ASSOCIATION «UKRVODOKANALECOLOGY»

АКАДЕМІЯ ПУБЛІЧНО-ПРИВАТНОГО ПАРТНЕРСТВА

Problems in attracting financing for the modernization of water supply and wastewater infrastructure in Ukraine

Results of a survey of water supply and wastewater enterprises in Ukraine – members of the Association "Ukrvodokanalekologiya"

May 2026

I. General information about the survey

The survey was conducted with **the aim** of:

- analyse the problems faced by water utilities in Ukraine when attracting financing for infrastructure modernization,
- identify the needs of water utilities for the support they need to attract investments in infrastructure modernization, in particular under public-private partnership conditions.

The survey was conducted by the Academy of Public-Private Partnership with the support of the Association "Ukrvodokanalekologiya" within the framework of the memorandum of cooperation.

Survey period: April 20 - May 1, 2026.

Target audience: managers of water utilities - members of the Association "Ukrvodokanalekologiya".

Representatives of **49 utilities from 20 regions** of Ukraine took part in the survey, including:

- Kyiv region – 13
- Dnipropetrovsk region – 5
- Odesa region – 4
- Zakarpattia region – 4
- Cherkasy region – 3
- Lviv region – 2
- Zhytomyr region – 2
- Poltava region – 2
- Sumy region – 2
- Volyn region – 2 s.

II. Survey results

The survey participants answered questions about their experience in raising finance for the modernization of water supply and wastewater infrastructure, potential sources of finance for its reconstruction and development, existing barriers to this path, and support needs. In addition, they expressed their views on the possibilities and feasibility of involving the private sector in the modernization of water supply and wastewater systems.

The survey results by section are presented below.

2.1. Experience in raising financing

The study showed that the vast majority of enterprises in the industry have experience of cooperation with international organizations (Fig. 1). The most active partners at present are the World Bank, the European Bank for Reconstruction and Development, the European Investment Bank and NEFCO (Fig. 2).

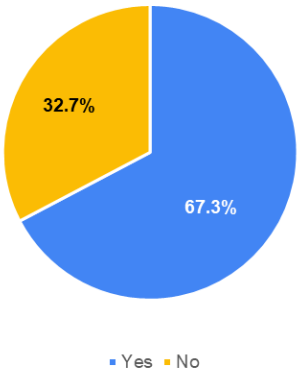

Fig. 1. Experience in cooperation with international organizations

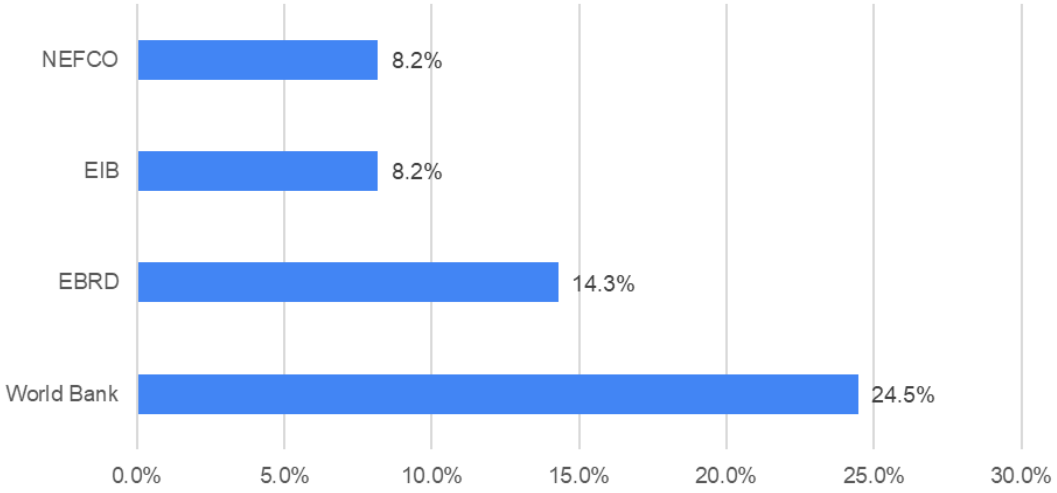

Fig.2. International organizations that work most actively with water utilities in Ukraine

Despite active cooperation with international organizations, the main source of financing for the modernization and restoration of infrastructure was local budget funds. Capital expenditures from

this source were made by 73.5% of enterprises surveyed, 36.7% of enterprises attracted loans for this purpose, 32.7% - grants. State budget funds were used by 24.5% of enterprises. Private investments were received by 6.1% of enterprises (Fig. 3).

