

PR reference
Duero 2 - Sp

Date: November 2015, 9 -11

Report

RCA	Duero River Basin Authority, Spain
RCA counterpart responsible for the PR	Angel J. Gonzalez Santos (ags@chduero.es)
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1. BACKGROUND INFORMATION and PR OVERALL OBJECTIVES

In the public participation process has identified some areas for improvement Duero River Basin management Plan (2009-2015). The general objectives of this peer review are improving some aspects of the Duero River Basin management Plan in order to comply with the requirements of the Water Framework Directive and the demands on public participation.

2. EXPECTED RESULTS

Expected results	Topic:
Description Suggest a methodology to improve the calculation of environmental and resource costs for recovery of cost water services.	Economy Ecology
Review the methodology for calculating the recovery of financial costs of water services and compare it with that used in other basins.	Economy Ecology

3. NECESSARY DOCUMENTS FOR THE REVIEW

Name	Description / Notice
▪ Duero RBMP Memory	Pdf file with the RBMP content (Spanish).
▪ Duero RBMP: Annex 9. Cost recovery of water services.	Pdf files with information on cost recovery (Spanish).
▪ Duero RBMP: Annex 10. Public participation.	Pdf files with information about public participation and allegations received (Spanish).

Websites		
Name	Description/ Notice	Adress
Documentation	Pdf files with all the information about Duero RBMP.	www.chduero.es

4. DETAILED MISSIONS SCHEDULE

Date/Hour	Monday	Tuesday	Wednesday	Thursday	Friday
	November 9	November 10	November 11	November 12	November 13
9:00-10:00		Interviews Regional Administration of Castilla and Leon. Urban services (Rafael Ramos, Ignacio Díez Laguna, María González)	Interviews Regional Administration of Castilla and Leon. Agricultural services. (Miguel Á. García Turienzo y Rafael Sáez)		
10:00-11:00					
11:00-12:00		Work session in the Hydrological Planning Office	Interviews Duero River Basin. Upper services. (José Antonio Ruiz)		
12:00-12:30					
12:30-13:00					
13:00-13:30					
13:30-14:00					
14:00-16:00		Break			
16:00-17:00	Initial Meeting	Presentation SEEA-Water Project in Guadalquivir River Basin (SYWAG).			
17:00-18:00	Work session in the Hydrological Planning Office				

5. OTHER INFORMATION FROM THE RCA

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6. CONTACTS DETAILS

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7. PEER REVIEW REPORT

Public peer review reports are available on the project website
www.aquacoope.org/peer.review/

1 - Conclusions and recommendations regarding the reviewed documentation;

The listed documents ('draft 2nd RBMP') were carefully read and comments were provided within the discussions under the respective topics.

Main conclusions:

1. Cost recovery of financial costs for urban water supply and sanitation (50%) is lower than in others Spanish River basins.
2. Agricultural users of water claim that according to their studies cost recovery for irrigation water distribution services would be higher (90%) than which it is estimated in the second cycle of Duero Hydrological Plan (53% for financial costs and 31% for the total costs).
3. The calculation of the environmental costs of water services has been made taken into account the costs of the necessary measures to achieve good status in all water bodies, including those where have been identified less stringent objectives (Article 4.5 Water Frame Directive). This methodological approach, required by the Spanish National Water Authority, creates high uncertainty in the RCA in relation to the results obtained and results in ratios of cost recovery lower than in other basins.
4. Resource costs have not been calculated. If « resource cost » is identified as the cost of water transferred, as in the Duero river basin there is a transfer between two systems of basin (Esla and Carrion), that cost could serve as a reference for identifying the resource cost. However it should be noted that currently this water transfer payment is made including users of Carrion system in the payment of Esla infrastructures, which is not strictly a payment for the transferred water. In the Duero river basin no water transfer for which water users pay an amount of money based on the volume of exchanged water.

2 - List of persons met during the mission & short summary of meeting content/results;

Date/ Hour	Activities	Persons involved
Tue.10.11.2015 09:00-11:00	Interviews Regional Administration of Castilla and Leon. Urban services (Rafael Ramos, Ignacio Díez Laguna, María González)	6

On one side, water infrastructures related to urban water supply are implemented by the autonomous community of Castilla and Leon at the request of local governments. Until 2014 they have been financed by the ERDF, which had covered approximately 80% of investments. The remaining 20% was financed with funds from the regional administration and to a lesser extent with local funding.

There aren't instruments for the recovery of investment costs of these infrastructures which explains that the ratio of recovery cost of urban water services in the Duero River basin is lower in relative terms than in the rest of the Spanish basins.

