TRAINING

Water, Sanitation and Hygiene (WASH) Interventions for EU Cooperation.

54, Rue Joseph II (J54 building) – Brussels,

13h30 – 17h00, 10 January 2025

INTPA.F.2, Water Team, and EU Water Facility

SESSION 3:
WASH Finance and Management

INTPA.F.2 Water Team and GWOPA

European Commission

OBJECTIVES

Enhance' knowledge and capacities to design EU supported interventions in provision of, and access to, Water, Sanitation and Hygiene services

- Identify WASH within the EU policy landscape
- Work on Intervention Design based on practical examples
- Understand Finance and Management aspects of WASH interventions

Link to online presentation:

https://prezi.com/view/uEEJfSYreK5SuYl7xrx1/

THE #EUWOP PROGRAMME

Helping water and sanitation service providers help one another reach the **SDGs**

Managed by

Global Water Operators' Partnerships Alliance

FOR A BETTER URBAN FUTURE

Funded by

European Commission

gwopa.org/eu-wops

OUTLINE

1. Utility Challenges and the Role of Water Operators’ Partnerships
2. The EU WOP Programme Objectives and Modalities
3. Phase I Interim results
4. Phase II Overview
5. EUD Benefits and Opportunities

WATER AND SANITATION OPERATORS

- Front line basic service providers: est 300,000 worldwide
- Services: drinking water > sewerage > drainage > sanitation > ++
- Ownership: Vast majority publicly owned and managed with some private participation
- Scale: Municipal > Regional > National
- Finances: Mixed Revues (3Ts), Varying degrees of autonomy/corporatization,
- Common Challenges: financial management, water quality and losses, sanitation services lacking, aging infrastructure, rapidly growing (informal) urban settlements, growing climate risks

European Commission

WHAT ARE WOPS?

Water Operators’ Partnerships (WOPs) are peer-support partnerships between water and sanitation service providers

SUSTAINABLE DEVELOPMENT GOALS

They focus on **building capacity and performance** of resident operator staff, rather than “doing it for them”.

They are **peer partnerships**, meaning that the support comes from professional counterparts with hands-on experience.

WOPs are carried out on a **not-for-profit basis** for effectiveness and efficiency

GWOPA Global Water Operators’ Partnerships Alliance

UN-HABITAT FOR A BETTER URBAN FUTURE

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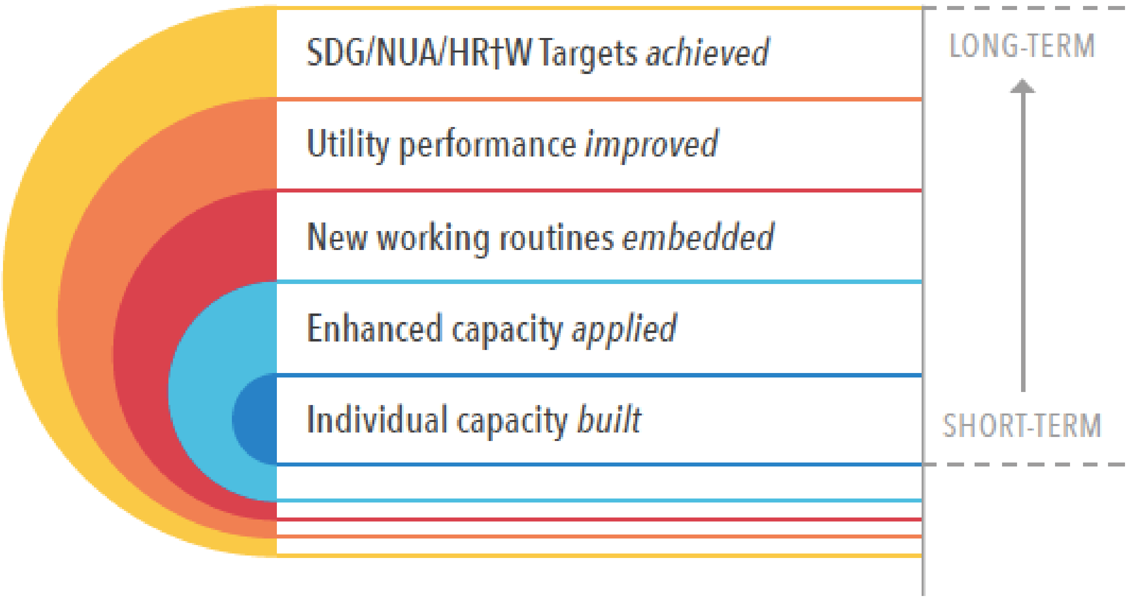
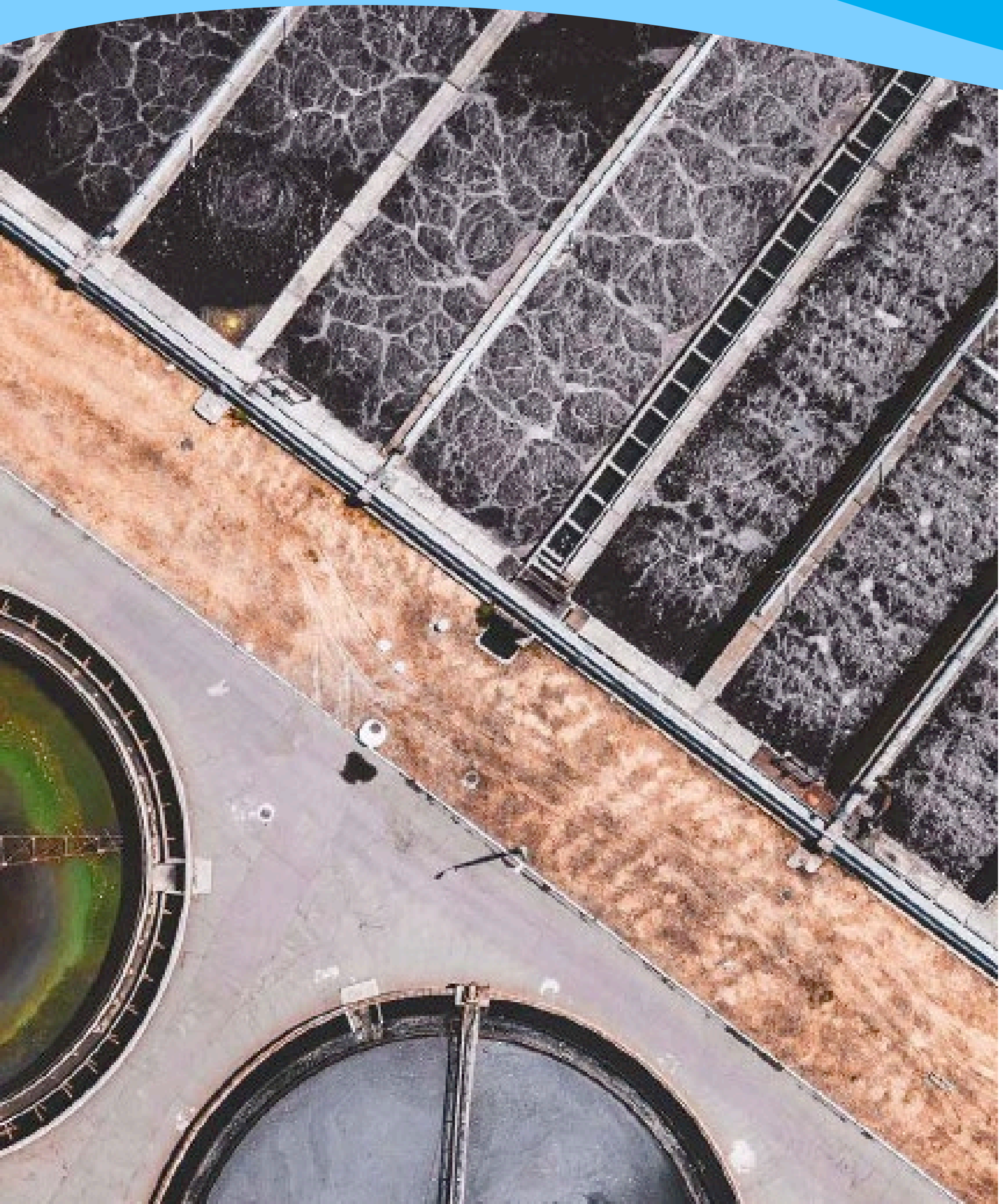
WOPS RESULTS



- Improving capacity and performance
- Attracting and sustaining investments
- Ripple Effect within and beyond utility



