



Finances in the Water Sector

Impact and proposal after COVID-19

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Governor of the WWC 2019-2021

June 17, 2020



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1. Task-Force on Finances at the WWCC

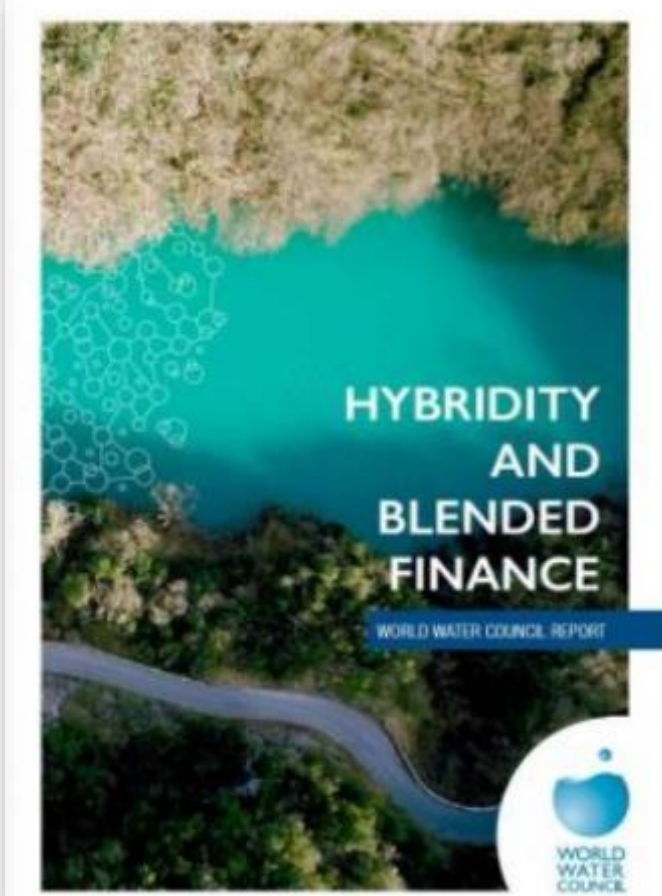
President of Hungary participates in the High-Level Panel on Financing Water Infrastructure



