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# Financial planning and identification of economically sound investment projects: examples from the water sector

**Alexander Martusevich, OECD  
Water programme**



# Key challenges, good practice and OECD tools

No.	Challenge	Good practice Respective OECD tools and methodologies
1	(Ambitious) long term investment programme at the national or province level is financially unrealistic (“wish list”)	<ul style="list-style-type: none"> <li>* Careful strategic planning &amp; financial planning</li> <li>- <b>FEASIBLE</b> – a computer-based model for SFP for WSS at the national and province (<i>oblast</i>) levels, with <b>macro affordability checks</b>: for public budget and for HHs</li> </ul>
2.	Donors fund investment projects submitted by pro-active local actors (municipality, NGO, industry) but the projects do not necessarily represent top priorities of the country	<ul style="list-style-type: none"> <li>* Good co-ordination of donor support at central level</li> <li>* Strategic and mid-term planning &amp; prioritisation</li> <li>- <b>FEASIBLE model</b></li> <li>- <b>Mid-term Action &amp; Investment plan</b> to support implementation of a sector strategy</li> </ul>
3.	Impact of investment projects on performance of specific water utility and end-users (tariffs, affordability) is not clear	<ul style="list-style-type: none"> <li>* Mid-term planning at water utility level</li> <li>- <b>Financial Planning Tool for Water Utilities (FPTWU)</b></li> <li>- <b>ATP &amp; WTP assessment methodology at micro level</b></li> </ul>
4.	The case of multi-purpose water systems: economically sound Investment projects impacting several sectors are not identified; or do not look <i>bankable</i>	<ul style="list-style-type: none"> <li>* Economic assessment of MPWI taking into account cross-sector &amp; trans-boundary impacts</li> <li>-<b>computer-based WHAT-IF model</b></li> <li>* Shift to sustainable business model (<i>state of art</i>)</li> </ul>
5.	Low cost-effectiveness of public investments Investment projects are not sustainable due to unsustainability of respective operators	<ul style="list-style-type: none"> <li>-<b>Guidelines</b> (i) for reform of urban &amp; rural WSS; and (ii) for performance-based contracts.</li> <li>* <b>New norms for design &amp; construction of water systems</b> (especially, small-scale / rural)</li> </ul>

# Key success factors

## Good governance

OECD Recommendation on water (Dec., 2016)  
OECD Principles for good water governance  
OECD Principles for Private Sector Participation in the water sector  
OECD Recommendation on managing critical risks

## Policy integration and policy coherence

Integration into the NSSD

Sector strategy and/or programme

Coherence between the water and related sectorial policies (agri-food, energy, rural development; overall social policy)

## Local capacity development

Including on the OECD tools and methodologies: some training packages already exist, requiring local customisation – jointly with interested local and international partners

# Potential regional synergies

- **OECD stands ready to cooperate under the NEXUS Dialogues in Central Asia** (*on identification of nexus-related investment projects with positive cross –sector and trans-boundary impacts*)
- **Replication of WHAT-IF model to ensure maximum value of MPWIs in Central Asia** (e.g. *Kapchagai*, upper- or lower-Naryn cascades of Hydro-electric stations, incl. Toktogul, HES cascades in Tajikistan)
- **Dissemination of the draft Guidelines for reform of Rural WSS and new Norms for design and construction of small-scale WSS systems in other CA country**
- **Comprehensive capacity development in CA** (dedicated programme plus participation of selected CA delegates in regional trainings under EUWI+ )
- **Implementation through country NPDs and Regional policy dialogue**
- **Opportunities for donors to drive the process**



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**Коп рахмет! Thank you! Благодарю за внимание!**

**Александр Мартусевич**

**+33-1-4524-1384**

**[alexandre.martoussevitch@oecd.org](mailto:alexandre.martoussevitch@oecd.org)**

**[www.oecd.org/env/outreach/npd-water-eecca.htm](http://www.oecd.org/env/outreach/npd-water-eecca.htm)**