EU-WOP PROGRAMME OBJECTIVES

- Strengthen the capacity and operational performance of beneficiary water and sanitation operators in DG INTPA partner countries

- Facilitate flows of needed investments towards beneficiary utilities

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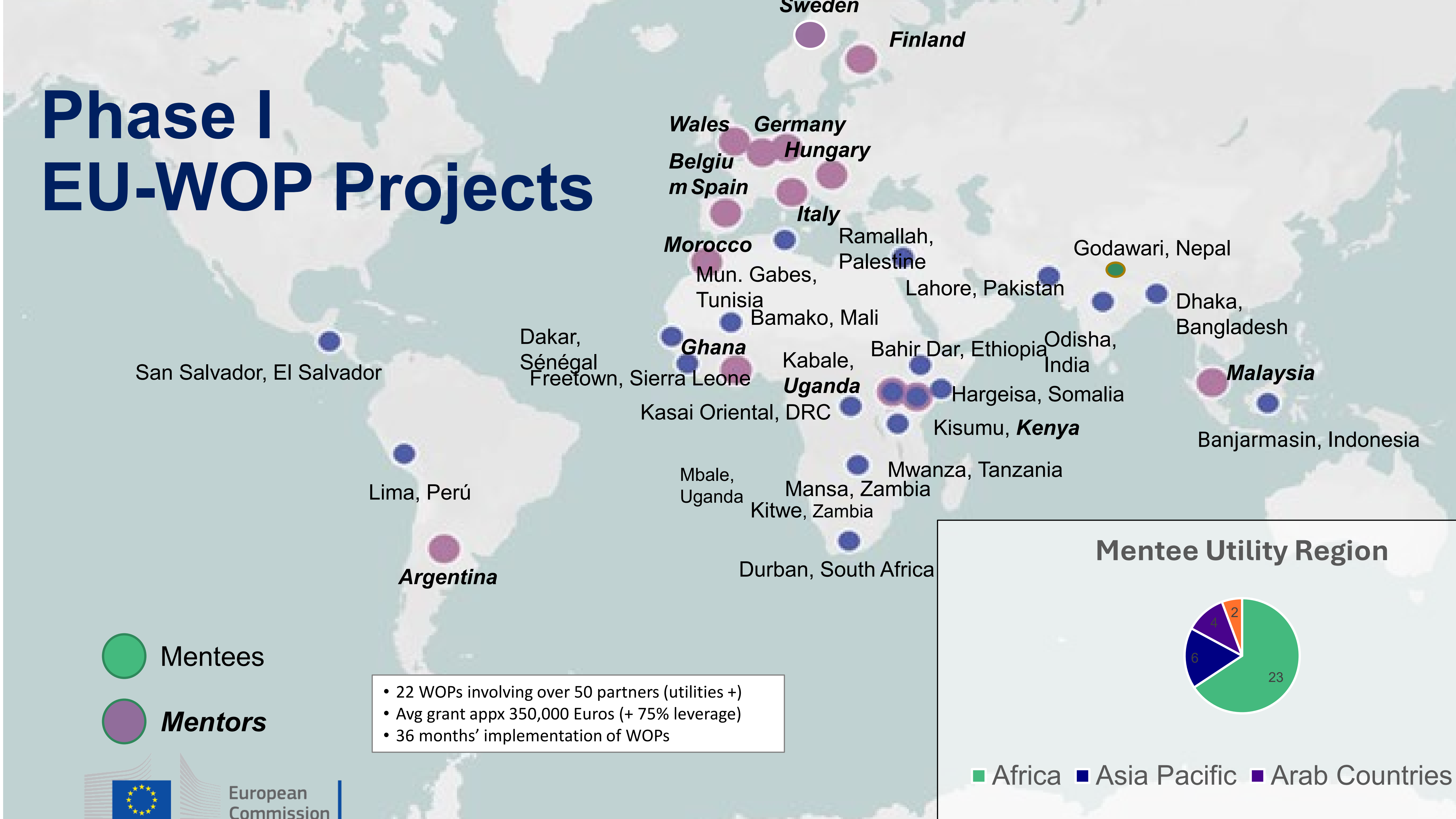
Phase I
EU-WOP Projects



- 22 WOPs involving over 50 partners (utilities +)
- Avg grant appx 350,000 Euros (+ 75% leverage)
- 36 months' implementation of WOPs

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NKANA WSC, KITWE, ZAMBIA

Mentor: NWSC Uganda
Key data: Duration: February 28, 2022 – February 27, 2025. Total Budget: $622,500. EU Contribution (Cash): $412,580. In-Kind Contributions $209,920.
Focus areas: Water Distribution, Commercial Operations, Low-Income Area Management, Sanitation and Wastewater Treatment, Enabling Environment .

Key results so far: NRW reduced from 59.3% to 54.9%; metering efficiency improved from 81% to 78%; 56% leakage resolution achieved; revenue collections increased to ZMK 10.29 million; customer response to bill payments improved from 39% to 67%; IT connectivity enhanced from 81% to 73%; policy frameworks and debt management strategies implemented.

Potential for Leverage in phase II

European Commission

DWASA, DHAKA - BANGLADESH

Mentor: VEI, Netherlands
Key data: Duration: May 19, 2022 – May 18, 2025
Total Budget: $638,969. EU Contribution (Cash): $449,930, VEI Contribution (Cash): $61,250, In-kind Contribution: $127,789.
Focus areas: Asset Management, Water Distribution-Hydraulics Modelling, Infrastructure Development and Investments, Low Income Area Management, WOP Project Management, Organization and Strategy.

Key results so far: 919 staff trained in asset management, NRW reduction, and hydraulic modeling; 3 DMA pilots completed for NRW reduction and monitoring; 97 protected water connections installed in low-income areas; 95% infrastructure completed, including pipelines, reservoirs, and overhead tanks; 5 training modules developed with master trainers prepared for sustainability

Potential for Leverage in phase II

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PHASE II 2025-2030: WHAT'S NEW

- 14M Additional Euros in Programme Funds
- Adding 4-year partnership funding duration for appx 30 projects
- Building on phase I partnerships and opening new ones
- Eligible* countries in Africa (73%), Asia and Pacific (17%) and Latin America and the Caribbean (10%)

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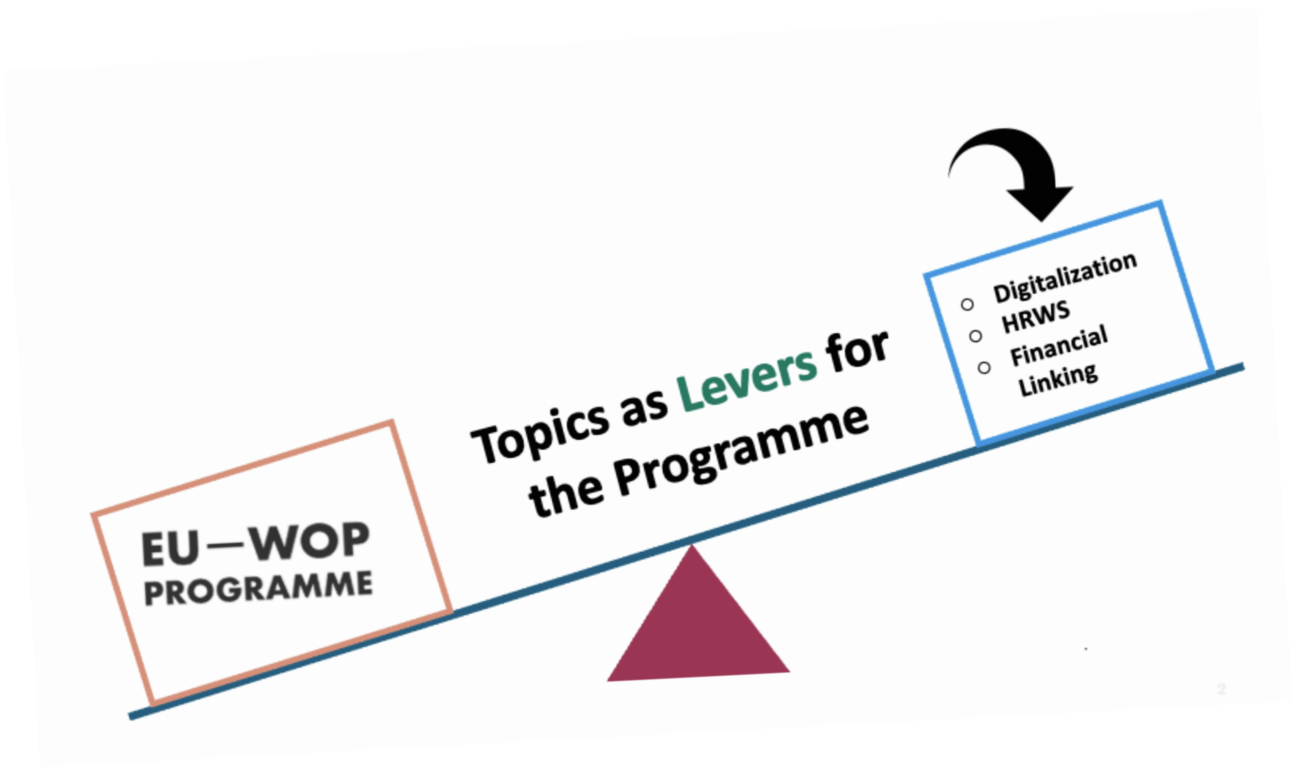
PHASE II: EMPHASIS ON ?

