

Regional Workshop on Strategic Planning in Water Sector

3 – 4 June 2015
ECRAN 59649

Requirements for national planning documents as part of the Acquis
Prioritization criteria for water investments



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Structure of the presentation

Financing the Program of measures

Issues to be considered

The challenges in financing the development of urban
wastewater

The challenges in financing the agricultural measures

Financing requirements

Prioritization criteria

Ranking results



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Financing of the Program of Measures

Financing of the Programme of Measures will be needed for:

- Investment in Urban WWT
- Investment in Non-point Pollution Reduction
- Investment in Navigation Improvement
- Investment in Energy (Hydropower)
- Investment in Flood Protection
-



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Issues to be considered (1)

- **The implementation of the WFD is a national obligation!**
- The RBMP/PoM is firmly based on the **national programmes of measures**, which shall be made operational and should describe the expected improvements in water status by 2015.
- Through the PoM, the IFIs, donors or sponsors may be **better informed about the investments needs**
- **Sectoral and cross-sectoral integration of concerns and targeted discussion for PoM implementation is crucial** for the effective conservation and sustainable utilization of natural and financial resources (for instance between hydropower, navigation, agriculture, industry, environment).



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Issues to be considered (2)

- To make known the **funding needs** for the actions identified in the programme of measures,
- To explore **existing potential funding** of the actions needed,
- Determine any **obstacles that donors and ifis face**, which hinder enhanced engagement in terms of financing many projects,
- See what **role the IFIs and bilateral donors should play in order to facilitate large private sector engagement**, and
- To brainstorm and discuss at national level the actions needed for securing the long term matching of needs and funds for the measures identified in the Programme of Measures.



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The challenges in financing the development of urban wastewater

The recipe for financeability of environmental objectives resides in:

- **Building up a water sector** that can fulfill its environmental role and be a framework for viable investment in environmental protection!!
- Ensuring **active policies by governments** towards financeability of the water sector (prioritization, medium-term investment planning, enforcement and facilitating access to funding)
- Collect as much **revenue from users** as they are able to pay
- Blending **different sources of finance** and
- Making full use of available **EU grant resources**.
- **Regulatory framework** (such as WFD) – essential!, and need for clear technical guidelines (such as discharge permits)
- **Sustainability issues and cost recovery** as stipulated by the WFD (Cost reflective tariffs for water are critical for sustainability of measures)
- Need to elaborate **transparent and consistent national affordability guidelines** for projects.



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The challenges in financing the agricultural measures (1)

- Agriculture and land use are the key contributors in nutrient pollution
- All types of agricultural pressures on water are identified in the RBMP and PoM can be used to reduce the pressures from agriculture
- Natura 2000 zones and Nitrate Vulnerable Zones - important drivers in targeting RD measures.
- **Rural development 2014-2020**



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The challenges in financing the agricultural measures (2)

RD = 2nd CAP Pillar policy helps the rural areas to meet economic, environmental and social challenges.

- Improved for period 2014-2020 through CAP reform + legislative acts.
- In line with Europe 2020 and the overall CAP objectives **three long-term strategic objectives** for EU RD policy 2014-2020 are:

- fostering the **competitiveness** of agriculture;
- ensuring the **sustainable management of natural resources**, and **climate action**; and
- achieving a **balanced territorial development of rural economies and communities** including the creation and maintenance of **employment**.

Still as for 2007-2013, the National and/or regional rural development programmes (RDs) will run for seven years.



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The challenges in financing the agricultural measures (3)

The **2013 reform** brings change by:

- improving the strategic approach to constructing RDPs;
 - strengthening the content of rural development measures;
 - simplifying rules and / or reducing the related administrative burden
 - linking rural development policy more closely to the other funds.
- Each rural development priority identifies areas of intervention ("**focus areas**").
 - Within their RDPs, Member States should:
 - set **quantified targets against these focus areas**, on the basis of an analysis of the needs of the territory covered by the RDP
 - set out which **measures** they will use to achieve these targets
 - Decide on how much **funding** they will allocate to each measure.

