

ANALYTICAL PAPER

Topic of the issue

SERVICE COOPERATIVES – SOLUTIONS FOR RURAL WATER SUPPLY IN UKRAINE

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SUMMARY

After the breakdown of the Soviet Union, the centralised water supply systems in rural areas in Ukraine were no longer allocated sufficient funds for their operation and maintenance. As a consequence, many of the piping systems broke down and the level of service provision was low. In rural areas many households shifted to other sources for drinking water supply. However, a lack of quality groundwater challenges those people looking for better alternatives. A new, community-based model for water supply provision and operation and maintenance was developed by DESPRO/Skat, and has been implemented in 33 communities across Ukraine. Different organisational approaches have been used for implementation, including the service cooperative approach. In this approach, the beneficiaries are extensively involved in all levels of planning, implementation, and operation and maintenance activities. It considers equity and inclusion and looks sustainable, in terms of long-term provision of services within the current legal and economic context. This approach also shows great potential to be scaled up outside the two regions.

DESPRO is a Swiss-Ukrainian Decentralization Support to Ukraine project, funded by the Swiss Confederation through the Swiss Agency for Development and Cooperation (SDC) and implemented by the Swiss Resource Centre and Consultancies for Development (Skat).

The mission of the project is optimizing the governance system and supporting efficient local development in Ukraine, thus creating new impetus for further democratization processes as well as for improvement in services supply at the community and municipal levels.

The project stipulates three phases: preparatory phase (years 2007-2009), consolidation phase (years 2010-2012) and completion phase.

Goal of the project phase I consisted in implementing decentralized services models at rayon, village and municipal levels.

Goal of the current project phase (II) - developing and implementing feasible mechanisms of decentralized public service delivery in pilot regions that are documented and taken up in the national decentralization reform process.

The tasks for project phase II :

- Enhancing quality and availability of the services in the target rayons based on participatory planning and decision-making.
- Introducing efficient models for best practices/ knowledge management in decentralization processes and local self-governance to increase local capacities.
- Supporting nation-wide reform process in decentralization and local self-governance.

DESPRO project operates at the national level, in the Autonomous Republic of Crimea, in Vinnytsya and Sumy oblasts.

INTRODUCTION

Situated in Eastern Europe, Ukraine is one of the largest countries in Europe. Its territory is about 603,600 km², with a population of 45.7 million (2011), living in 886 urban-type settlements and 28,552 villages. The average density of population is about 76 people/km².

Climate conditions show clear regional variation, with high annual precipitation in the west and north (around 1,200 millimetres annually) and around 400 mm annually in the east and southeast. Agricultural and industrial goods and mining are important factors in Ukraine's economy. This combination generated an average level of income of about 319 US\$/capita per month in 2011. In rural areas, where most of the population live from the agriculture-based subsistence economy, the average income is much lower - 214 US\$/capita per month.

For decades, Ukraine was part of the former Soviet Union (USSR). Ukraine became independent in 1991. During Soviet times, the level of infrastructure and maintenance of water supply in urban areas was comparable to that of developed countries (OECD, 2011). In rural areas, the situation was totally different. Whereas in urban areas water supply was provided as a service, the provision of water in rural areas was directly linked to the activities of strong players in the agricultural sector, mainly collective farming enterprises (kolchozy) or state farms (sovkhozy). Kolkhozy and sovkhozy were the two components of the social farm sector that began to emerge in Soviet agriculture after the October Revolution of 1917, as the alternative to individual or family farming.

That means that rural water supply was used as an incentive to attract or keep workers in the agricultural sector. The provision of water was free of charge (very rarely – with a small flat fee), and production costs were covered by the agricultural enterprises or subsidised by the state.

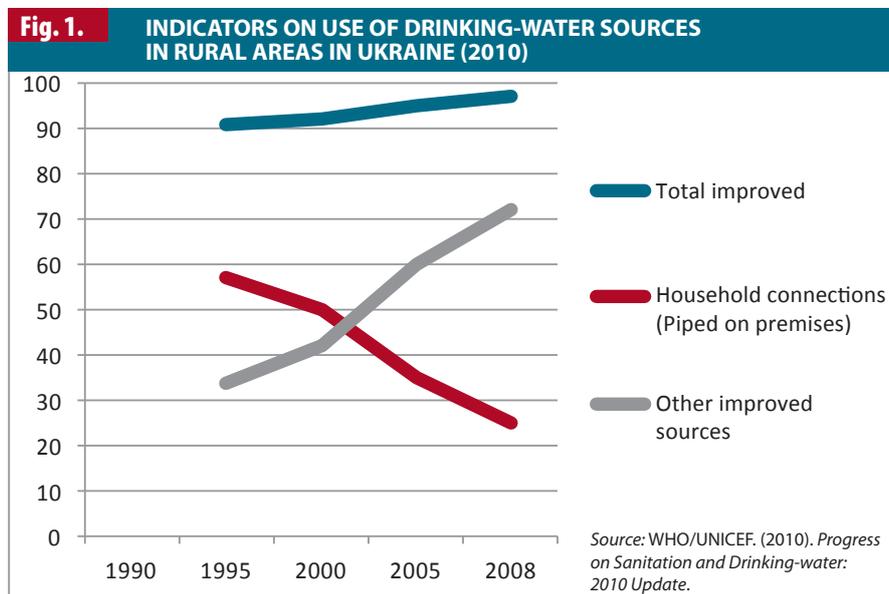
After the breakdown of the Soviet Union, rural communities were confronted with different issues. Funds for the operation and maintenance of public services such as water supply either decreased dramatically or vanished. As the former system did not develop local capacities or establish sustainable institutional and financial set-ups for water supply, there were hardly any working procedures after 1991. Additionally, there was hardly any experience of social mobilisation within the rural population.

