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Кыргыз Республикасындагы Швейцариянын Элчилиги
Посольство Швейцарии в Кыргызской Республике

SECO Urban Water Projects in Central Asia

Policy and Institutional Framework





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Context

- Background (country information)
- Environmental rationale of SECO's engagement in Urban Water Sector
- Key challenges and problems in the Urban Water Sector





Background

- Recent history part of the Soviet Union
- Population 6 Mio: 70% - the Kyrgyz
- Territory app. 200'000 km²
- Geolandscape 90 % mountains
- Access to clean drinking water app. 80% of population
- KG - The only parliamentary democracy in CA
- Poverty rate 30% (income poverty)





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Environmental features

- KR is one of the most vulnerable countries to climate KR change in the Europe and Central Asia (ECA) region.
- The 2nd National Communication to the United Nations Framework Convention on Climate Change (“UNFCCC”) (2009) identifies impacts on water resources as one of the most severe climate change risks the country is facing.
- It also states that the poor state of water infrastructure increases vulnerability to these risks, and emphasizes the need for implementation of modern, more effective water distribution systems.





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Key challenges in Urban Water Sector

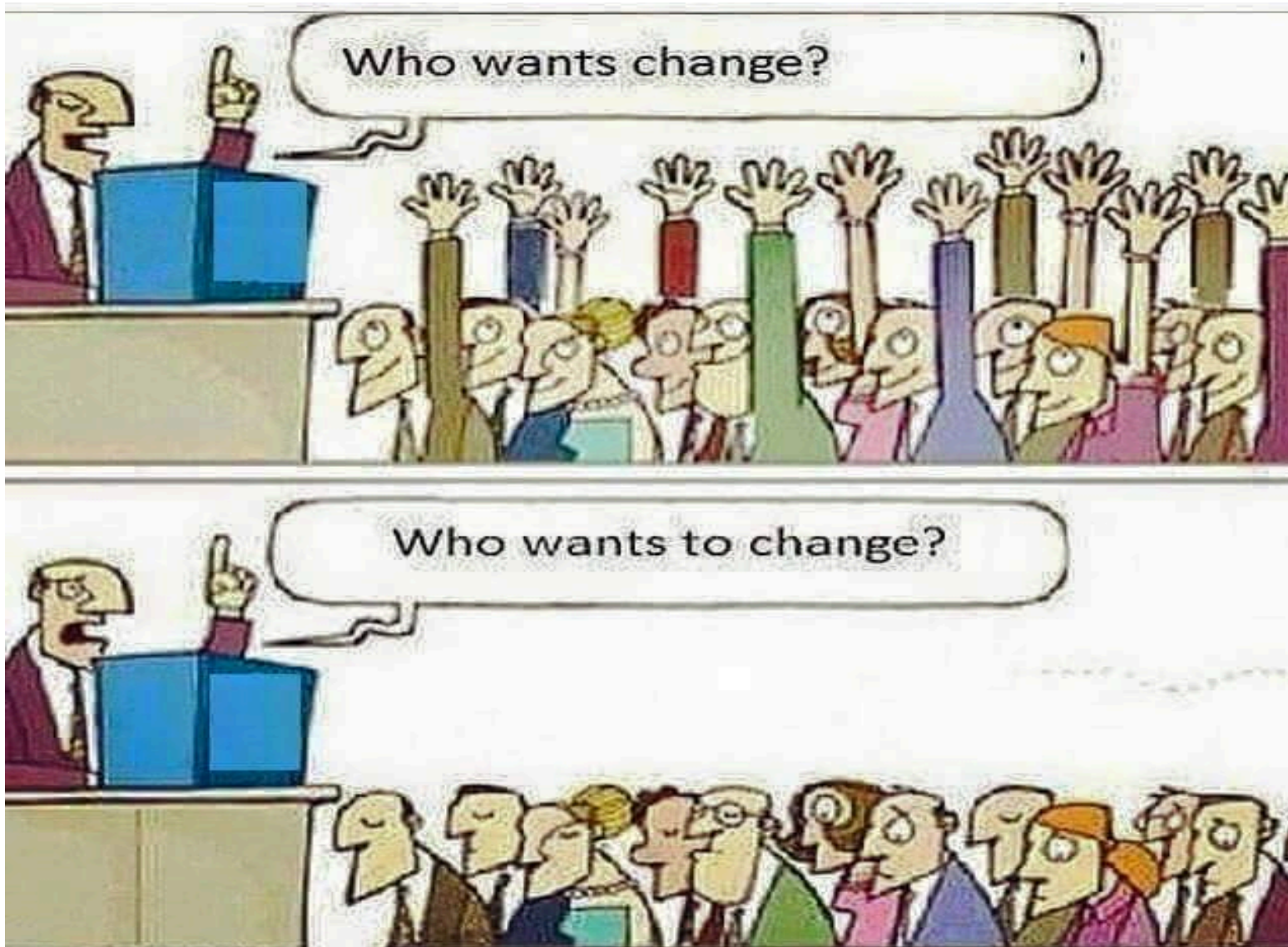
- Water services are decentralized and provided by municipal water companies
- Intensive urbanization due to internal migration
- Deteriorating infrastructure i.e. huge investment needs
- There were no state policy and institution in charge until 2015
- Low managerial and financial capacities of the Water Companies
- Less motivating framework conditions
- Tariffs are not at the cost-recovery level
- Climate risks: overexploitation of the ground water sources and low energy efficiency.





