

Financing Wastewater Treatment Infrastructure and its Operation – Parallel Session B

Date: Thursday, May 18

Time: 11:30 to 13:00

Location: Prater 3+4

Session organizer and Moderation: Mr. Stjepan Gabric, Senior Water and Sanitation Specialist, World Bank

Simultaneous Translation: No

Session structure

Time		Content	Speaker
11:30	05'	Introduction and presentation of the session by the Chairman	Mr. Stjepan Gabric , Senior Water and Sanitation Specialist (World Bank)
11:35	15'	Financing WWT infrastructure construction in Croatia – issues and challenges of UWWTD harmonization Click here for presentation	Ms. Vesna Grizelj Simic , Sector for supporting the preparation and implementation of EU project, Croatian Waters
11:50	15'	Romanian experience in UWWTD implementation - financial aspect, issues and challenges Click here for presentation	Ms. Ioana Nedelea , Headquarter of National Administration Romanian Waters, Management Plans Department
12:05	15'	Financing operation of WWT facilities in EU countries of the region – sustainability and full cost recovery Click here for presentation	Mr. Michael Jacobsen , Senior Economist, COWI
12:20	15'	Sustainable infrastructure in Water Sector: Key benefits of DBO / BOT models Click here for presentation	Mr. Philippe Thiel , Project Director, SUEZ
12:35	20'	Panel How to efficiently finance construction and operation of wastewater treatment infrastructure in new EU countries?	Moderator: Mr. Stjepan Gabric Panelists: <ul style="list-style-type: none"> - Ms. Vesna Grizelj Simic (Croatia) - Ms. Ioana Nedelea (Romania) - Mr. Michael Jacobsen (COWI) - Mr. Philippe Marin (World Bank) - Ms. Klara Toth (Senior Economist, Umweltbundesamt GmbH, Vienna) - Mr. Goran Cvetanovic (Mayor, Leskovac, Serbia)
12:55	5'	Wrap-up	Mr. Stjepan Gabric
13:00		End of the session	

Speakers' bios

- ▶ **Mr. Vesna Grizelj Šimić** (Croatian Waters, Government agency for water management, Sector for supporting the preparation and implementation of EU project) is experienced project manager with broad experience in: preparation and adaption of the planning and programming documents for water management (which provides requirements for the use of financial support for the implementation of projects through EU) funds including supporting documents for the reform of the water utility sector, preparation and implementation of international projects and programs financed by IFIs, coordination of the affordability assessments at national and project level related to the implementation of water-utility Directive, coordination and supervision of activities in the preparation of water-utility EU projects.
- ▶ **Ms. Ioana Nedelea** is working for 15 years in the Headquarter of National Administration Romanian Waters (NARW). She is a technical expert in the Management Plans Department from NARW and is in charge with implementation of Water Framework Directive provisions, especially the requirements of Urban Wastewater Treatment Directive 91/271/EEC, Nitrates Directive 91/676/EEC and related national legislation. She is a part of the Agriculture Working Group for Common Water Framework Directive Implementation Strategy (CIS WFD at European Commission level), and is contributing to WISE reporting (Water Information System of Europe) of the River Basin Management Plans and the requirements of Nitrates Directive to the European Environment Agency.
- ▶ **Mr. Michael Jacobsen** (Project Director, Water – COWI) is an economist by training. He has worked with water supply and sanitation planning and financing in EU and candidate countries since 1991. He is currently deputy team leader of the Western Balkans Investment Framework Investment Preparation Facility 5 based in Belgrade. Prior to this he has been with the World Bank including as Lead Water Supply and Sanitation Specialist based in Sofia and has worked for COWI in most of the countries in the region.
- ▶ **Mr. Philippe Thiel** (BOT Project Director) is working for 26 years in Suez. He has developed over the last 10 years, experience in development of opportunities, structuration of PPP/ BOT projects, elaboration and management of proposals and management of BOT contracts in water, wastewater and solid waste sectors in Europe, Africa and Middle East. Prior to this he worked in the internal audit department and in the financial direction where he occupied different positions of which treasurer and financial controller.
- ▶ **Mr. Philippe Marin** is a senior water and sanitation specialist in the water global practice of the World Bank. An expert on water utilities reforms and financing, he has 25 years of experience working on water infrastructure projects, technical assistance and policy advice to governments in more than 50 countries. He is currently based in the Bank's office in Sofia, Bulgaria, where he focuses on developing the Bank's water portfolio in EU countries.
- ▶ **Ms. Klara Toth** is Senior Economist with a long experience in water sector from the Danube region, based in Budapest. She is working on assessment of economic impact of UWWTD in Danube region as a part of Umweltbundesamt team.
- ▶ **Mr. Goran Cvetanovic**, Mayor of Leskovac, Serbia, has twice served as President of the Leskovac City Assembly and was the first Mayor of Leskovac the function he still holds. As Mayor of Leskovac he is dedicated to building beautiful, modern and economically strong city.