After achieving independence, responsibility for the provision of public services, including water supply, was officially transferred to the local self-governments of villages, towns and city councils. In practice, there was no full transfer as fiscal decentralisation was not undertaken. Local self-governments still do not have the financial resources or autonomy to decide on investments and provide proper levels of service. They are highly dependent on fiscal transfers from central government.

Most piped systems were constructed 40 years ago and have hardly ever been refurbished or replaced. Not all of the rural settlements were serviced by the piped systems. According to OECD, lack of funds led to the declining performance of water supply and sanitation services and increasing breakdown rates in water supply facilities. Since independence, coverage of piped water supply in rural areas has dropped from 50 to 25 percent (see details in Figure 1).

Picture 1. Ukraine on the map of Europe





Since 2000, the percentage of the population using “other improved sources” such as springs and shallow wells (e.g. lines 2 and 3) has increased significantly. In most cases households tried to substitute services by improving their own sources or constructing new wells. In 2005, up to 11.7 million rural residents (equal to 76 % of the total rural population) used water from the upper groundwater aquifer for drinking water through wells, spring catchments and shallow wells (MMEHU, 2005).

There are a number of concerns regarding the use of local wells for drinking water supply in Ukraine. In many parts of the country the upper groundwater aquifer has low water quality, mainly due to industrial and agricultural impacts, but also due to lack of proper sanitation systems. Additionally, the costs for digging an individual shallow well (upper aquifer is at a depth of 10-15 metres below surface) and installing equipment are rather high (about 1000 USD) for the rural population, when taking into account their rather low average income. Both aspects are major concerns, compared to the option of using piped systems that usually extract water from lower groundwater aquifers (VEGO “MAMA-86”, 2009).

Picture 2. A private shallow well



Picture 3. Typical uncared public shallow well



As the treatment of water from shallow groundwater at household level is rather expensive for rural households, and no other water sources are available (such as rainwater harvesting), the most promising technical option for drinking water supply is using piped systems which are connected to deep boreholes.

Although the construction and implementation of piped systems based on deep boreholes are challenging tasks, there are even more challenging questions with respect to the sustainable organisation and management and funding of water supply in rural areas. Major concerns exist with respect to the financial sustainability of investment, operation and maintenance of new water supply schemes, due to lack of public funding but also poor technical knowhow and organisational capacity at a local level. In particular, there is no tradition within local population and authorities in the sphere of community involvement and participation.

On the national level, no strategic framework yet exists for the development of rural water supplies. The legal framework allows water supply and maintenance schemes, based on a community-based approach. These community-based water supply projects may be more focused on consumer organised approaches, but also follow a more enterprise-based approach.

DESPRO is a Ukraine-based project on decentralisation, funded by the Swiss Agency for Development and Cooperation (SDC) and implemented by Skat, Switzerland. In the period between 2007 and 2009, DESPRO planned and implemented 40 decentralised water supply projects in two regions in Ukraine.

It is important to note that the term “decentralised” here, describes only the institutional aspect of the model and has nothing to do with distinguishing types of technological process in water supply, like “centralised/non-centralised”.

This paper describes and discusses two approaches for community-based water supply: the service cooperative approach and the enterprise approach, and examines their potential for wider application.

DESCRIPTION OF APPROACH

The DESPRO project approach for decentralised water supply is based on **social mobilisation** and strong involvement of the beneficiaries. Social mobilisation addresses the need to build up capacities and processes within communities, in order to solve issues of public demand such as rural water supply or other tasks of public interest such as waste management. Social mobilisation involves the local population and all the relevant levels of local and national authorities. Through social mobilisation, substantial financial contributions from beneficiaries can be mobilised to fund activities for improving public services, such as water supply.

