Ukraine: Service cooperatives for management of piped water supply schemes in rural areas

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Ukraine

- Population - 45.7 mio.
- One third live in rural areas
- Urban settlements - 886
- Villages - 28,552
- GDP per capita – 6800 US$
- Average monthly income (capita/month)
  - In total – 319 US$
  - In rural areas - 214 US$
Use of drinking-water sources (JMP, 2010)
# Management model of water supply: initial situation

<table>
<thead>
<tr>
<th>State</th>
<th>Regulatory &amp; policy level (regulations, licensing, state grants, tariff setting for big operators (over 100 000 consumers)</th>
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<tr>
<td>LSG</td>
<td>Decentralized responsibility: local policies and strategies, ownership of infrastructure, tariff approval, delegation of O&amp;M</td>
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<td><strong>Operation level</strong> – delegated responsibility: service provision, O&amp;M, tariff calculation</td>
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<td>Company</td>
<td><em>commercial model</em> – municipal, private License needed</td>
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<td>Consumers</td>
<td>Receive service upon service contract Tariff for service is subject to approval by LSG</td>
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<td></td>
<td><strong>Self-organized service</strong> <em>(what is that about?)</em></td>
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Concerns regarding rural water supply in Ukraine

- “Free of charge water” in villages for decades
- High costs for digging an individual shallow well
- Decreasing quality of water (1 aquifer)
- Incomplete decentralization (functions vs. funds)
- Lack of capacities to organise and manage the service provision at the level of village authorities
- No sound development strategy regarding RWSS at the national level

Piped systems connected to deep boreholes – a technological option

Organisational/institutional options?
## Service Cooperative: a portrait

<table>
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<th>Legal description</th>
<th>Membership not-for-profit organisation, officially registered.</th>
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<td>Main purpose</td>
<td>To satisfy member needs in selected spheres</td>
</tr>
<tr>
<td>Ownership of assets</td>
<td>The service cooperatives can own property, i.e. the water supply infrastructure.</td>
</tr>
<tr>
<td>Role of beneficiaries</td>
<td>Direct role in planning, implementation and O&amp;M</td>
</tr>
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<td>Service provision</td>
<td>Provides services to its members (and even to non-members – up to 20% of gross turnover). No service contracts are required.</td>
</tr>
<tr>
<td>Enforcement of payments</td>
<td>Payments are usually done on a monthly basis, in the form of member fee (referring to volume of consumed water).</td>
</tr>
<tr>
<td>Governance and decision making</td>
<td>Clear distribution of decision-making responsibilities by Charter is applied. “One member - one vote” principle.</td>
</tr>
<tr>
<td>Specific restrictions in terms of service provision</td>
<td>No restrictions</td>
</tr>
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Service Cooperative allows...

- Involving property (money) and labour inputs of the households at the initial stage and during constriction phase

- Acquire property and/or operation rights of the water supply system

- Provide water supply service during indefinitely long period
# Service cooperative is in line with the management model

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| **Company** – municipal, private | **Self-organized service**  
License needed | No license needed |
| Consumers                    | Receive service upon service contract  
Tariff for service is subject to approval by LSG                                                                 |
|                              | No service contract needed, internal rules applied  
No tariff approval from LSG side, internal rules applied |
Service cooperatives: after 3 years of operation

- Functionality: 96%
- In-house connections: 78%
- Water meters: 87%
- Sanitary protection zone at a source: 90%
- Water quality due to the standard: 96%
- Customer satisfaction level: 89%
- CapManEx included into tariff: 36%
- Cost recovery tariff (OpEx): ?
- 68%
Service Cooperative: lessons learnt

- Mostly well accepted by households, and local governments
- Direct involvement of the beneficiaries (demand driven)
- Creates a strong sense of ownership
- Easier format of organisation of the service provision in comparison with a “company” approach (internal rules vs legal regulations; fees vs tariffs etc) – but quality of services ensured!
- Is in line with national legislation (financing, construction, O&M etc)
- Still, support at the national level is lacking - none of Ministries is directly responsible for rural WS
Conclusions and recommendations

• The Service Cooperative approach shows a great potential for further scaling up
• Required:
  • *Creation of a good knowledge base on the approach*
  • *Developing and introducing training for CBO, LSG*
  • *Establishing and enhancing support at the district level*
  • *Earmarked funds from the national and regional budgets to support the community initiatives*
  • *Comprehensive M&E system*
  • *Donor coordination and harmonisation in water supply sector*
Thank you for your attention!

More info:
www.despro.org.ua