

**Facilitating policy dialogue, and
Developing a National Financing
Strategy for Urban and Rural Water
Supply and Sanitation in Moldova**

Inception Report

August 2006

Document control sheet

Client: OECD Job No.
 Project: Facilitating Policy Dialogue and developing a National Financing Strategy for
 Urban and Rural Water Supply and Sanitation in Moldova

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REVISION	NAME	NAME	NAME
DATE	SIGNATURE	SIGNATURE	SIGNATURE

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1 Project Synopsis

Project Title:	Facilitating Policy Dialogue, and Developing a National Financing Strategy for Urban and Rural Water Supply and Sanitation in Moldova
Project Number:	OCDE/EXD/PCM/ENV/NMC/06/26
Country:	Moldova
Start date - actual	1/8/2006
End date –original	1/5/2007
End date – revised	

Wider objective:	To strengthen the capacity of the Government of Moldova to plan, finance and implement prioritised water supply and sanitation infrastructure.
Project purpose:	To develop, with key stakeholders, a financial strategy that will achieve affordable and realistic development targets
Results:	<ol style="list-style-type: none"> 1. Improved Government capacity for sector planning 2. Realistic sector development targets 3. A Financial model that can be used to simulate alternative development scenarios, and for mid-term budget projections
Activities:	<ol style="list-style-type: none"> 1: Update and extension of baseline scenario 2: Social dimension of the financing strategy 3: Assessment of alternative development scenarios and the development of a realistic financing strategy. 4. Integrating the realistic financing strategy into the Government policy framework and Mid-Term Expenditure Framework.
Project starting date:	1 st August 2006
Project duration:	10 months

2 Activities to date

2.1 Award and commencement of Consultancy Contract

Notification that Jacobs had been selected to undertake the consultancy for this project, subject to completion of the Contract by both parties, was made on 14th June 2006. Following clarification of a number of issues, the Contract was signed by the Consultants on 1st August 2006. It is therefore suggested that 1st August is taken as the start date for the Consultancy Contract, despite the fact that various activities, as described below, took place prior to that date, in good faith, to help start the project before the summer holiday season.

2.2 Project Start-up

An inception mission by Peter Borkey (OECD Head of Water Programme) and Alexandre Martoussevitch (OECD Project Manager) took place during week ending 21st July 2006, and the first visit by the consultant's international team of Mike Allport (Jacobs Project Manager) and Sohail Hassan (Jacobs economist) was timed to coincide with this mission.

The main objective of the inception mission was to help with the formation of the project Steering Committee, and to hold briefing talks with the consultants and with key stakeholders.

The following meetings took place during this inception mission:

Table 2.1 Meetings during mobilisation visit in July

Date	Purpose of meeting
17/7	Initial briefing mission between OECD and Consultants
18/7 9-00	Briefing session between OECD and Consultants
18/7 11-00	Introductory meeting at Agency
18/7 14-00	Preliminary presentation of project to stakeholders
18/7 17-00	Introductory meeting with Vice Minister of Ministry of Local Public Administration (MLPA)
19/7 10-00	Kick-off meeting chaired by Vice Minister of MLPA

2.3 Formation of Steering Committee

An invitation was sent to the following organisations informing them of the background to the project and requesting their participation in the kick-off meetings to be held on 18th and 19th July. The main purpose of the meetings was to establish a Steering Committee for the project from the major stakeholders in the water and sanitation sectors.

Table 2.2 Invitees to Kick-off meeting

- Ministry of Finance (MoF)
- Ministry of Local Public Administration (MLPA)
- Ministry of Environment and Natural Resources (MERN)
- Ministry of Economy and Commerce (MEC)
- Bureau of National Statistics (BNS)
- Agency for Construction and Territorial Development (ACDT)

Regional Environmental Centre (REC)
 Investment Social Fund for Moldova (ISFM)
 Apa Canal Chisnau (ACC)
 Moldova Apa Canal Association (MACA)
 European Commission (EC)
 European Bank for Reconstruction and Development (EBRD)
 USAID
 DFID
 SIDA
 World Bank
 TACIS
 UNDP

The preliminary meeting held on 18th, was intended to provide stakeholders with a background to the project and its objectives so that each organisation could determine who should represent their organisation on the Committee, and attend the Kick-off meeting on 19th July. In the event, most of the participants attended both meetings as indicated below:

The meetings were organised with the help of the Ministry of Local Public Administration, and were held at their Agency for Construction and Territorial Development Offices in Chisnau.

