
Municipal and environmental infrastructure

Water and wastewater



European Bank
for Reconstruction and Development

October 2014

Improving the quality of water supplies and sanitation facilities is one of the most vital elements of the EBRD's work in municipal and environmental services. Our awareness is also growing regarding the need to safeguard water resources, manage their distribution and protect the environment. Patterns of water use change over time for many reasons, including increasing urbanisation (changing lifestyles, changes in rainwater run-off patterns), reduction of losses, more careful use and recycling, and application of metering and consumption-related charging. Urban population growth, industrialisation and the effects of climate change are creating new challenges. Improving water supply and sanitation in urban areas will require major investments, supported by sound policies and effective, accountable institutions.

The Bank continues to focus its attention on the water sector by actively financing water and wastewater projects throughout the region.

The improvement of water and wastewater systems is a key part of the EBRD's mandate, with a strong track record of investment in this sector across the region as part of its strategy to promote greater efficiency and higher quality in the provision of local authority services. To date, investment in the water and wastewater sector has accounted for around 44 per cent of the Bank's municipal and environmental infrastructure (MEI) portfolio, with an emphasis on the efficient provision of drinking water in the larger towns and cities of the most developed countries. By the end of 2013 the Bank had financed 153 projects to a total value of €2.18 billion, bringing benefits to millions of people and widespread environmental improvements.

However challenges still remain. Many of the Bank's countries of operations still exhibit the characteristics of transition economies everywhere. The EBRD's approach to improving municipal infrastructure follows a policy of supporting decentralisation and providing for transparent contractual relationships, serving smaller communities, promoting commercialisation given the inherently

weak institutional capacity of clients, encouraging private sector participation, introducing regulation and tariff regimes and seeking to achieve EU environmental standards.

The Bank is also addressing environmental and social issues and improving the financial and budgetary sustainability of the sector by focusing on certain goals including:

- ▶ increasing the number of people with access to affordable, drinkable tap water
- ▶ decreasing water losses from water supply systems
- ▶ decreasing the amount of untreated sewage discharged into watercourses
- ▶ increasing energy efficiency in the water and wastewater sector
- ▶ improving the regulatory and enforcement capacity of public sector bodies.

The Bank's MEI activities in the water and wastewater sector to date have shown that operations that achieve all these challenges are possible. By complementing investments with consultancy services to support our clients to help build their financial and operational performance, develop corporate governance and enhance creditworthiness, our projects do

become more sustainable and allow for potential repeat business in established markets. The EBRD also clearly recognises the distinct added-value of grant investment co-financing and technical cooperation assistance for its projects in terms of leveraging additional finance and in order to achieve its transition and operational objectives.

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Water Fund

In 2010 Norway, with the support of Finland, led efforts to establish a multi-donor fund focusing on water projects in a number of the EBRD's countries of operations, with an initial focus on Central Asia. A Water Fund was established under the auspices of the EBRD to assist and support governments in the EBRD's countries of operations to carry out regulatory work and reforms related to the management, use and preservation of water resources, as well as activities related to the development and sustainable maintenance of safe water and sanitation facilities. The Fund uses the United Nations Economic Commission for Europe (UNECE)/WHO Protocol on Water and Health and the EU Water Directive as guidance.

The need for donor funds to improve services in the water sector continues to be substantial and has been recognised by increased donor participation to the Fund to now include the governments of Korea and Sweden.

A number of the EBRD's projects have now benefited from technical assistance financed by the Fund. Some examples include:

- ▶ €500,000 for project implementation support for Karabalta Water in the Kyrgyz Republic
- ▶ €500,000 to establish Water Laboratories in Osh and Jalalabad in the Kyrgyz Republic
- ▶ €250,000 for a Stakeholder Participation Programme to support investment in central Tajikistan.

Upgrading the water sector in Tajikistan

Following years of under-investment in the Tajik water sector, most of the country's population cannot rely on an efficient water supply service and the environment is endangered by poor wastewater treatment. In some areas water is only available for a couple of hours every second day. This affects health and hygiene standards, with the population experiencing outbreaks of waterborne disease, especially during the summer. Further, Tajikistan's water resources will progressively come under pressure from the projected impacts of climate change, which will put further strain on water supply systems.

Reversing the severe deterioration of assets for water supply and wastewater collection requires high operation and maintenance costs and improvements to institutional capacity in the Tajik water sector. To help meet this challenge the EBRD has to date invested almost €26.5 million equivalent in multiple projects across the country covering 20 cities in the central, south and north regions of Tajikistan, including Khujand, Isaev and Yovon. These multi-city projects are implemented under an "integrated approach" for water projects in Tajikistan, which is a series of similar transactions designed to address significant sector wide transition challenges which would be difficult to achieve within the scope of one project alone. The Bank's "integrated approach" to water projects in Tajikistan helps develop sustainable and good quality municipal water supply services and includes overall transition objectives as follows:

- ▶ development of the tariff methodology
- ▶ tariff increases to cost recovery level
- ▶ improvement of collection rates
- ▶ development and signing of public service contracts
- ▶ implementation of stakeholder participation programmes
- ▶ improvement of corporate governance
- ▶ regionalisation/decentralisation of water services
- ▶ installation of bulk meters
- ▶ assessment of climate change impact and integration of climate resilience measures as part of project design.

The projects focus on restoring a reliable water supply and making critical wastewater improvements in each city. They will also help build institutional capacity through corporate development and stakeholder participation programmes to provide support in areas such as billing procedures and energy conservation measures.

As part of this effort, the EBRD Water Fund has provided more than €1 million for three technical cooperation projects in Tajikistan. The support from the Water Fund plus other bilateral donors – most notably Switzerland and the EU's Investment Facility for Central Asia – for both grant co-financing and technical cooperation – is critical to achieving the objectives of these projects and future investments under preparation; adds considerable strength to the client's project implementation capacity; and enhances monitoring quality.

Projects signed in 2013

Country	Operation name	EBRD loan (€ million)
Armenia	Yerevan Water Supply Improvement Project	5.4
Bosnia & Herzegovina	Cazin Waste Water	5.0
Croatia	Rijeka Water and Wastewater Investment Project	13.0
Kazakhstan	Shymkent WWT Essential Modernisation	10.3
Kyrgyz Republic	Kant Water Sub-Project	1.5
Romania	R2CF Prahova Sub-Project	9.2
Romania	R2CF Bacau Sub-Project	16.4
Romania	R2CF Maramures Sub-Project	10.3
Romania	R2CF Dolj Water Sub-Project	12.8
Romania	R2CF Bihor Sub-Project	5.0
Romania	R2CF Botosani Sub-project	7.4
Russian Federation	Yakutsk Water Modernisation Project	46.4