Session summary

The objective of the session was to provide an insight in to financing of wastewater treatment infrastructure construction and its operation in South Eastern European countries under EU sphere of influence, with a closer focus on financial challenges and sustainability of operating new wastewater treatment facilities.

Wastewater treatment coverage in the region shows significant improvement over the last 15 years, but still remains the least developed aspect of water service provision. The EU Urban Wastewater Treatment Directive (UWWTD) is known as the single most expensive piece of EU legislation, requiring wastewater treatment for all agglomerations of more than 2000 PE. At the beginning of the EU expansion process in the region, wastewater treatment was significantly less developed than other aspects of water services provision, with about 35 percent of the total population in the region

connected to any level of treatment in 2000. The situation has been gradually improved following EU expansion in the region and large investments that have followed in EU member countries, but the region is still significantly behind other parts of Europe in the area of wastewater treatment.

Because of the above fact, the largest amount of investments in WSS sector will go toward wastewater treatment. The structure of financing of wastewater services in the region varies widely from country to country, but investments are generally supported by public funds and external transfers, while operational expenditures are mostly covered from utilities' own tariff revenue. Increasing costs of wastewater collection and treatment have driven increases in tariffs throughout the region, to the point where services might become unaffordable for lower-income customers in some countries, yet the region is still far from putting the Water Framework Directive's (WFD's) principle of cost recovery into reality. Countries in the region have adopted varied approaches to the financing of water and wastewater services, however, common to most countries are above-inflation increases in both costs and tariffs, as well as significant levels of subsidies for investments and to a lesser extent operational costs.

The session began with presentations on the experience in the **implementation of the Urban Wastewater Treatment Directive in Croatia and Romania** by **Ms. Vesna Grizelj Simic and Ms. Ioana Nedelea**. Some of the lessons learned from these experiences include call for preparing planning documents, determining necessities of framework and finding financial support should be part of the implementation activities during the process of joining the EU. In addition, 95% investment programs are planned to be nominated for EU funds and the rest should be supported by national funds and IFIs. What is important to prepare projects for EU funds? It is important to have clear project structure, with an agreed approach and methodology, follow a combined approach, taking into account the impact on water bodies, take into consideration capacities of water services providers, depending on how fragmented the water sector is, consider mergers (at least on project level) and do prioritization and systematization of projects.

Some of the key messages provided by **Mr. Michael Jacobsen and Philippe Thiel** on the financing of wastewater infrastructure include the incorporate implementation into existing management mechanisms; reconstruction of water sector, reorganization of economic scale, administrative process and issue permits are needed; planning and program framework should be defined for project control, establishment of authority body on all levels is needed; prepare public utility companies for reorganization of water sector, aggregate where needed or possible; cost tariffs should cover proper maintenance; asset management is key for establishment of maintenance and replacement plan; qualified staff is needed to properly run projects – invest in capacity building; most challenges are related to funding, implementing the required reforms and having the technical and financial capacity to maintain the “sustainable solution”; from this, the question “is sustainability affordable?” arises, may need to redefine sustainability on a local level (so that operators can achieve the imposed quality standards and the populace can afford the water services); benchmarking constantly against own operations and other targets in the sector – vital to achieve an operational optimum (ISO 55000).

With contributions from Laura Stanescu