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Water Supply and Sanitation: Regional challenges and financing opportunities

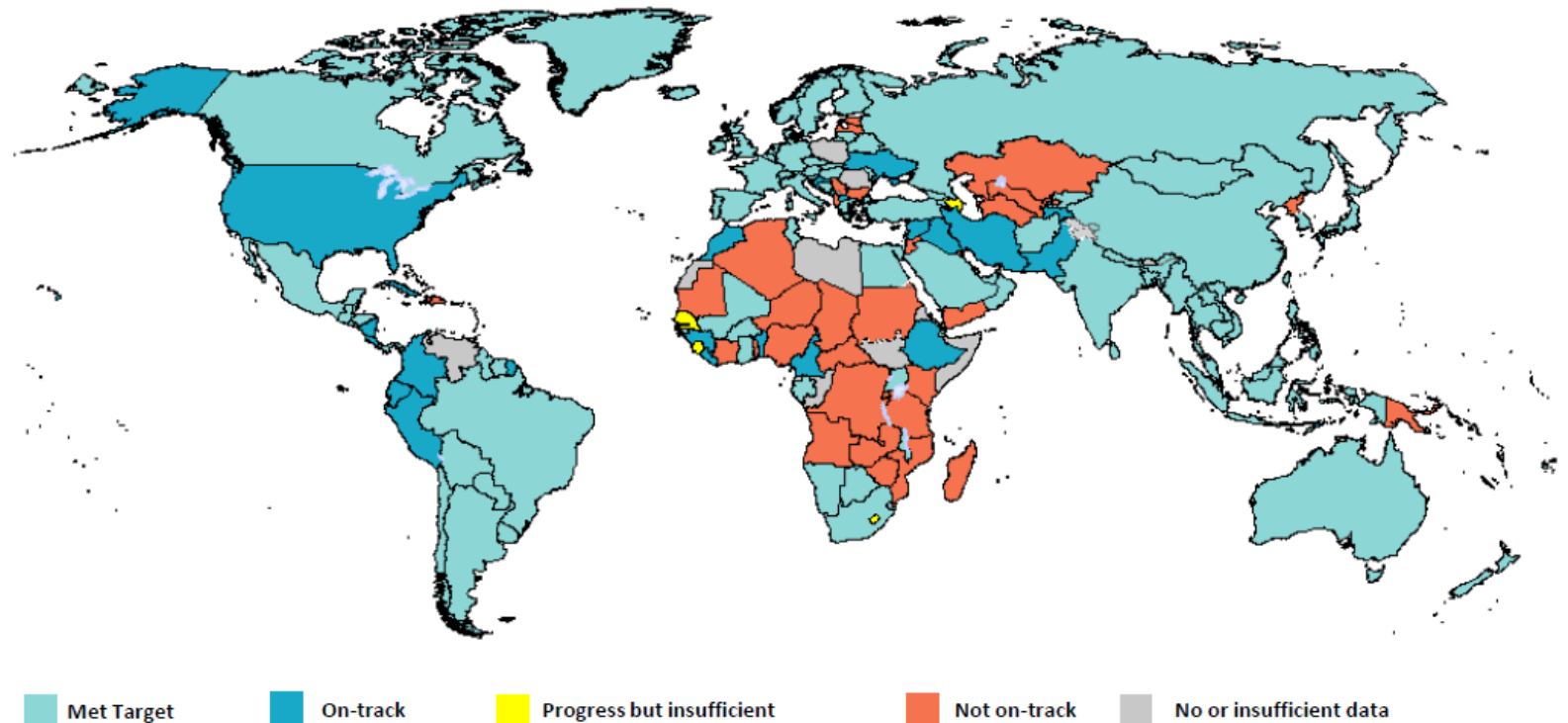
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1. Millenium Development Goal for Water: Uneven progress in Central Asia

116 countries have already met the MDG drinking water target, 31 are on track and, 45 are not on-track



