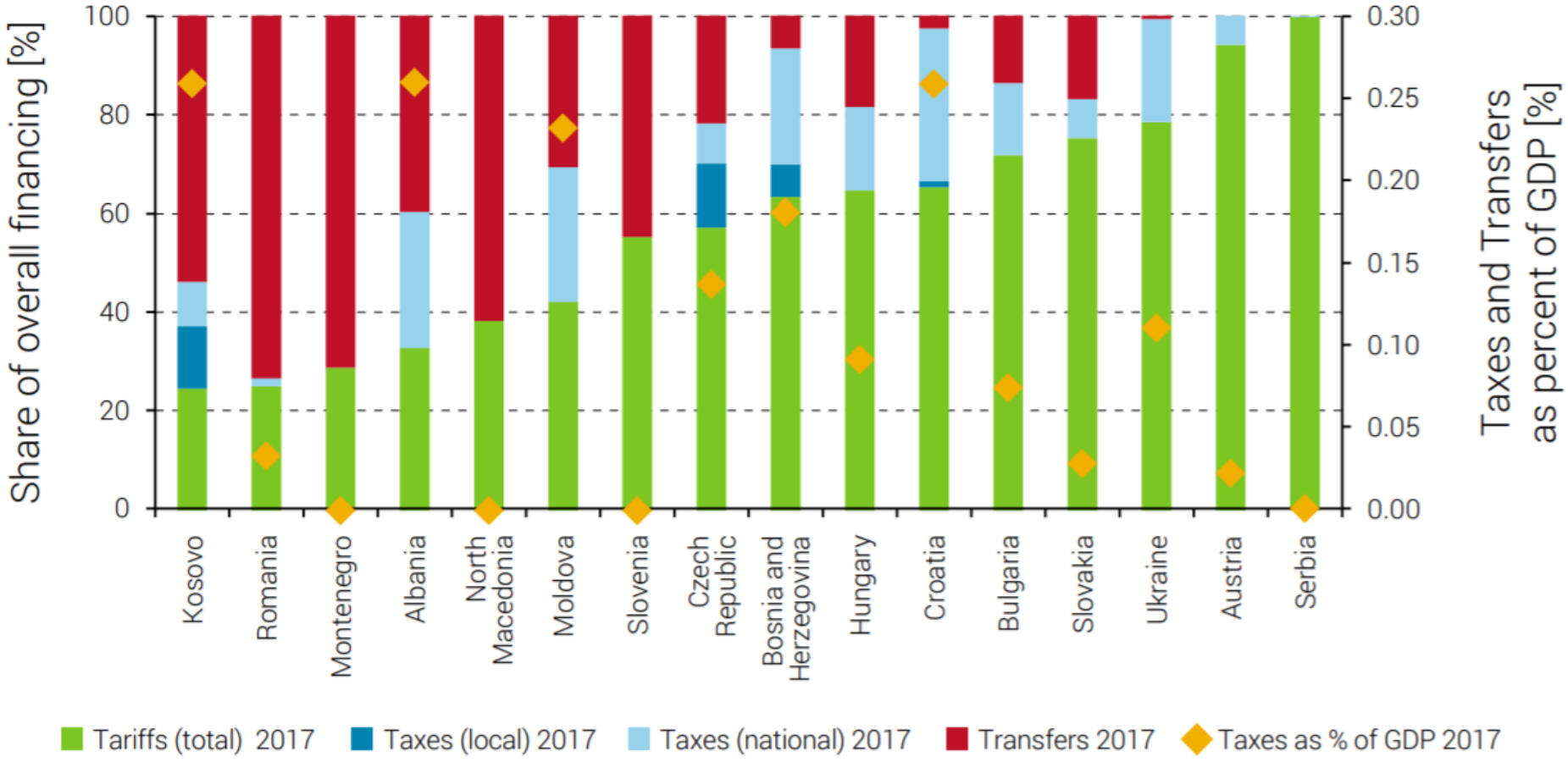
Albania: significant access gap remains and sector in transition

- Territorial reform and creation of regional utilities are expanding to non-served areas and integrate local systems under their management;

Bosnia and Hercegovina: high piped access with self-investment

- Consolidation of local service providers and municipal utilities to create economies of scale

Need to increase financing from Tariffs, while targeting Taxes and Transfers to address inequalities….social tariffs are part of the solution



SOURCE: AUTHORS' ELABORATION FROM SOS DATA COLLECTION.

