

TA-6694 REG: Water sector financial governance gap analysis in Central Asia: from planning to practice



ADB - CAREC



Overview - Tasks & Objectives



- Problem:
 - Financing needed developments in the water sector in Central Asia is challenging
- Tasks:
 - Assessment of water financing gaps
 - Water sector financing improvement action plan
 - Policy paper and dialogue series
- Objectives:
 - Understand water financing problems
 - Develop plan of necessary actions for improvements
 - Highlight issues to be tackled on policy level

Study team



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1. Assessment of water financing gaps



Objectives

- Conducting a review of critical financial needs of the water sector, concentrating on mostly major
- infrastructure
- Understanding major water infrastructure priorities of the member states (with regional significance)
- Developing water financing gap report for regional and national water infrastructure in Central Asia

1. Assessment of water financing gaps



Structure of report

- Identified water financing gaps including prioritie
 - Situational analysis / overview of water the sector
 - Analysis of the drinking water supply and sanitation subsectors
 - Analysis of the hydropower subsector
 - Analysis of the industrial subsector
 - Analysis of the land reclamation and irrigation subsectors
 - Summary/results of review of the critical financial needs of the water sector, concentrating on mostly major infrastructure, including priorities

Analysis by country with varying issues / sectoral weight

1. Assessment of water financing gaps



Findings

Kazakhstan

- Water sector is fragmented, lack of data, insufficient monitoring, and fragmented ownership
- Drinking water supply & sanitation challenges include ageing infrastructure, incomplete program implementation and transparency issues as well as difficulties with PPP implementation
- Industrial sector challenges include lack of wastewater treatment and pollution based on a lack of treatment plants
- Financial gaps in the land reclamation and irrigation subsector, coupled with low water tariffs

1. Assessment of water financing gaps



Findings

Kyrgyzstan

- Drinking water supply and sanitation subsector faces challenges such as low access, poor service delivery, and financial gaps. Inability to modernize as necessary
- hydropower subsector with poorly maintained assets and slow technology adoption
- irrigation subsector faces fragmented production, limited technologies, and inadequate logistics
- Overall inefficient resource use and ineffective management
- Limited public funding, and lack of cost recovery (low tariffs)

1. Assessment of water financing gaps



Findings

Tajikistan

- Challenges in water sector financing due to economic crises, climate change impacts, and aging infrastructure
- Drinking water supply and sanitation subsector faces infrastructure deterioration, financial constraints, low tariffs, and low collection rates
- hydropower subsector issues due to financial losses, debtor obligations, and insufficient tariffs
- irrigation sector faces financial challenges, including infrastructure depreciation and insufficient profitability

1. Assessment of water financing gaps



Findings

Turkmenistan

- Main challenges include inefficient water use, limited efficiency of institutional structure, inadequate tariffs
- In the drinking water and sanitation subsector, while progress has been made, financial gaps pose challenges, with low tariffs and the need for increased investments in networks and treatment facilities
- The industry subsector has issues with wastewater discharge, pollution, and the need for effective environmental management
- The irrigation subsector is primarily financed by the state budget. Financial gaps pose challenges, leading to deteriorating infrastructure, increased water scarcity, and potential economic losses

1. Assessment of water financing gaps



Findings

Uzbekistan

- The water sector lacks modernization of management and assets, as well as cost recovery
- In the drinking water supply and sanitation subsectors infrastructure is deteriorated due to financial gaps and insufficient tariff structures
- Comprehensive institutional reforms needed for sustained economic growth and attracting external investors
- The irrigation subsector faces ageing infrastructure while generating insufficient funding for investments.
- Overall the water sector is not sustainable and respectively

1. Assessment of water financing gaps



Summary of findings

- Deteriorating infrastructure
- Non-sustainable (insufficient) cost recovery
- Lack in funding
- Institutional shortcomings that limit private interest



2. Water sector financing improvement action plan



Objectives

- Systematizing the current water sector financing schemes from the region and international "best practices" for developing water sector financing options
- Finding major water financing problems and obstacles in countries of the region
- Preparation of the water infrastructure financing plan for selected regional and national infrastructure.



2. Water sector financing improvement action plan



Structure of report

- Systematizing the current water sector financing schemes from the region and international "best practices" for developing water sector financing options
- Finding major water financing problems and obstacles in countries of the region
- Water infrastructure financing plan for selected regional and national infrastructure
 - Identification of potential financing schemes
 - Financing requirements
 - Indication of the type as well as the additional financing requirements

2. Water sector financing improvement action plan



Findings

Kazakhstan

- Key financing schemes to finance water infrastructure projects include public funding, water tariffs, development bank loans, and public-private partnerships as well as other options (blended finance)
- Requirement for a comprehensive strategy involving policy cooperation, fiscal mechanisms, technological innovation, infrastructure development, and international cooperation
- Collaborative efforts among government bodies, non-governmental organisations, and international organizations needed
- Balance economic development with environmental protection

2. Water sector financing improvement action plan



Findings

Kyrgyzstan

- Broad deficits to rehabilitate, modernize and construct infrastructure facilities both in financing as well as in institutional structuring, unclear division of functions and responsibilities, in need for improvement
- Improvement of management structures in/between institutions
- focused prioritization of investments with better financial viability

2. Water sector financing improvement action plan



Findings

Tajikistan

- Attraction of external funding necessary to close financing gap
- Finalization of Rogun dam is a priority



2. Water sector financing improvement action plan



Findings

Turkmenistan

- Develop sustainable financing options
- Change from state funding to private/external funding needed (focus on PPPs)
- Promote innovative technologies
- Adjust tariff structure



2. Water sector financing improvement action plan



Findings

Uzbekistan

- Need for streamlining institutional responsibilities to reduce bureaucratic inefficiencies, project delays, and improve coordinated resource allocation.
- Revise water pricing and improve water efficiency
- Investments in infrastructure modernization
- Achieve sustainable water sector that attracts investors

3. Policy papers



Objectives

- Developing and conducting a series of policy paper and policy dialogues for initiation of partnerships and potential agreements
- Initiation of the regional working group on water sector financing under CAREC Program



3. Policy papers



List of identified policy paper topics

1. Water financing in Central Asia: challenges and opportunities
2. Improving water governance for sustainable infrastructure development in Central Asia
3. Financing mechanisms for water management in Central Asia
4. Development of Public-Private Partnerships (PPPs) for financing water infrastructure in Central Asia
5. Regional cooperation to address water security challenges in Central Asia
6. Adaptation strategies for climate resilience in Central Asia
7. The role of water pricing in improving water use efficiency in Central Asia