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SECO's approach in reforming Urban Water Sector

- “Stick and Carrot”: investments in Water Infrastructure under condition of reforms in the Urban Water Sector: corporate development of the Water Companies, improve framework condition of the sector (e.g. legal and economical incentives fro water companies to develop and introduce innovations), tariff reform, etc.
- Alliance with another strong financier - the European Bank for International Development – we become stronger in Policy Dialogue
- Water Supply and Sanitation Sub-Group of DPCC – Platform for donor’s activities coordination and for dialogue with the Government of the Kyrgyz Republic





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SECO's approach in reforming Urban Water Sector

Pillar I	Policy Dialogue
Pillar II	Corporate Development
Pillar III	Infrastructure Investments
Pillar IV	Stakeholder Participation





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Results and Lessons learnt

- Improved framework conditions : creation of the State Agency in charge of drinking water, approval of the National Drinking Water Strategy
- Strong position of SECO and EBRD as a large financiers strengthens the opportunity for Policy Dialogue with the Government and among donors with regards to sector reforms;
- EBRD is very strong from the PCM point of view: effective procurement procedures, separate consultancy for the engineering support and institutional development, etc.
- Lack of political will and low capacity of the Government in reforming the sector can seriously hamper results of the intervention
- Improved financial standings and managerial capacities of the water companies i.e. improved services and customer satisfaction
- The approach of combining Policy Dialogue, Corporate Development, Stakeholder Participation Program and Physical Infrastructure Investments has shown its effectiveness and can be further practiced;
- Prolongation of the support (phasing approach) will secure previous investments and will help to reach outcomes that were not possible to reach in one phase;
- Proper implementation of SPP proved to be necessary with regards to increase of the ownership of the projects, providing transparency in decision – making, accountability and in particular, towards tariff policy.





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Project examples

- Bishkek (the biggest city of Kyrgyzstan) – phasing approach;
- Kant (Kyrgyzstan) – a case of Private Public Partnership and successful Policy Dialogue (institutional framework improvements)
- Hudjand (Tadjikistan) – a case of 100 % water metering (management reforms and improvement quality of water);