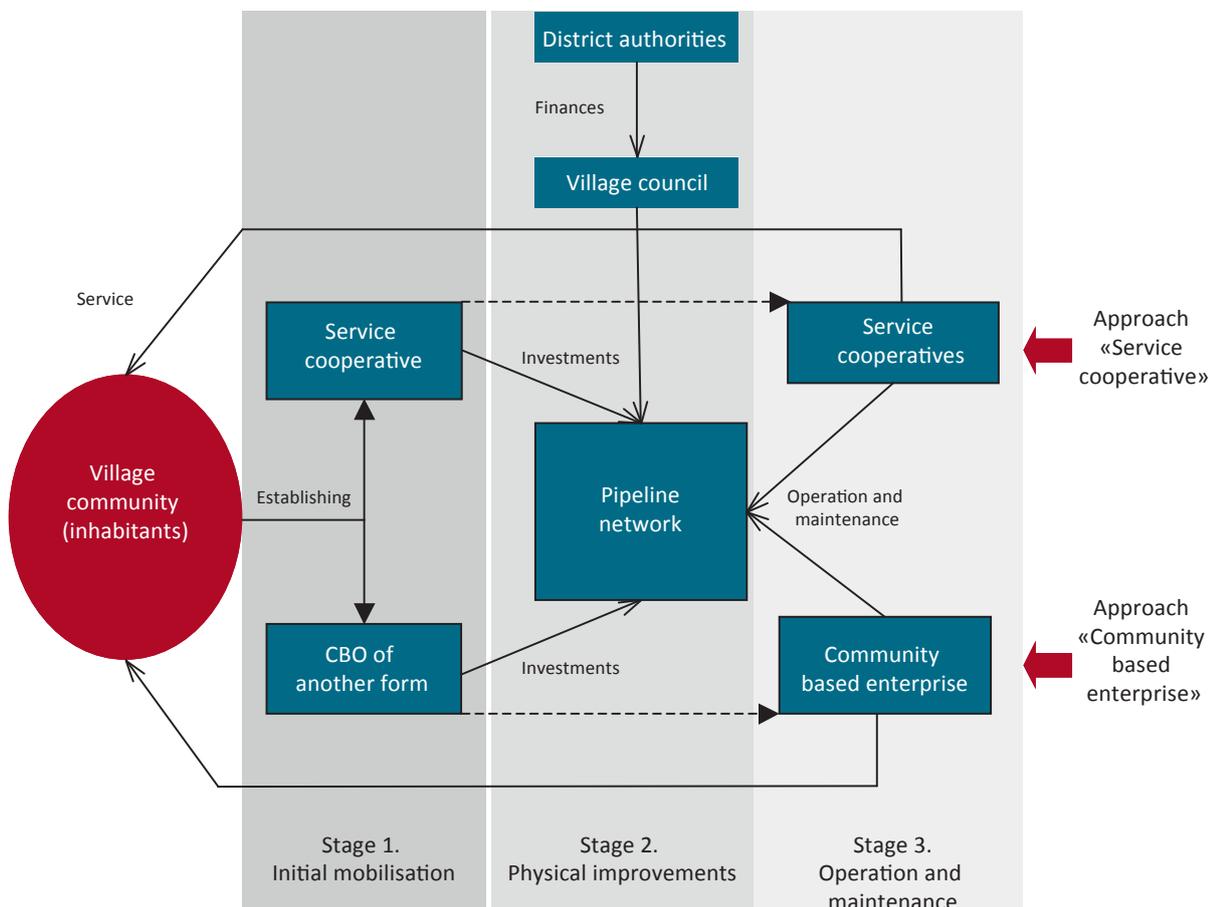
In DESPRO projects all relevant players are involved from the beginning. On a local level these include (See Figure 2):

- *Village Community* as a group of people living on the same territory (village, or even neighbourhood of the village) and sharing basic conditions of common life.
- *Community-based organisation (CBO)* as a legal entity (officially registered) – an organisation formed by the village community members on the basis of common interest and agreed goal(s). In practice CBO may possess different organisational and legal forms. In Ukraine, the citizen has right to organise associations, self-organised bodies of population (e.g. street, neighbourhood committees), and different forms of cooperatives, as well as other forms of non-governmental not-for-profit organisations.
- *Community Based Enterprise (CBE)* which is in most cases an organisation established (or an individual who has been elected) by members of the CBO, specifically for the purpose of operating and maintaining the water supply system. The need to separate CBO and CBE into different legal forms comes

from cases where CBO, is not allowed to operate and maintain the water supply system due to legal limitations. In Ukraine, for example, such forms as an association or self-organised body of population, may build and/or own the water supply infrastructure, but are prohibited from operating it.

- *Village council* which is responsible for organising the public services provision, including water supply, with the respective territory. It is responsible for finance allocation to undertake measures such as water supply.
- *District authorities* are in charge of coordinating regional development and responsible for defending the common interest of villages and other settlements within the district. The district authorities have specific funds (mostly state budget transfers) within the framework of the state and regional target programmes. These funds can be accessed by village communities upon request, provided activities are within the scope of the target community.

Fig. 2. DECENTRALISED WATER SUPPLY MODEL IN UKRAINE (DESPRO, 2011)



Numerous methods and tools of social mobilisation have been implemented in the pilot communities (see example in Box 1).