Table 2.3 Attendance of Kick-off meetings held on 18th and 19th July.

Organisation	Name	Position	Phone	Email address	Attendance*	
					18 th	19 th
MLPA	V Guznac	Vice Minister	210916	guzval@mail.ru		●
MoF	V Pana	Deputy Head of National Economic Department			●	
MERN	I Guvir	Consultant	204527	guvir@mediu.moldova.md	●	●
MEC	A Grinceshen	Assistant	232149		●	●
BNS	E Vasilitza	Chief specialist	727787	Elena.vasilita@statistica.md	●	●
ACDT	V Cojocar	Department Head	204558	Valeri1951@bk.ru	●	●
ACDT	Mr Lapedulce	Assistant	204559	Fortuna-48@mail.ru	●	●
REC	V Cotruta				●	●
ISFM	V Cavalgiu	Consultant	279121		●	●
ACC	I Junea	Technical Director	222349		●	●
MACA	Mr Nistor	Executive Director	440320		●	
Parliament	C Agaci	Member of Parliament	(373) 5917302		●	
UNDP	H Walzak	GSB Broker	220045	Malgorzata.walzak@undp.org		●
UNDP	A Kjellgren	GSB Broker	220045	Annika.kjellgren@undp.org		●
OECD	P Borkey	Head of Water Programme		Peter.borkey@oecd.org	●	●
OECD	A Martoussevitch	Project Manager		Alexandre.martoussevitch@oecd.org	●	●
	V Bordeniuc	Local Consultant		Kf_06@mail.ru	●	●
Jacobs	S Hassan	Economist		Sohail.hassan@jacobs.com	●	●
Jacobs	M Allport	Project Manager		Mike.allport@jacobs.com	●	●

* ● Denotes attendance at the meeting

The Agenda of both meetings was essentially the same:

- Presentation of background to project and its objectives by OECD and Consultants (Appendix A)
- Discussion and agreement of composition of the steering committee
- Any other business
- Timing of next meeting

There were no objections to the OECD's suggestion that the Steering Committee be jointly chaired by representatives from the Ministry of Local Public Administration and the Ministry of Finance, and that Mr Cojocar, (who is Moldova's representative in the Group of Senior Officials (GSO) responsible for the WSS sector in EECCA countries) be the technical coordinator for the committee.

Following the kick-off meeting, a suggested composition of the Steering Committee composition was drawn up by the Agency for Construction and Territorial Development, as indicated below. However, the Minister of Local Public Administration stated that he was unclear about which Government Ministry and Department should be responsible for the Project, and that he would request clarification from the Deputy Prime Minister. The final composition of the Steering Group will therefore depend upon this clarification.

Table 2.4: ACDT Suggested Composition of Steering Group

Position	Name	Organisation
Technical Coordinator	V Cojocar	ACDT
Co-Chairman	V Guznac (Vice Minister)	MLPD
Co-Chairman	V Pana	MoF
Committee Secretary	N Lapedulce	ACDT
Members	V Crivciun	MEC
	T Guvir	MERN
	E Bejenaru	ACDT
	E Cemirtan	BNS
	I Salaru	Centre for preventative medicine
	V Cotruta	REC
	I Junea	ACC
	I Nistor	MACA
	A Isac	REC
	A Mija	ANRE (Energy Price Regulator)
	P Borkey	OECD
	A Martoussevitch	OECD
	M Allport	Jacobs
	S Hassan	Jacobs

2.4 Data collection

A review of the financial model was made to determine the data requirements of the model, and this inception period has been used as follows:

- Identification of data requirements
- Assessment of both quantity and quality of data that can be realistically collected, processed and analysed within the tight timeframe of the project
- Identification of sources of appropriate data
- Organisation of local consultants for the collection, entering data into the model, and initial processing of data.

A number of meetings have taken place with local consultants and with stakeholders and the process of data collection is underway.

