



North Moldova Water Project

PPPs in Moldova: North Moldova Water Project

Veaceslav VLADICESCU,

Moldova Waters Agency

PPP legal framework in Moldova



- ❑ **Law on Public and Private Partnership Nr. 179-XVI dated July 10, 2008**
Establishes the basic principles of public and private partnership, forms and modalities of its implementation, the procedure of its initiation and implementation, and the rights and obligations to the public partner and the private partner.
- ❑ **Government Decision No 476 dated July 4, 2012, on Approving the Regulations Regarding Standard Procedures and Basic Provisions for Selecting a Private Partner.**
- ❑ **Decision on the National Council for Public and Private Partnership Nr. 245 of April 19, 2012**
To approve the Regulations and composition of the National Council for Public and Private Partnership
- ❑ **Ministry of Economy Order on Approving Preliminary Matrix of the Project Risk Distribution Preliminary Matrix Nr. 143 dated August 2, 2013**
Matrix is an indicative model of sharing risks in public and private partnership projects, which is aimed at assessing foreseeable risk categories that may have their impact on the project, describing their distribution algorithm based on each private and public partnership participant's ability to manage risk in the most efficient manner, which would make the long term cost of the project as low as possible in the context of cost-benefit analysis.

PPP legal framework in Moldova



- ❑ Law on Public services on water supply and sewerage *Nr. 303 dated 13.12.2013 in force since 14.09.2014*
- ❑ *National Development Strategy «Moldova 2020»*
- ❑ *Environmental Strategy for 2014-2023 (April 2014),*
- ❑ *Water Supply and Sanitation (WSS) Strategy for 2014-2028*

All this documents promote PPPs in Water supply & sanitation.

PPP legal framework in Moldova - challenges



- In June 2011, Moldova ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, and this in itself should send a positive signal to international investors.
- One of the main challenges going forward in the PPP development is the adoption and implementation of subsidiary legislation and administrative provisions.
- Moldova - low GDP. The big world players are not very active in our country because is considered poor country.
- Tariff policy improvement (NARE) – since September 2014.

PPP Projects in Moldova



- Waste management
- Health services
- Construction industry
- Energy
- Water & sanitation
- Recreation
- Transport

PPP Projects in Moldova



- **Water & Sanitation :**

- Small projects : several villages have PPPs for water supply. Balti town - sewerage and WWTP
- Big projects: Moldova North Project.

The project will support the development of a regional water supply system in North Moldova on the backbone of the existing Soroca-Balti Pipeline, to improve the quality and efficiency of water and wastewater services in the operation area. The local public authorities from 7 rayons (Balti, Floresti, Soroca, Singerei, Telenesti, Riscani and Drochia), as well as the Soroca-Balti Pipeline subordinated to Apele Moldovei at the Ministry of Environment, expressed the commitment to associate their water and wastewater infrastructure into a Regional Operating Company (ROC) to unify the rights of use of the assets of the existing utilities in the participant Rayons into a single platform, to act as a single operating area and jointly coordinate the water supply and wastewater services on a regional basis.

As a subsequent step, ROC will aim to attract a reputable private operator (i.e. under a lease/afermage contract) to operate the water and wastewater services across the entire operating region.

PPP Projects in Moldova

Water & Sanitation :



Moldova North Project: key issues

- ✓ The backbone of this Project will be the existing Soroca-Balti Pipeline (“SBP”).
- ✓ The SBP was built in the 1980s and is owned and operated by a separate regional water supply company, Aquanord (“Aquanord”), subordinated to the Ministry of Environment. Except partially for the towns of Soroca and Balti, all other towns and villages in the Northern Region are abstracting groundwater.
- ✓ This groundwater source is highly polluted and is not suitable for safe water supply to both urban and rural areas. Connections from the SBP to other neighbouring districts (Singerei, Telenesti, Floresti, Drochia, Riscani) need to be developed together with water distribution networks within the localities.
- ✓ The intended private operator of the services (the “Operator”) will be given the responsibility for financing investments, renewals, operation, maintenance, billing and revenue collection for the entire regionalised water supply and sanitation services of the seven participating districts
- ✓ Financial Contribution: EBRD 10 mln euro - loan, EIB – 10 mln euro - loan, EC (NIF) – 10 mln grant (administrated by EBRD).