Box 1. SUVOROVSKIE, VINNYTSYA OBLAST

Until 2008, in the village of Suvorovske (Vinnytsya oblast), people used water from private and public shallow wells; there was no centralised water supply. Before 2008, the level of ground water had gone down in some areas of the village, with some suffering a lack of water as a result. Being notified by DESPRO, the CBO was established in order to launch a centralised water supply construction, using existing boreholes located on village territory. However, the problem of a lack of water was not similarly felt by all households, as some

of them still had enough water in wells. In order to mobilise more people to take part in the community project, the Initiative group, with support from the Village Council, tested the quality of water in those wells. In many samples, the quality of water was not in compliance with national standards for both chemical and bacteriological parameters. When the test results were presented to the households, it became a crucial motivating factor for all previously reluctant households to join the project.

The two approaches for community-based water supply described focus on different aspects of implementation and organisation, but both included strong elements of community mobilisation:

1) *Service Cooperative Approach*

A Service Cooperative is a non-profit legal entity. It is initiated and created by uniting the individuals and/or entities. A service cooperative can be created to provide services such as water supply to the members of the cooperative, as well as to others.

After being recognised by state registration, the cooperative is then allowed to enter into contracts, hold bank accounts and acquire property rights.

In practice, the rural cooperative members are the representatives of households and legal entities. The Service Cooperative operates according to a Charter, which defines the internal rules of the cooperative, e.g. how the activities are planned, decisions made and funds allocated. The Charter is subject to approval by the General Assembly of the cooperative. For decisions, the rule “one member of the organisation - one vote” is applied.

Based on legislation, the cooperative is allowed to own buildings and receive financial and non-financial contributions from its members or from selling manufactured products, as well as from carrying out the other activities. The service cooperatives can also own the water supply infrastructure.

2) *CBO-Community Based Enterprise approach*

In the CBO-Community-Based Enterprise (CBO-CBE) approach, another community-based approach for rural water supply, a private entrepreneur or private/communal enterprise is contracted by the owner of infrastructure (CBO or the Village Council) to provide a specific set of services. In case of private entrepreneurs, it is usually one person who is chosen among the villagers and becomes officially registered to provide water supply services.

The CBO-CBE approach has a business component and is therefore not a not-for-profit approach. However, based on the legislation there is still some direct citizen participation in the CBO-CBE approach. The citizens are involved in areas such as planning, financing and implementing the necessary improvements in the technical aspects of the water supply. At the same time, citizen involvement in operation and maintenance is difficult to access.

Table 1 summarises the key characteristics of two main approaches for rural water supply provision in Ukraine.

Table 1. CHARACTERISTICS OF TWO APPROACHES FOR RURAL WATER SUPPLY IN UKRAINE

	Service cooperative approach	CBO-CBE approach
Legal description	Membership not-for-profit organisation, officially registered.	CBO- Membership not-for-profit organisation, officially registered. CBE- Officially registered business entity (or a person).
Main purpose of organisation	To satisfy member needs in selected spheres.	CBO- to represent and defend member interests and rights. CBE – to carry out business activity oriented to economic and social results.
Ownership of assets	The service cooperatives can own property, i.e. the water supply infrastructure.	The CBO can own property, i.e. the water supply infrastructure.
Role of beneficiaries in planning, implementation and O&M	Direct role at all stages.	Direct - at the stages of planning and implementation. Indirect - at O&M stage. However, CBO as an entity may control quality of O&M.
Service provision	Provides services to its members (and even to non-members – up to 20% of gross turnover). No service contracts are required.	CBE is a service provider; individuals (households) are consumers on the basis of service contracts.
Enforcement of payments	Payments are usually done on a monthly basis, in the form of member fee (referring to volume of consumed water). Procedures and rules of payment enforcement are internally set.	Payments are done on a monthly basis, in the form of tariff (referring to volume of consumed water). Enforcement of payments is done due to individual service contracts, up to prosecution through the legal system.
Governance and decision making	Clear distribution of decision-making responsibilities by Charter is applied. Decisions are made using “one member - one vote” principle.	CBO- Clear distribution of decision making responsibilities by Charter. “One member - one vote” principle. CBE – internal rules, no intervention from CBO side.
Specific restrictions in terms of service provision	No restrictions.	Not all types of CBO are allowed to provide services.
Need for Social mobilisation	Strong at all stages.	Strong at all stages; possibilities for social mobilisation at O&M stage –low.

In both approaches, the CBO invests funds in the infrastructure and may be the owner of the water supply utilities (in some cases the infrastructure is owned by the Village Council). Also, social mobilisation plays an important role in both approaches for setting up the project, and involving beneficiaries (including their financial contributions).

One important difference between the two approaches is in the way of organising the service delivery and

the legal implications, as summarised in Table 1. In the Ukrainian context this is relevant due to the lack of options for enforcing payments and the limited capacity of private players to provide proper services, on the basis of unreliable payments.