3 Review of Project

3.1 Kick-off meeting and formation of Steering Committee

The kick-off meeting was successfully organised with the help of the Agency for Construction and Territorial Development, and a Steering Committee established.

The ultimate success of the project will be dependent on the Steering Committee being able to provide accurate direction on Government Policies in the sector, and it is therefore hoped that committee members representing the various stakeholders will be delegated sufficient responsibility to enable a realistic financing strategy to be established.

3.2 Local resources

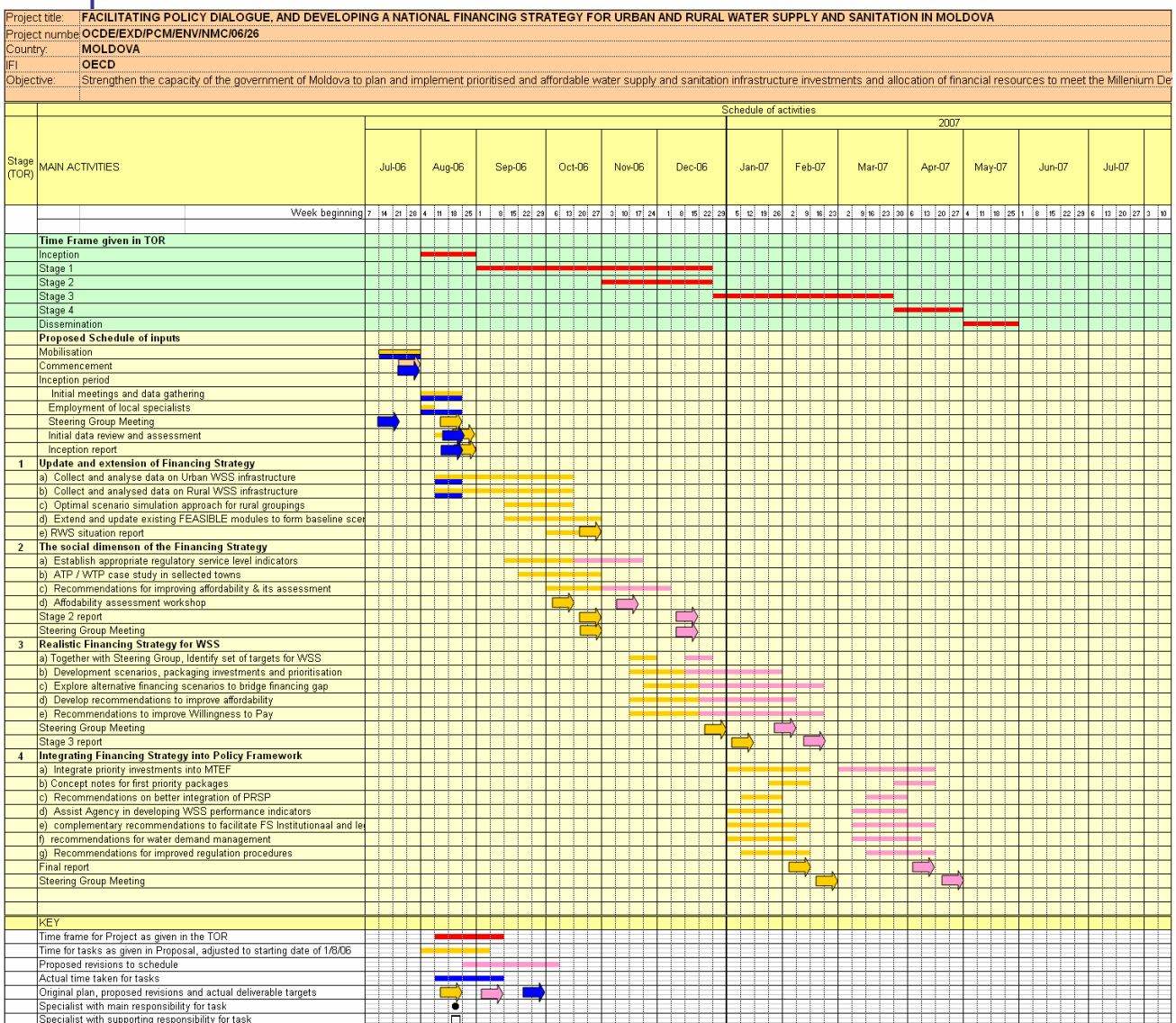
During our initial meetings and discussions, an observation made by a number of stakeholders, including the Minister of local Public Administration has been that there are insufficient local resources available for the collection, processing and analysis of data. However, although more resources would always be welcomed, we are of the view that there are sufficient local resources available to undertake the level of analysis required by the TOR.

