



Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Reform of Municipal Services in Eastern Ukraine



Lessons Learnt and advice on future direction

April 2016



Lessons Learnt – Institutional aspects

- **The senior management of a Vodokanal has to understand the advantages of Asset Management Planning so as to fully support its implementation**
 - The autonomy of a communal enterprise in Ukraine is constraint by many factors such as access to finance, policy, legal and regulatory framework, etc.
 - The decision to engage in the Asset Management Planning Process must be left to utility managers, they, in turn, must identify and meet the learning and improvement needs of their organisation



Lessons Learnt – Institutional aspects

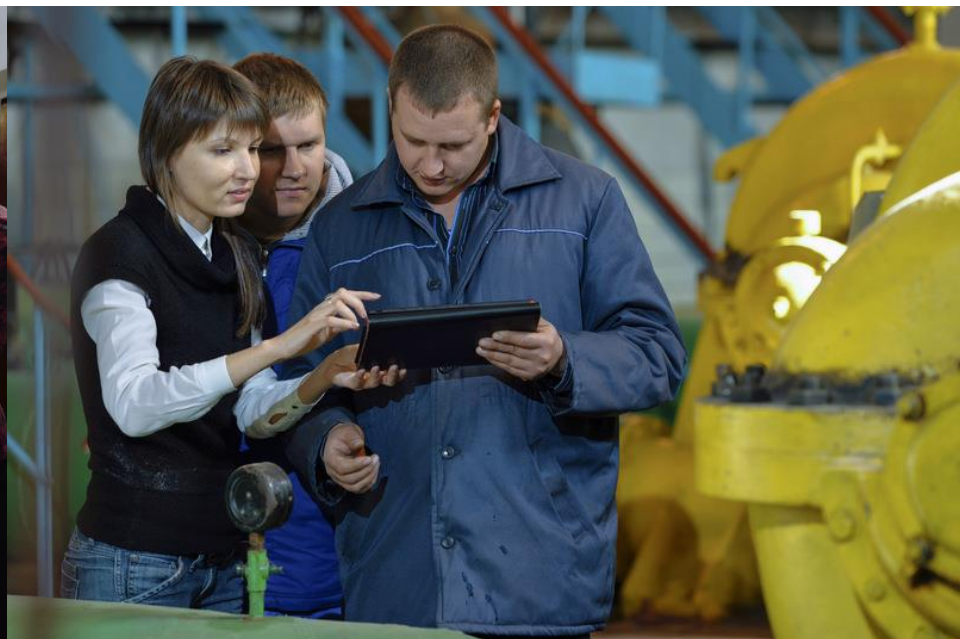
- **Consistent dialogue between Vodokanals and the regulatory authority creates better understanding of the need for Asset Management Planning**
 - AMP informs capital investment planning and tariff formation, therefore it has to be considered as an integral part of the regulatory framework





Lessons Learnt – Organisational aspects

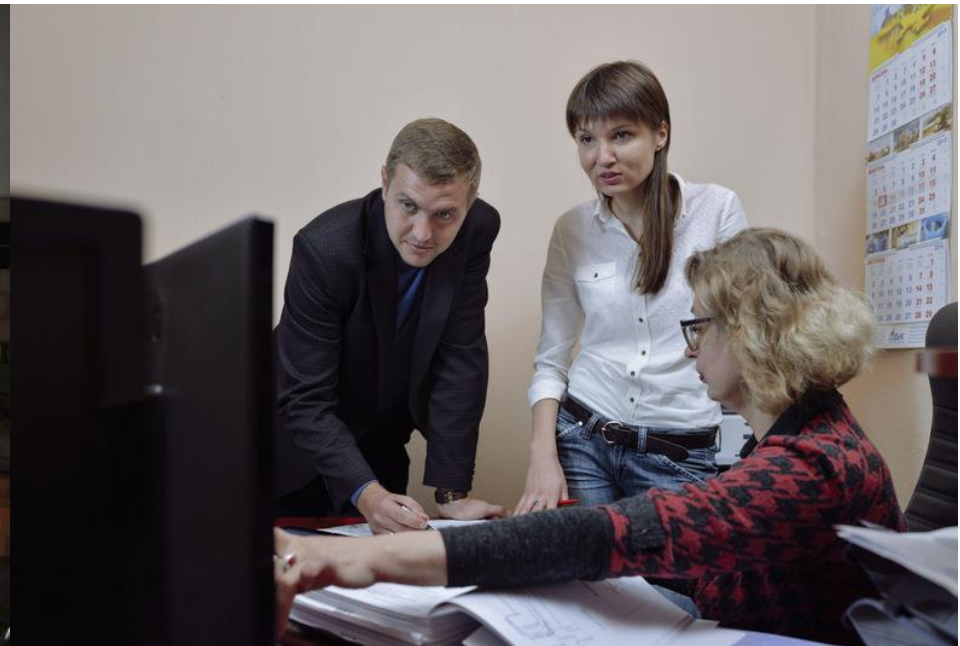
- **The senior management needs to actively mobilise motivated staff to manage the entire AMP process and its role out**
 - Energy for change needs to be generated internally





