



Finances in the Water Sector

Impact and proposal after COVID-19

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1. Task-Force on Finances at the WWCC

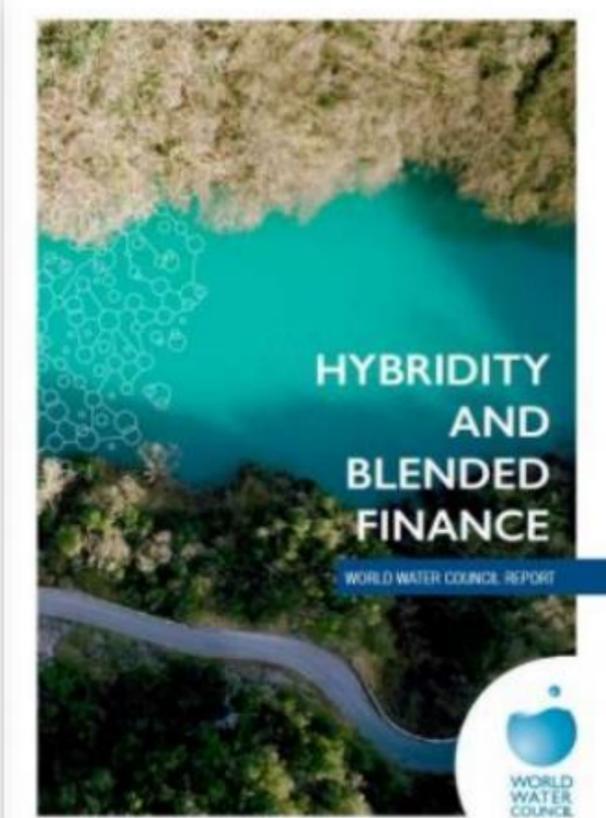
President of Hungary participates in the High-Level Panel on Financing Water Infrastructure