One area of uncertainty is that whereas the original Feasible model was developed using Microsoft Excel, the new version of Feasible (version 2) has been developed using Microsoft Access, and the full implication in terms of time requirements for inputting data and analysis, due to the nature of the programme can not be fully evaluated until the data is available and alternative scenarios have been agreed.

4 Planning and Programme

In the proposal, it was suggested that it should be possible to finish the study in a period less than the 10 months stated in the TOR. However, on examining the requirements of the FEASIBLE model, we have found that the model analysis required for Stage 2 (The Social Dimension of the Financing Strategy) cannot commence before Stage 1 is substantially complete. We are therefore proposing to amend the programme back to being very similar to that given in the TOR (with no cost implications), as indicated below:

Figure 4.1 Project Schedule



The schedule given in the TOR is indicated in red, the proposal schedule in yellow, the proposed amendments in pink and the actual progress during the inception period is indicated in blue.

5 Staffing and responsibilities

The total inputs will not change with the longer study period, and will remain as included in the proposal, as follows:

Project Manager:	85 working days	Mike Allport
Economist:	55 working days	Sohail Hassan
Local specialists:	95 working days	Valentin Bordeniuc
		Victor Zubarev
		Others to be identified

The responsibilities of the different specialists are as envisaged in the figure below:

Figure 5.1 Responsibilities of Team Members

Stage (TOR)	MAIN ACTIVITIES	Personnel responsibilities				
		Project Manager	Economist	Moldovan WSS specialist	Moldovan Sociologist	Local analyst
	Proposed Schedule of inputs					
	Mobilisation					
	Commencement					
	Inception period					
	Initial meetings and data gathering	●	□	□		
	Employment of local specialists	●				
	Steering Group Meeting	●	□	□		
	Initial data review and assessment	●		□		
	Inception report	●		□		
1	Update and extension of Financing Strategy					
	a) Collect and analyse data on Urban WSS infrastructure	□	□	●		□
	b) Collect and analysed data on Rural WSS infrastructure	□	□	●		□
	c) Optimal scenario simulation approach for rural groupings	●		□		
	d) Extend and update existing FEASIBLE modules to form baseline sce	●		□		□
	e) RWS situation report	●		□		□
2	The social dimension of the Financing Strategy					
	a) Establish appropriate regulatory service level indicators	□	●	□		
	b) ATP / WTP case study in selected towns	□	●	□	□	
	c) Recommendations for improving affordability & its assessment	□	●	□	□	
	d) Affordability assessment workshop	□	●	□	□	
	Stage 2 report	□	●	□	□	
	Steering Group Meeting	□	●	□	□	
3	Realistic Financing Strategy for WSS					
	a) Together with Steering Group, Identify set of targets for WSS	●	□	□		□
	b) Development scenarios, packaging investments and prioritisation	●		□		□
	c) Explore alternative financing scenarios to bridge financing gap	□	●			□
	d) Develop recommendations to improve affordability	●	□			□
	e) Recommendations to improve Willingness to Pay	□	□	□	●	□
	Steering Group Meeting	●	□	□	□	□
	Stage 3 report	●	□	□	□	
4	Integrating Financing Strategy into Policy Framework					
	a) Integrate priority investments into MTEF	●	□			□
	b) Concept notes for first priority packages	●		□		
	c) Recommendations on better integration of PRSP	●		□	□	
	d) Assist Agency in developing WSS performance indicators	●		□		
	e) complementary recommendations to facilitate FS Institutionaal and le	□	●	□		□
	f) recommendations for water demand management	●	□	□	□	
	g) Recommendations for improved regulation procedures	●	□	□		□
	Final report	●	□	□	□	
	Steering Group Meeting			□		
	KEY					
	Specialist with main responsibility for task		●			
	Specialist with supporting responsibility for task		□			

The Project Manager will be mainly responsible for Stages 1 and 4, the Economist responsible for Stage 2, and joint responsibility for Stage 3. Local specialists and inputs from local institutions will be used as appropriate to fill and data gaps identified.

