

# Improving Service Quality for Municipal Water Utilities in Central and Eastern Europe

*Lyudmil Ikonov*

*Consulting Centre for Sustainable Development GEOPONT-INTERCOM*

*Environmental Advisor to the Municipality of Varna*

# **I. Situational analysis with regard to municipal water services in CEE**

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- Ownership of water facilities and jurisdiction over water areas;
- Current Situation at National Level in CEE Countries;
- Current Situation at Municipal Level in CEE Countries

# Ownership of water facilities and jurisdiction over water areas

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- State owned, municipally owned and privatised water and sewer utilities;
- State ownership of the beaches;
- State ownership of ports;
- Limited jurisdiction of the local authorities over water areas;
- Municipalities can contribute to clean waters mostly by promoting initiatives;

# Ownership of water facilities and jurisdiction over water areas (cont.)

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- Water and sewer services are monopolised rather than decentralised;
- Water regulators are not in place;
- Persistent pressure from potential investors for preserving the monopoly;
- Water utilities are frequently reporting high losses in water supply mains (over 50%);
- Pressure on the legislators to make billing the customers for the losses legal.

# Current Situation at National Level in CEE Countries

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- Fast harmonization of the national water legislation;
- Fast adoption of National Policies and Strategies;
- Institutionalisation of the Water Management:
  - Setting the boundaries of the River Basins;
  - Establishment of River Basin Directorates;
  - Establishment of River Basin Councils.
- **Implementation and Compliance**

# Current Situation at Municipal Level in CEE Countries

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- a. Understanding the concept of sustainability;
- b. Sustainable Management of Water Resources;
- c. Sustainability in planning the urban infrastructure;
- d. Coordination between central and local authorities in the planning process.

# a. Understanding the concept of sustainability

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- Problems of understanding the concept at the language level;
- “Sustainable development” is not a synonym of “good development”;
- Indicators and measures of sustainability.

## b. Sustainable Management of Water Resources

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- Orientation of the education and training system in CEE in the field of Water Resource Management;
- Making difference between environmental and financial sustainability;
- Understanding the environmental externalities;
- Understanding the Carrying Capacity concept;
- Understanding the cost-benefit analysis.

## c. Sustainability in planning the urban infrastructure

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- We have inherited sometimes strange WWTP concepts and decisions:
  - In terms of engineering design;
  - In terms of funding and maintenance;
- Neighbouring municipalities are not involved (role of the municipal associations);
- Persistently ruling out the local authorities and the public from the planning process.

## d. Coordination in planning between the central and local authorities

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- Institutional network of the central government:
  - Ministries, Agencies,
  - Provincial/District/County Administrations
- Institutional network of the local authorities
  - Municipal Administrations (Regional Administrations)
  - Mayors of towns and villages
- Both networks do not intersect

## II. Funding practices in the municipal water sector

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- A. Funding provided by the municipalities;
- B. Funding provided by the Central Governments;
- C. Foreign funding for Building Municipal Water and Sewer Infrastructure;
- D. Funding problems:
  - The maintenance of the WWTP - a consequence of the funding scheme

# A. Funding provided by the municipalities

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- Income from the water and sewer fee;
- Issuing municipal obligation bonds;
- Access to bank credits and loans;
- Funding from the private sector (Public Private Partnerships);
- Funding from neighbouring municipalities (role of the associations in joint actions);
- **Is municipal funding sustainable?**

## B. Funding provided by the Central Government

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- Funding is mostly in the form of grants;
- Helpful to small municipalities with low income from taxes and from waste fees;
- Reflects the priorities of the Central Government (mostly, pre-accession obligations);
- Frequently based on questionable information;
- Public opinion is rarely taken into account;
- The results are sometimes surprising in terms of operation and maintenance;
- **Is this a sustainable funding model?**

# C. Foreign funding for Municipal Water and Sewer Infrastructure

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- Extremely helpful for Central and Eastern Europe
- Managed by the Central Governments - Phare, ISPA and SAPARD are run directly by ministries
- Reflects the priorities of the Central Government (mostly, pre-accession obligations);
- Is foreign funding sustainable?