Lessons Learnt – Organisational aspects

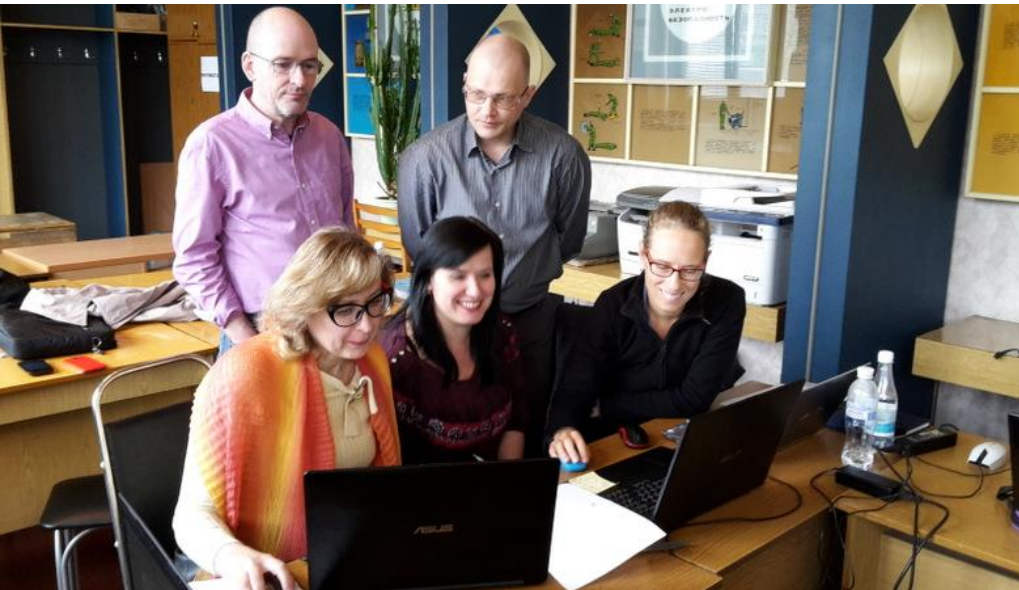
- **Strengthening of individual capacity results in promotion of the system within the organisation**
- Different training methodologies were combined (on the job training, remote access support, workshops)





Lessons Learnt – Organisational aspects

- **Facilitation of peer learning across organisations leads to sustainable results**
 - Involvement in cross – organisational communities of practice and peer to peer learning





Lessons Learnt – Strategic aspects

- **Asset Management Planning increases the chances for the acquisition of external finance**
 - AMP provides a systematic order for targeted priority investments
 - It supports strategic decisions of the company and reflects its true needs
- **AMP system optimises procedures for the collection of repair data**
 - Existing procedures are very cumbersome and time consuming
 - Piloted system can easily be rolled out over company



Advice on future direction – NCSEPUR institutional

- **There is a need to define clear separation of responsibilities**
 - Government to set policy and objectives supported by legal instruments where necessary
 - Regulator to set prices and monitor / enforce performance (output focused) guarantee utility autonomy to make their own decisions
 - Regulation needs to be efficient and appropriate – simplified methodologies are required for the regulation of 150 utilities
 - Utilities need to operate more autonomously and not to refer decision making to the regulatory authority



Advice on future direction – NCSEPUR institutional

- **Time is needed for the development of a comprehensive regulatory framework for the water supply and sewage sector**
 - Policies and objectives need to be defined and business planning guidelines need to be developed against which the regulator can assess tariff submissions of licensees
 - If started now the first tariff cycle could commence in 2019; transitional arrangement between now and 2019 needed



Advice on future direction – Hypothetical tariff exercise

- **Full costs of investments need to be included into tariffs**
 - Current tariffs are largely confined to direct operational costs only
 - Service levels cannot be sustained at these tariff levels unless taxpayer funded



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