Due to its legal status, the private entrepreneur is held liable for his/her business-related commitments with all his/her assets, which means that the private entrepreneur incurs high risks when customers do not pay their water bills. The responsibility of the CBO to ensure payment of water bills by its members, as specified in the contract with the private entrepreneur, does not have any legal effect in reality as payment will unlikely be enforced.

MAIN RESULTS

In the first phase of DESPRO (2007-2009), 40 decentralised water supply projects were implemented in 33 villages, across two regions, Vinnitsa and the Autonomous Republic of Crimea (ARC). The choosing of these 33 villages was based on a selection process, following a call for proposals and using the clear sustainability criteria for selection. In the majority of villages selected, the water supply issue was one the top priority topics and the communities showed real need and desire for the establishment of decentralised water supply systems.

The implementation of the 40 sustainable decentralised water supply projects provided access to safe water for 15'000 people (5400 households). For each village, a CBO was established. The projects have also improved knowledge and skills in social mobilisation, needs assessment, project planning, implementation, monitoring and financing.

Table 2 shows the main results of the implemented pilot projects.

Table 2. MAIN RESULTS OF THE IMPLEMENTED PILOT PROJECTS ON DECENTRALISED WATER SUPPLY IN UKRAINE	
Result	Value
Community projects implemented	40
Villages participated	33
Decentralised water supply models introduced, incl.:	33
- Service cooperative approach	8
- CBO-CBE approach, in particular:	25
▪ <i>CBO-Private Entrepreneur</i>	21
▪ <i>CBO-Private Enterprise</i>	1
▪ <i>CBO-Municipal Enterprise</i>	3
Total beneficiaries:	
- citizen	15000
- households	5400

Both approaches have been applied in Ukraine in the past 15 years. The CBO-CBE approach has been piloted and promoted mainly by the UNDP Crimea Integration and Development Program (UNDP CIDP) in the period between the late 1990s, to the second half of the 2000s. In recent years, some communities decided to shift towards a service cooperative approach (see Box 2).

Box 2.
**CHERPASHYNTSI VILLAGE:
A PRIVATE ENTREPRENEUR AS A STARTING POINT FOR ORGANIZING O&M**

Chereshyntsi village is located in the rural area of the Vinnytsya oblast, which is in the central part of Ukraine. Today the village of Chereshyntsi has 782 households with 1,500 residents.

After the collapse of the USSR, a small-scale centralised water supply built in the 1960s and serving 5 streets was operated by the local agricultural enterprise. Later the enterprise disconnected the streets from the system, due to an increase in the livestock numbers kept by the enterprise and the shortage of water coming from their boreholes. The water was used for the enterprise rather than for the human population.

Local wells were partly dried-up, as their water levels had decreased significantly in the years before and continued to do so. The situation was further aggravated by the fact that the aquifer strata lay in granite deposits, significantly complicating the process of drilling new wells and also increasing costs.

The lack of water affected not only the residents of the aforementioned streets, but also public facilities such as the village outpatient clinic and kindergarten, which used water transported or even fetched from nearby shallow wells.

So the residents of the 5 streets in question decided to launch a community project and establish a CBO. The first project implemented by the village CBO, with the support of DESPRO, resulted in laying some 3 kilometers of pipes supplying high-quality drinking water to the residents of 5 village streets (a total of 88

households with 274 residents); as well as to two social infrastructure facilities – the outpatient clinic and kindergarten. It is noteworthy that another agricultural enterprise operating in the village constructed, at their own cost, an artesian well and afterwards transferred it to the village community on a free-of-charge basis.

This first part of the newly constructed water supply system was transferred to the village council and became village communal property. Then, the CBO selected from its members a person to be registered as a private entrepreneur, to whom they entrusted the maintenance issues. After that the village council leased the water supply infrastructure to that private entrepreneur.

As this was the first time they had ever contracted a private entrepreneur to maintain part of the village infrastructure, a range of organisational issues had first to be resolved, including the signing of an appropriate lease contract. Based on the initial achievements, the village water supply network was extended in the 3 years following the first phase. Now, the entire network exceeds 14 kilometres.

After testing and using a CBO-PE approach in the beginning of the implementation, the village community decided to shift to a Service Cooperative approach for the next phase, mainly due to the capacity limitations of the private entrepreneur in covering a growing network. The private entrepreneur will still be involved in the next phase as a knowhow source for the service cooperative (DESPRO, 2010).

Based on experience so far, the CBO-CBE approach is seen today more as a first step to trigger a community-based process which could evolve into another legal and institutional form later, such as a cooperative (UNDP CIDP, 2007). Future monitoring of the existing CBO-CBE projects should show whether this approach also has the potential for long-term service provision.

Community involvement

Community participation is the key factor within the presented model, in particular when it comes to decision making but also relating to financial contributions for infrastructure work and participation of work within the CBO. All community members, living in the territory covered by the system of water supply, become members of the CBO. Due to the law, regardless of the size of property (cash) contributed to the cooperative, all members have one vote. The law guarantees all members of the CBO the right to directly participate in its activities, and the right to oversee the activities of the CBO management.