Enabling Conditions: Dedicated and Substantial financing streams for operators to expand in rural areas; Tariff regulation applicable to rural operators for sustainability

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Building Block	Indicator	Albania	BiH	Croatia	Kosovo	Moldova	Romania	Ukraine
Institutional Capacity	Clear allocation and implementation of roles and responsibilities under a broader strategy that addresses rural water service provision							
	National sector documents provide description of RWS operator management models and their legal form							
Financing	Dedicated funding streams exist for WSS capital investments that prioritize rural areas							
	Policy documents prescribe tariff setting rules relevant also for rural water service provision							
Asset Management	Asset ownership is clearly defined and implemented as per the legal framework and understood by service providers							
Water Resources Management	Water abstraction permiting processes are in place and apply it to rural water services							
	Low prevalence of conflicts related to water use management as reported by municipal authorities							
Monitoring and Regulation	Existence of a national performance monitoring system for rural water operators							
	Water quality standards are defined that govern service provision in rural areas							

Limited ability of local rural governments to spend on WSS, especially as national funds often do not reach these areas

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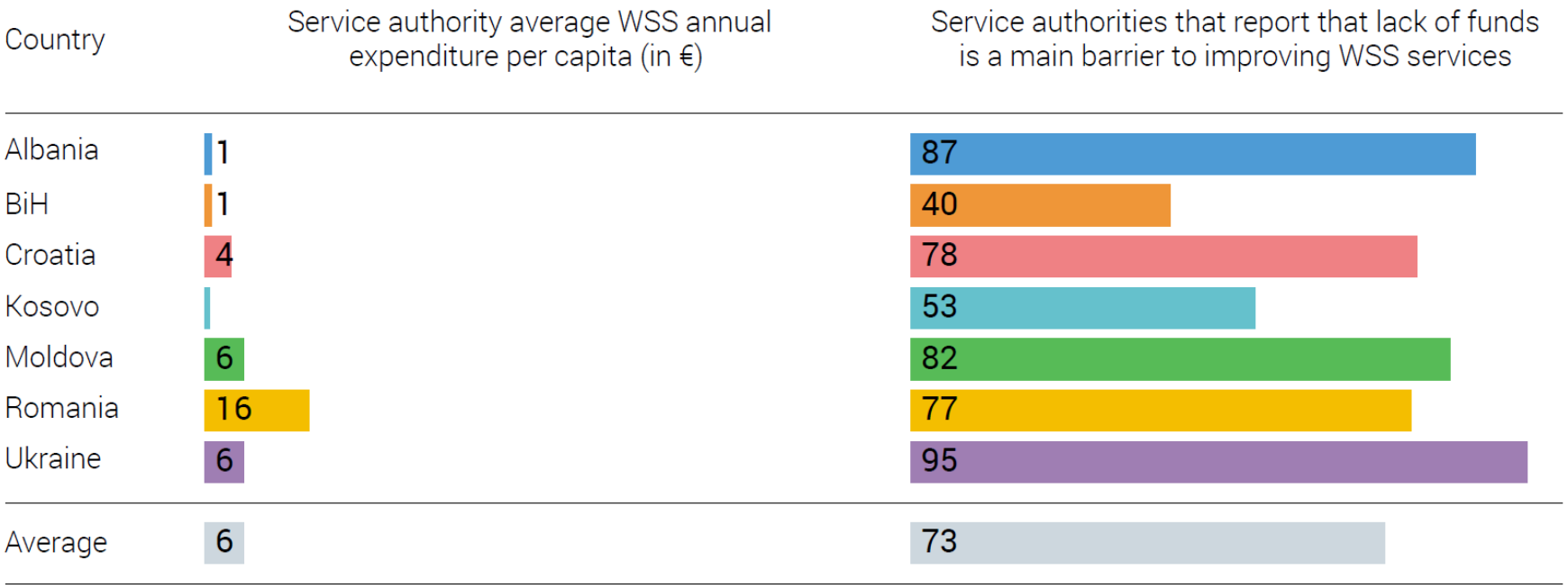
FIGURE 3.5: AVERAGE LOCAL GOVERNMENT (SERVICE AUTHORITY) ANNUAL PER CAPITA EXPENDITURE (IN €) OVER THE PAST YEAR (2016) ON WSS AND PERCEPTION OF ADEQUACY OF FUND AVAILABILITY, BY COUNTRY.



SOURCES: COUNTRY-SPECIFIC LOCAL GOVERNMENT SURVEYS.

Note: Data refer to both water supply and wastewater investments in the past fiscal year (2016). No data presented for Kosovo (no data in questionnaire); data submitted by the regulator for Kosovo estimate that per capita expenditure for rural water to be around euro 5.7 per capita (rural population), combined local and central allocations. Average is calculated by dividing total expenditure on WSS by the total population in the territory of the sampled local government. WSS = water supply and sanitation.