- Consolidating or amplifying change for improved performance
- Commitment from beneficiary utility and country-level alignment
- Association of a Lever: Finance, Digitalisation, Human Rights



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EU WOP LEVER: FINANCIAL LINKING

Improve Financial Efficiencies and Leverage Internal Resource
(enhanced creditworthiness)

Mobilising external resource acquisition throughout the project

Synergising with parallel large investment programmes (from DFIs/others)

EU-WOP LEVER: HUMAN RIGHTS TO WATER AND SANITATION

Availability

- Water supply for each person must be continuous and enough for personal and domestic uses: including drinking water; personal sanitation; washing of clothes; food preparation; and personal and household hygiene, including menstrual hygiene. Likewise, enough sanitation facilities must be available.

Accessibility

- Water and sanitation services should be accessible to everyone within, or in the immediate vicinity of households; health and educational institutions; public institutions; public places; and workplaces, without discrimination.

Affordability

- The price of sanitation and water services must be affordable for all.

Quality

- Water should be safe for direct human consumption (such as for drinking water) and other personal or domestic uses, with no threat to human health. Sanitation facilities must ensure privacy and be hygienically and technically safe to use.

Sustainable

- Available access for present and future generations alike.

WEBINAR & ONLINE WORKSHOP

The Role of Water and Sanitation Utilities in Realizing the Human Rights to Water and Sanitation

26 November 2024 I 13:00 CET

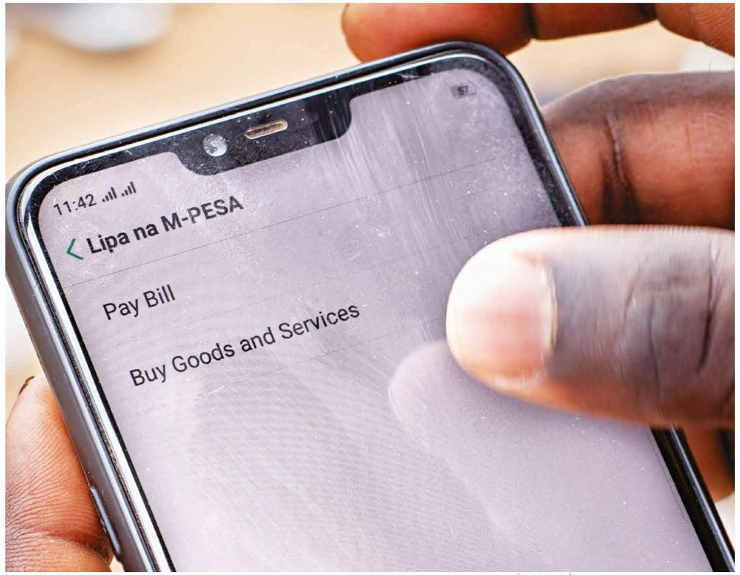
GWOPA

UN-HABITAT

European Commission

EU WOP LEVER: DIGITALISATION

- Digitalisation as **a means to an end**
- **Human centric vision:** ensure that it serves people effectively, ethically and inclusively
- Attention to **the process** for adequate integration and application
- Analysis of **suitable** technology with criteria context and interoperability
- Awareness of the **risks** of deepening inequalities



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BENEFITS AND OPPORTUNITIES OF EU-WOPS FOR EUDS

BENEFITS	
Strengthens EUD work: improved sustainability, anchorage of, or lever for policy dialogue	
No funding or project monitoring required	
OPPORTUNITIES	
EUD interest and priorities as call for proposal criteria	
Opportunity to input call design and project selection	

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TIMELINE FOR PHASE II

- **Q3 2024** – Agreement signed
- **Q1/2 2025** – Pre-call awareness and training
- **Q2 2025** – Call for Proposals Launched
- **Q2/3 2025** – Phase II project preparation/Phase II project reviews
- **Q3-4 2025** – Selection and formalization
- **2026** – Phase II implementation begins

ENGAGING EUDS IN EU-WOPS

- Info sessions: Training, Webinars
- EUD Interest to determine WOP eligibility: Feedback Form
- EUD Feedback on pre-selected WOPs

WHAT'S THE MONEY FOR? COSTS OF WASH

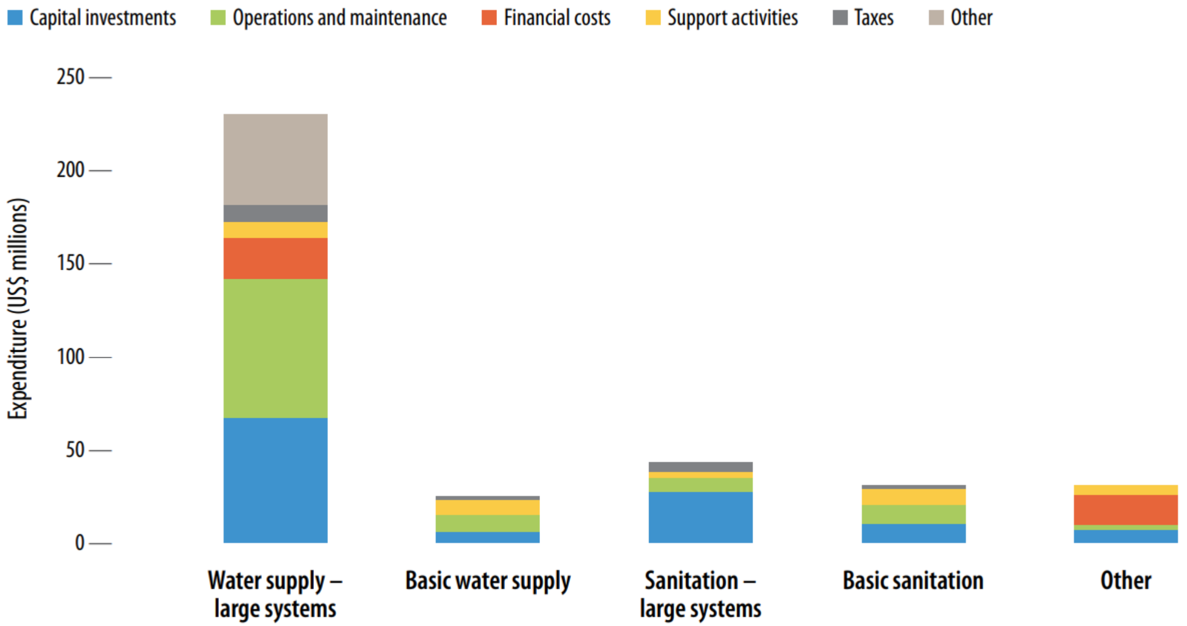
The total cost of sustainable services is much more than the up-front capital expenditure (CapEx).