Other resources mean receiving materials and equipment within the framework of donor support, assistance from UNICEF (also mainly in the form of equipment and materials for water supply and wastewater networks), water utilities' own funds within the framework of investment programs.

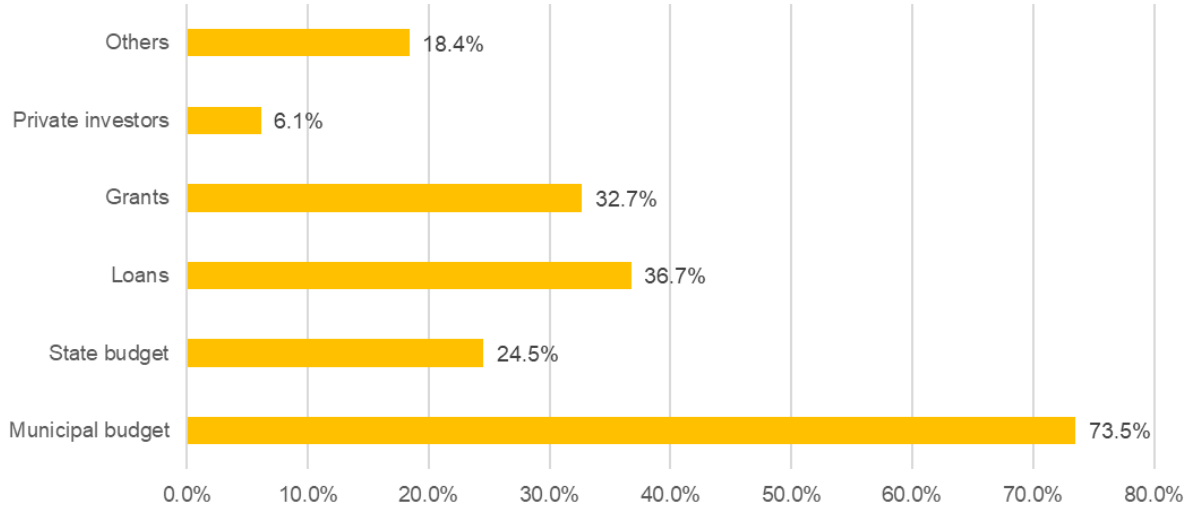

Fig. 3. Sources of financing for the modernization of water supply and wastewater infrastructure

2.2. Potential sources of funding

In the near future, enterprises also plan to carry out modernization at the expense of local and state budgets: 91.8% and 53.1% of respondents expect this, respectively. At the same time, 53% of enterprises consider receiving loans from international financial organizations as a potential source of financing for the renovation of water supply and wastewater systems, and 75.5% hope to receive grant support. Attracting private investment under public-private partnership terms is considered as a possible financing option by slightly more than 18% of enterprises (Fig.4).

