

“Workshop “Program of Measure under the Water Framework Directive”

20 – 22 June 2016

ECRAN 62432

Prioritization of 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** than 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 (RDPs) 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 Briceni	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	Rivicka 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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