As Box 3 shows, social mobilisation has provided the groundwork for implementing the Service Cooperative approach, providing water for one part of the village in the first phase. After having proven to be successful, the rest of the village was convinced and eager to get the same level of service, using the same approach.

**Box 3. HORNOSTAYIVKA VILLAGE:
A SERVICE COOPERATIVE IMPROVES QUALITY OF LIFE**

Hornostayivka village is located in the Crimea peninsula in Ukraine, population – 2600 inhabitants. As with the majority of villages in this part of Crimea, there is a lack of sources for water supply, due to the specific geological features of the area. Therefore the residents receive their drinking water through a pipeline from the reservoir, which is fed by the Northern Crimea irrigation canal. In this area, the water of the irrigation canal is of rather poor quality (e.g. chemical pollution).

The village distribution network belongs to the village community, but the water supply service is being operated by a District Water Supply company. They take care of the mains as well as the distribution networks within all the supplied villages (this company serves about 80% of the district population). The production costs are high, however the District authorities try to exert influence to make the tariff as low as possible. Trying to cover the company's financial gaps, the regional government is providing funding for the gradual replacement and renovation of the network. However, this funding is not enough and is mostly used for the mains.

The village pipeline network, constructed more than 40 years ago, is in dire need of replacement. Moreover, 165 residents (80% of them senior citizens) of the Sputnik neighbourhood have had no access to water supply mains for more than 10 years due to the collapse of the network. Other water sources were of questionable quality.

In 2008, after being notified by DESPRO, the initiative group of the neighbourhood mobilised the other residents to establish a service cooperative. The immediate aim of the newly established "Mariental Sputnik"

service cooperative, in a framework of cooperation with DESPRO, was improving the quality of life for the residents of the neighbourhood through their active participation in the reconstruction of the water supply system.

A water conduit 4,3 km long was reconstructed – it now provides drinking water to 154 families, residing in 9 neighbouring streets. The reconstructed part was physically separated from that of the village distribution network and was directly connected to the main pipeline. The service cooperative pay the District WS Company for water received and additionally charges each household fees, and pays for O&M of the network. In each member household, a water metering point has been installed.

The sustainability of this new existence has been safeguarded by the "Mariental Sputnik" service cooperative, which has taken on responsibility for the provision of water services — ensuring the flow of water through the pipeline, maintaining the pipe networks and carrying out preventive repairs. The community, in turn, is helping by paying their water bills on time, in accordance with water meter readings.

This year the cooperative plans the scaling up of measures within the village, using the same institutional approach. Among the plans, is the repair of another 2,5 kilometers of the village distribution networks, and the installment of a second water reservoir with 1000 m³ of volume. One of the organisational results of these technical interventions will be increase in number of the service cooperative members, up to 800 in terms of total number of village households (DESPRO, 2010).

Costs and recovery

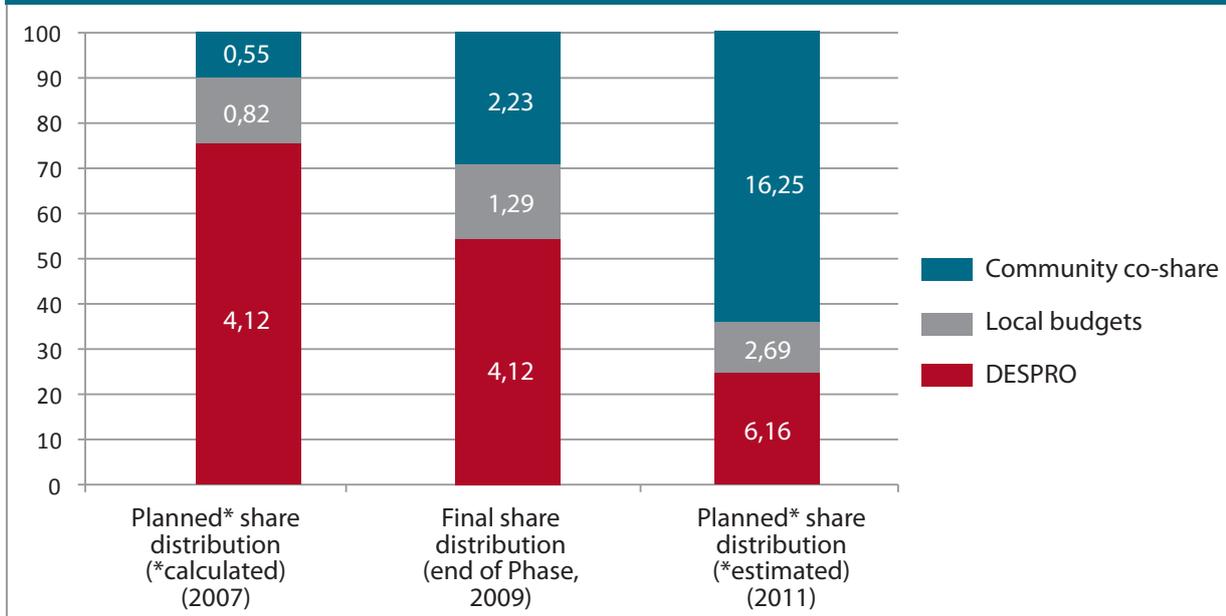
Total costs (including design, hardware investments and organisational costs) during the piloting phase are around US\$ 1.1 million. In this period, DESPRO co-financing was about 54% of the total project costs, local governments invested around 17%, and the community members contributed their own financial resources amounting to around 29% of the total costs.

