

Astana Water Action (AWA) Actions by the EAP Task Force

Note by the OECD Secretariat

This submission is based on a preliminary agreement, reached by delegates from countries of Eastern Europe, Caucasus and Central Asia (EECCA), on possible elements of a post-Astana programme of work for the EAP Task Force regarding water management issues. Should the Astana Ministerial Conference agree to an extension of the EAP Task Force's mandate, the secretariat will further elaborate the proposed actions based on discussions with countries involved in this work. The implementation of proposed actions is contingent upon resource availability. The proposed actions will be implemented, in great part, together with the European Union's Water Initiative EECCA Working Group.

The overall objective of the EAP Task Force's work on water issues is to support on-going reforms of water policies in EECCA countries. The expected outcomes of this work include: (i) contribution to achieving the Millennium Development Goals on water and sanitation, so that good quality water and sanitation services are delivered reliably, sustainably and at least cost to the population; and (ii) systematic use by EECCA countries of economically, financially and environmentally sound practices of water resources management, including adaptation to climate change.

Country scope:

Countries of Eastern Europe, Caucasus and Central Asia

Proposed actions

Title of the action:

Strengthening the economic and financial dimensions of water management, including adaptation to climate change (AWA Paragraphs 9a, b, c and 10a).

This action supports policy dialogues on water policy reforms. Policy dialogues are a political process, where stakeholders meet to explore policy options, supported by robust analytical work. This instrument has proved useful to develop realistic and sound water policies in a number of EECCA countries, and to facilitate implementation.

This action comprises two sets of policy dialogues: one on the economic and financial analysis of water management policies and water resources management plans, the other focused on financing strategies for water supply and sanitation.

- ***Economic and financial dimensions of water resource management.*** EECCA countries are confronted with severe water management issues, exacerbated by climate change and increasing competition between water users. When appropriately designed and implemented, economic instruments (e.g. abstraction charges, pollution charges, payment for watershed services) can enhance the environmental effectiveness and economic efficiency of water policies in general, and of water resource management plans in particular. They contribute to financial realism and facilitate implementation of policies and plans. The EAP Task Force will work with water agencies at both national and river basin levels to enhance the economic efficiency and financial realism of water policies. Part of this work entails the development of a methodology to strengthen economic relevance and financial realism into water management plans.

- ***Economic and financial dimensions of water supply and sanitation.*** Financing remains a crucial challenge for water supply and sanitation services in EECCA. Despite some progress in the last decades, water supply and sanitation development plans often are unrealistic from a financial perspective: investment plans are not aligned with financing capacities, and operation and maintenance costs are not sufficiently factored in. A more strategic approach is needed to tailor investment to financing resources, and vice-versa. Building on its experience on the development and implementation of financing strategies for the sector, the EAP Task Force will support policy dialogues in this area, and put them in the context of wider water resource management and adaptation to climate change.

Expected outcomes:

The following results are expected: i) a methodology to assess the economic relevance and financial feasibility of water management plans; and ii) country specific policy and strategic documents and processes, which result from national policy dialogues.

Title of the action:

Strengthening institutions for water supply and sanitation (AWA paragraphs 11f and g)

This action would aim to make institutions in the water sector work more effective and efficient. National Policy Dialogues will continue to serve as the main mechanism for achieving this objective. The policy dialogues will focus on selected institutional issues where the EAP Task Force has a comparative advantage: private sector participation, overcoming excessive fragmentation of water supply and sanitation systems.

Projects will be undertaken at both national and regional level, as several countries would benefit from experience sharing.

- ***Opportunities for, and obstacles to, private sector participation.*** The role of private and public actors in the provision of water services and in water management presents opportunities and risks. Should governments wish to explore that option, OECD has developed a Checklist for assessing both, and for helping public authorities to make sure they can make the best out of private sector participation. This work would build on a policy dialogue on this issue that the EAP Task Force organised in Russia, as well as several regional workshops that the EAP Task Force organised with the World Bank. Lessons learned from country reviews, particularly the policy and institutional reforms required, would be shared at regional level. Cooperation with other partners such as the World Bank, EBRD and local PPP Centres would be an important feature of this activity.
- ***Measures to cope with over-fragmentation in the water supply and sanitation sector.*** Decentralisation of responsibilities for water supply and sanitation in some EECCA countries has made it difficult for utilities and municipalities to fully exploit economies of scale and scope. Moreover, over-fragmentation makes it difficult to retain and develop adequate capacity to manage utilities, and to generate the necessary resources to finance capital investments. The EAP Task Force will help governments determine the appropriate level of (de)centralisation for water supply and sanitation in different contexts and identify measures to reach that level (*e.g.* various forms of inter-municipal cooperation, or setting up regional water utilities). The work will build on an earlier project in Ukraine, as well as broader international experience.

Expected outcomes:

Analytical, methodological, and regulatory documents will be prepared in selected countries.

Title of the action:**Assessing the water policies and institutions in EECCA (AWA paragraphs)**

Building on the previous two types of action, this activity would monitor trends in reforming water policies and institutions in EECCA. It would cover both water supply and sanitation, and water resource management. Particular attention would be placed on identifying and sharing best practices with the goal of enhancing the efficiency and effectiveness of water policies and institutions of EECCA countries, both individually and collectively.

Expected outcomes:

A series of reports on specific issues would be prepared, including progress in achieving the water-related Millennium Development Goals, and progress in the use of economic instruments for water resource management. These would be synthesised, together with other analyses, and presented to the next "Environment for Europe" Ministerial meeting.

Partners:

The EAP Task Force's work programme and projects are designed and implemented in cooperation with UNECE and the European Union's (EU) Water Initiative. Other organisations active in the region are consulted and involved as appropriate, including EECCA Regional Environmental Centres, international organisations, multilateral and bilateral donors.

Work is overseen by the Group of Senior Officials for Reform of the Urban Water Sector in EECCA countries and the EU Water Initiative's (EUWI) EECCA Working Group which agreed in Almaty in April 2006 to meet jointly, and to effectively merge their activities and pool resources. The joint meetings bring together high-level officials with responsibility for water policies, including EECCA representatives from Ministries of Water, Environment, Communal Affairs, Construction or Infrastructure, donors, International Financial Institutions (IFIs), NGOs and the private sector.

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