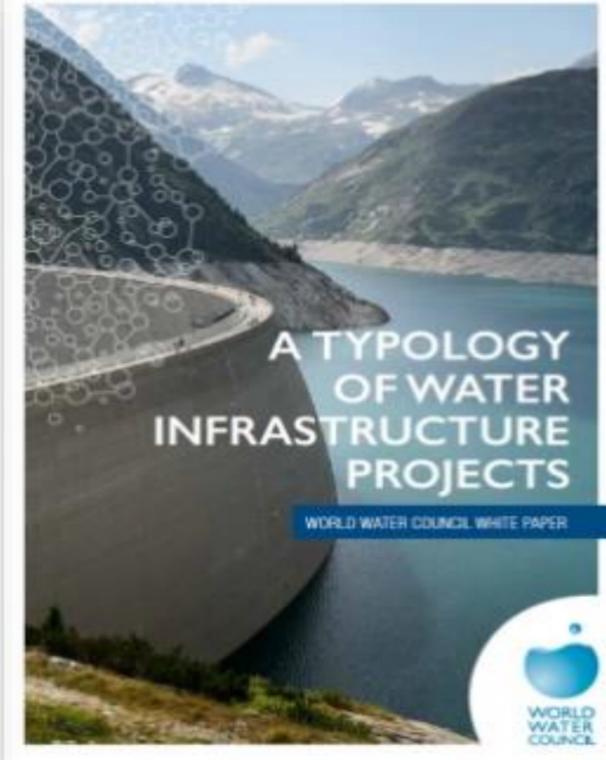
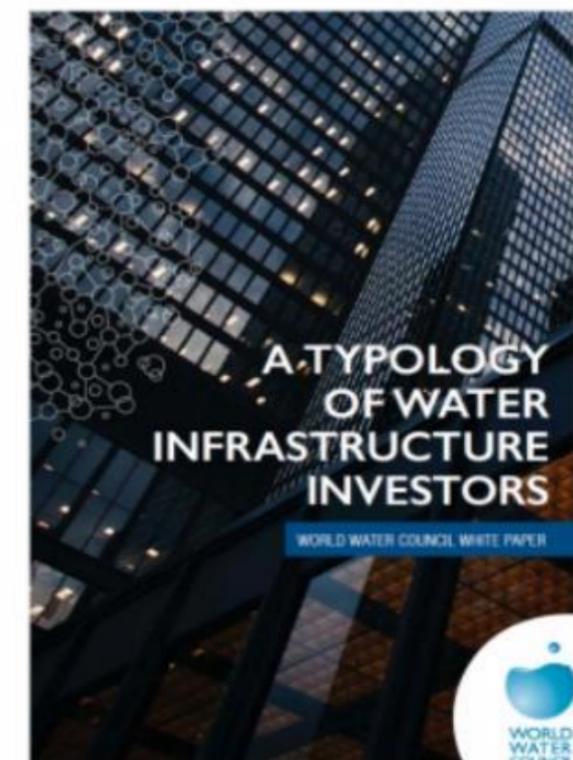
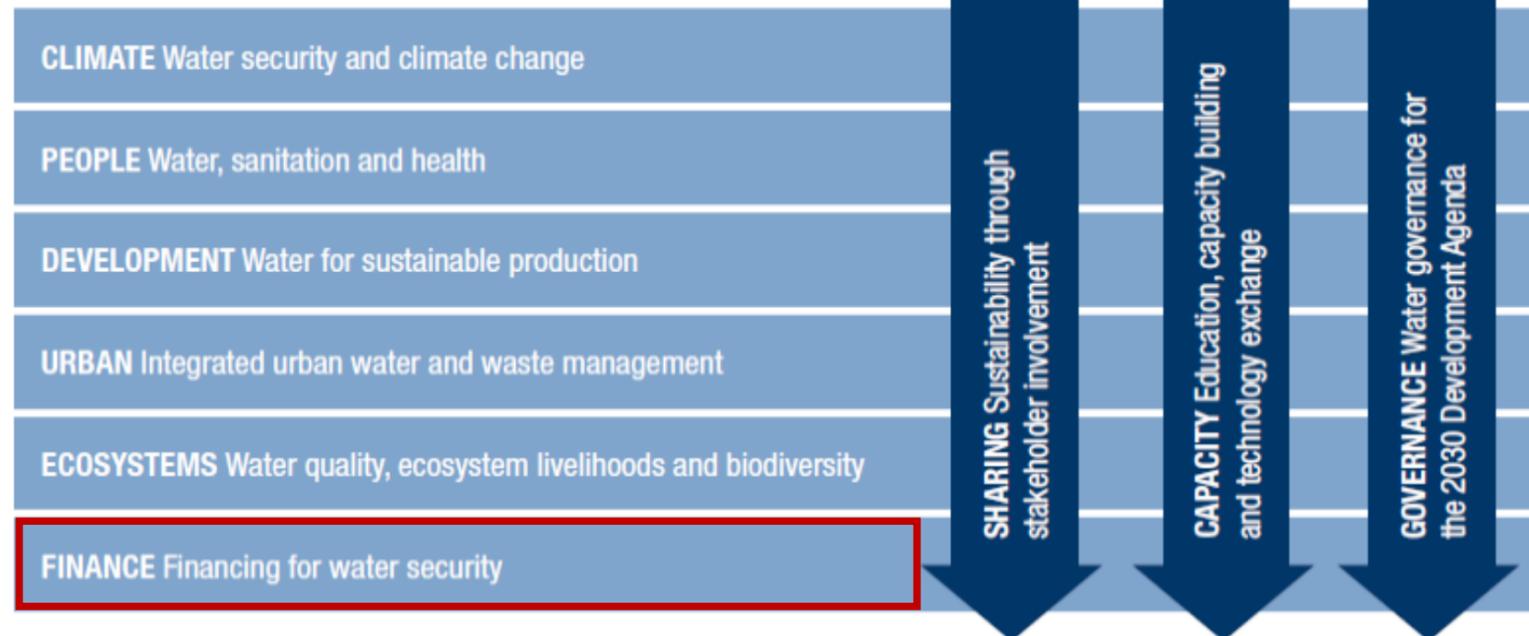
President of Hungary János Áder addressed the high-level panel on Financing Water Infrastructure, 20 March.

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 – Investing in Sustainable Growth”.



Thematic Framework of the 8th World Water Forum



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

Source: JMP, 2019

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



Rural priorities: To leave no-one behind.



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.