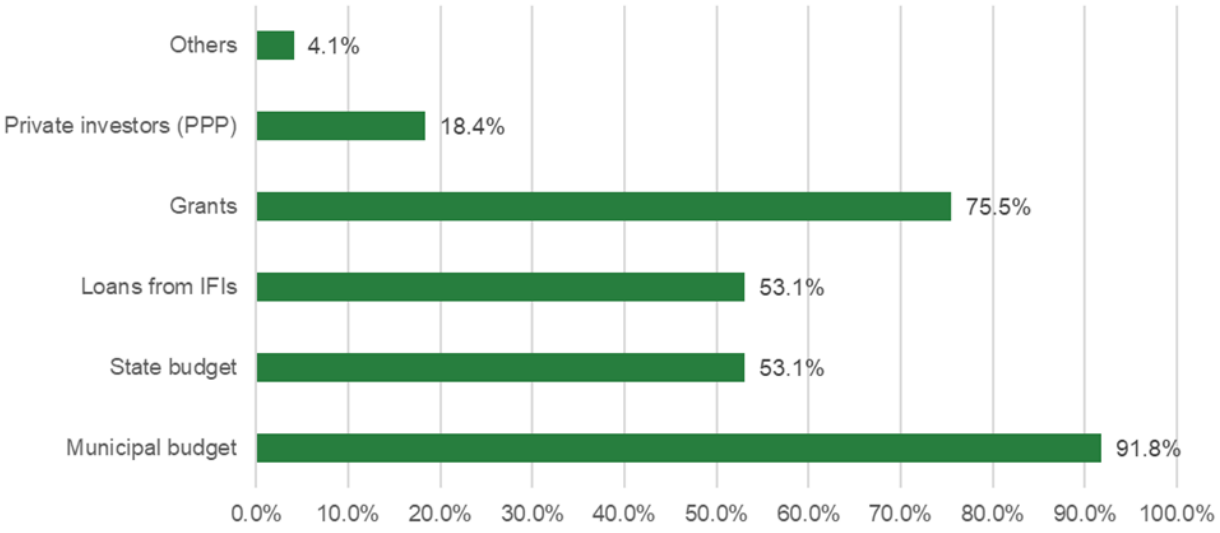

Fig. 4. Potential sources of financing for infrastructure modernization

2.3. Main obstacles to infrastructure modernization and the need for financial support for water utilities

The main barrier to attracting financing for the modernization of water supply and wastewater systems is the financial instability of the industry — this was indicated by 71.4% of enterprises. This factor turned out to be even more critical than the war, which ranked second among the obstacles to investing in the sector. The third most significant barrier is the lack of proper project documentation, which complicates attracting investment. About half of enterprises also noted the complicity of procedures for attracting financing as a significant obstacle, while about 45% indicated the lack of qualified personnel (Fig. 5).

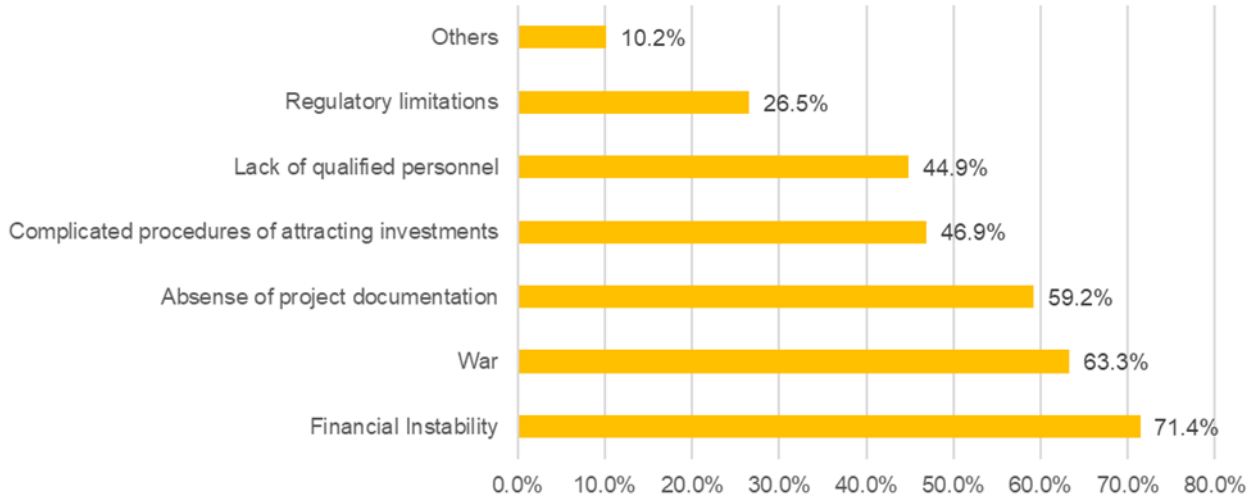

Fig.5. Barriers to attracting investment in the rehabilitation and development of water supply and wastewater systems

To overcome these obstacles, water utilities primarily need access to up-to-date information on financing opportunities, as noted by almost 78% of respondents. About 60% of utilities need support in preparing project documentation (including feasibility studies), as well as increasing the capacity of personnel in the field of attracting investments. Approximately 37% of respondents indicated the need for legal support (Fig. 6).