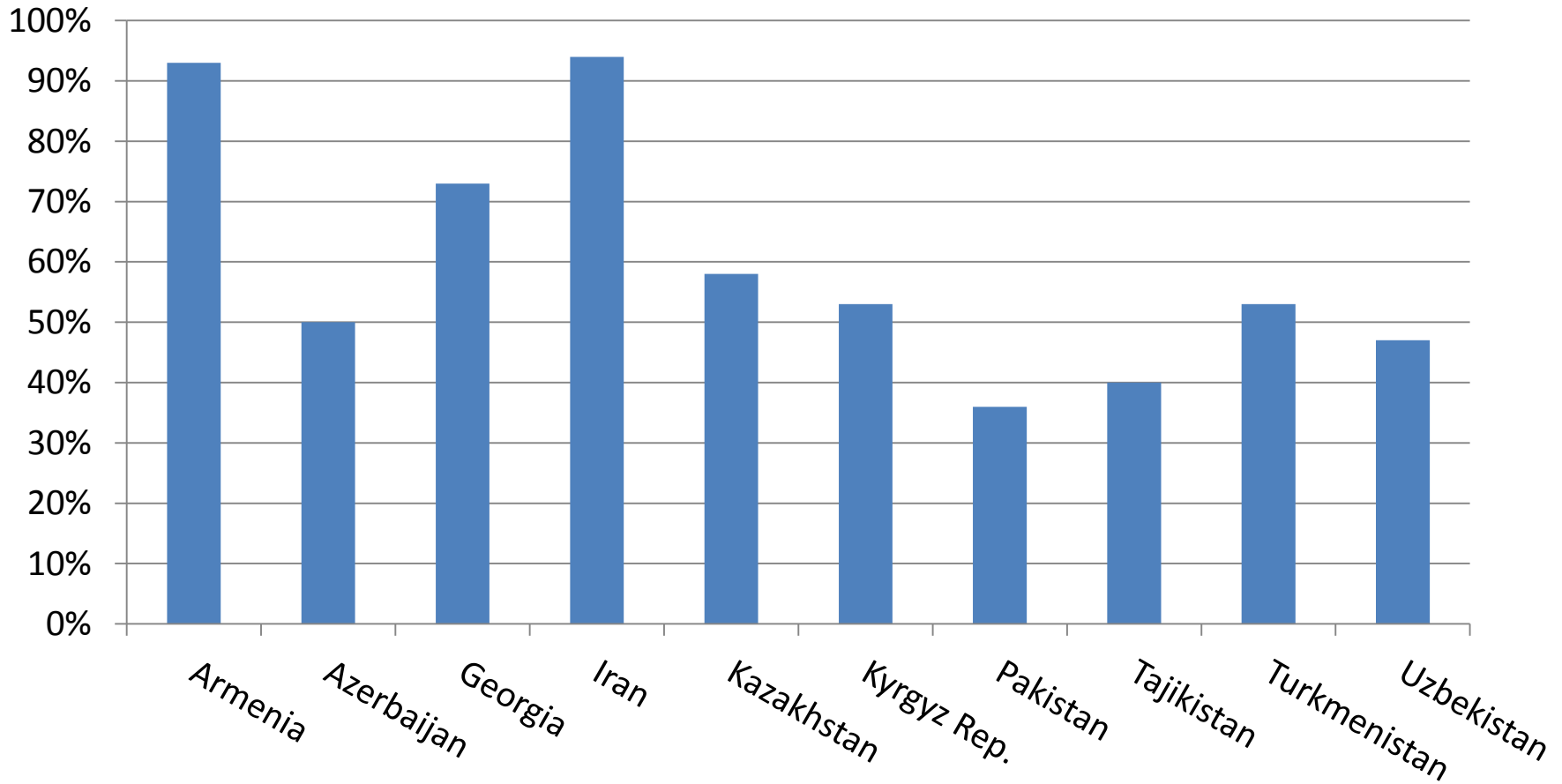
Progress towards the MDG drinking water target, 2012; Source: WHO/UNICEF JMP 2014-Update

Global MDG target applied to countries, areas or territories. These assessments are preliminary; the final assessment will be made in 2015 for the final MDG report.

Method: if 2012 estimate of improved drinking water or improved sanitation coverage is i) greater than or equal to the 2015 target or the 2012 coverage is greater than or equal to 99.5%: Met target; ii) within 3% of the 2012 coverage-when-on-track: On track; iii) within 3-7% of the 2012 coverage-when-on-track: Progress insufficient; iv) >7% of the 2012 coverage-when-on-track or 2012 coverage \leq 1990 coverage: Off track