Affordability of the locally managed rural water supply tariffs similar to regional/urban utilities

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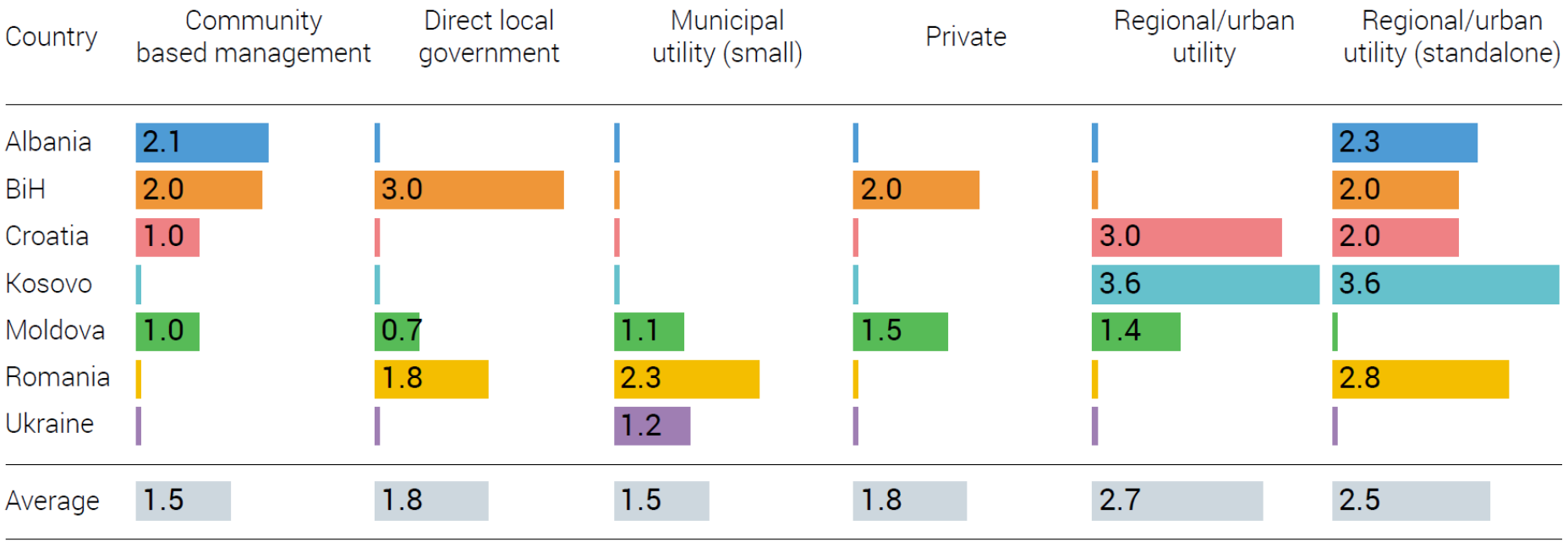
FIGURE 3.7: PERCENTAGE OF MONTHLY PER CAPITA EXPENDITURE AS OF MONTHLY PER CAPITA INCOME/CONSUMPTION DEFINED AT NATIONAL POVERTY LINE (IN 2016 PRICES) BY MANAGEMENT MODEL AND BY COUNTRY.



SOURCES: COUNTRY-SPECIFIC HOUSEHOLD SURVEYS (USING WATER BILLS OF RESPONDENTS) AND NATIONAL POVERTY LINE DATA (SEE ALSO COUNTRY NOTES).

Main barriers for self-supply households were not the tariff, but connection costs that come with it… willingness to pay can be enhanced with good awareness