PPP Projects in Moldova

Water & Sanitation: Moldova North Project



Key issues:

- Based on international good practice and lessons learned, the recommended first step would be to focus on improved efficiency performance in operations and better quality service delivery.
- The most relevant structure here relies on an affermage / lease contract, i.e. a performance based delegated management contract with a private operator. Under an affermage / lease arrangement the private operator is responsible for operating and maintaining the assets, and delivering the service, but not for financing investments.
- The private operator will also have the contractual and financial obligation to take part in renewal investments of the distribution network. This obligation will be reflected in his bid price.

PPP Projects in Moldova

Water & Sanitation: Moldova North Project

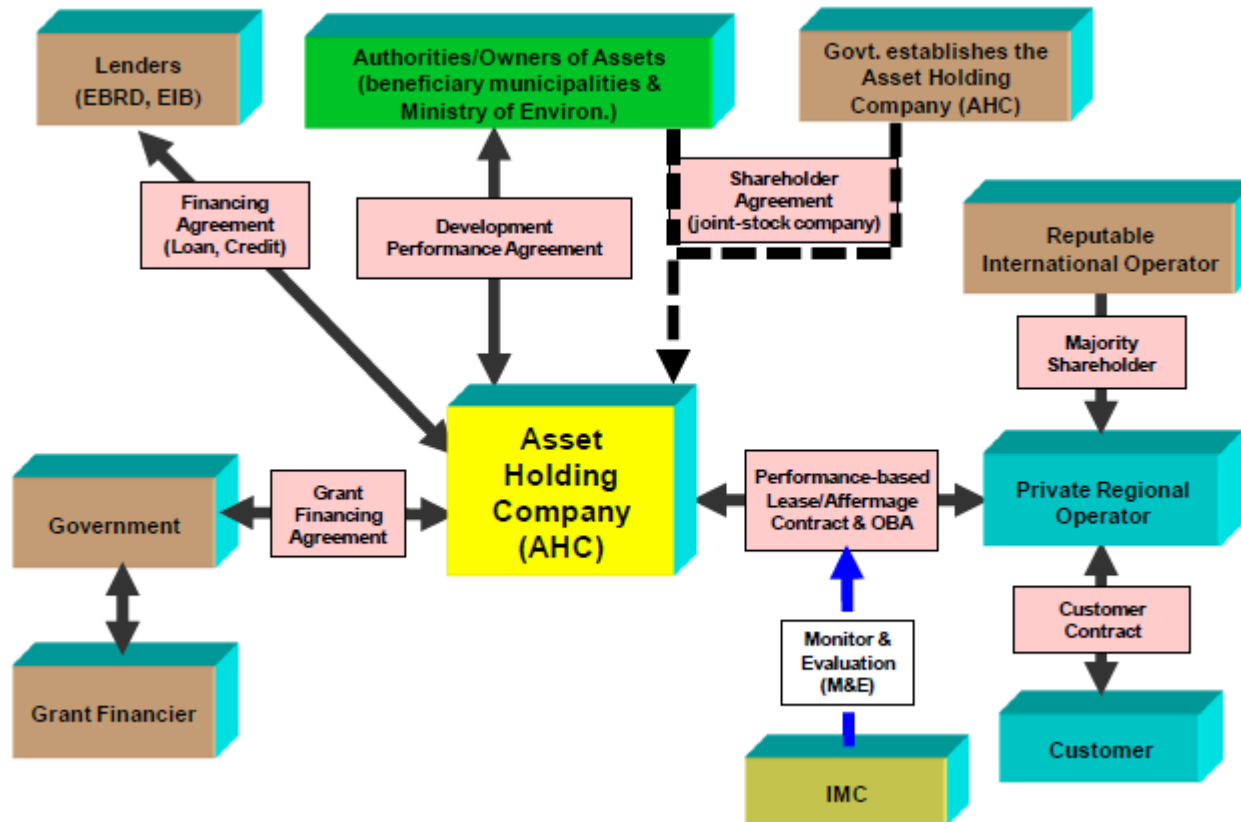


Key issues: Investments

- Intake and Drinking Water Treatment Plant
- Soroca-Balti Pipeline and Pumping Stations
- Selected Networks in localities and connections