6 Reporting

In accordance with the TOR, a concise report will be prepared and presented in English and Russian at the end of each study stage. These will be combined into one final report at the end of the project, which will also be translated into Moldovan.

In addition to these formal reporting requirements, the consultants will keep the OECD informed of progress, achievements and problems on a monthly basis.

Appendix A - Presentation given on 18th & 19th July

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EAP Task Force

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Facilitating Policy Dialogue and Developing a National Financing Strategy for Urban and Rural Water Supply and Sanitation in Moldova

Содействие диалогу по отраслевой политике и разработка национальной Финансовой стратегии для городского и сельского водоснабжения и водоотведения в Молдове

Inception Meeting Agenda

- Background to project (by OECD)
- Introduction of project and objectives of Steering committee (by consultants)
- Discussion and agreement on composition of Steering Committee
- Any other business
- Next meeting

Повестка дня первой встречи

- Контекст проекта (OECD)
- Представление проекта и целей создания Координационного комитета
- Обсуждение и согласование состава Координационного комитета
- Другие вопросы
- Следующая встреча

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EAP Task Force

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Introduction

Введение

- OECD EAP Task Force
- Consultants: Jacobs
 - Water and Wastewater Engineer: Mike Allport
 - Economics and Finance: Sohail Hassan
 - Local Consultants

- ОЭСР-СРГ ПДООС
- Консультанты: Jacobs, UK
 - Инженер по водоснабжению: Mike Allport
 - Экономика и финансирование: Sohail Hassan
 - Местные консультанты



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EAP Task Force

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Project Objectives

Цели Проекта

- Facilitate policy dialogue within the WSS sectors
 - Update of previous Financing Strategy
 - Translation of Strategy into budgetary provision through MTEF, PRSP, and other policy documents
 - Improved governance and capacity building
- Содействие диалогу по отраслевой политике в ВКХ
 - Обновление предыдущей Финансовой Стратегии
 - Отражение Стратегии в бюджетном планировании (СПР), в ССУБ и других политических документах
 - Улучшение управления отраслью и укрепление административного потенциала



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Purpose of policy dialogue

Цели политического диалога

- To build consensus on realistic development targets for WSS, feasible scenario(s) affordable tariff options and policy package to bridge the financing gap.
 - Develop/strengthen coordination of activities undertaken by different parties involved in the WSS sector in Moldova
 - To communicate with the general public within the country and to the international stakeholders (IFIs, donors, partners etc).
- Достичь консенсуса относительно реалистичных целей и сценариев развития ВКХ при приемлемых тарифах и пакете мер для устранения дефицита финансирования.
 - Развитие/усиление координации действий, предпринятых различными сторонами, вовлеченными в сектор водоснабжения и канализации Молдовы
 - Связи с общественностью и взаимодействие с заинтересованными лицами на международном уровне (МФО, доноры, партнеры и другие)

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EAP Task Force

Purpose of Steering Committee

- Sector policy statements from each stakeholder
- Provide a platform for policy dialogue & ensure it is focused and well structured on priorities
- Assistance with data acquisition:
 - Existing policy documents
 - Extent and physical condition of assets
 - Institutional arrangements
 - Legislative framework
 - National Household Survey
 - Donor coordination
- Dialogue on priorities & Realistic targets
- Discuss and agree realistic Financing Strategy & Scenarios
- Options for Management structures
- Improved institutions and capacity building
- Sector Coordination & public awareness

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Цели Наблюдательного Комитета

- Позиция каждого ведомства в отношении отраслевой политики в ВКХ
- Обеспечить: платформу для политического диалога, его сфокусированность на приоритетных вопросах и хорошую структурированность
- Помощь в сборе данных:
 - Существующие документы по отраслевой политике
 - Наличие и состояние основных фондов ВКХ и финансирования отрасли
 - Институциональные условия
 - Нормативная правовая база
 - Национальные обследования домохозяйств
 - Координация доноров
- Диалог о приоритетах и реалистичных целях
- Оптимальная Финансовая Стратегия
- Варианты управления отраслью
- Совершенствование институциональных рамок и укрепление управленческого потенциала
- Координация Сектора и формирование заинтересованного общественного мнения