# III. Actions for raising the quality of municipal water services

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- Promote modern technical concepts;
- Improve the institutional capacity of LAs;
- Improve the municipal planning and financing processes;
- Encourage the entrepreneurship in the municipal water sector;
- Provide adequate water and sewer fees;
- Improve the sustainability of funding;
- Promote municipal cooperation at the regional level;

# Promote modern technical concepts

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- Develop guiding principles for planning and conceptual design of drinking water production and supply systems:
  - Contents of the baseline information for planning purposes;
  - Principles of cost saving at the planning stage;
  - Principles of economic effectiveness of the operation and maintenance of water mains and drinking water plants.

# Promote modern technical concepts

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- Develop guiding principles for planning and conceptual design of municipal waste water collection and treatment systems:
  - Basic legal requirements for waste water treatment plants;
  - Decision making criteria for centralised and decentralised approaches;
  - Decision making criteria for different levels of treatment: mechanical, chemical, bio-chemical;
  - Economic comparison of the main concepts of technical and environment-friendly waste water treatment in the rural areas;
  - Environment-friendly principles of WWTP design;
  - Treatment of the sludge from municipal WWTPs.

# Improve the institutional capacity of the Local Authorities

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- Create water policy departments in the municipal administration;
- Train the municipal administration to implement their delegated tasks of water supply and waste water treatment;
- Establish water policy departments in the municipal water utility (if any);
- Create a planning document – a development plan (or a chapter in the regional development plan) on the municipal water and sewer infrastructure.

# Improve the municipal planning and financing processes

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- Create a municipal (or regional) long-term concept for production and supply of drinking water from ground and surface water sources and for sewer treatment;
- Keep in mind the carrying capacity concept;
- Analyse carefully the structure of the costs for drinking water supply and waste water treatment in the municipal urban and rural areas;
- Agree on the principles for financing and refinancing the waste water treatment infrastructure (the sewer systems and the waste water treatment facilities);
- Establish public procurement departments and prepare tender documentation for building and for operation of waste water treatment infrastructure;

# Encourage the entrepreneurship in the municipal water sector

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- Analyse carefully the costs and the benefits of the municipal and the private modes of operation;
- Outline clearly the scope of operation of the municipal administration, of the municipal firms and of the private sector;
- Decide which tasks will be outsourced and what will be the form of the municipal participation (budget funding, creating a municipal firm, creating a public-private partnership, etc.);
- Create models of contracts and/or agreements as a part of the tender documentation and announce the principles of public procurement.

# Public-private partnerships in delivering basic services

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- Different types of public-private contracts:
  - Service contracts;
  - Management contracts;
  - Lease contracts;
  - BOT contracts;
  - Joint venture leases;
  - Concession contracts;
  - Partial divestiture.
- Conditions of sustainable partnerships

# Create a water regulator

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- Once the terms and conditions of operation are clear, establish a central water regulatory body;
- Put water “losses” under control;
- Assess the investment needed for renovating the water and sewer infrastructure;
- Provide adequate fees for water supply and for sewer treatment services.

# Provide adequate water and sewer fees

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- Create models for determining the water and sewer fees paid by the customers;
- Keep in mind that:
  - The water and sewer fees must be affordable for the people in the socially weak regions;
  - Investment planning mistakes always cause problems with the fees;
  - Raising the fees must be preceded by information given to the customers;
  - Once the terms and conditions of operation are fixed, the operator is obliged to connect to the mains everyone who wishes to receive the services.

# Improve the sustainability of local infrastructure funding

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- Work for financial decentralisation and transfer the management of the funds to the provinces/districts/counties;
- Work with banks and financial institutions to create sustainable funding schemes;
- Assess the credit ratings of big municipalities to allow access to credits and loans;
- Make sure that the water and sewer fees cover all associated costs.

# Promote municipal cooperation at the regional level

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- Create legal and financial models for building and maintaining of WWTPs by several municipalities together:
  - Create models of contracts for joint operation
  - Create models of financial rules for joint operation
- Carefully identify all stakeholders and involve them in the decision making process;
- Organise Consultative Councils to manage the interests of different public sectors;
- Work with public experts.