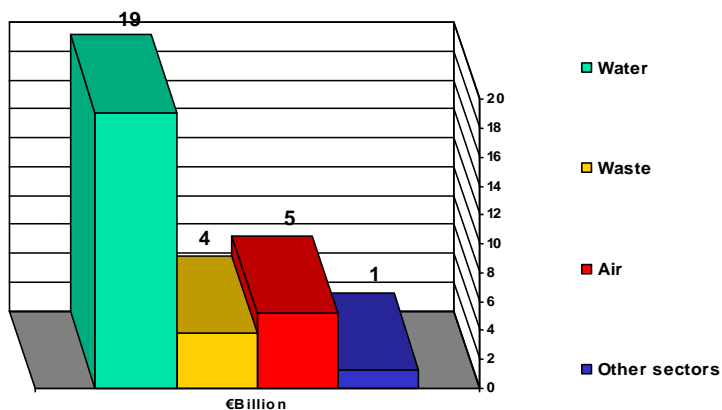


Financial aspects for the implementation of the basic measures included in the River Basin Management Plan

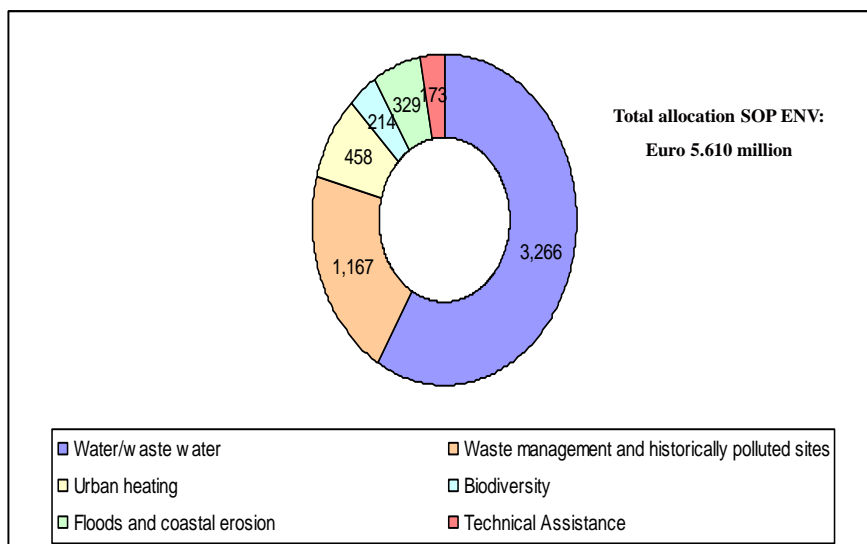
Gheorghe Constantin
Director
Ministry of Environment, Water and Forests

TAIEX/ECRAN Regional Workshop, Podgorica, 15-17 February 2016

Cost assessment - Romanian environmental sector



**Distribution of total financial contribution per Priority Axes -
Community funding + national counterpart - (in million Euro)**



Financing of the Programmes of measures (2012 – 2015 - 2021)

- Implementation of the POM considering the financing sources from:
 - European funds - Cohesion Funds (2007- 2013 and planning period 2014-2020) for implementation of the requirements of Drinking Water Directive and Urban Waste Water Directive and for financing of the measures addressed to hydromorphology, priority substances and groundwaters, EFARD, EFRD, LIFE, European Fisheries Fund, etc.
 - governmental budget, Environmental Agency Fund, local budget, ministerial environment budget for specific research activities;
 - operators for water services and own sources of economic units for implementation of the technical measures;
 - National Administration Romanian Waters – contributions from all water users;
 - other sources (i.e. international loans)

Implementing financing strategy

- Ensure EU funds adsorbtion
 - Linking the strategy to the budgetary decision making process
 - Ensuring that tariff policies are sustainable from economic and social point of view
 - Increase the collection rate for water bills
- Rehabilitate and rationalize infrastructure by adjusting its capacity to present and future
- Optimizing capital and operational expenditure

Financing Strategy(1)

- Total amount needed 10.5 billions Euro
- Financing sources:

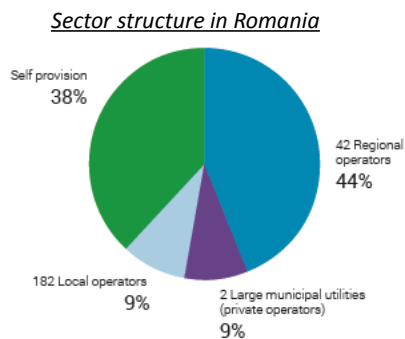
-EU funds	40%
-National and local budget	30%
-Loans and PPP	20%
-Environmental Fund	3%
-Consumers (Operators)	7%

Financing Strategy(2)