Funding is drawn partly from the European Agricultural Fund for Rural Development (EAFRD) and partly from national / regional and sometimes private sources.



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Financing requirements (1)

- There are a lot of possibilities of financing (visibility).
- Ensure co-ordination with European Commission: co-financing & advises for funding programmes
- Attractive topics for financing - climate changes!!
- Favorable lending conditions
- Ensure financialability of the water sector
- Investigate co-financing opportunities with other IFIs and bilateral
- Recognised need for alternative finance, management and technical approaches - role of PPP – political sensitivity, private sector involvement, tariff affordability issue



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Financing requirements (2)

- Clear policy frame providing long term security for environmental investments
- Reinforce the capacity of the countries to identify and prepare environmental investment projects
- Building stakeholders' (municipalities and enterprises) institutional capacity to develop project pipelines and to develop and finance investment projects
- Improving access to good practice studies - development of investment projects
- Realistic planning of investments
- Knowing the costs of achieving various environmental objectives - training environmental authorities with methodologies of calculating costs of environmental policies
- Prepare cost estimates (including cost effectiveness analysis) for heavy investments in public infrastructure.



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Financing requirements (3)

Need of innovative financing instruments

- Water sector provides a big investment opportunity for long-term investment in water infrastructure
- The main problem will be how to mobilize the necessary funds, given the fact that domestic resources are limited and that funds provided by the international donors or private companies are insufficient.
- The distribution of funding sources in the last decade shows that the domestic public sector contributed 65–70%, domestic private sector 5%, and the remaining 30% equally distributed between the international donors and private companies.



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Financing requirements (4)

Sustainable development requires the "**enabling environment**", that permits and attracts viable long term investment and continuous and enhanced international cooperation.

Success will depend on thorough implementation of actions and **commitments of the countries** and on **effective and coordinated contribution of the international community**.



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PRIORITISATION CRITERIA

- Level of reduction of pollution (nutrients mainly)
- Environmental impact on water related eco-systems/sensitivity of area.
- Compliance with obligations of the country: timing issues
- Ability to pay back loans/affordability/financial sustainability
- Ability to co-finance by the project
- Readiness to guarantee loans



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Categories for prioritisation

| | Category | Default values (%) |
|-----|-----------------------|--------------------|
| I | Environmental Impact | 30 |
| II | Black Sea Impact | 20 |
| III | Finance-ability | 30 |
| IV | Technology efficiency | 10 |
| V | Compliance | 10 |



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Grouping for ranking

- investments servicing more than 500,000 PE,
- projects with a capacity between 100,000 and 500,000 PE, and
- projects with a capacity lower than 100,000 PE.



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PRIORITISATION CRITERIA (1)

| I. Environmental Impact | |
|---|--|
| Criteria | Indicators |
| 1. Vulnerability of Project Location | Project near Significant Impact Area |
| 2. Utilisation of Downstream Water Resources | Type of downstream users (Irrigation, Industry, Drinking Water) |
| 3. Wastewater Collection | Incremental change in percent of households connected to public sewerage |
| 4. Reduced Stress on Downstream Resources | Incremental reduction in COD and BOD emissions (tons/annum) |
| 5. Benefits realised downstream from project | Types of benefits realised after realisation of project recreation, biodiversity, sanitation) |
| 6. Industrial pollution | Share of industrial influent (% of flow from industrial sources) |
| 7. Public Involvement | Public consultation, involvement (permitting, EIA/social assessment) |



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PRIORITISATION CRITERIA (2)

| II. Black Sea Impact | |
|------------------------------------|--|
| Criteria | Indicators |
| 1. N/P reduction | Incremental reduction of N + P (tons/annum) |
| 2. N/P reduction efficiency | Investment cost (EUR) per reduction of N + P (equivalent PE), over a period of 20 years |