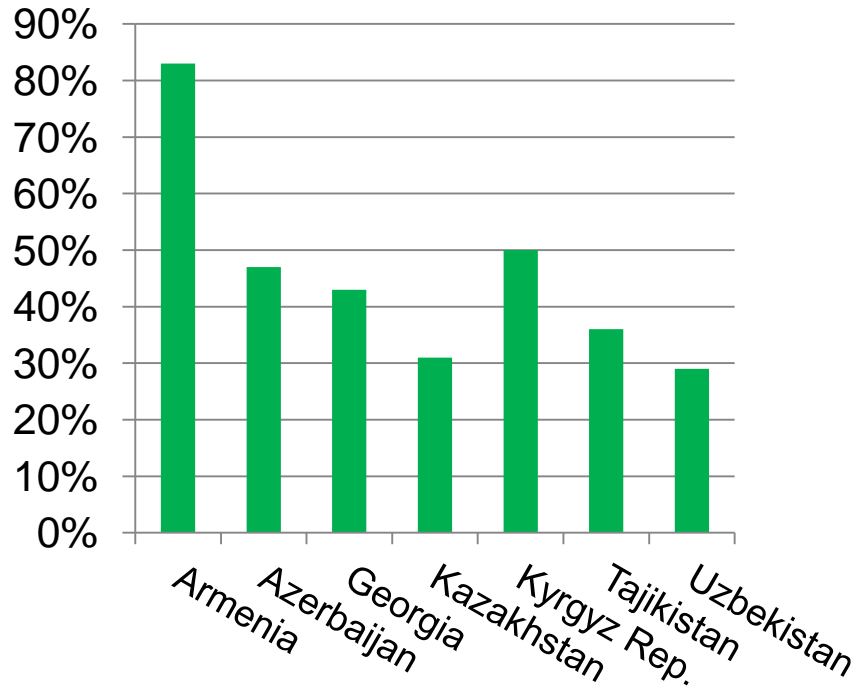
Source: WHO/UNICEF Joint Monitoring Program, 2014 Update

2. Poor access to effective piped water service

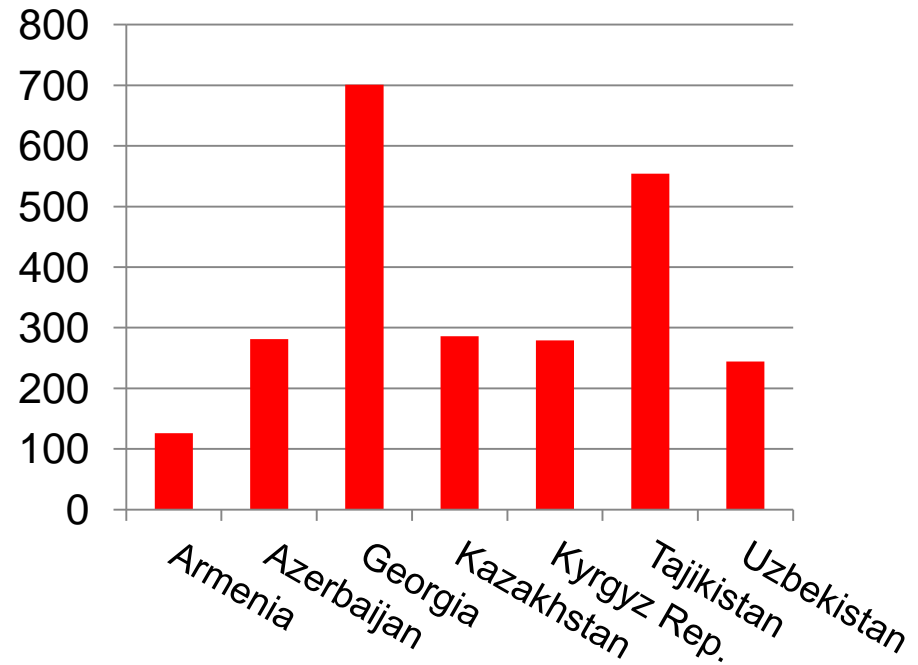


3. Highly inefficient water use: Non-revenue water and wasteful demands

High Non-Revenue Water (%)



Excessive Unit Demands (liter/capita/day)



4. Unaffordable cost of sector development needs?

2015-2030 Capital Expenditure (USD million)	Access Development Scenario	Access Development, Rehabilitation & Demand Management Scenario (*)
Kazakhstan	1,850	4,990
Kyrgyz Republic	440	2,240
Tajikistan	950	1,800
Turkmenistan	620	1,920
Uzbekistan	2,200	9,500
Total	6,060	20,450