NACWA estimates US water utilities could lose \$12.5 billion from COVID-19 impact

NACWA + Follow 0 FOLLOWERS 142



The Financial Impact of the COVID-19 Crisis on U.S. Drinking Water Utilities

APRIL 14, 2020



This project was funded by the Water Industry Technical Action Fund of AWWA

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**

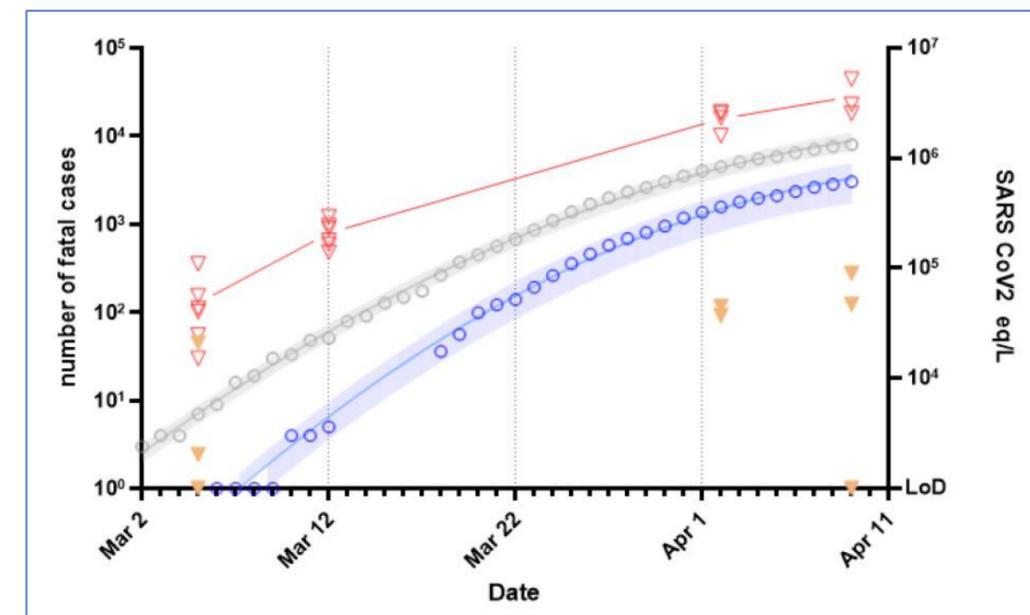
Last-mile Investments – opportunity for Blended Finance

- ✓ 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

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*



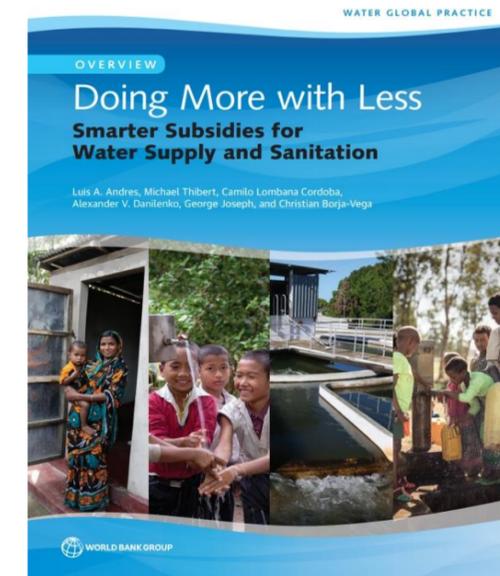
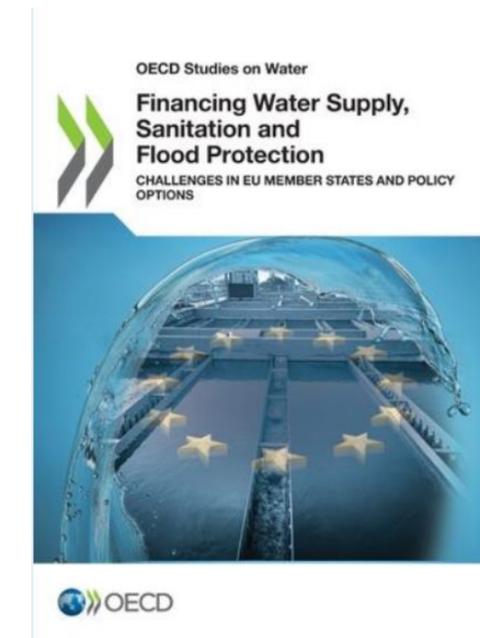
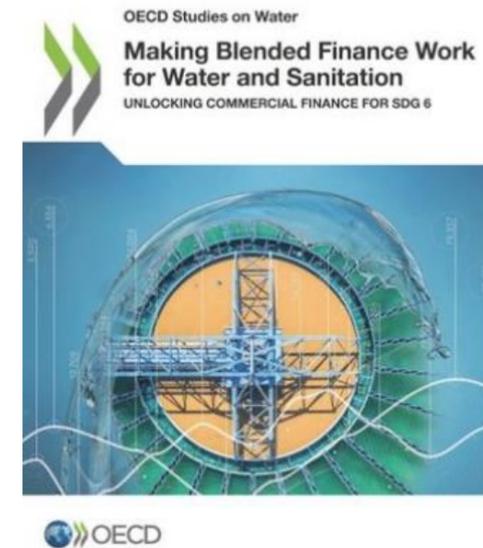
Mid-term financial measures