Recurrent costs include:

- Operations and maintenance (OpEx) – minor and major
- Financial costs (e.g., interest on repayable finance)
- Direct and indirect support costs
- Taxes and other costs

Cost components can vary significantly between urban and rural areas and small and large systems

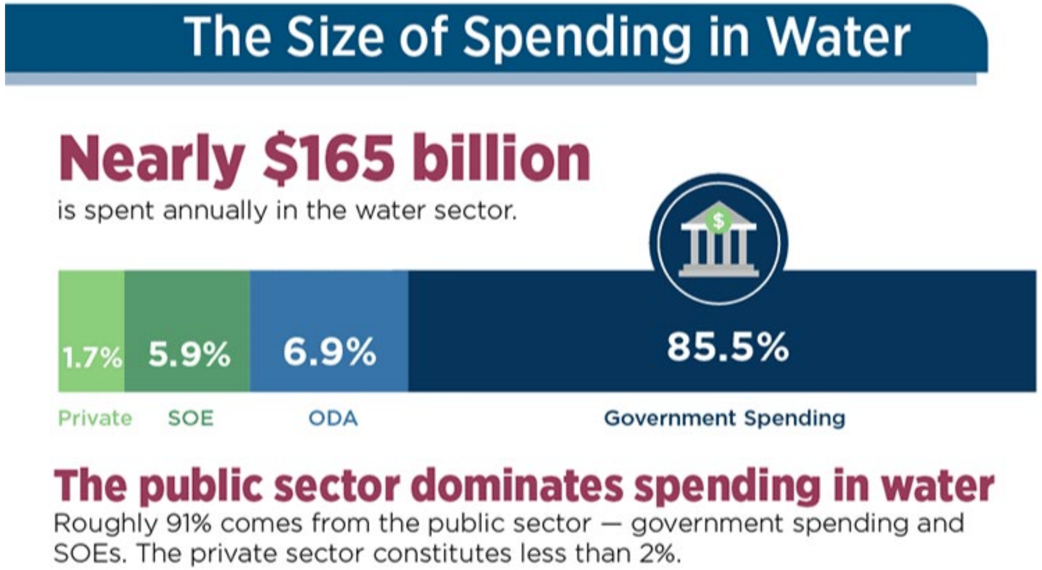
Expenditure types for different WASH services in Burkina Faso (2015)



Source: WHO (2021) Reflecting on TrackFin, 2012-2020

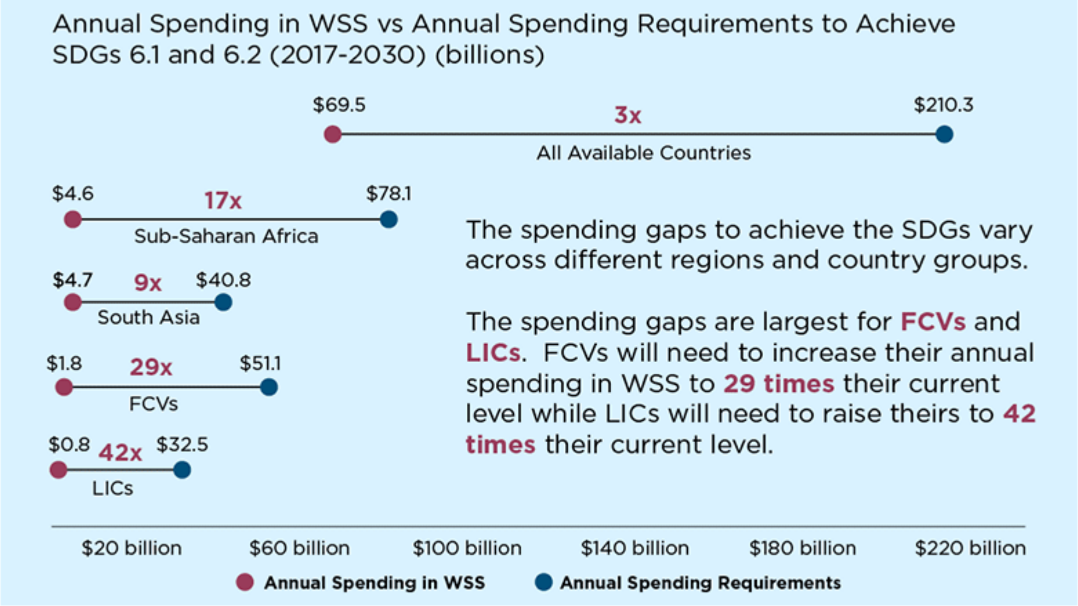
WHERE'S THE MONEY? SPENDING LEVELS, GAPS

The World Bank's latest estimates show nearly $165 billion is spent in developing countries each year on water.



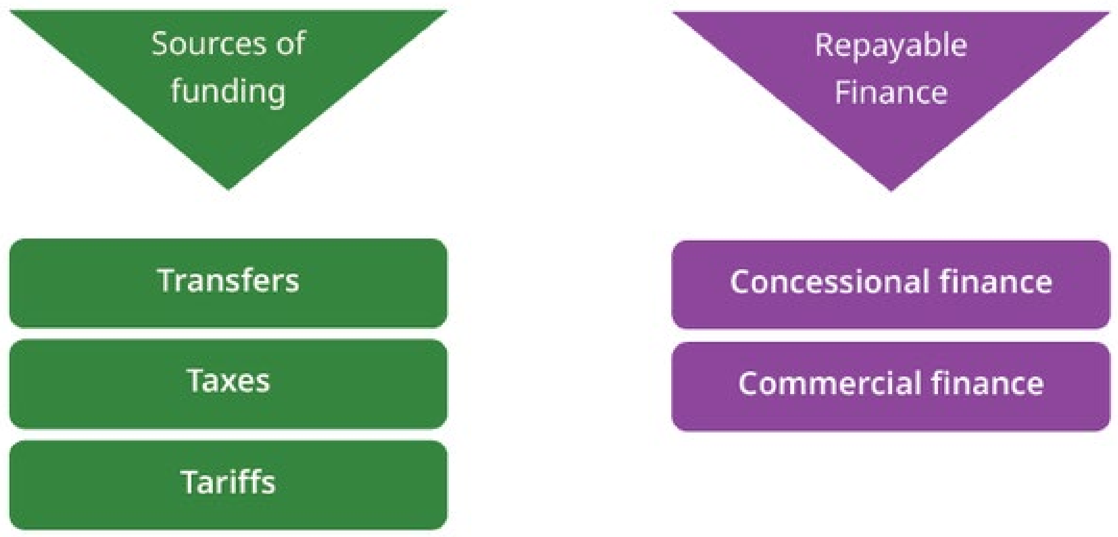
Source: World Bank (2023) Funding a Water Secure Future

This is mainly government spending. However, to meet the SDGs, spending needs to increase three-fold globally, and 42 times in LICs.



SOURCES OF FUNDING AND FINANCE

Funding for WASH ultimately comes from three sources: transfers, taxes and tariffs (‘3Ts’)

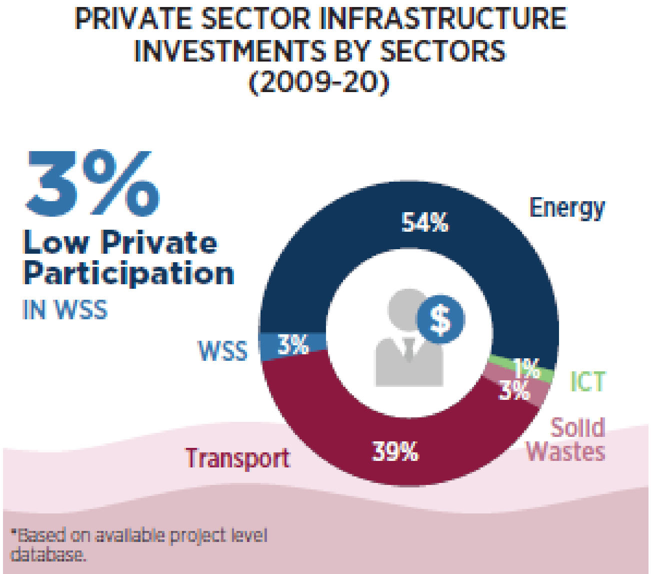


Source: OECD (2024) “Water”

Finance, provided with expectation of a return, can be sustainably mobilised only if 3Ts are sufficient

