Water Supply and Sanitation: Regional challenges and financing opportunities

Pier Francesco Mantovani
Lead Water Supply and Sanitation Specialist
Water Global Practice, Europe and Central Asia

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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

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)

Source: IBNET 2014, Self-reporting by participating utilities (non representative sample)
4. Unaffordable cost of sector development needs?

<table>
<thead>
<tr>
<th>2015-2030 Capital Expenditure (USD million)</th>
<th>Access Development Scenario</th>
<th>Access Development, Rehabilitation &amp; Demand Management Scenario (*)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazakhstan</td>
<td>1,850</td>
<td>4,990</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>440</td>
<td>2,240</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>950</td>
<td>1,800</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>620</td>
<td>1,920</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>2,200</td>
<td>9,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,060</strong></td>
<td><strong>20,450</strong></td>
</tr>
</tbody>
</table>

(*) Indicative scenario

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.

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?

(*) Answer: Increased donor mobilization will not be enough
7. Financing WSS Service Provision

Optimize revenue, autonomy & credit worthiness of operators

Reduce OPEX by improving service efficiencies

Reduce CAPEX through optimal strategies, planning, execution, innovation and focus on results.

Increase access to finance, including commercial & private

Source: OECD, 2010
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.

Sources: Manghee, 2012; Van Ginneken, 2011; Buntaine, 2013; WSP
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.
Thank you

water.worldbank.org

pmantovani@worldbank.org