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PRIORITISATION CRITERIA (3)

| III. Finance-ability | |
|--|--|
| Criteria | Indicators |
| 1. Potential financier interest | Participation from IFI in project funding |
| 2. Co-funding by the recipient country | Share of national co-funding as percentage of overall capital requirements |
| 3. Financial commitment from local authorities | Contribution of funding from local authorities |
| 4. Affordability | Average monthly wastewater bill as percentage of average monthly household income |
| 5. Time Frame | Implementation period (>10 years, 5-10 years, <5 years) |
| 6. Guarantee from recipient country | This information is not available on the project fact sheets at this time. |
| 7. Financial viability | This parameter was not included in the analysis because of limited data available. |



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PRIORITISATION CRITERIA (4)

| IV. Technology efficiency | |
|----------------------------------|--|
| Criteria | Indicators |
| 1. Cost-effectiveness | Investment cost (EUR) per reduction of BOD, COD, N, P (equivalent PE), over a period of 20 years |

| V. Compliance | |
|--|---|
| Criteria | Indicators |
| 1. National and/or regional importance | National and/or regional priorities (national priorities/ISPA co-funding, transboundary effect) |
| 2. Compliance with EU UWWTD requirements | Compliance with 91/271/EEC directive for urban wastewater discharge requirements |



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| Total Scores | | I. Environmental Impact | | II. Black Sea Impact | | III. Financibility | | IV. Technol. Efficiency | | V. Compliance | |
|----------------------|-------|-------------------------|-------|----------------------|-------|----------------------|-------|-------------------------|-------|----------------------|-------|
| Location | Score | Location | Score | Location | Score | Location | Score | Location | Score | Location | Score |
| Belgrade | 88 | Nis | 100 | Nis | 100 | Platru Neamt | 100 | Bula, Sarajevo | 100 | Bula, Sarajevo | 100 |
| Novi Sad | 82 | Lovetch | 91 | Belgrade | 100 | Buzau | 100 | Banja Luka | 100 | Tuzla | 100 |
| Ns | 80 | Montana | 91 | Novi Sad | 100 | town Falest | 100 | Bijeljina | 100 | Banja Luka | 100 |
| VRBAS | 75 | Russe | 90 | Bula, Sarajevo | 100 | town Cahul | 100 | Brcko District | 100 | town Cahul | 70 |
| Brasov | 74 | Belgrade | 89 | Bijeljina | 100 | Belgrade | 94 | Brcko District | 100 | Targoviste | 70 |
| Zalau | 72 | Novi Sad | 89 | Ploiesti | 100 | Targoviste | 94 | Russe | 100 | Trenc in, right side | 70 |
| Sevlievo | 71 | Sevlievo | 88 | City of Uzhgorod | 100 | town Costesti | 94 | Svishtov | 100 | Onesti | 70 |
| Bucuresti (Gina.) | 71 | Popovo | 88 | Pleven | 100 | town Glodeni | 94 | Pleven | 100 | Brasov | 70 |
| town Cahul | 70 | Troian | 88 | Banja Luka | 100 | town Nisporeni | 94 | Troian | 100 | Novi Sad | 70 |
| Onesti | 69 | Mezdra | 88 | Tuzla | 100 | VRBAS | 87 | Lovetch | 100 | Zvolen | 70 |
| City of Uzhgorod | 69 | Bula, Sarajevo | 87 | Brasov | 100 | town Leaova | 87 | Sevlievo | 100 | Sevlievo | 70 |
| Bula, Sarajevo | 68 | Senta | 84 | Veszprém | 100 | town Edinet | 87 | Dulovo | 100 | Popovo | 70 |
| Targoviste | 68 | Bucuresti (Gina.) | 82 | Zagreb | 100 | Budapest South Buda | 81 | Vidin | 100 | Nitra | 70 |
| Lovetch | 68 | Botevgrad | 81 | Budapest North | 100 | town Carlemir | 80 | Lom | 100 | Nis | 70 |
| Zrenjanin | 68 | Svishtov | 81 | Russe | 83 | town Bricenii | 80 | Botevgrad | 100 | Sopron | 70 |
| Popovo | 68 | Pavlikeni | 81 | Troian | 83 | town Ungheni | 79 | Zagreb | 100 | Botevgrad | 70 |
| Budapest South Buda | 67 | Cherven brag | 81 | Bucuresti (Gina.) | 83 | Chernivtsi | 75 | Grad Dravur | 100 | Vrhnik | 70 |
| town Falest | 67 | Silistra | 81 | Budapest Central | 83 | Trenc in, right side | 75 | Budapest North | 100 | Zagreb | 70 |
| Trenc in, right side | 66 | Razgrad | 79 | Zalau | 83 | Onesti | 75 | Gyor | 100 | Plivicka Jezera | 70 |
| Chernivtsi | 66 | Biala | 79 | Subotica | 83 | Turda | 75 | Veszprém | 100 | Vikovo WWTP | 70 |



