Finances in the Water Sector
Impact and proposal after COVID-19

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Governor of the WWC 2019-2021

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1. Task-Force on Finances at the WWC

2. WASH financial impact during COVID-19

3. The way forward
1. Task-Force on Finances at the WWC
Task-Force on Financing Water

President of Hungary participates in the High-Level Panel on Financing Water Infrastructure

enabling environments, including effective governance. Setting up long-term policies for infrastructure provides an incentive for investors and results in higher prospects. To close the financing gap, existing and innovative models involving a range of private actors should be identified and scaled up according to context.

The panel was convened by the members of the ongoing Roundtable on Financing Water, namely, the Organization for Economic Co-operation and Development (OECD), The Netherlands and the World Water Council. The Council contributed to this discussion through the publication of its most recent report on financing, entitled “Ten Actions for Financing Water Infrastructure.” Also presented were two working documents by the Council, “A Typology of Water Infrastructure Projects” and “A Typology of Water Infrastructure Investors”; and an OECD publication, “Policy Perspectives: Financing Water – Influencing in Sustainable Growth.”

Thematic Framework of the 8th World Water Forum

CLIMATE Water security and climate change

PEOPLE Water, sanitation and health

DEVELOPMENT Water for sustainable production

URBAN Integrated urban water and waste management

ECOSYSTEMS Water quality, ecosystem livelihoods and biodiversity

FINANCE Financing for water security
Task-Force on Financing Water

Framework of activities

1. Overcome barriers to financing flows towards the water sector through analytical work
   • Analytical work on Blended Finance
   • Analytical work on financing Nature-based Solutions
   • Participation of TF under the Means and Tools - 9th WWF

2. Contribute to increase investment in local and national institutions, enabling environment and data availability
   • Systematization of experiences to accelerate/enhance financing on water projects
   • Assessment-Analytical work - enabling environment for investment

3. Build relationships with a broader set of finance actors to support global, regional and local efforts
   • Participation of TF members in platforms, webinars, events on Finances (Roundtable OECD-WWC-The Netherlands, and others)
2. WASH financial impact during COVID-19
Challenges in WASH

The first line of defense against COVID-19 is as basic, and as complex as handwashing with soap.

785 million
No basic access to water supply

2.0 billion
No basic access to sanitation
670 million open defecation

2.2 billion
No access to water safely managed (some hours per week - non potable)

4.1 billion
In cities, with no wastewater treatment

Urban priorities: Slums in cities, land tenure uncertainty, lack of basic services, insecurity, among other UBN.

Rural priorities: To leave no-one behind.

Source: JMP, 2019
Rule of Law

- WASH services shall secure continuity and quality.
- Water Utilities shall provide water to unserved areas (water tanks, etc).
- Keep on operational staff active for O&M. In developing countries, many activities operated manually: low automatization.
- Water shut-offs due to non-payment are forbidden.
- Return of suspended accounts to service, even those before the pandemic.
- No tariff indexation during the sanitary emergency.
- Payments are differed in installments: in 3, 18, 24 or 36 months, free of interest.
- In some developing countries, social domestic user are authorized to pay part of the water bill. Governments assume the remaining water bill. When?
Economic impact in WASH providers

Financial impact = f (no consumption in institutions, industries and commerce + suspension of shut-offs due to non-payment + free reconnection to suspended users + opportunity costs to keep liquidity (investments deferred) + additional operational costs to guarantee service during the emergency +...+ n)

Water Utilities looking for:

- Concessional or blended loans
- Loans refinancing
- Government compensations: chemical purchase, energy consumption, subsidies in advance,....(developing countries)
- Use of funds of reserve originally intended for services expansion, asset reposition or environmental measures.
3. The way forward
Short-term financial measures for developing countries

Increase liquidity – opportunity for Blended Finance

- Liquidity Fund/Facility for Water Operators
  - Central/regional collateral
  - Corporate concessional loans
- Rapid impact measures to increase revenue/reduce operational costs

TA for WASH services

- Twinning for better preparation in pandemic situations.
- Case studies for effective upscaling on sewerage connection.
- Updating of Water Safety Plans.
- Digital transformation showcases.
- Wastewater monitoring – Early Warning System for COVID-19

Last-mile Investments – opportunity for Blended Finance

- Final design to expand services
  (PPSA at CAF, AWF at AfDB, others)
- Non-structural measures - Social feasibility in slums

Reinforce Hygiene component in current operations
Mid-term financial measures

✓ Enabling environment for emergency situations

- Revisit 3Ts – reserve funds for emergencies
  - Tariffs (mostly paying less than the 3% of household income)
  - Taxes and Transfers: Quality of subsidies - vulnerable people.

✓ Digital Transformation in operations – commercial management (PPP and PbC)

- Water quality monitoring and control
- Water demand and hydraulic management
- Commercial management (metering, billing, collection, customer services)
Promoting sustainable development and integration of Latin America

June 2020
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<th>Task Force on Financing Water</th>
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<td>Activity 1: Activity: Overcome barriers to financing flows towards the water sector (Consultant tasks)</td>
<td>2020-1</td>
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<td>Task 1.1 Analytical work on Blended Finance</td>
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<td>Activity 2: Contribute to increase investment in local and national institutions, improve water governance, and data availability (enabling environments)</td>
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<td>Task 2.1 Accelerating and enhancing financing of water projects by supporting countries and IFIs in the development of final designs</td>
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<td>Task 2.2 Present a contextually sensitive assessment on how to create an optimal enabling environment for investment</td>
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<td>Task 3.1 Sharing innovative programs among IFIS, Governments, NGOs and private sector</td>
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Support pre-investment activities, so that programs and projects conclude their preparation stage and are ready for implementation.

**Phase I: USD 5 MM**
- Approved Dec. 2018
- 85% committed

**Phase II: USD 5 MM**
- Approved Dec. 2019

**Phase III: USD 5 MM**
- Approved March 2020

**Activities to be financed**
- Final design, detailed engineering studies
- Support preparation of tenders
- Supervision of studies financed by the program
- Action plans to complement final designs

**Eligibility criteria**
- Consistent with CAF 2019-2022 Water Strategy
- Interest of the country in developing the future investment along with CAF
- Priority in the country's sector plan