PPP Projects in Moldova

Water & Sanitation: Moldova North Project



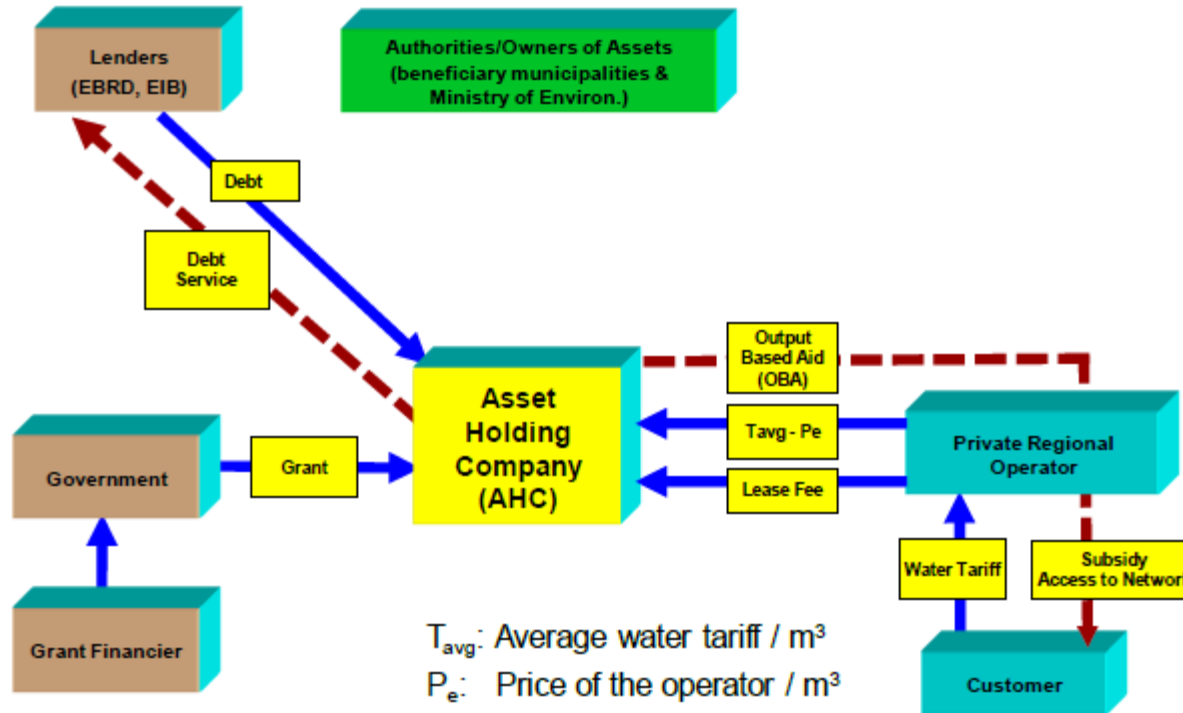
PPP proposed option
(from Final Report of the Due Diligence Study)

PPP Projects in Moldova

Water & Sanitation: Moldova North Project



Figure 2 – Proposed PPP option – Flow of Funds



PPP proposed option
(from Final Report of the Due Diligence Study)

Proposed Option: PPP – flow of funds

PPP Projects in Moldova

Water & Sanitation: Moldova North Project



More specifically, the Project seeks to:

- Improve the level and quality of WSS services in the Northern Moldova Region
- Increase efficiency of service delivery
- Ensure long-term financial, technical and environmental sustainability while taking into account end-user affordability constraints
- Make 'smart' optimal capital investments

PPP



Questions

veaceslav.vladicescu@apele.gov.md
vladicescu@yahoo.com

Thank You !