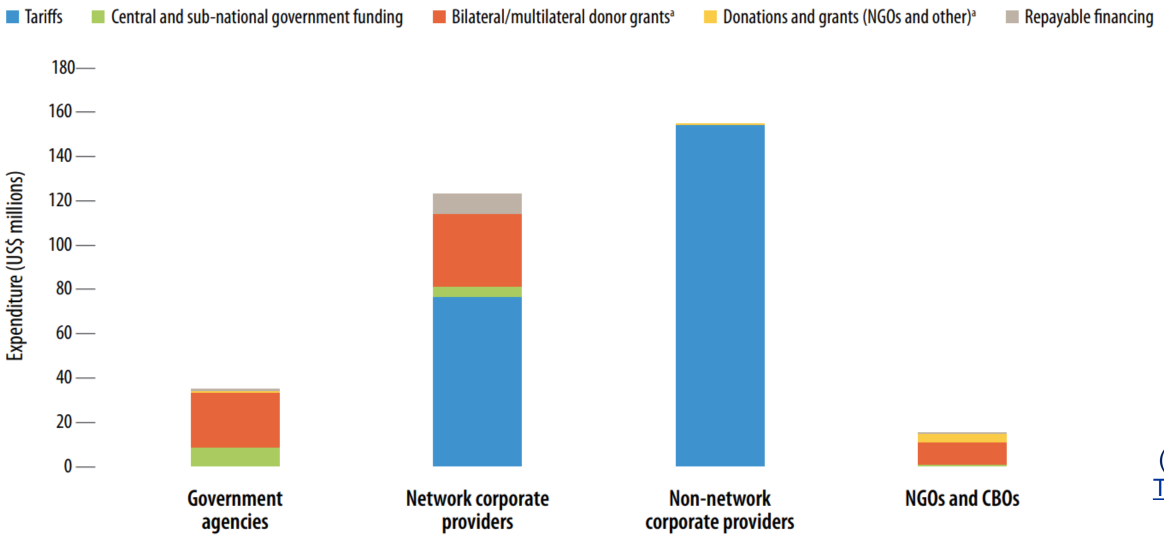
THE PRIVATE FINANCE GAP

- Just 2-3% of total finance for water supply and sanitation in developing countries is private. $1.8bn/ 19 projects in 2023 vs. $5.3bn/ 27 projects in 2022, and $ 62.4 billion/187 projects in energy
- Often concentrated in large, networked services
- Challenges include suppressed tariffs and limited investable project pipelines
- Lessons from history: fix foundations; share risk; be realistic



Source: World Bank (2023) [Funding a Water Secure Future]

Contribution of different funding types to WASH service providers in Burkina Faso (2015)



Source: WHO (2021) [Reflecting on TrackFin, 2012-2020]

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CHALLENGES

- Sources of funding may be **insufficient**, but they can also be **inefficiently** or **unequally** raised and spent. In turn, this often means repayable finance can't be mobilised.

- Finance can also be **inefficiently** spent (though expectation of return may be expected to improve management). Without adequate regulation, finance is likely to be spent unequally. Inefficiencies arise in how WASH services are operated (e.g. non-revenue water, energy inefficiency) but also in how they are governed and managed (e.g. budget execution).

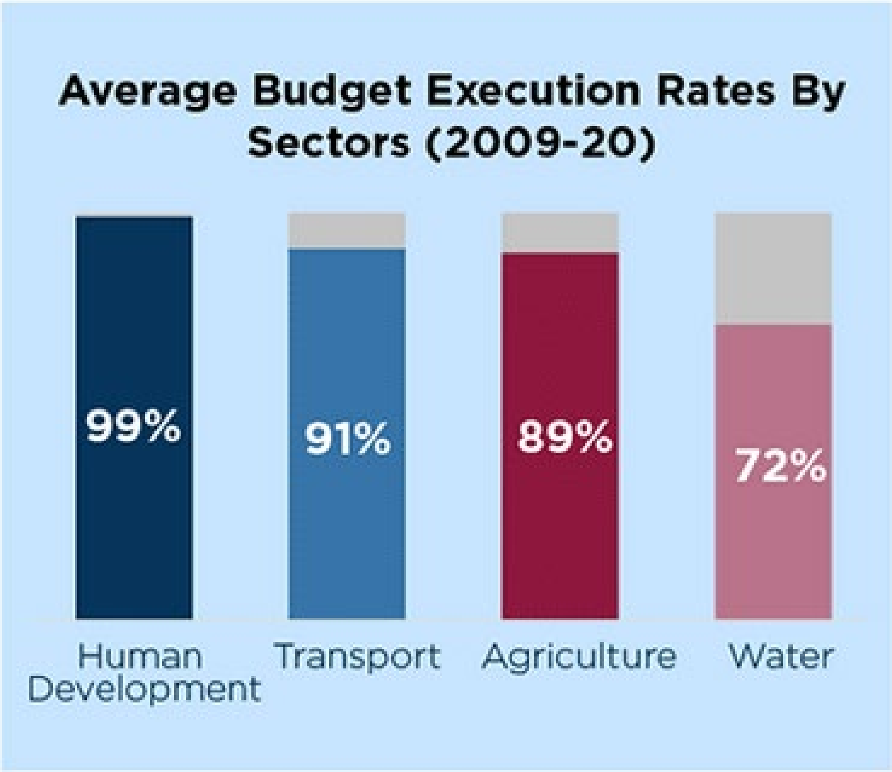
- **Inequitable** spending can also be regarded as inefficient, if it means it costs more to achieve policy goals (e.g. poor targeting of connection and consumption subsidies)

Funding (3Ts)
Insufficiency
Inefficiency
Inequality

↓

Repayable finance
Insufficiency
Inefficiency
Inequality

THE SECTOR INEFFICIENCY



$21.38 million

is lost annually due to cost inefficiencies by a typical water utility

Hidden Losses: Water service provider inefficiencies lead to significant "hidden" losses, averaging about $21 million annually per utility.

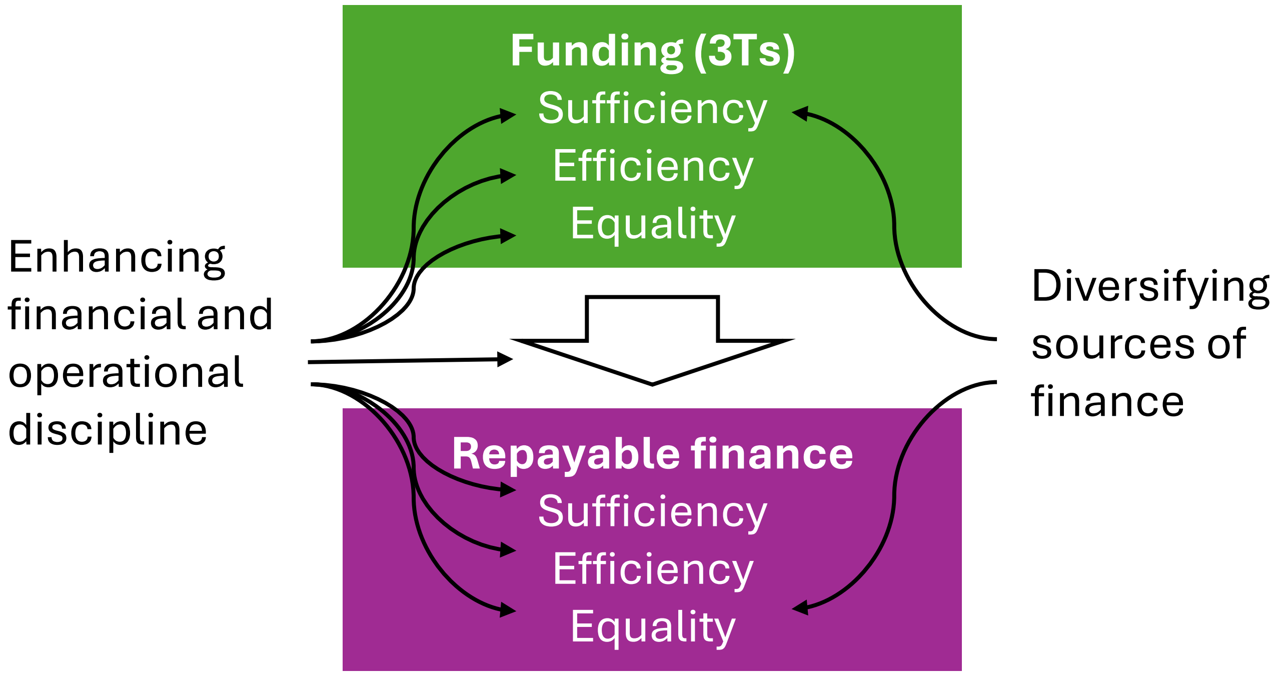
Source: Funding a water secure future - WB (2024)

STRATEGIES

Two overarching strategies, in combination:

- Enhancing financial and operational discipline (can improve efficiency and equality, as well as sufficiency by attracting new funding/ finance)
- Diversifying sources of finance (mainly improves sufficiency)

Aiming to move to positive feedback loop: better performance attracts new investors