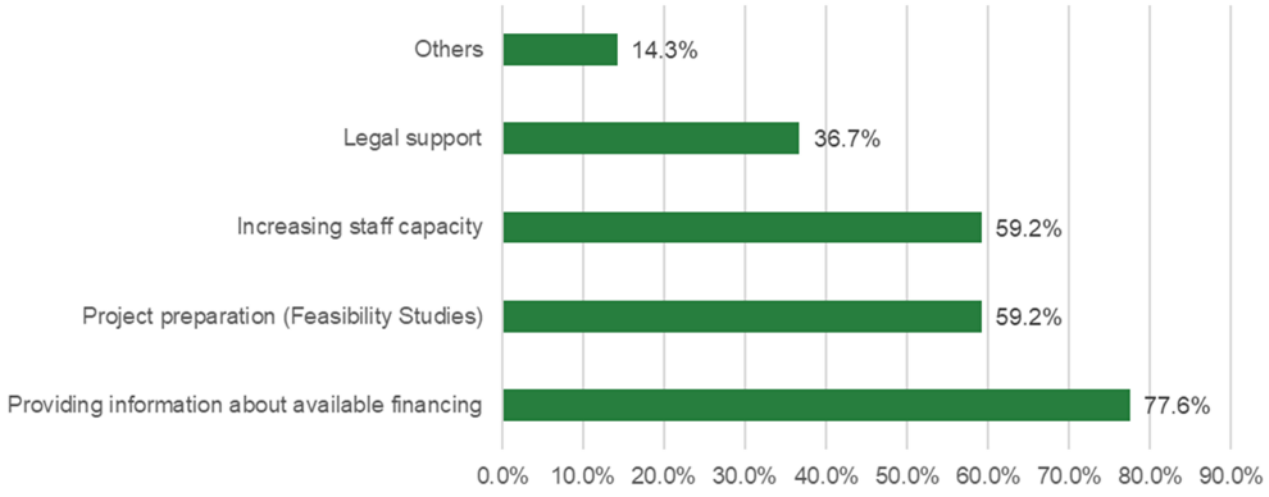

Fig.6. Current priority areas for supporting water supply and wastewater enterprises

The results obtained confirm the importance of the initiative of the Association "Ukrvodokanalekologiya" to create the Water Academy. In addition, they highlight the feasibility of studying the possibilities of strengthening the capacity of the Association to provide its members – water utilities with expert support in the preparation of feasibility studies and legal support.

2.4. Involving private business to modernize infrastructure

A separate section of the survey was devoted to analysing the vision of water utilities regarding the possibilities and feasibility of involving the private sector in the modernization of water supply and wastewater systems.

Currently, Ukraine has practically no successful experience in implementing public-private partnership projects. Isolated examples in the field of water supply and wastewater were implemented within the framework of the previous, imperfect legislation on public-private partnership and concession. Unfortunately, none of these projects can serve as a replicated model of cooperation with private business for enterprises in the industry.

To a large extent, this explains the predominantly sceptical attitude towards the mechanism of public-private partnership in water and wastewater systems. Territorial communities almost do not show initiative in this field, despite the fact that the current regulatory and legal framework creates opportunities for effective structuring of such projects while maintaining a balance of interests of the state, communities and business. Under such conditions, assessing the level of perception of this tool by enterprises in the industry and their willingness to use it to modernize water supply and wastewater systems becomes key.

The survey's results related to PPP were more optimistic than expected. In particular, almost 73% of surveyed water utilities believe that attracting private investment on the basis of public-private partnerships can have a positive impact on the modernization of their infrastructure (Fig. 7).

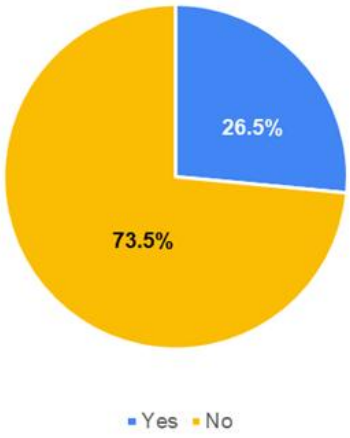

Fig.7. Utilities' expectations regarding the positive impact of PPP on the modernization of water supply and wastewater infrastructure

Despite such positive expectations, more than 40% of water utilities noted that they do not have a clear understanding of how the public-private partnership mechanism can be applied to the restoration, reconstruction or construction of water supply and wastewater systems of their enterprises (Fig. 8).

