



AFFORDABILITY CHALLENGES

CASE STUDIES FROM THE EASTERN EUROPE, CAUCASUS AND
CENTRAL ASIA (EECCA) REGION

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OECD water work in EECCA

- GREEN Action Programme
- Policy reform
- Economic and financial focus
- Work with UNECE
- National Policy Dialogues

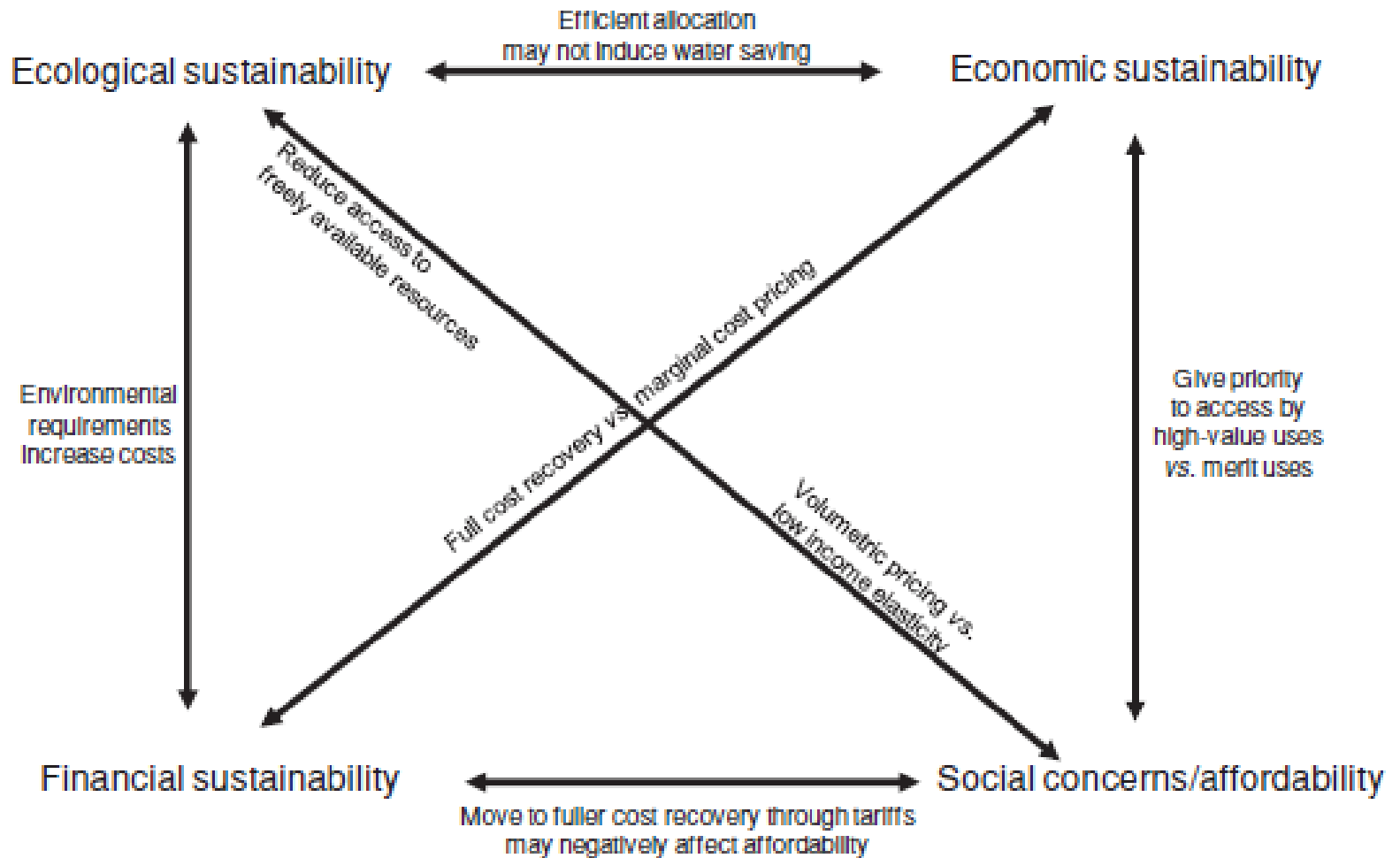


Common challenges

- Willingness to pay, ability to pay and political acceptability
- Unfocussed tariffs and subsidies
- Impact on consumption
- O&M cost coverage
- Access to service
- Urban versus rural
- Extremes of utility scale
- Design standards
- Infrastructure and service quality
- Cost recovery and the link to low performing utilities
 - Impact on vulnerable customers



Policy tensions





Example of Moldova

- Policy objective: ensure access to WSS at affordable prices for all
 - Improving and strengthening domestic financial support mechanisms
 - Establishing a sound economic regulatory system for WSS
- Ambitious sector development targets
 - EU integration objectives
- Economic and socio-demographic developments
 - Population shifts: urban versus rural
 - Urbanisation and migration
 - GDP breakdown – industry 40% to 20% in 20 years
- Infrastructure
 - Deterioration
 - Extension, poor coverage in rural areas
 - Scale and sizing – link to population challenges and design standards
 - Consumption patterns, introduction of metering in urban areas
 - Climate change exposure
 - Dependence on donor community for capital investment



Example of Moldova

- Water sector considerations
 - Recent adoption of universal tariff methodology
 - volumetric
 - High variation in both tariff rates and affordability
 - O&M and investment costs often not covered
 - Uneven distribution of income: urban versus rural
 - Fragmented operation
 - 39 operators for urban areas and towns (2 large operators covering 42% of population)
 - Rural areas served by municipal enterprises and small scale private operators
 - Economic regulator established (September '14, responsibility for tariff setting)
 - Cost recovery vs affordability
- Affordability
 - Defined as 5% of average income



Example of Moldova

- Social support
 - No single body responsible for social issues in support of the WSS sector
 - Very little available in terms of, discount, hardship relief or support to become connected to the system
 - Subsidies used to be prevalent (business to household)
 - Targeted compensations for certain vulnerable segments of the population (Ministry of Finance and Ministry of Social Affairs)
 - The Ministry of Labour, Family, and Social Protection is developing a social safety net. It aims at providing assistance to the most vulnerable parts of the population to help paying for WSS expenses.
- Challenges
 - Lack of a specific focus on the vulnerable
 - For instance capital expenditure projects also have economic and environmental targets
 - Ineffectiveness of the support mechanism
 - For instance low tariffs benefit rich and vulnerable customers alike



Example of Moldova

- Little scope for tariff increases
- Efficiency increases and restructuring to enhance affordability
- 19% of rural population living in poverty
 - Regionalisation of services, uniformity of tariffs
- Affordability versus accessibility
- Proposals under review
 - Regulator or other body to report annually on affordability and accessibility
 - Regulator or other body to challenge and review investment plans
 - Update design standards for new infrastructure
 - Review of institutional organisations providing social support
 - Regional approach to support, with local communities knowing who to support and how



National Policy Dialogues on water – a policy process rather than a technical project

- NPDs - platform for the policy discussions and preparation and implementation of national policy documents (e.g. Governmental and Ministerial Orders) – “policy packages”
- NPD are led by a senior official, usually the Deputy - Minister for Environment/Water Resources
- High-level officials representing different sectors of economy (water, agriculture, industry, other) comprise NPD Steering Committee
- Stakeholders include governmental entities, utilities, NGOs, science, private sector entities,
- Donors and international organisations take part in the SCs meetings
- The dialogue is supported by robust analytical work
- Platform for shining a light on difficult sector issues
- Moldova NPD an example of commissioning sector wide projects



Thank you!

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