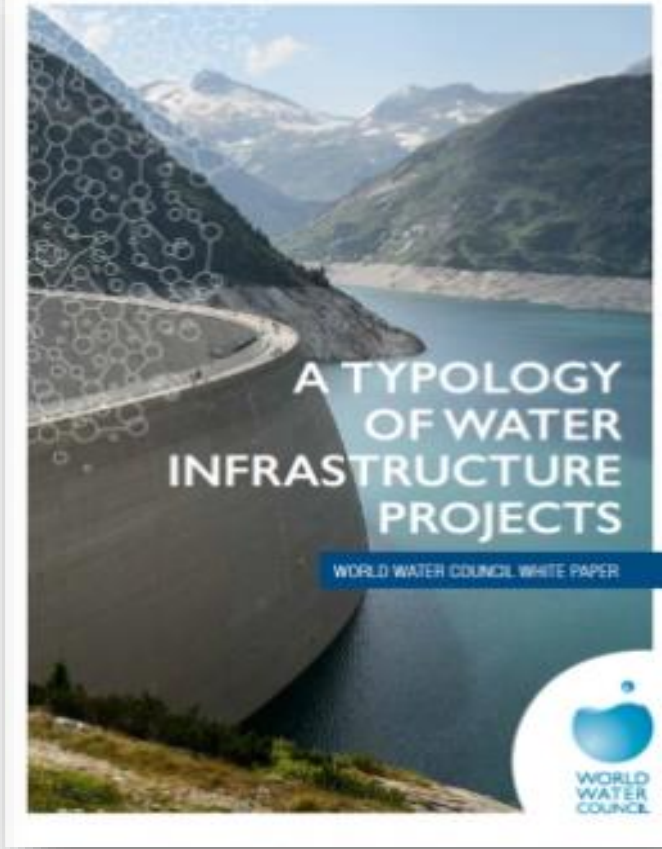
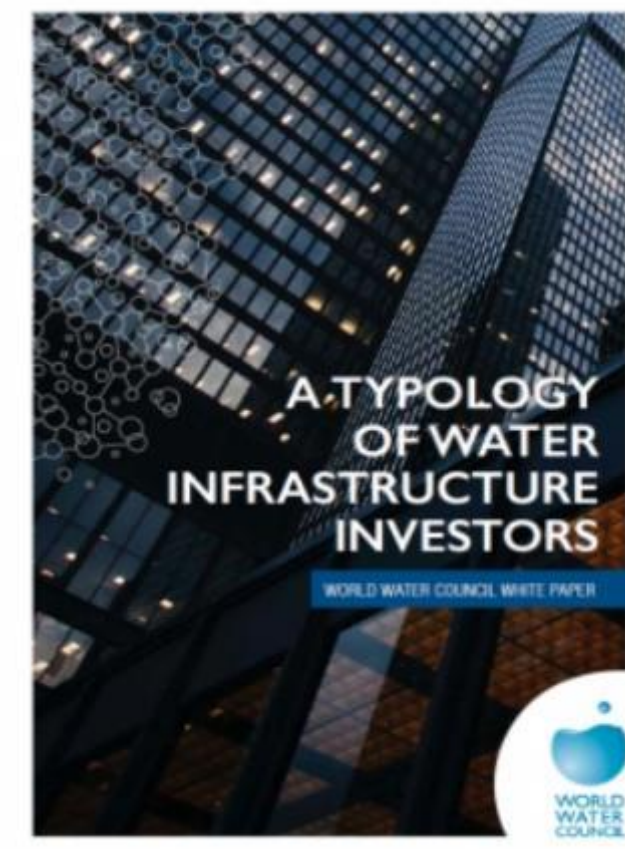
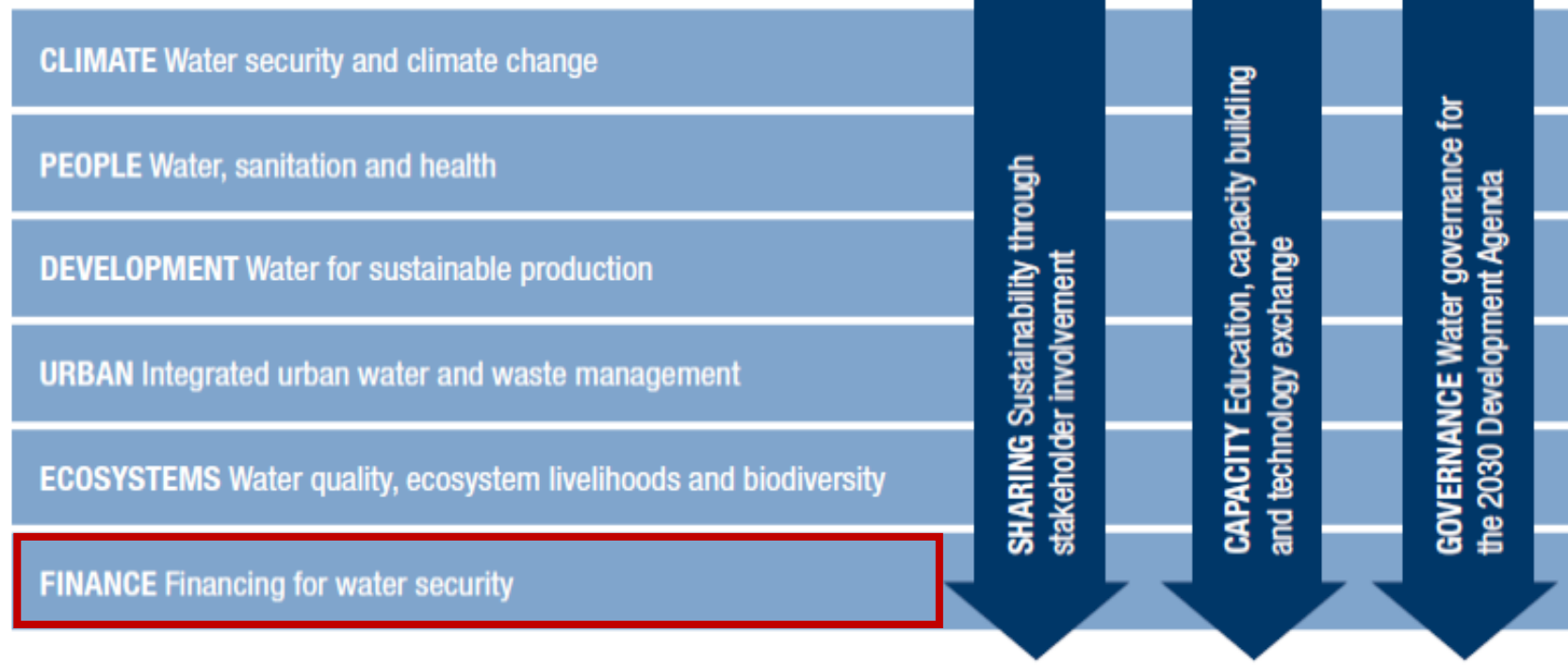
President of Hungary János Áder addressed the high-level panel on Financing Water Infrastructure, 20 March.