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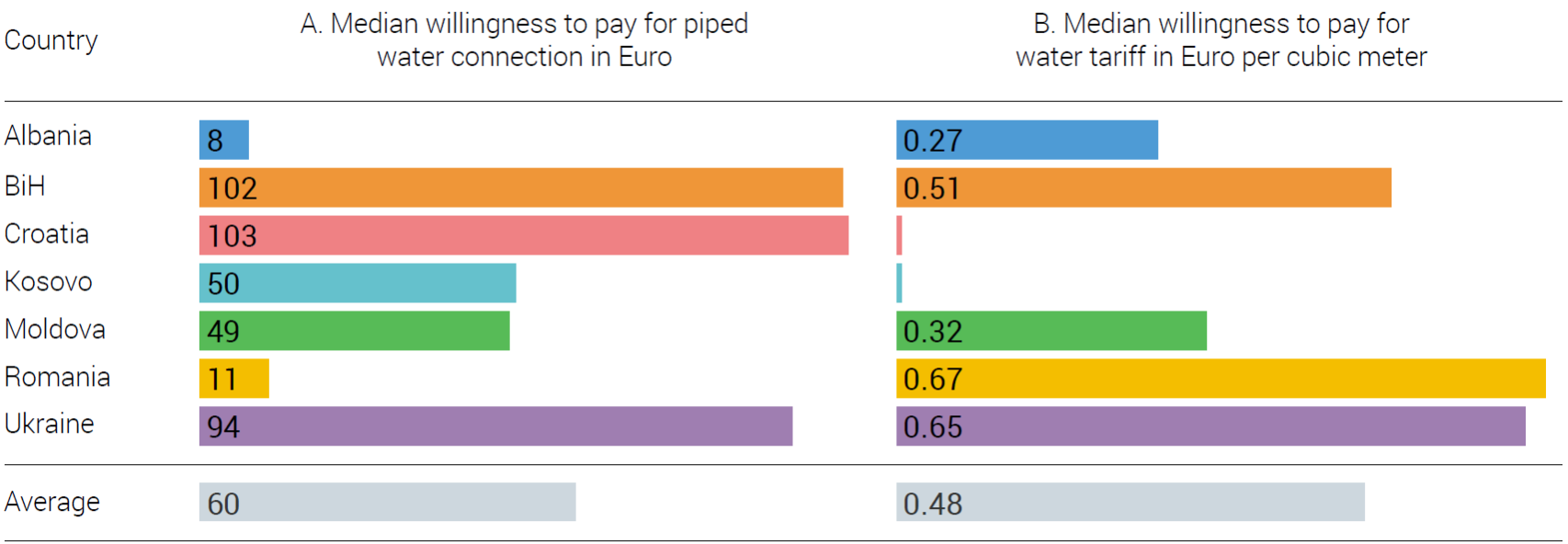
Social tariffs targeted to the poorest group (below the poverty line) should be explored to allow higher levels of cost recovery (beyond operational)

FIGURE 4.3: WILLINGNESS TO PAY FOR PIPED WATER TARIFFS (PANEL A) AND CONNECTION FEES/COSTS (PANEL B) AMONG SELF-SUPPLY HOUSEHOLDS, BY COUNTRY



SOURCES: COUNTRY-SPECIFIC HOUSEHOLD SURVEYS.

Note: Data sample too small for Croatia and Kosovo.

Salient features of social water tariffs in “old” EU countries..

- **Financing:** through **cross-subsidies within each utility;** no central budget or national social system funding; could also be from a national solidarity fund

- **Targeting:** use either national social system for assessment (simple markers), or social assessment done at discretion of utility or municipal level (means testing)

- **Cost:** From 2% to 10% of total utility revenues (**usually ~ 5%), paid for by other customer groups**

Voluntary uptake of social tariffs by utilities illu
that they make social and commercial sense
Increasingly national guidance offered

Social water tariffs are relevant for EU accession and candidate countries

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Massive WSS tariff increases, still more to go… How to make these tariff rises socially acceptable?

Some considerations

- Much wider disparities within municipalities/utilities in country;
- Social tariffs may need **to be funded by central budgets** (poverty, territorial solidarity), not utility cross-subsidies
- **Not always efficient social schemes in place** to identify and target beneficiaries;
- This may make implementation more costly (need to be balanced with the gains); use of other sectoral schemes (heating)

THREE KEY MESSAGES TO CLOSE URBAN-RURAL GAP

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1. *Developing the* **enabling environment,** *policies, legislative framework, financing and support measures for* **all delivery models**

2. *Achievement of SDGs requires* **multiple service delivery models** *for rural areas operating* **in parallel:**
   - Regional/urban service providers expanding to rural areas
   - Supporting local operator models, through profesionalization
   - Improving self-supply for dispersed populations

3. *Sanitation solutions for rural areas need to go beyond sewerage,* **anchored in local reality** *and require local government engagement*

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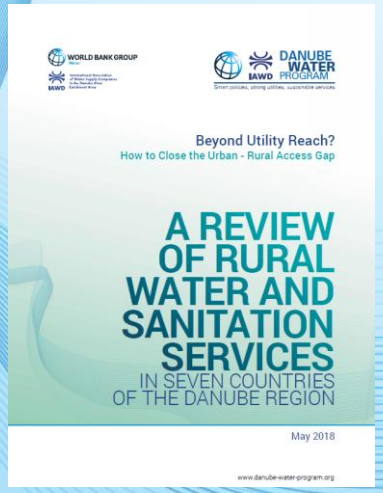
THANK YOU



http://www.danube-water-program.org/media/Program_activities/Analytical_and_Advisory_work/RWSS_Report.pdf