

## **Innovative practices and important experience in Danish environmental co-operation with Central and Eastern Europe on water and sanitation**

### *Description of the Initiative*

For more than 10 years, Denmark has supported and implemented projects in Central and Eastern Europe within water and sanitation. More than 400 projects on water quality have been executed with the Danish support of almost EUR 200 million, where 80% have been allocated to investment projects. In more than 120 towns or cities, wastewater treatment plants have been rehabilitated or new plants have been constructed. In more than 35 towns, the water supply has been improved, and along with improved quality of groundwater more than 800.000 East Europeans have benefited.

Denmark has cooperated with stakeholders at national, regional and local levels, but the projects have always been coordinated with the Ministry responsible for the sector. The Ministry has ensured that the projects follow national policies and priorities.

### *Mainstreaming and sustainability*

One of Denmark's priorities has been to assist in developing **environmental financing strategies (EFS)**. The core element of an EFS is a **computer-based decision support tool called FEASIBLE**. This model addresses the issue of a planning stage, taking both the costs of the proposed activities and how to finance them into account. The balance usually shows a financial gap, even for current operation and maintenance, due to low tariffs and collection rates and insufficient budget funding. The output of an EFS is a medium to long-term environmentally regional or national plan that is financially sustainable. Denmark has, together with the OECD, initiated the development of EFSs in Russia, Ukraine, Moldova, Kazakhstan and Georgia. **FEASIBLE is available free of charge.**

**The Total Water Management (TWM)** concept was identified as part of the EFSs. The concept is combining capacity building in planning and preparing projects with the implementation of the most urgent needed investments in the water company. **The TWM is a guiding tool, focusing on optimising the assets, assets management and operation of the water company, and at the same time an adaptation tool, working towards financially viable and cost effective service provision (closing the financial gap)**. In order to optimise the budget funding, a strategy plan ranking the investment need is set up. This TWM-concept has been implemented in several towns in Russia.

Another important issue in the water sector is reforming of legislation, regulation and standards, to secure the legal basis for provision and operation on a long term basis.

Although the local funding of projects is playing an increasing role, the Danish **support has been a catalyst for attracting international funding from other donors and international financial institutions (IFIs)**. In many situations, a project has involved financing from the local, regional, federal level in the recipient country and from the international side from as well donors as IFIs.

### ***Replicating the initiative***

Lessons learnt from the Danish environmental assistance to Central and Eastern Europe:

- Countries must find the balance between ambitious plans for improving the water sector and realistic tariffs for water supply and wastewater treatment.
- Support to the development of national and regional strategies and financing strategies to ensure that projects are implemented according to needs and affordability are important.
- Reforming of the legislation up to international standards must take place.
- Capacity building in the water utilities is an important component of investment projects.
- Priority should be given to the projects that are most favoured by the recipient country and in the budget. These projects generally also attract funding from other sources.