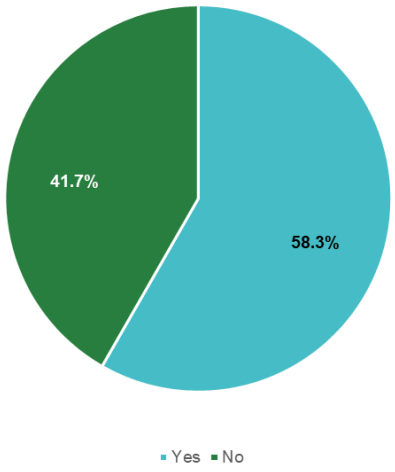

Fig. 8. Utilities' understanding of how the PPP mechanism can be applied to modernize infrastructure at their enterprise

Almost 74% of enterprises are not at all familiar with the experience and conditions of implementing PPP projects in the field of water supply and wastewater disposal in other countries of the world (Fig. 9).

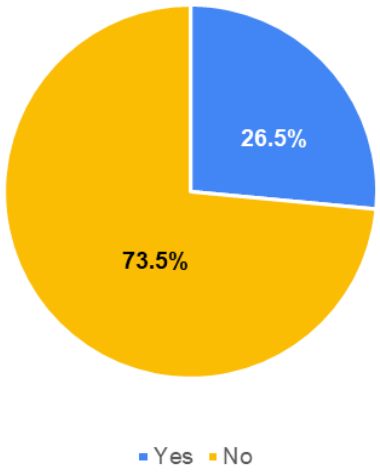

Fig.9. Availability of information among water utilities on the experience of implementing PPP projects in the field of water supply and wastewater disposal in other countries of the world

Given the above, the desire of utilities in the industry to obtain relevant knowledge on PPP is quite natural. Almost 92% of respondents indicated that they are interested in involving specialists from their enterprises in training on public-private partnership issues (Fig. 10).

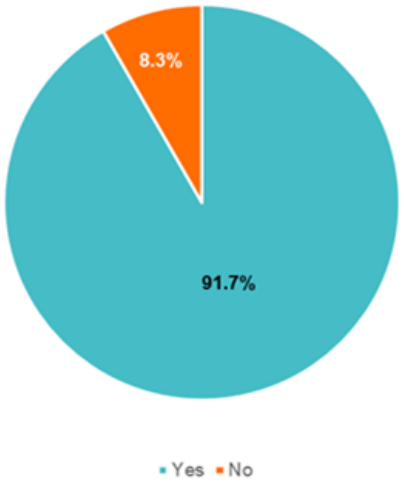

Fig.10. Interest of water utilities in training specialists on public-private partnership

This indicates a high demand for the development of competencies in this area and justifies the feasibility of providing support in organizing relevant educational and training programs.

As a rule, in countries that are just beginning to involve private business in infrastructure projects in the sphere of life support, especially those that are socially and politically sensitive for communities, local authorities are wary of public-private partnership mechanisms. The main deterrent factor is the fear of losing control over infrastructure facilities, in particular water supply and wastewater systems. Both local governments and water utilities are not ready to give up the management of such critically important infrastructure, especially in the absence of successful national examples of the implementation of such projects.

At the same time, involving the private business does not necessarily mean transferring the entire water supply and wastewater system to private management. In many cases, it may be a question of the possibility of implementing projects at the level of individual infrastructure objects that are in critical condition and require urgent restoration, reconstruction or replacement. For example, this may apply to wastewater treatment plants.

This approach enables the community to retain overall control of the water supply and wastewater system while improving the likelihood of attracting private investment and successfully addressing specific critical issues. For businesses, it helps reduce financial risks; for the community, it mitigates legal and regulatory risks. It also reflects the practical need to begin with simpler, less capital-intensive projects when experience is limited.

In this context, the survey included a question on whether water utilities could identify individual facilities within their systems that might be suitable for restoration, reconstruction, or development with private sector involvement. More than 67% of respondents answered this question in the affirmative, almost 25% were undecided, and 8% answered negatively (Fig.11).