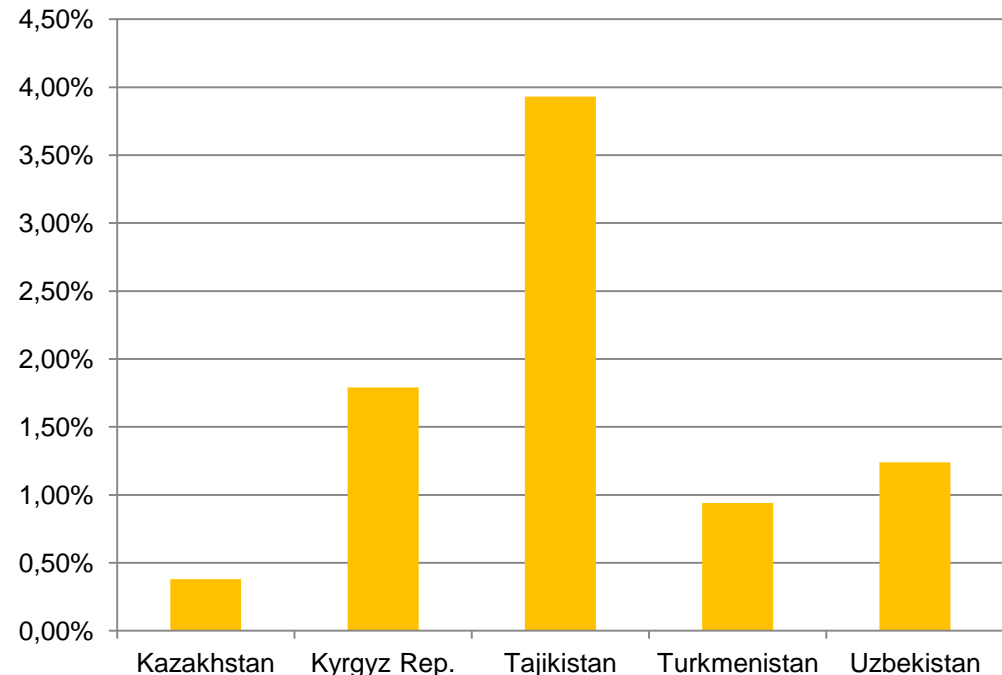
(*) Indicative scenario

Source: World Bank, 2014, Managing Water in Central Asia (Unpublished, preliminary results)

5. Investments justified to mitigate impacts of inadequate WSS

- Public health costs, productivity losses, and coping costs associated with lack of service or poor service, estimated at **\$2.1 billion/year for CA.**
- Impact ranges from 0.4% of GDP in Kazakhstan, to **3.9% of GDP in Tajikistan.** Impact highest on poor and rural populations.
- Further impacts on O&M costs, water resources, real estate, etc.

Economic Impact as % of GDP



6. Asking the right question

Wrong question:

- How do we finance and implement \$20 billion in Central Asia by 2030? (*)