There has been a clear shift towards more contribution from beneficiaries over the years. Initially DESPRO offered to invest up to 75% of project costs in total, but during the project implementation phase local partner shares increased substantially - from 25% in 2007 to 46% in 2009. For 2011 the figures indicate a share of 73% contribution from local budgets and community sources (*see details in Figure 2*). This positive dynamic, in replacing donor money with the local (regional) resources available, can to a great extent be explained by the increased responsibility of local stakeholders.

The average cost for a household served, calculated as total costs divided by number of households served, comprised CHF 71. However, the range of contributions per household and project varies significantly between CHF 550 in Vinnytsya oblast, to CHF 5 in ARC. A key reason for this difference is the fact that in Vinnytsya oblast the project focus was on investment in new water supplies, whereas in ARC it was more about extending the existing water supply systems and improving quality of services. The projects in Vinnytsya oblast were technically more complex and therefore more expensive.

Operational and maintenance costs should be covered by payment of tariffs (in a CBO-CBE approach), or by the member fee (for a service cooperative approach). Calculation of a tariff for water supply, based on a CBO-CBE approach, has to follow standardised methodology approved by the Ukrainian government. This

Fig. 3. COMMUNITY PROJECTS CO-FINANCING: COSTS AND SHARES (2007-2011), CHF, THOUSAND



calculation includes cost elements such as production, selling of water, as well as maintenance of the system, depreciation and investments. The enterprise calculates a so-called “economically justified price”, which is subject to approval by the State Price Inspection.

Interesting to note is that for the service cooperative there is no strict rule that they must follow the above-mentioned tariff setting procedure (including calculation methodology), nor is there a clear rule on approving the tariff. However, most often, service cooperatives use a set methodology to calculate payments for water, whereas the procedure on how to approve payment for water is subject to Charter.

Payments are usually completed upon the reading of the water meters, which are installed in 95 percent of served households in the pilot communities.

Quality of services

As a result of the projects, the level of service quality for water supply increased significantly. In most pilot communities, water is pumped from a deep borehole (60-100 meters) to a water tower and then distributed to households. Improved technical and organisational solutions now allow the 24-hour supply of water. The quality of water provided is good and in compliance with national standards. In most cases special equipment is installed to switch the pump on and off automatically, in order to optimise use of resources such as electricity.

In the CBO-CBE approach, the operation and maintenance are executed by an operator. The operator is also responsible for taking water samples twice a year for quality control, and having analysis undertaken at a certified laboratory. In a service cooperative approach, maintenance may be provided by one to two cooperative members, often on a voluntary basis.

In both models, involvement of the community in service provision is quite strong. Non-satisfaction with the level of performance can lead to the change of operator (see example in Box 4.)

Box 4. ILLINETSKE AND TIAHUN VILLAGES, VINNYTSYA OBLAST

In the village of Illinetske (Vinnytsya oblast) after the project completion in 2008-2009, the system was leased to a private entrepreneur (person from this village) to operate and maintain it. Afterwards a neighbouring village, Tiahun, selected the same entrepreneur to serve their recently improved village network.

After almost two years of operation, the villagers started feeling unsatisfied with the level of service from the private entrepreneur. They reported lack of response to their claims and unclear tariff policy. After some time of this, people in both villages decided to establish service cooperatives instead.

Demand

Strong demand for improving the quality of services creates opportunities to mobilise and involve people, and also for activities outside the water supply projects such as waste management. If no clear demand is shown within the target population, project implementation will need an extra effort (see example in Box 5).

Box 5. KYRNASIVKA TOWN, VINNYTSYA OBLAST

In the town of Kyrnasivka (Vinnytsya oblast) the centralised water supply system was built in the times of the USSR by a factory located in the town. Apart of being used for the factory's own purposes, it also served to supply water to a neighbourhood of 1200 inhabitants living in multi-storey buildings. After the collapse of the Soviet state this factory was privatised and the water supply network, including water intakes and pumping stations, was transferred to the Kyrnasivka municipality. The communal enterprise operating the system could not reach cost-effectiveness due to the high level of electricity consumption of the powerful, Soviet era, pumping equipment. The municipality, in a situation of permanent budget limitations, could not

find sufficient funds to replace the existing equipment with a low-consuming alternative. The CBO developed the idea of improving water supply by generating funds from donors, the municipality and community members. But for the majority of people, the existing situation was not considered a problem because at least water was supplied.