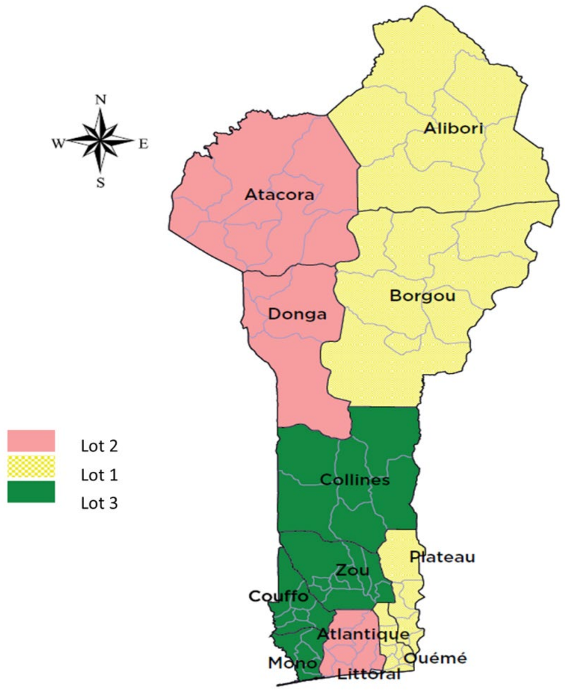
ENHANCING FINANCIAL AND OPERATIONAL DISCIPLINE

"Regional Affermage" – Rural drinking water, Benin

Rural water O&M previously delegated to municipalities and subsidised concession contracts with poor results

New approach rationalises into 3 zones (~9million people) – one contract per zone

Contract (affermage) incentivises non-revenue water reduction, improved bill collection



Source: World Bank (2022) The Water Blog

"Hybrid Annuity Model" – Urban sanitation, India

Sewage treatment plants often constructed then neglected

Model shares construction costs between private operator (60%) and government (40%). Operator repaid via annuities over 15 years if they meet performance standards

Construction phase

40% public; 60% private

→

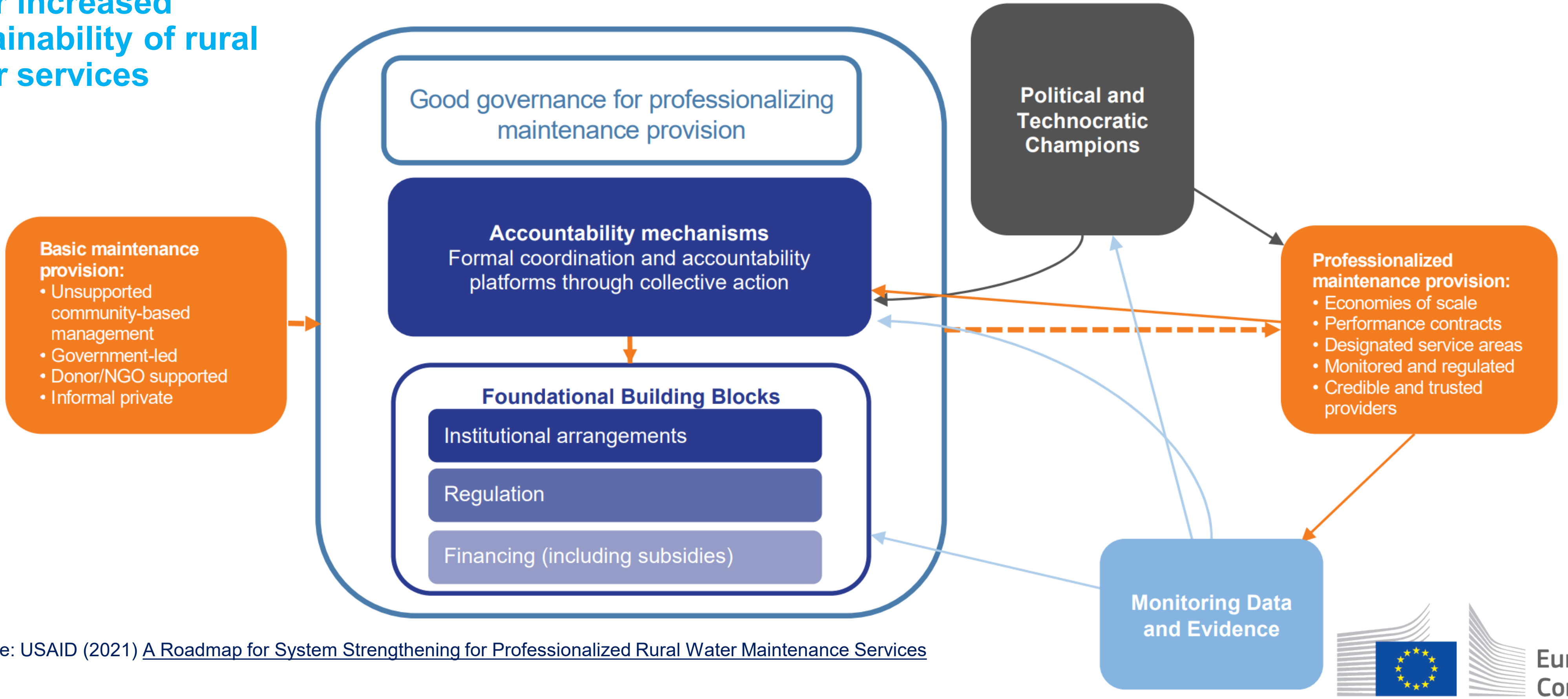
O&M phase

Annuity payments over 15 yrs reimburse capital and O&M costs *Linked to performance standards*

Source: Mehta (2023) Leveraging Private Investment in Sanitation and Wastewater in India

ENHANCING FINANCIAL AND OPERATIONAL DISCIPLINE

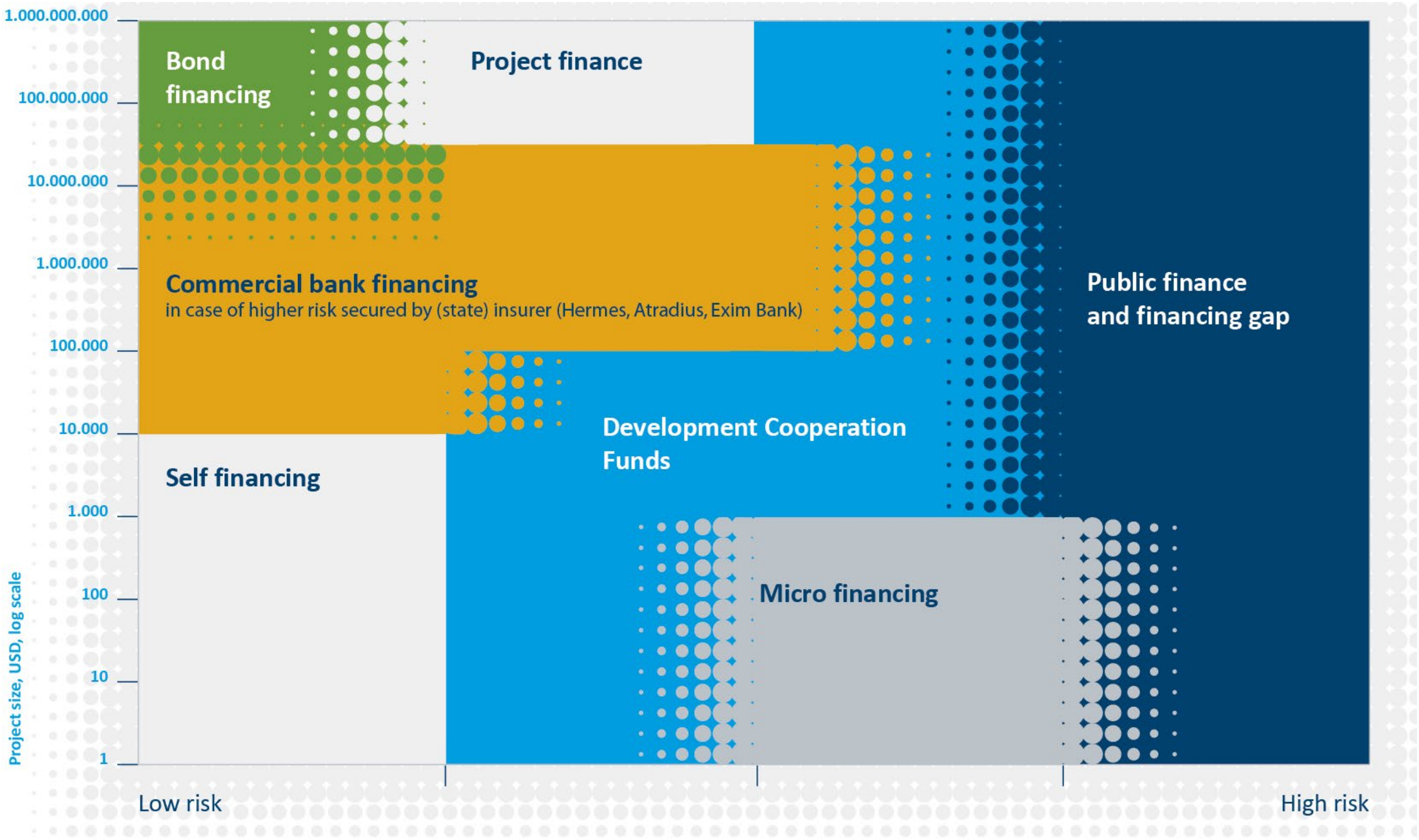
… for increased sustainability of rural water services