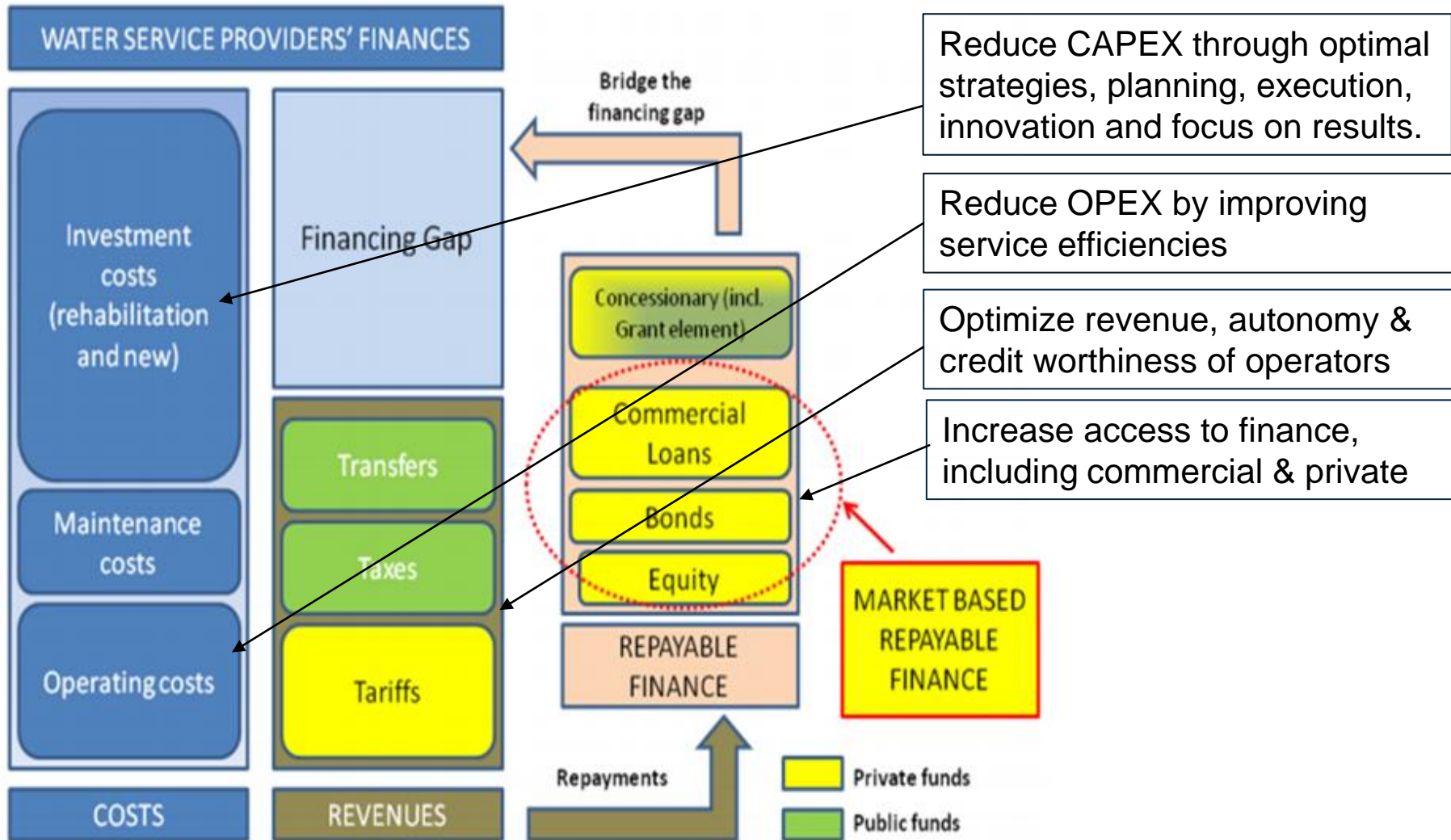


Right question:

- How do we maximize the productivity of costs we can afford?



7. Financing WSS Service Provision



8. Enabling institutional reforms

- **Strengthen accountability, performance and autonomy of service providers** (effective decentralization, efficient service perimeters,...)
- **Strengthen and clarify the role of central institutions** for policy-making, regulatory, oversight/monitoring functions. Address data gap.
- **Improve governance** through increased transparency and social accountability.
- **Introduce competitive or emulation pressures**, through selective private sector interventions.

9. Update strategies, standards & planning

- **Minimize service and infrastructure costs** through optimized strategies and standards.
- **Develop master plans** consistent with **efficiency** (demand management, NRW reduction, energy efficiency) and **environmental sustainability** (resource conservation & protection, climate resilience...) objectives.
- **Address implementation inefficiencies** (absorption capacity, procurement, construction quality & delays...)

10. Necessary Sector Financing reforms

- **Structured approach to promote autonomy & credit-worthiness of utilities**
- **Reform tariff structures and regulation** for cost recovery, including:
 - Metered block tariffs for demand management
 - Targeted subsidies for affordability to poor
- **Provide incentives for performance & efficiency gains**, rather than untargeted grants & subsidies.
 - New instruments tied to results (access, quality or efficiency) (e.g. Program For Results, Output-Based Aid,..)

11. Better use of public & private resources

Extracting the full benefits from public or private financing requires good public institutions:

- Promote public funds performance, through fiscal **transparency and public expenditure reviews**.
- Fund **necessary public functions** for policy-making, regulation, monitoring, and decision-support data.
- Create an **enabling regulatory environment for private sector** participation and financing.
- Reduce private financing costs by providing **risk guarantees**, or increasing contract length & predictability.

12. Human capital and capacity building

- **Redevelop human capital** in the sector at the central and local levels
- **Build technical and managerial capacity**, through human resource management, compensation, incentives and training.
- Develop academic and capacity building programs, regional cooperation (**Water Operator Partnerships**)
- **Promote innovation and modern practices**, including to private sector participations.

13. Some parting thoughts....

- ✓ Finance is one resource; good **institutions, people**, and **efficient technical solutions** are prerequisites for using money well;
- ✓ The real challenge is **achieving results**, not resources.
- ✓ Sectors that use funds effectively will **attract more funds**.
- ✓ **Underpricing water** leads to overconsumption, reduced incentives to tackle NRW, delays in maintenance and investment, and services dependent on subsidies.
- ✓ **Donor assistance** is a small part of the equation. It should help government spend its money most effectively and catalyze private sector investment in public goods.



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Thank you

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