✓ 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

CAF DEVELOPMENT BANK
OF LATIN AMERICA

50
years

Timeline for the TF on Finances

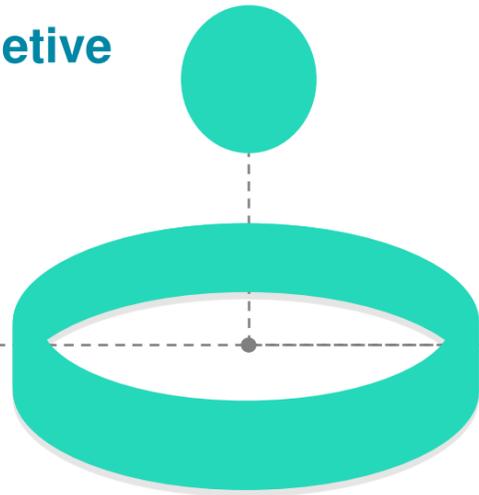
Task Force on Financing Water	Timeline			
	2020-1	2020-2	2021-1	2021-2
Activity 1: Activity: Overcome barriers to financing flows towards the water sector (Consultant tasks)				
Task 1.1 Analytical work on Blended Finance				
Task 1.2. Analytical work on Financing Nature-based- solutions for Water Security (based on TNC estimates)				
Task 1.3. Participation to the Financing theme of 9th WWF under Means and Tools				
Task 1.4 Efficient dissemination of reports and messages				
Activity 2: Contribute to increase investment in local and national institutions, improve water governance, and data availability (enabling environments)				
Task 2.1 Accelerating and enhancing financing of water projects by supporting countries and IFIs in the development of final designs				
Task 2.2 Present a contextually sensitive assessment on how to create an optimal enabling environment for investment				
Activity 3: Building relationships with a broader set of finance actors to support global and regional efforts				
Task 3.1 Sharing innovative programs among IFIS, Govents, NGOs and private sector				

Water Project Preparation Facility

Phase I: USD 5 MM

Approved Dec. 2018
85% committed

Objective

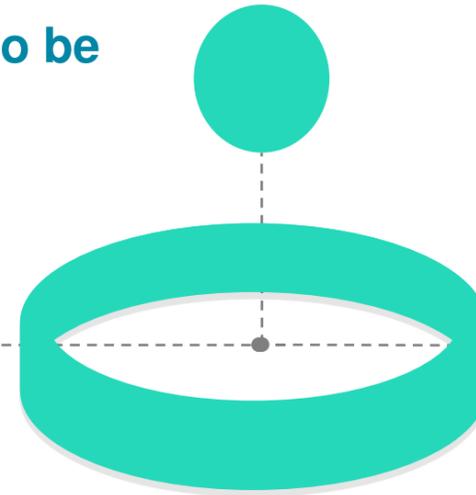


Support pre-investment activities, so that programs and projects conclude their preparation stage and are ready for implementation.

Phase II: USD 5 MM

Approved Dec. 2019

Activities to be financed

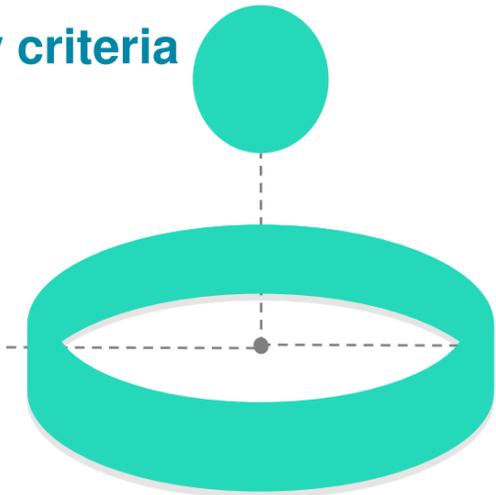


- Final design, detailed engineering studies
- Support preparation of tenders
- Supervision of studies financed by the program
- Action plans to complement final designs

Phase III: USD 5 MM

Approved March 2020

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