Source: USAID (2021) A Roadmap for System Strengthening for Professionalized Rural Water Maintenance Services

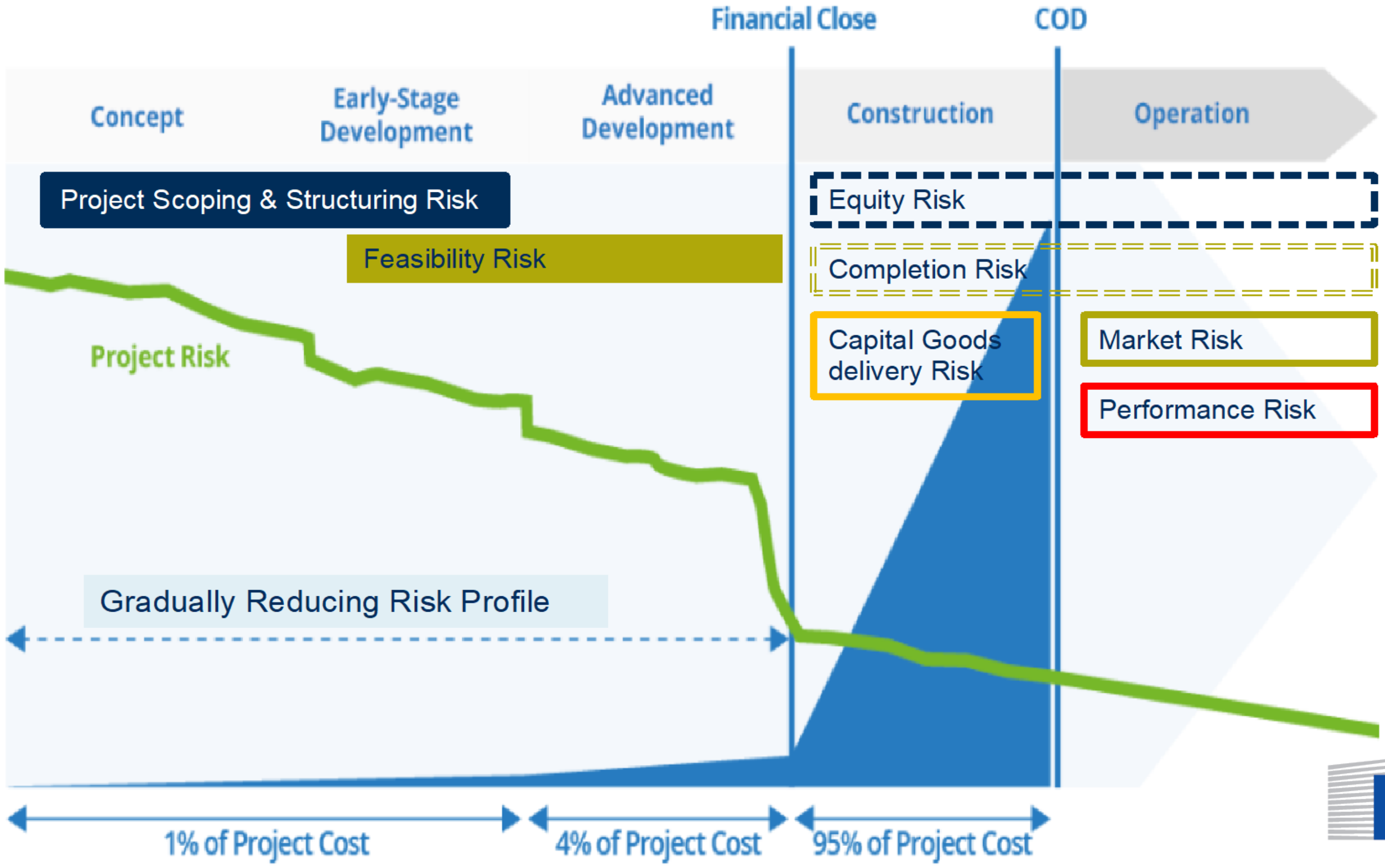
DIVERSIFYING SOURCES OF FINANCE:

Overview of finance instruments



DIVERSIFYING SOURCES OF FINANCE:

Based on project cycle and risks



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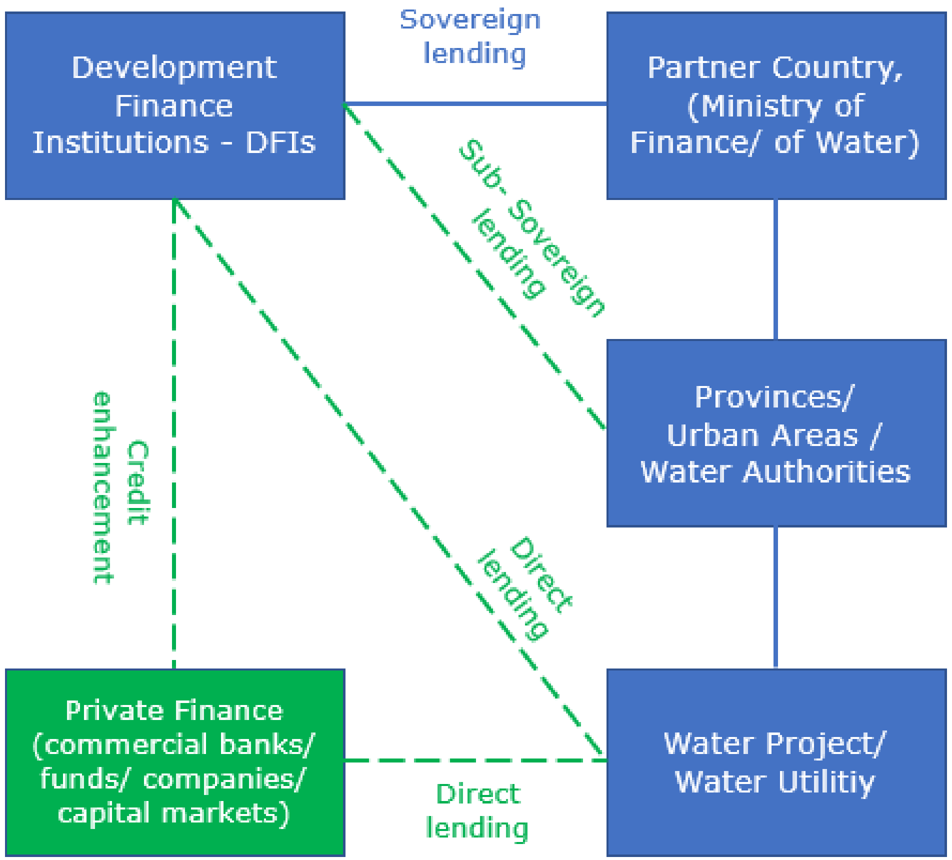
DIVERSIFYING SOURCES OF FINANCE:

Pathways

Broaden investment opportunities in the water sector, moving beyond traditional sources.

- Examples:
  - Sub-sovereign lending
  - Direct lending
  - Credit enhancement

- Keys to success
  - Policy and regulations (inc. implementation!)
  - Performance standards and benchmarking
  - Risk management instruments



Conventional approaches to finance WASH infrastructure complemented/ expanded with alternative finance pathways, attracting additional investors

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PRIVATE SECTOR PARTICIPATION MODELS

PSPs	I	II	III	IV	V
Ownership	Public	Public	Public	Public/Private	Private
Finance	Public	Public	Private	Public/ Private	Private
Management	Public	Private	Private	Private	Private
Contract formats	*SLA* *Corporatisation*	*Management Contracts*	*BOT* *Concessions* *DBFM*	*BOOT* *DBF/BTO/TOT*	*Privatisation* *Master concession*

It is greyer than you think – It is not Public or Private, it has to be both. Business as usual is a no go.

The EU is agnostic – all types of models co-habits and all can be sucessfull but some are more realistic according to each country.