In recent years it has been promoted the creation of Associations of Municipalities to tackle the costs of maintenance and operation of those infrastructures.

On the other hand, water infrastructures related to sanitation in large populations (mainly provincial capitals) are managed by private companies and are financed through the ERDF and municipal funds. These private companies has different tariffs for the recovery of cost of sanitation services.

However, in small municipalities, 100% of the investment costs of sanitation infrastructure have been funded through European, regional or state funds. Even the costs of maintenance and operation of these infrastructures had been funded the first year of operation. This is due to the low population density of Castilla and Leon. In Duero River Basin there are about 5.000 villages where about 2.200.000 people live.

In recent years there has been created an autonomous public company (SOMACYL, www.somacyl.es) in charge of establishing methods of financing such infrastructure and impact of the costs not financed through European funds (20%) to users.

Tue 10.11.2015
16:00–18:00

Presentation SEEA-Water Project in
Guadalquivir River Basin (SYWAG).

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The System of Environmental-Economic Accounting for Water "SEEA-Water" provides a conceptual framework for organizing hydrological and economic information in a coherent and consistent manner.

The research has been financed by European Commission under grant "System of Water Accounting in the Guadalquivir River Basin" (SYWAG).

The results of SYWAG project are the complete set of tables that will make a relevant material for future analysis regarding evolution and use of water resources and economic characterization of the basin and methodology for exploitation of data. Consequently, the main results are:

- 1) Development of the full set of SEEA-W tables from official data bases with minimum analyst intervention. The set comprises the following 11 tables:
 - 1.1 Standard physical supply and use table for water.
 - 1.2 Emission accounts tables
 - 2.2 Matrix of flows of water within the economy (millions of cubic meters per year)
 - 1.3 Hybrid supply and use tables
 - 1.4 Hybrid account table for supply and use of water (physical and monetary units)
 - 1.5 Hybrid account table for water supply and sewerage for own use (physical and monetary units)
 - 1.6 Government account table for water-related collective consumption services
 - 1.7 Account table for supply and use of water (monetary units)
 - 1.8 Financing account tables
 - 1.9 Asset account table (hm3)
 - 2.5 Supplementary information to the asset accounts
- 2) Use of SEEA tables for characterization of the basin according Art 5^o WFD (economic analysis of water use).
- 3) Analysis of large temporal series of economic and hydric data including meteorological and hydrological droughts and implementation of large scale water saving measures.
- 4) When economic and hydrologic data are linked, some average of water productivity values can be estimated as the ratio (GVA/water consumed) by sector and year. The analysis of this ratio during the period may help to understand the evolution of meteorological and hydrological conditions in productivity and the role of both irrigation blue (abstracted) and green (rain) in the irrigated land.
- 5) Analysis of cost recovery ratio directly from SEEA-W tables obtaining a global value of 78% for all sectors and services that is the range of previous relevant studies. The proposed methodology to estimate cost recovery ratios has obvious advantages for

the common implementation of WFD reporting procedures as it may supports EU Member States and Commission services with common definitions and algorithms to provide an indicator of cost recovery.

The information about the project is available in the following link:

<http://helvia.uco.es/xmlui/handle/10396/12557>

In the opinion of those responsible for the Duero RCA, "SEEA-Water" system has an economic bias that is difficult to understand cross information between economic tables and physical table. The methodology presented is very interesting to perform an economic analysis of water use approach, but no both to cost-recovery calculation.

Wed 11.11.2015 09:00–11:00	Interviews Regional Administration of Castilla and Leon. Agricultural services. (Miguel A. García Turienzo y Rafael Sáez)	5
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The agricultural administration of Castilla and Leon (ITACyL, www.itacyl.es) is involved in the financing of two types of infrastructures:

- 1- Infrastructures of the process of combination of properties. These infrastructures are regulated by the Law on Agrarian Reform and Development and the Plan of Infrastructure and Territorial Improvements.

In turn, it is distinguished between:

Infrastructures of general interest. These infrastructures are 100% financed. 50% by funds from the ERDF and 50% by regional funds.

Complementary infrastructures. These are 40% funded by the regional funds (with a percentage of ERDF) and 60% is funded by the farmers. The operation and maintenance costs are also defrayed by the farmers once the infrastructure have been executed.

- 2- Modernization of irrigation infrastructure. These infrastructures are funded through an agreement between the public company SEIASA (<http://www.seiasa.es>), which funds 74% and the Autonomous Community of Castilla and Leon, which funds 26%. Part of the investment made by SEIASA is financed through FEDER funds. It is estimated that the 30% of the total budget executed in these infrastructures is funded by farmers. The operation and maintenance of the infrastructures is done by SEIASA and costs are charged to farmers.