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Ranking results Hungary (1)

Environment and Climate
Regional Accession Network

ECRAN

| Location | Total Investment (Mio. EUR) | Funds Not Secured (Mio. EUR) | Total Score | I. Environ. Impact | II. Black Sea Impact | III. Financibility | IV. Techn. Efficiency | V. Compliance |
|---------------------|-----------------------------|------------------------------|-------------|--------------------|----------------------|--------------------|-----------------------|---------------|
| Budapest South Buda | 165 | 148.5 | 67 | 78 | 67 | 81 | 33 | 30 |
| Budapest North | 17.2 | 7.7 | 63 | 38 | 100 | 62 | 100 | 30 |
| Veszprém | 8.2 | 1.8 | 63 | 47 | 100 | 54 | 100 | 30 |
| Gyor | 18.4 | 3.9 | 59 | 65 | 50 | 55 | 100 | 30 |
| Budapest Central | 425 | 425 | 56 | 78 | 83 | 21 | 66 | 30 |
| Debrecen | 81.7 | 40 | 47 | 49 | 34 | 63 | 33 | 30 |
| Gödöllo | 2.9 | 2.9 | 40 | 33 | 67 | 34 | 66 | 0 |
| Sopron | 18.9 | 2 | 38 | 19 | 50 | 40 | 33 | 70 |



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Ranking results (2)

| Project ID | Location | Total mil. EUR | Not Secure mil. EUR | Env. Imp. | Total Score |
|------------|-----------|-------------------|---------------------------|-----------|----------------|
| BG-M-04 | Montana | 13.3 | 13.3 | 91 | 61 |
| BG-M-11 | Lovech | 12.6 | 12.6 | 91 | 68 |
| BG-M-01 | Russe | 20 | 20 | 90 | 58 |
| YU-M-01 | Belgrade | 130 | 90 | 89 | 88 |
| YU-M-02 | Novi Sad | 59.1 | 47.1 | 89 | 82 |
| BG-M-12 | Sevlievo | 11.2 | 11.2 | 88 | 71 |
| BG-M-13 | Popovo | 7.3 | 7.3 | 88 | 68 |
| BG-M-08 | Troian | 8.9 | 8.9 | 88 | 63 |
| BG-M-21 | Mezdra | 5 | 5 | 88 | 47 |
| BA-M-02 | Sarajevo | 15 | 15 | 87 | 68 |
| YU-M-15 | Senta | 8 | 5.6 | 84 | 63 |
| RO-M-18 | Bucuresti | 461.5 | 346.2 | 82 | 71 |
| BG-M-18 | Pavlikeni | 3.9 | 3.9 | 81 | 48 |
| BG-M-20 | Botevgrad | 6 | 6 | 81 | 60 |
| BG-M-07 | Razgrad | 5 | 5 | 79 | 56 |
| BG-M-23 | Biala | 5 | 5 | 79 | 41 |
| HU-M-03 | Budapest | 425 | 425 | 78 | 56 |
| HR-M-08 | Grad | 26 | 26 | 78 | 46 |
| BG-M-03 | Gorna | 16 | 16 | 77 | 49 |
| BA-M-04 | Bijeljina | 12 | 12 | 75 | 59 |



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Thank you!



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