Transparency is key as well as good regulatory mechanisms

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EU TOOLBOX – EFSD+ GUARANTEES

WINDOW 1

Implementer: EIB only
Budget: €27 bn

Sovereign & non-commercial sub-sovereign

Beneficiary:
Government and entities fully backed by state unable to finance themselves in the market.

Examples:
- Large infrastructure projects (e.g. metro, hospital, port)

WINDOW 2 – Open Architecture

Implementer: financial partners selected through call for applications
Budget: €13 bn

Commercial sub-sovereign

Beneficiary:
Public entity able to finance themselves in the market.

Examples:
- Loan to public water and sanitation company.
- Upgrading capacity of national utility company

Private sector

Beneficiary:
Private sector companies from SMEs to large companies.

Examples:
- SME credit line
- Solar off-grid project
- Support to cocoa producers

EU TOOLBOX – EFSD+ GUARANTEES

WINDOW 1	WINDOW 2 – Open Architecture

EU TOOLBOX – EFSD+ GUARANTEES

EFSD+ Open Architecture Window guarantees cover (for example):

Loans
to private sector through local commercial banks

Off-take agreements
such as for semi-public utility / local companies

Equity/venture capital
Funding emerging companies with potential to growth

Capital market operations

Who can access guarantees?

Governments
&
Private sector operating in partner countries*

How can you access guarantees?

Indirectly through local financial institutions (in the partner country) or through contacting the lead financial institutions (DFI).

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* Partner countries of NDICI regulation

EU TOOLBOX – EFSD+ GUARANTEES

FOCUS on the EFSD+ Open Architecture Window

Four Water-related guarantees are under preparation and **will be available by the end of 2024**.

Title	Partner	Volume	Sector	Region	Type	Pipeline
FAST-Cities Financing and Accelerating the Sustainable Transition of Cities	AFD	€ 244 M	Urban services Waste disposal, Water and Sanitation, Housing, Transportation	Global	Direct loans to intermediary cities or operators, Credit lines to public financial intermediaries	Operations in Ecuador and in Colombia on sanitation and mobility
ACTIAM **Sanitation and Water Impact Fund** (ASWIF)	FMO	€ 260 M	Sanitation	Asia (60%) SSA (40%)	Loans to WASH MSMEs and Households	8 M people with access to sanitation services by 2028
Urban Water Catalyst Fund (UWCF)	KfW	€ 206 M	Water and Sanitation	NEAR (65%) LAC (20%) SSA (15%)	Grants and Loans to Water and Sanitation Utilities Loans and Guarantees to Domestic Banks	Enhance efficiencies and making urban utilities bankable
Guarantee Facility for Sustainable Cities (GFSC)	UNCDF	€ 686 M	Water ressources management Water and Sanitation	SSA (86%) Asia – Pacific (14%)	Guarantees, Grants and Capital to non-sovereign transactions benefitting secondary cities	Pilot and test innovative infrastructure financing solutions that can be taken to scale.

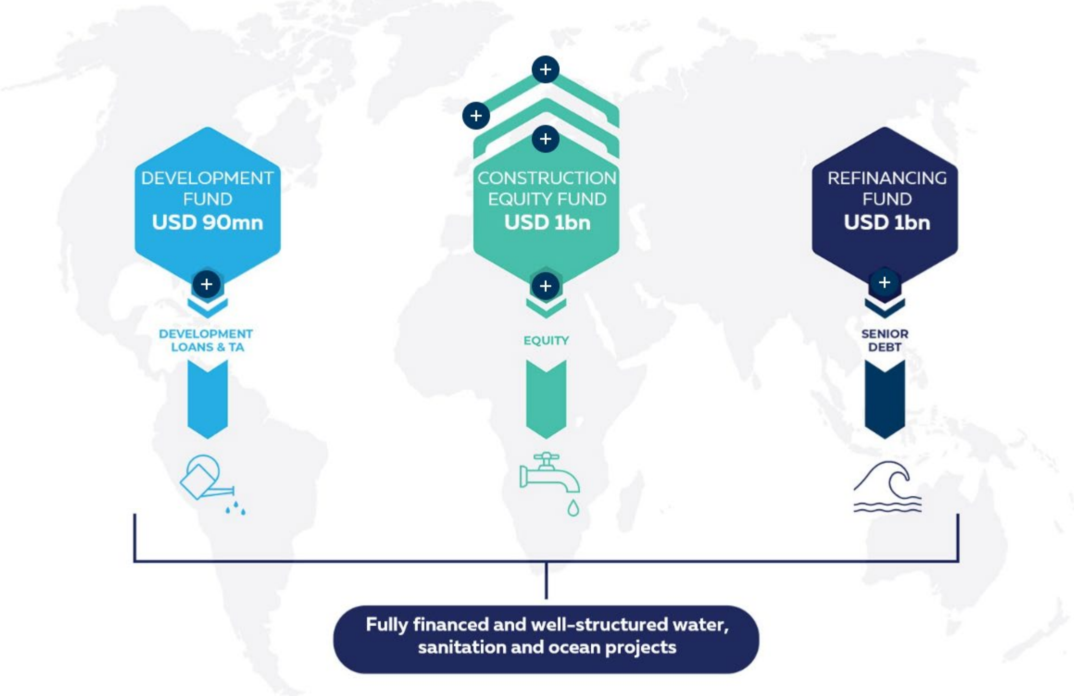
More information: EFSD+ Open Architecture Guarantees

EU TOOLBOX – EFSD+ BLENDING

Example of Blending:

Public financial partner - Clean up the Bay of Hann

Private financial partner – Climate Investor 2



© Climate Fund Managers

CLIMATE INVESTOR 2®
Co-funded by the European Union

Financing for the entire lifecycle of a project

- ✓ Access to safe drinking water for 8 million people in developing countries
- ✓ Access to wastewater treatment for 4 million people in developing countries
- ✓ 115 MW of renewable energy capacity producing 1,200GWh per year from the use of wastes, sludges and wastewaters

More information: Climate Investor 2

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EU TOOLS IN ACTION IN WASH

Tubig Pilipinas Group Inc – A clean water platform in the Philippines, supplies 76 MLD of potable water to 270 000 people residing in underserved communities in towns outside Metro Manila

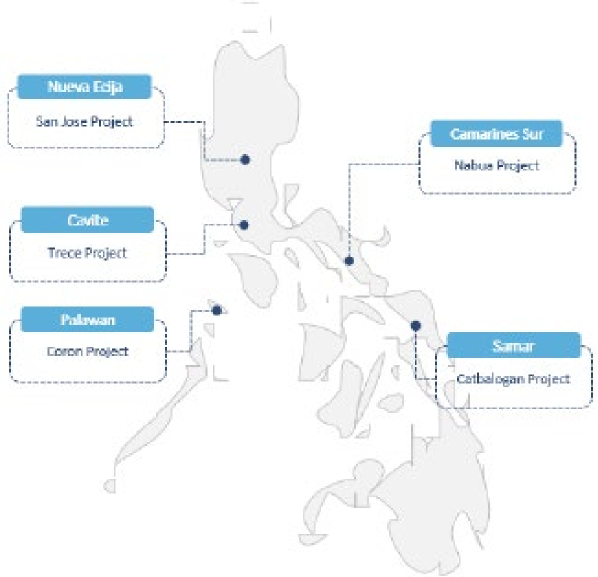
EFSD+ supported Climate Investor 2, a climate-centric blended finance investment manager, has taken minority stake in Tubig.

CI2 aims to raise standards and compliance as a water platform, especially in environmental and social aspects.

Expected cost: $58 million

Expected impacts:
- Improvements in water service delivery
- Non-revenue water (NRW) reduction
- Introduction of septage treatment services
- Jobs creation in operations and construction

Figure 1: CEF2-Funded Projects



CLIMATE INVESTOR 2

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EU SUPPORT IN WASH: NOT JUST FINANCE

CONTINUUM		
FINANCE	**GOVERNANCE**	**SKILLS**
EFSD+ financial instruments Guarantees & Blending	In country dialogue (SWA) Sector reforms & Budget Support Link to water resources: IWRM, support to water convention and water agreements Facilitation of contacts with government	Water Operators Partnerships Scientific data Erasmus

FURTHER INFORMATION

- OECD Roundtable on Financing Water
- UNICEF (2022) How to Develop a Water, Sanitation and Hygiene (WASH) Finance Strategy
- World Bank (2023) Funding a Water Secure Future
- DG INTPA (forthcoming) Innovative solutions series: Finance for Water – tapping into alternative sources

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Column 1	Column 2	Column 3

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