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.



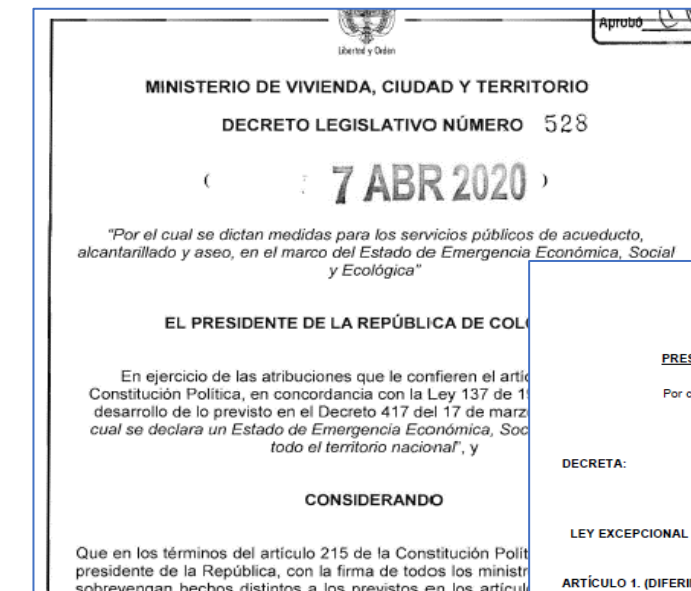
Rural priorities: To leave no-one behind.



Government decisions in WASH during COVID-19

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?



DECRETOS DE URGENCIA

DECRETO DE URGENCIA N° 030-2020

DECRETO DE URGENCIA QUE ESTABLECE MEDIDAS COMPLEMENTARIAS PARA REDUCIR EL IMPACTO DE LAS MEDIDAS DE AISLAMIENTO E INMOVILIZACIÓN SOCIAL OBLIGATORIA, EN LA ECONOMÍA NACIONAL Y EN LOS HOGARES VULNERABLES, ASÍ COMO GARANTIZAR LA CONTINUIDAD DE LOS SERVICIOS DE SANEAMIENTO, FRENTE A LAS CONSECUENCIAS DEL COVID-19

EL PRESIDENTE DE LA REPUBLICA

CONSIDERANDO:

Que, mediante el Decreto Supremo N° 008-2020-SA, se declara en Emergencia Sanitaria a nivel nacional por el plazo de noventa (90) días calendario y se dictan medidas de prevención y control del COVID-19, para reducir el impacto negativo en la población ante la existencia de situaciones de riesgo elevado para la salud y la vida de los pobladores, así como mejorar las condiciones sanitarias y la calidad de vida de su población, y adoptar acciones destinadas a prevenir situaciones y hechos que conlleven a la configuración de estas;

Que, la Organización Mundial de la Salud (OMS) ha elevado la alerta por el COVID-19 a "nivel muy alto" en todo el mundo tras los casos de brote que se han detectado en más de ciento veinte (120) países", declarando dicho brote como una pandemia por su rápida expansión a nivel global;

Que, mediante Decreto Supremo N° 044-2020-PCM, precisado por los Decretos Supremos N° 045-2020-PCM y N° 046-2020-PCM, se declara el Estado de Emergencia Nacional por el plazo de quince (15) días calendario, y se dispone el aislamiento social obligatorio (cuarentena) así como medidas para el ejercicio del derecho a la libertad de tránsito, por las graves circunstancias que afectan la vida de la nación a consecuencia del brote del COVID-19; habiéndose prorrogado dicho plazo por el término de trece (13) días calendario, a partir del 31 de marzo de 2020, mediante Decreto Supremo N° 051-2020-PCM;

Que, ante los diversos casos de incumplimiento de las reglas para la limitación al ejercicio del derecho a la libertad de tránsito, en varios lugares del país, en el marco de la declaratoria del Estado de Emergencia Nacional, mediante los Decretos Supremos N° 053 y 057-2020-PCM se establecen disposiciones adicionales sobre la Inmovilización social obligatoria, que contribuyan a proteger la vida y la salud de la población, sin afectar la prestación de servicios públicos, así como bienes y servicios esenciales;

Que, mediante Decreto de Urgencia N° 033-2020, se dictaron medidas extraordinarias, para, entre otros fines, coadyuvar a minimizar los efectos de las disposiciones de prevención dispuestas en la declaratoria de Estado

NORMAS LEGALES

EMERGENCIA SANITARIA

Decreto 311/2020

DECNU-2020-311-APN-PTE - Abstención de corte de Servicios en caso de mora o falta de pago.

Ciudad de Buenos Aires, 24/03/2020

VISTO el Expediente N° EX-2020-18610263-APN-DGDOMEN#MHA, la Ley N° 27.541, los Decretos Nros. 260 del 12 de marzo de 2020 y su modificatorio, 267 del 17 de marzo 2020 y 267 del 19 de marzo de 2020, y

CONSIDERANDO:

Que por el Decreto N° 260 del 12 de marzo de 2020 se amplió, por el plazo de UN (1) año, la emergencia pública en materia sanitaria establecida por la Ley N° 27.541, en virtud de la pandemia declarada por la ORGANIZACIÓN MUNDIAL DE LA SALUD (OMS) en relación con el coronavirus (SARS-CoV-2) y la enfermedad que provoca el COVID-19.

Que dada la evolución de la pandemia, se han intensificado los controles del ESTADO NACIONAL para garantizar los derechos contemplados en el artículo 42 de la CONSTITUCIÓN NACIONAL respecto de los consumidores y usuarios de bienes y servicios en la relación de consumo.

Que es mandato constitucional que las autoridades provean a la protección de esos derechos, a la educación para el consumo, a la defensa de la competencia contra toda forma de distorsión de los mercados y al control de los monopolios naturales y legales.

Que con base en esos lineamientos, mediante el Decreto N° 267 del 17 de marzo de 2020 se establecieron medidas acordadas con la dinámica de la pandemia para mitigar su impacto sobre la vida social de la población en su conjunto.

Que a través del Decreto N° 267 del 19 de marzo de 2020 y con el fin de proteger la salud pública, obligación inalienable del ESTADO NACIONAL, se estableció para todas las personas que habitan en el país o se encuentran en él en forma temporaria, la medida de "aislamiento social, preventivo y obligatorio" en los términos allí indicados desde el 20 hasta el 31 de marzo inclusive del corriente año, pudiéndose prorrogar este plazo por el tiempo que se considere necesario en atención a la situación epidemiológica.