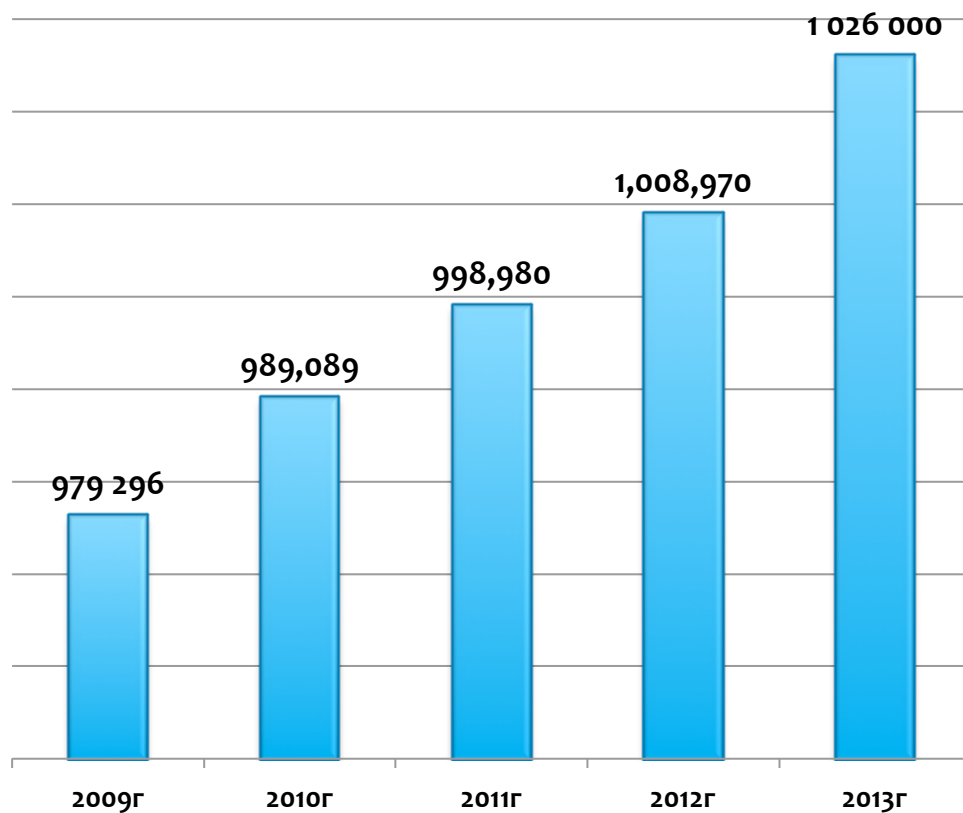


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Ex. 1: Bishkek Water Supply Project I

The population growth in the period from 2009-2013



The rapid growth of the population of Bishkek due to migration processes have caused additional stress on the existing water supply and waste water infrastructure





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Ex. 1 Bishkek Water Supply Project I

Main Goal:

Contribute to the social of the social and economical conditions of Bishkek city by improving the quality of water supply services.

Project Components:

1. Physical infrastructure Investments
2. Corporate Development Program
3. Stakeholder Participation Program
4. Policy Dialogue on the local level regarding tariffs





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Ex.1 Bishkek Water Supply Project I

Budget of the Project:

Priority Investment Plan

Switzerland via SECO	EUR 5 Mio (grant)
EBRD	EUR 5,5 Mio (loan)

Long-term Investment Plan

Total investment needs	EUR 300 Mio
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Ex.1 Bishkek Water Supply Project I

Results:

- Energy savings up to 20%
- The Municipal Water Company has become profitable
- Technical water losses decreased by 5%
- New sustainable tariff methodology is approved
- Collection rates exceeds 90% (baseline 70%)

Having satisfactory results the second phase has been launched in 2015





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Ex. 2 Kant Water Supply Project

Main Goal:

The project aims to improve the framework conditions for the existing *Public Private Partnership* structure for water issues at the municipality of Kant, the management system of the private Water Company (including water metering) and to upgrade the water supply and waste water treatment system serving 21'000 inhabitants (7'000 households).





Ex. 2 Kant Water Supply Project

Results:

- On the National level Legal Framework for PPP Projects has been established with support of donors community
- The legal basis for Private Public Partnership (PPP) – Lease Agreement between the municipality and private Water Company has been signed





Ex. 3 Khudjant Water Supply Project

- Very bad shape of water supply infrastructure
- Few hours of water supply per day (or not at all)
- Large water losses, contaminated water
- Insufficient management skills / performance of the water utility
- Very low readiness of the clients to pay for service (60%)





Ex. 3 Khudjand Water Supply Project

Results:

- Mostly 24 hrs water supply service
- Collection rate from initially around 50-60% to over 90%
- Technical water losses decreased from 52% to 26%.
- Higher customer satisfaction
- Customers payment's rate: 60% => 81%
- Khujand Water Company (KWC) can now serve two EBRD loans





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Questions