Thus, the CBO management reported that it was very difficult to communicate with the people in trying to involve them in the project and generate co-financing (CHF 5 from each household). Although the project was completed and the community fulfilled their commitment, from a community-involvement point of view, the project cannot be seen as successful.

Equity and Inclusion

Equal access to different social groups to improve the quality of services, is an objective in all the piloting communities. For those people within the community with very low incomes, different "participation schemes" can be implemented. Upon the decision of the CBO, it may be less money due in fees, or the possibility to pay the fees over a set period of time, or different forms of in-kind inputs. In some types of CBOs, there is no membership fee at all. Each community is allowed to set its own rules in these issues.

LESSONS LEARNT

Community-based models are promising models for the implementation of water supply projects in rural areas, to substitute for a lack of public funding in rural water supply. The successful introduction of community-based models depends strongly on real efforts in social mobilisation.

Service Cooperative and CBO-CBE approaches are proven ways for planning, implementing and operating community-based water supply systems in rural areas.

The pilot projects following the two approaches have improved the socio-economic situation of communi-

ties in many ways. However, as monitoring of ongoing projects just has started, there is yet too little data available to assess the sustainability of all approaches. Recent results indicating that enterprise approaches have difficulties in sustaining payment cannot be taken as definitive by any means.

Social mobilisation increases the awareness of citizens in investing their own resources and funds in developing and operating their own water supply, with their own means. The share of external funding of water supply projects has decreased significantly in recent years. Currently 20-50% of costs are covered by external donors, this contribution is mainly used for investments in infrastructure but also for support such as information, training or exchange visits on best practices.

The robust involvement of all key players in social mobilisation from the beginning, prepared the ground in getting the project approaches accepted and supported by almost all local authorities - including local self-governments and local branches of the state executive power. Through the involvement of all relevant players, their capacity has been increased with respect to planning, promoting and supporting projects in the area of decentralised water supply.

CONCLUSIONS AND RECOMMENDATIONS

1. The Service Cooperative approach for decentralised drinking water supply, based on social mobilisation and community involvement, has been applied in the two regions Vinnitsya and the ARC by DESPRO. It shows great potential for further scaling up in other regions of Ukraine.
2. The CBO-CBE approach has the potential to initiate and accelerate the activities on the ground, in the initial phase of a water supply project. Existing projects using the CBO-CBE approach should be followed up to assess if this approach can be developed further, to offer a solution for the long-term provision of water supply services.
3. Direct information, involvement from the beginning and a consultative support from relevant players on the local, regional and national level enables local governments to replicate, promote and support the community-based approach in their respective territories, and also develop other public services.
4. In order to reach large-scale implementation of the model, the following can be recommended:
 - The model should be thoroughly documented, described in detail and included in legal and methodological framework at the national level;
 - A knowledge base, including, as a central part, a platform for sharing lessons learnt and best practices on the model (i.e. a web page containing all important lessons learnt) to be established at the national/sub-national levels;
 - Training modules, with regard to the model implementation (derived from the best practices) are developed and introduced for community leaders, local self-government officers etc. These include modules on developing skills in problem identification; participatory planning; planning, budgeting, management and administration of community projects; accounting; social mobilisation; operation and maintenance etc;
 - Capacities of local authorities on a sub-regional level to be strengthened in providing technical expertise to create community projects, selecting the most effective technical solutions and consultative support for the communities;
 - Earmarked funds from national and regional budgets, to support the community initiatives in implementing the model, to be allocated within state programmes regarding water supply (e.g. National Programme "Drinking Water 2011-2020");
 - Local self-governments to be supported and consulted to allocate funds to co-finance community initiatives;
 - A comprehensive monitoring and evaluation system, undertaken by DESPRO and the local partners, to observe and assess the sustainability of model implementation in the communities, to be developed, introduced and institutionalised at the ground and sub-regional (district) levels;
 - Donor coordination and harmonisation in the water supply sector, as well as a regular exchange of ideas, approaches and best practices between donor-supported projects working on different components of decentralisation.

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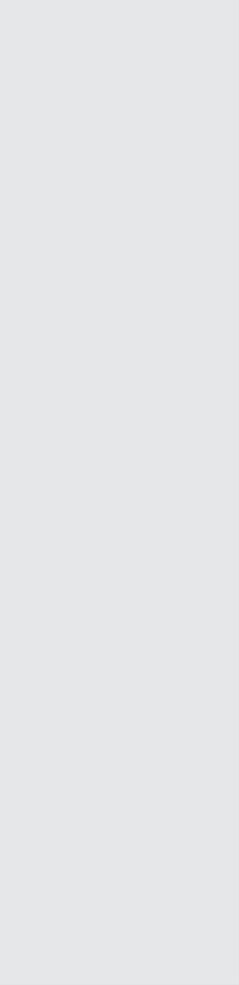
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