Que en esta instancia y con la misma finalidad de mitigar el impacto local de la emergencia sanitaria internacional, procede disponer la suspensión temporaria del corte de suministro de servicios que resultan centrales para el desarrollo de la vida diaria, y aún más en el actual estado de aislamiento social, preventivo y obligatorio dispuesto por el Decreto N° 267/20, tales como el suministro de energía eléctrica, agua corriente, gas por redes, telefonía fija y móvil e Internet y televisión por cable, por vínculo radioeléctrico o satelital, entre otros.

Economic impact in WASH providers

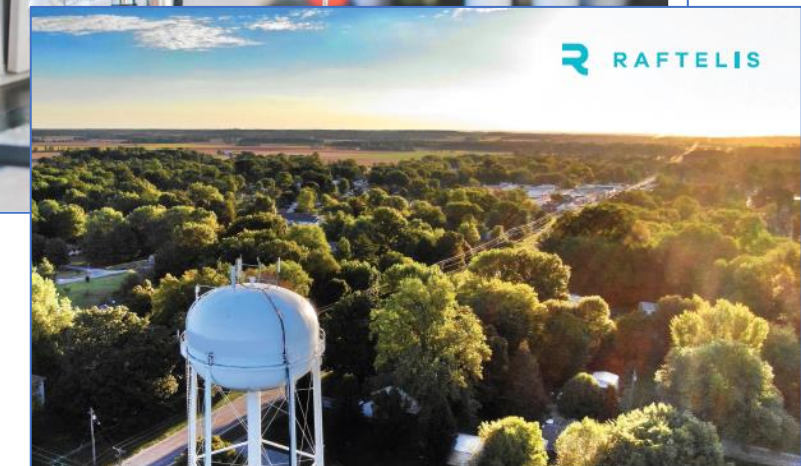
Financial impact = f (no consumption in institutions, industries and commerce + suspension of shut-offs due to non-payment + free reconnection to suspended users + opportunity costs to keep liquidity (investments deferred) + additional operational costs to guarantee service during the emergency +...+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

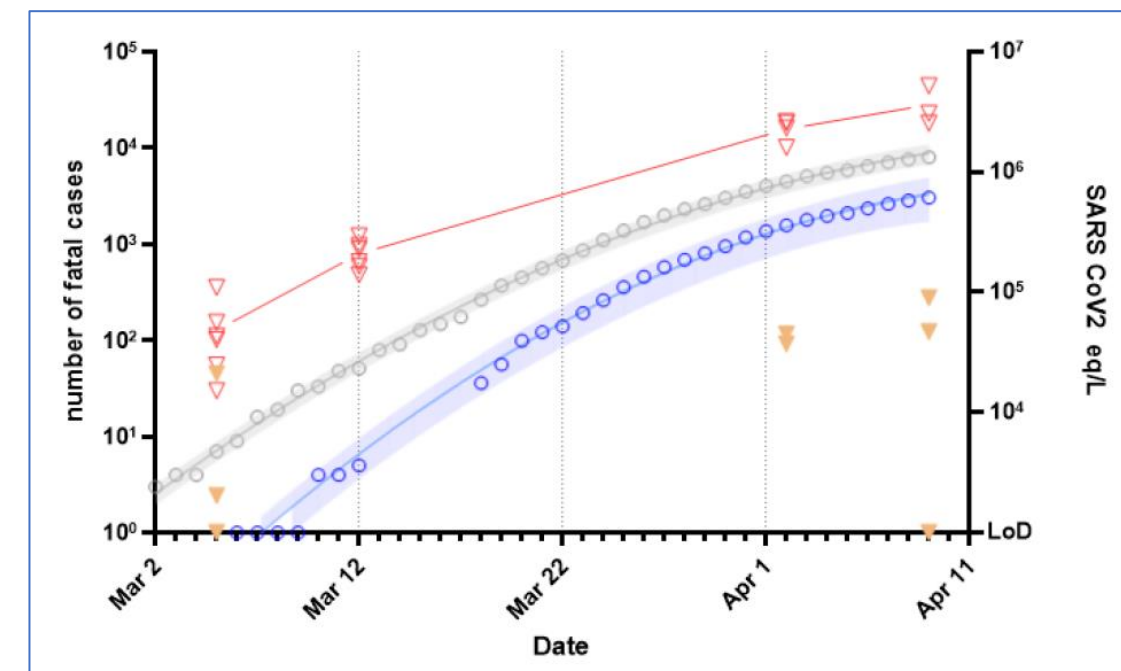
Last-mile Investments – opportunity for Blended Finance

