МІНІСТЕРСТВО ЕКОНОМІКИ
ТА ДОВКІЛЛЯ УКРАЇНИ

COST RECOVERY OF WATER SERVICES STRATEGY



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KEY CHALLENGES

CURRENT SITUATION

≤30%
Current level of cost recovery

0,06%
Environmental taxes as a share of Ukraine's GDP, 2025

2,1%
Environmental taxes as a share of EU GDP, 2024

5,3×
Budget expenditures exceed the corresponding revenues

54,3%
Water users submitted reports for 2025

KEY CHALLENGES

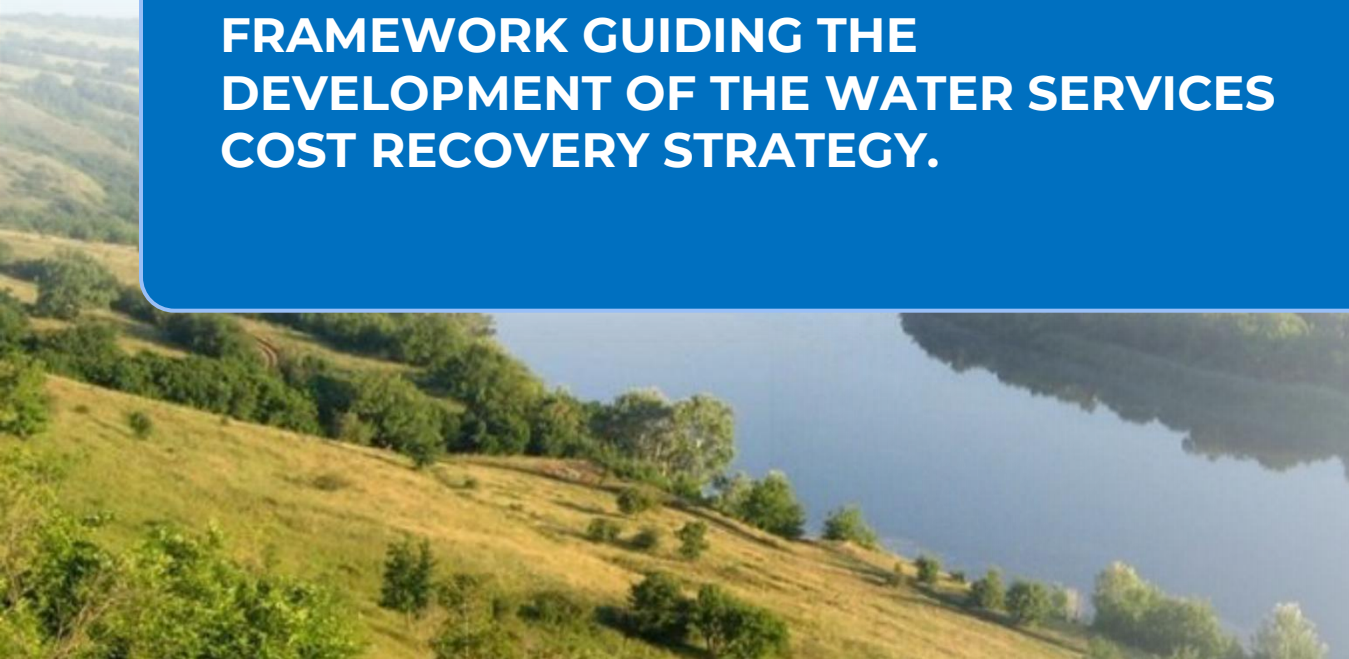
- **Insufficient funding** for the implementation of River Basin Management Plans (RBMPs).
- **A narrow tax base.** Tax incentives, exemptions and legislative loopholes allow water resources, including groundwater, to be used without the corresponding tax burden.
- **Water abstraction** charges set at unjustifiably low rates.
- **Incomplete accounting** of water abstraction and use.
- **Ineffective penalties and enforcement mechanisms.**
- Lack of a harmonised **methodological framework** for assessing the level of cost recovery for water services across different water-use sectors.
- **Insufficient investment funding.** Lack of a dedicated mechanism for pooling financial resources and mobilising long-term investment for the implementation of water protection measures.

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STRATEGY OBJECTIVE

MAIN GOAL: To establish a transparent, economically justified, and socially balanced system of **cost recovery for water services** in accordance with Article 9 of the EU Water Framework Directive.

ARTICLE 9 IS THE KEY EUROPEAN LEGAL FRAMEWORK GUIDING THE DEVELOPMENT OF THE WATER SERVICES COST RECOVERY STRATEGY.



KEY PRINCIPLES:

- «Water user pays»
- «Polluter pays»
- Accounting for financial, environmental and resource costs
- Equitable contribution from different water-use sectors
- Earmarked funding for water protection measures

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KEY OBJECTIVES

STRATEGIC OBJECTIVE	MEASURES
OBJECTIVE 1. IMPROVING WATER ABSTRACTION CHARGES AND WATER USE ACCOUNTING	Development of Ukraine's water balance, revision of water abstraction charge rates, elimination of legislative gaps, digitalization of water use accounting, and awareness-raising campaigns.
OBJECTIVE 2. IMPROVING ENVIRONMENTAL TAXATION AND STRENGTHENING LIABILITY	Development of a roadmap for environmental tax reform, modernization of laboratory monitoring, and strengthening of liability for discharges exceeding permitted limits.
OBJECTIVE 3. INTRODUCING A COST RECOVERY METHODOLOGY	Development of methodologies for determining financial, environmental and resource costs, introduction of annual economic monitoring, and assessment of cost recovery levels across water-use sectors.
OBJECTIVE 4. ESTABLISHING THE NATIONAL INVESTMENT FUND FOR WATER SECTOR DEVELOPMENT	Development of the legislative framework, establishment of the Fund, and introduction of mechanisms for attracting investments, selecting and financing water protection projects.

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WHAT DO WE AIM TO ACHIEVE BY 2033?

40%

Level of cost recovery for water services

40%

Share of revenues from water abstraction charges allocated to special budget funds

90%

Share of total water use covered by automated metering

Establishment of the National Investment Fund for Water Sector Development as an institutional mechanism for the earmarked accumulation and allocation of funds to achieve environmental objectives and attract non-budgetary investments in the water sector