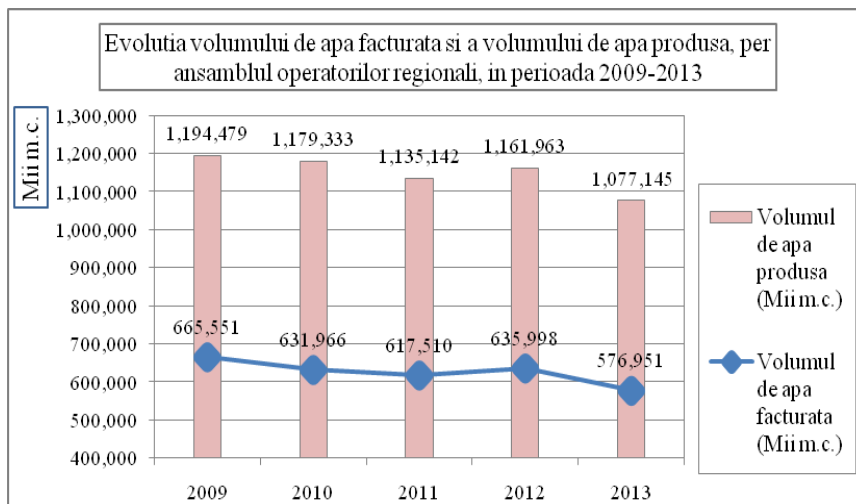
- 2004-2006 ~ 450 millions Euro yearly
- 2007-2009 ~ 1400 millions Euro yearly
- 2010-2015 ~ 5200 millions Euro yearly
- 2016-2018 ~ 800 millions Euro yearly

Service provision

Regionalization process → 44 ROCs serving 53% pop.
Remaining challenge = unserved/self-served population (mostly rural)

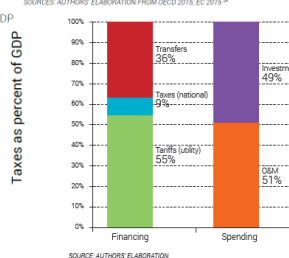
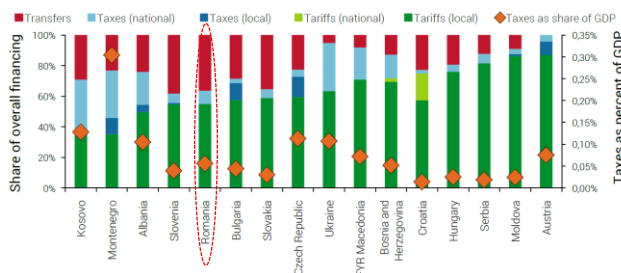
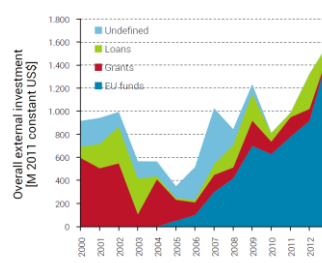


Evolution of the produced water volume and invoiced water volume



Investment Financing

EU funds predominant investment source but absorption issue as only 58% of planned investment funded by EU effectively implemented
Annual gap: 62€/cap for Romania (+44% compared to current)



Existing financing of the water infrastructure

- Total 4.621.255 millions Euro out of which:

3.025.579 mil. Euro (65,47%) from EU funds through:

- FEADR – 454.063 mil. Euro
- Coezion Fund - 1.624.403 mil. Euro;
- ISPA, Banca Mondiala, BERD, BEI, SAPARD – 947.113 mil. Euro

1.023.812 mil Euro (22,15%) from the State Budget through:

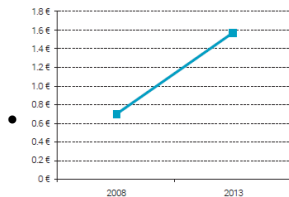
- Environmental Fund - 227.560 mil. Euro
- State Budget through the MECC – 559.132 mil. Euro
- State Budget through the MRDPA 237.120 mil. Euro

466.748 mil. Euro (10,10%) from the local budgets

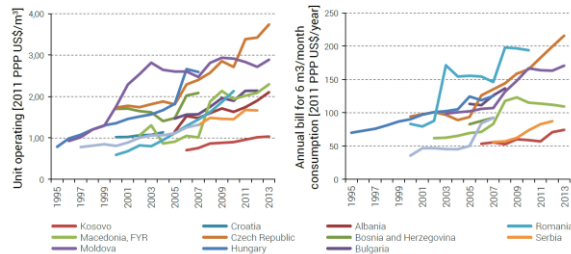
105.118 mil. Euro (2,28%) from Operator / Public-Private Partnership

Cost recovery

- Revenues from tariffs grew by more than 10% (real terms) in EU member countries and about 5% in other countries for last 20 yrs
- Tariffs more than doubled in Romania