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EAP Task Force

Programme (Provisional)

- Stage 1: Update Financing Strategy (month 3)
 - Update data on urban infrastructure
 - Collect and analyse data on rural WSS and its funding
 - Develop an approach to simulate scenarios
 - Calibrate rural module of FEASIBLE software
 - Develop FEASIBLE baseline scenario and its financing gap.
- Stage 2: Social dimension, (month 3)
 - Suggest WSS quality indicators
 - Case study on ability and willingness to pay
 - affordability and appropriate tariff structure
 - Workshop on affordability assessment and recommendations on tariff setting

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Программа (временная)

- Этап 1: Обновление предыдущей Финансовой Стратегии (3 месяца)
 - Обновление данных относительно городской инфраструктуры ВКХ
 - Сбор и анализ данных относительно инфраструктуры и финансирования сельского водоснабжения и канализации
 - Развитие подхода к моделированию сценариев
 - Калибровка модуля FEASIBLE по сельскому ВКХ
 - Моделирование базового сценария FEASIBLE и оценка дефицита финансирования.
- Этап 2: Социальное измерение (3 месяца)
 - Предложить показатели качества услуг водоснабжения и канализации (ВиК)
 - Социологическое исследование для оценки способности и готовности платить (СГП) за ВиК
 - Надлежащая структура и приемлемые ставки тарифа
 - Семинар по результатам оценки СГП и рекомендации по регулированию тарифов

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EAP Task Force

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Programme (Provisional) **Программа** (временная)

- **Stage 3: Realistic Financing Strategy** (month 5-6)
- **Stage 4: Conversion of Strategy into budgetary provisions, PRSP.**(month 7-8)
- **3 Этап: Реалистичная Финансовая Стратегия** (5-6 месяцев)
- **4 Этап: Бюджетное обеспечение реализации Стратегии и включение ее в ССУБ** (7-8 месяцев)

	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10
Inception mission										
stage 1										
stage 2										
stage 3										
stage 4										
dissemination										

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EAP Task Force

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Formation of Steering Committee

Формирование Наблюдательного Комитета

- **Core membership (preferably no more than 8) to meet at least 4 times**
- **Co-opted membership for specialist advice**



- **Основные участники (желательно не больше 8), не менее 4-х встреч**
- **Кооптирование членов по мере необходимости**

Appendix B - OECD Project Information Sheet

OECD N° OCDE/EXD/PCM/ENV/NMC/06/26

Lead Organisation	Environment Action Programme Task Force (EAP TF) OECD	
Key Contacts	Peter Borkey, Head, Water Programme peter.borkey@oecd.org	
	Xavier Leflaive, Head, Environmental Finance Programme Xavier.leflaive@oecd.org	
	Alexandre Martoussevitch, Consultant, Project manager Alexandre.martoussevitch@oecd.org	
Project Title	Facilitating Policy Dialogue, and Developing a National Financing Strategy for Urban and Rural Water Supply and Sanitation in Moldova	
Project Lead	Jacobs, Reading, Berkshire, RG6 1BL, UK Project Manager: Mike Allport Mike.allport@jacobs.com	
	Economist: Sohail Hassan Sohail.hassan@jacobs.com	
Contract date	1st August 2006	
Outputs	Description	Due date*
	Inception report	Aug 2006
	Phase 1: Stage 1: Update and extension of baseline scenario	Oct 2006
	Stage 2: The social dimension of the financing strategy	Dec 2006
	Phase 2: Stage 3: A realistic financing strategy for WSS	Mar 2006
Stage 4: Integrating the financial strategy into the policy framework (MTEF, PRSP etc.)	April 2006	
	Final Report	May 2006
Meetings	Inception mission	
	Kick off meeting establishing Steering Group	
		19 July 06
	End of Stage 1	
	End of Stage 2	
Preparatory meeting with OECD for Stage 3		
End of Stage 3		
Reporting to EUWI Finance Working Group		
	OECD to supervise project execution and report to EUWI FWG during the course of the project. At the end of each stage, a synthesis will be drafted and sent to the EUWI.	

* In accordance with a start date of 1st August, and timing as TOR.