- ✓ 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*



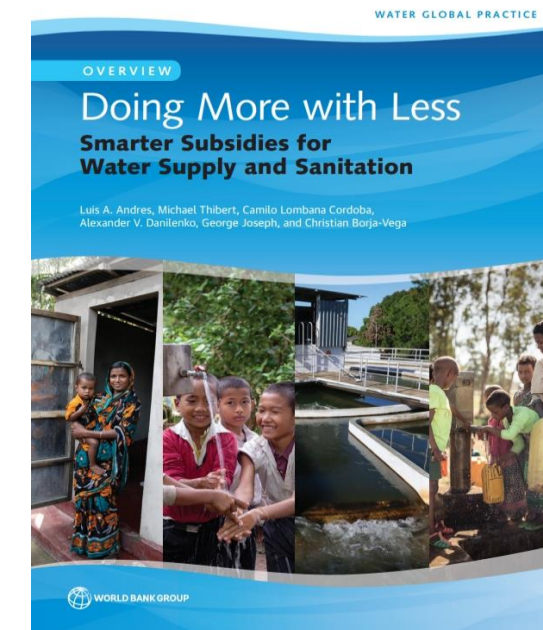
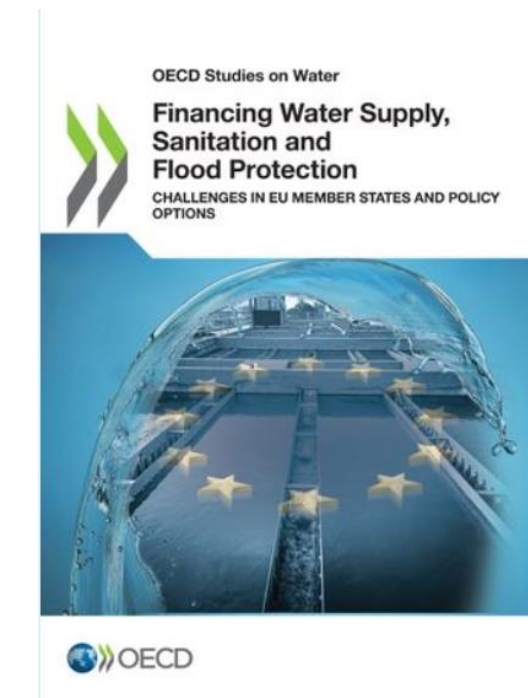
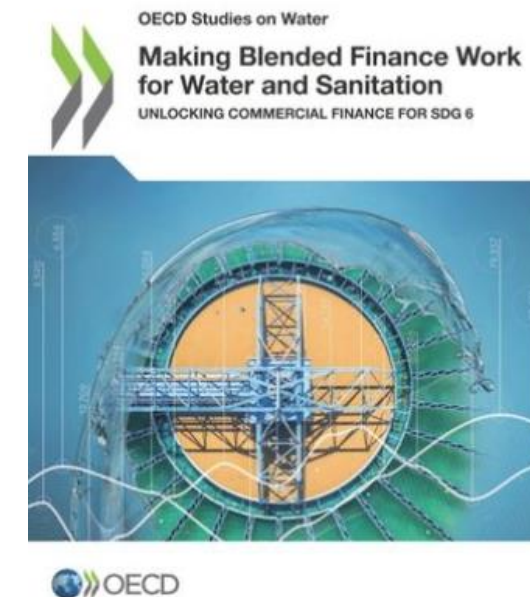
Mid-term financial measures