- = cost recovery ratio not changing



Investments within IDA

- Proposals for investments made by ROC which are approved by ADI through the Board of Directors of ROC
- Investments made by
 - Own sources
 - Loans
 - EU Funds and other sources

Degree of water metering

Degree of metering (%)						
Level/Year	2008	2009	2010	2011	2012	2013
Country	81,4	83,7	86,7	87,5	89	-
Regional Operators	-	89	90	92	93	95

Evolution of Consumption Index Prices per services categories, between 2003 - 2013

Year	Total CIP per year	CIP drinking water	CIP sewerage
2003	112,70%	127,52%	129,00%
2004	108,10%	119,72%	120,54%
2005	107,80%	125,22%	130,58%
2006	103,80%	117,23%	122,25%
2007	106,35%	106,54%	111,06%
2008	105,40%	110,58%	115,41%
2009	103,46%	113,08%	124,12%
2010	104,49%	113,34%	123,93%
2011	103,14%	115,79%	131,22%
2012	104,95%	106,27%	110,75%
2013	101,55%	109,74%	120,74%

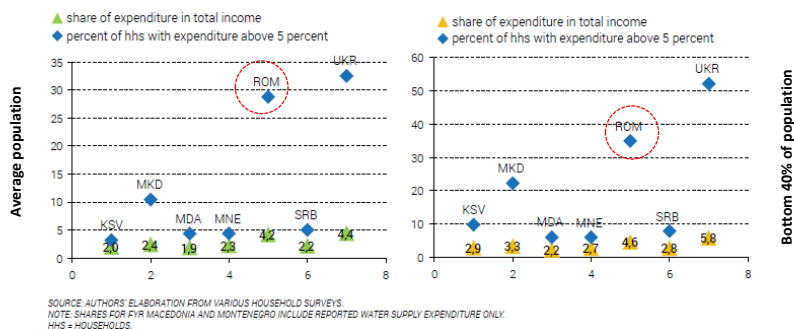
Source : National Statistics Institute

Total charge drinking water for 160 cites in 2013
For a consumption of 100 M3 in US \$ (source IWA report september 2014)



Affordability

- ▶ Limited social space for tariff increase in Romania:
 - ▶ Close to 30% of HHS spending > 5% of monthly income for WSS expenditure
 - ▶ For bottom 40%, 35% of HHS spending > 5% of monthly income for WSS



Improve EU funds absorption –

- Only 58% of planned investments funded by EU effectively implemented (2007-2013)
- Investment needs to comply with EU acquis requirements: €15B by 2027
- *Strengthen capacity of operators to allow better investment project management...*

Actions and improvements

Establish systematic prioritization of water and wastewater investment projects:

- Cost-effective combination of basic measures (UWWTD, Nitrate, etc.) and supplementary measures (such quantitative issues) to achieve GES
- Agglomeration size & associated deadlines (measures)
- Optimisation of the resources of the beneficiary (to reduce delays)
- Operational and financial sustainability

Address expenditure needs for investments and for operating&maintenance

- Tariffs and taxes are the only final sources of revenue for water and wastewater
- Tariff setting must reflect cost of service and affordability

Address implementation delays to increase EU absorption funds:

- Multi-annual budgeting and funding priority to ongoing projects (rather than new projects)
- Optimise procurement procedures for enhanced efficiency (balanced by transparency and level playing fields)

Increasing the local and governmental contribution to the financing the works,

Address affordability

- Affordability of water is a potential issue for the majority of the Romanian population
- Upcoming investment efforts will be financed by EU funds and tariffs...
- Which could exacerbate this issue in the future
- *Possible subsidy scheme for low-income users? Focus on well-sized investments?*

Improve performance - Romania

Significant gap to international best practices

Improve efficiency: reduce nonrevenue water & staffing level, increase metering level

Improve financial and operational discipline to increase operating cost coverage

Focus on low O&M costs, prioritize investments to reach efficiency gains, demand management programs...

Commission Implementing Decision concerning formats for reporting on the national programs for the UWWTD implementation (1)

- National Programs required by article 17 of the UWWTD
- Decision has been based on the Structured Implementation and Information Framework pilot exercise
- Makes information on urban waste water more accessible for citizens, in particular through streamlined and transparent data management and dissemination
- Requires to draw up reports concerning their national programs for the implementation of Directive 91/271/EEC and provide the Commission, by 30 June, every two years, with an update of the information on the basis of formats established by the decision

Commission Implementing Decision concerning formats for reporting on the national programs for the UWWTD implementation (2)

- Information on financing and source of financing (EU)
- Information on starting and finalizing the necessary investments
- Information on current and expected total organic design capacity and investment costs at national level
- Information on the status of the National Program
- Relation with other pieces of the EU legislation
- Use of the EU funds



Thank you for attention!