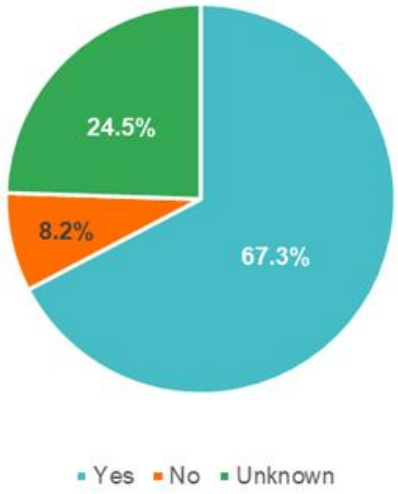

Fig.11. Possibilities for enterprises to allocate individual objects within the operated systems that can potentially be restored, reconstructed or created with the involvement of private business

The last question in this section was about the risks, limitations, and concerns that enterprises today face regarding engaging private business on the basis of public-private partnerships.

The survey results showed that the biggest risk for water utilities is a significant increase in tariffs — this was noted by almost 78% of respondents. In second place are legal and regulatory risks (59%), in third place is the need to form long-term budget obligations in local budgets. Next are fears of losing control over community infrastructure (55%) and insufficient transparency of the private partner's activities (24.5%). Distrust of private business as an obstacle to the implementation of public-private partnership was noted by only 14% of enterprises, which can be considered a relatively positive signal in terms of the prospects for the application of this tool in Ukraine (Fig. 12).

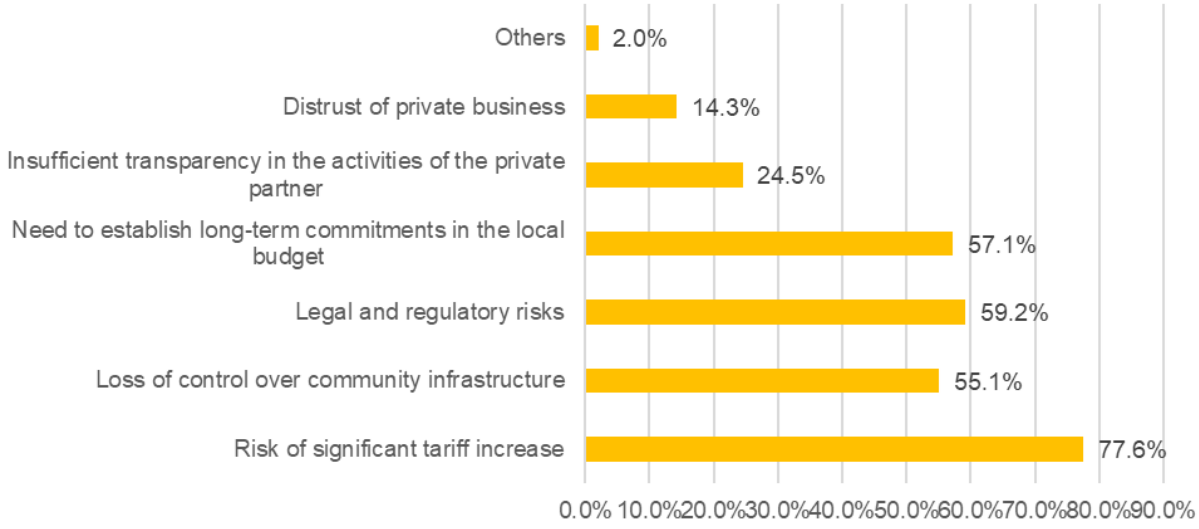

Fig. 12. Risks, limitations and concerns that water utilities face when engaging the private sector on a PPP basis

It should be noted that most of the above risks and concerns can be either eliminated or significantly minimized.

In particular, legal and regulatory risks, the risk of losing control over the community's infrastructure, as well as the lack of sufficient transparency in the activities of a private partner can be reduced to an acceptable level by carefully preparing a proposal for the implementation of a public-private partnership (feasibility study and financial model), as well as high-quality development of tender documentation and a draft PPP agreement (concession agreement).

The risk of a significant increase in tariffs can be reduced if grant funding is involved in the implementation of PPP projects. Currently, international financial institutions are already offering programs that allow covering up to 50% of CAPEX for water supply and wastewater infrastructure modernisation within PPP projects. This significantly decreases the financial burden on the project, reduces risks for the private investor and, accordingly, the cost of its implementation for the community. Of course, any investment should involve some adjustment of tariffs, but in the case of attracting grant funding, it will be done in a more socially acceptable way for consumers.

As for long-term budgetary obligations under PPP projects at the level of local budgets, the legislation establishes clear restrictions on their volume, compliance with which will ensure the financial sustainability of the budget.