✓ 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



Timeline for the TF on Finances

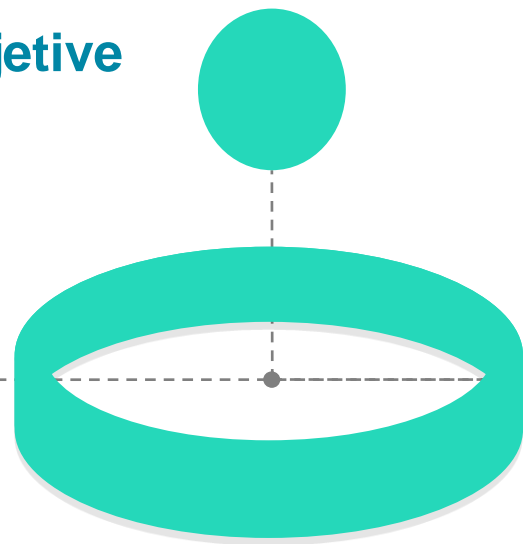
| Task Force on Financing Water | Timeline | | | |
|--|----------|--------|--------|--------|
| | 2020-1 | 2020-2 | 2021-1 | 2021-2 |
| Activity 1: Activity: Overcome barriers to financing flows towards the water sector (Consultant tasks) | | | | |
| Task 1.1 Analytical work on Blended Finance | | | | |
| 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

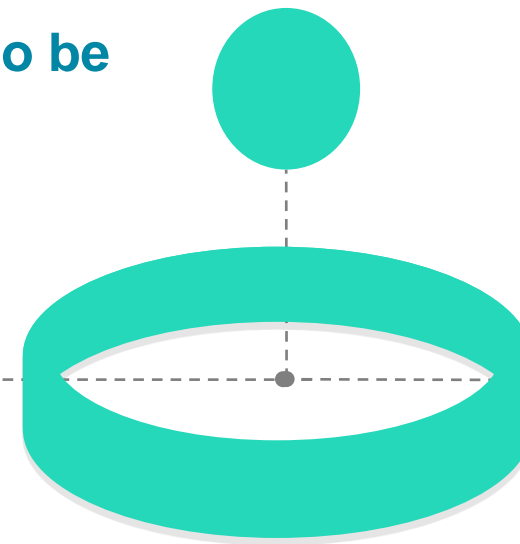


Support pre-investment activities, so that programs and projects conclude their preparation stage and are ready for implementation.

Phase II: USD 5 MM

Approved Dec. 2019

Activities to be financed

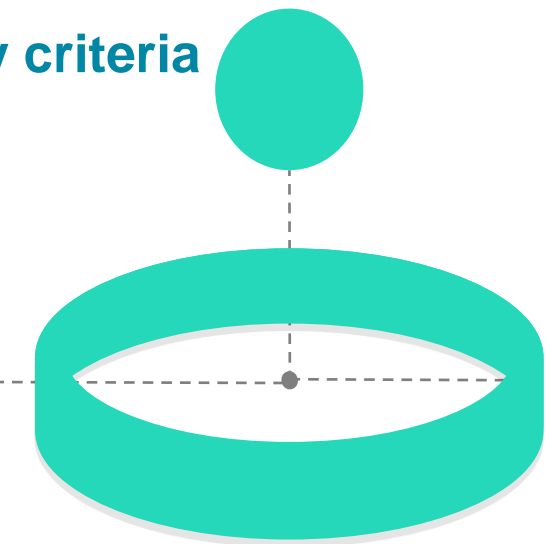


- Final design, detailed engineering studies
- Support preparation of tenders
- Supervision of studies financed by the program
- Action plans to complement final designs

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