In short, there are several administrations involved in the financing and management of water distribution irrigation services which also perform other functions. So that, it is difficult to extract the information necessary for calculating cost recovery of these services.

Wed 11.11.2015 11:00–12:30	Interviews Duero River Basin. Upper services. (José Antonio Ruiz)	
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This meeting could not finally be done for reasons of agenda. However, it is requested by the expert an example of the calculation procedure of the regulation canon and water use tariff for the knowledge and future review.

Upon receipt of such examples, they have been reviewed and their calculation procedures have been analyzed. It can be concluded that the calculation of these fees is done as in the rest of Spanish basins, and as provided in the financial economic system of the Water Law. Therefore, they are calculated through the sum of the following:

- a) The total projected of operation and maintenance costs of the hydraulic infrastructures.

This total will be deducted from the corresponding year's budget, allocating the appropriate

part of the concepts or budgetary items to which it is intended to charge the costs for each hydraulic infrastructure. The breakdown must be sufficient to be able to calculate the different rates applicable to each of the groups of users who benefit from each hydraulic infrastructure in different situations.

b) Administrative costs of the management Administration attributable to the hydraulic infrastructures. It will proceed to calculate it in a manner analogous to the procedure for determining the operation and maintenance costs of the above.

c) 4% of the investments made by the State, or the annuity corresponding to those made with legislation predating the entry into force of the Water Law.

The amount of investments include those motivated by the drafting of project expenditures, the construction of the main and complementary infrastructures, or indemnities required expropriations and, generally, all investment expenses whether or not pre-opening.

Moreover, in the method of calculating of these fees are showed the operation and maintenance costs and the part of investments that are not repercutad on users. It is a really important information to consider in estimating the cost recovery ratios.

However, the main criticism of these fees is not in its calculation methodology but on the allocation methodology to users. They are still laying charges based on the number of hectares and not on the volume of water consumed. If we want to establish fees that meet efficiency targets established in the DMA, they must be applied according to volumetric criteria.

3 - Proposal of follow up activities to be done by RCA as well as potential time schedule;

The following planning cycles will have to take into account the management of the mentioned public company (SOMACYL) and their involvement in the analysis of cost recovery of water services in the basin. It could be necessary to organize a meeting to know their procedure.

4 - List & upload of documents that could be usefully put on the project's intranet;

Duero RBMP: Annex 9. Cost recovery of water services.

5 - Summary in 15 lines of the report to be included in the overall Peer Review project report;

The analysis of cost recovery for water services remains a difficult task in which there are many institutions involved and where financing mechanisms are not well defined in the most of cases. It is very important for calculating cost recovery fix sources of information which, in the case of national or regional governments, should always be liquidated official budget data.

I think we should deepen on the analysis of the methodology used for calculating the recovery of the financial costs of water services, and clarify the procedure in future planning cycles. The information given to users should be transparent and understandable.

With regard to environmental and resource costs, additional studies are necessary to realize the calculation procedure and its contribution to global recovery ratio. There are serious doubts about the effectiveness of the calculation of environmental costs including those derived from water bodies with less stringent objectives: uncertainty in its calculation, meaning of these costs, interpretation of the values obtained. The same happen with the resource costs. To calculate the

resource costs actually provides relevant information on the calculation of cost recovery?

The same question can be made in the case of the self-supply services.

In short, for the fulfillment of the principle of recovery of costs defined in the WFD it is necessary to clarify the methodology used for calculating cost recovery and propose an economic-financial system for water services that meets the requirements of the Directive.

In addition, it would be desirable to conduct an analysis of the effectiveness of the methodology used in the analysis of cost recovery in the Spanish basins. Do it really meets the requirements of the WFD? Would not it be easier and safer bring a qualitative analysis of the existing recovery instruments and how they are applied?

6- General recommendations derived from the exchange. These recommendations will be shared by the secretariat with the whole peer review community for a wider dissemination of the lessons learned of the peer review experience.

Participate as a peer-review in the Duero basin has been an enriching experience for me. However, I think it would have been more interesting to participate in a basin of another country. The management and the methodology used in other countries should differ more from that used in the Spanish basins, because these River basins generally follow a common methodology.

Annexes

- Presentation(s) used during the mission;

SYWAG Presentation_Valladolid

- Useful web-links.

www.chduero.es

www.somacyl.es

<http://helvia.uco.es/xmlui/handle/10396/12557>

www.itacyl.es

<http://www.seiasa.es>