



A REVIEW OF FINANCIAL SUPPORT MECHANISMS FOR WATER SUPPLY AND SANITATION IN MOLDOVA

EU Water Initiative NPD meeting in Moldova
Chisinau, 22 May, 2014

Alexander Martusevich,
OECD EAP Task Force secretariat



EAP Task Force





Content

- **New project :**
 - background and objectives
 - methodology and scope
 - funding and status
- **Need for co-operation with partners**
- **Discussion** (feedback from stakeholders)



Background

- Water supply and sanitation sector in Moldova is not financially sustainable
- Tariffs do not fully cover operation and maintenance (**O&M**) costs, they cannot provide for investment; this is because both tariffs and collection rates are low;
- **Capital investment: over-reliance on international solidarity:** transfers from the international community are the main source of finance for investment; domestic public finance only marginally contributes to these expenditures
- To achieve long-term sustainability, **the role of domestic sources and solidarity mechanisms should be substantially increased**
- Request from the Ministry of Environment (Minister Salaru)



Objectives, Funding, Methodology

- **Objectives:** streamlining and strengthening the mechanisms that channel domestic financial support to water supply and sanitation in Moldova, in line with the new Strategy for WSS for 2014-28
- **Methodology:** It will do so by mapping and reviewing existing mechanisms and by recommending adjustments, based on thorough analysis and good international practice, based on the **3Ts concept** (OECD) and the **Policy coherence** principle.
- **Funding:** This project is financed by the EC/Devco (support to the EU Water Initiative in EECCA) and co-sponsored by the OECD EAP Task Force. It will be implemented in 12 months through the on-going National Policy Dialogue (**NPD**) on water policy in Moldova.



Scope: 3 sets of mechanisms

Three sets of mechanisms channel domestic financial support to WSS:

- **State support** at the national and sub-sovereign levels. Only cash transfers from the public budget are well documented and relatively easy to estimate (other forms of state support to WSS, such as state revenues foregone, privileges and exemptions provided through regulatory loopholes are out of the scope);
- **Allocations from extra-budgetary funds**. These include ear-marked national funds such as the National Environmental Fund (NEF), the National Fund for Regional Development (NFRD), Social Investment Fund (SIF) and some others;
- **Local solidarity mechanisms** aimed at softening the affordability constraints for end-users of WSS services. The latter include: cross subsidisation through tariffs and special “mutual support” funds created by some rural Drinking Water Users Associations (DWUAs), each capitalised from voluntary contributions made by members of the respective Association. (note that in rural areas, the end-users not only pay for WSS services but sometimes also have to make financial and in-kind contributions to investment in WSS systems)



Scope: Four stages

- ***Stage 1: Inventory of mechanisms that channel domestic financial support to water supply and sanitation in Moldova***

The objective of this stage is to identify existing mechanisms that channel domestic financial support to water supply and sanitation in Moldova.

- ***Stage 2: Review of selected existing mechanisms***

The objective of this stage is to assess the performance of selected existing mechanisms

- ***Stage 3: Looking for alternatives***

The objective of the stage is to identify and explore opportunities for improving, streamlining and strengthening the state support and domestic solidarity mechanisms for the water sector in Moldova, jointly with the tariff and social policies to make them mutually supportive.

- ***Stage 4: Drafting recommendations***

The recommendations will be discussed at a meeting of the National Policy Dialogue (**NPD**) on water in Moldova.



Need for cooperation with Partners

- **Local partners:** MoEnv, MoRDC, MoF, management of the NEF, NFRD, SIF etc.
 - **Development partners:**
Past and on-going projects focused on improving:
 - budget allocations for WSS (MTEB and annual budgets);
 - performance of the budgetary and extra-budgetary earmarked funds, foremost: NEF, NFRD, SIF, special fund run by the Parliament, (*others ?*)
 - tariff policy and accompanying measures to soften the affordability constraints (cross-subsidisation through tariffs *versus* social support system targeted at vulnerable households)
- As well as strengthening local solidarity mechanisms in WSS (grass root initiatives)



Partners are invited to co-operate!

Available reports and contact details, as well as willingness to co-operate will be highly appreciated

THANK YOU!!

Contact info:

Tel.: +33-1-45-24-13-84

E-mail: alexandre.martoussevitch@oecd.org