



PPP IN WATER AND SANITATION

HOW CAN THEY CONTRIBUTE TO SUSTAINABLE DEVELOPMENT GOALS



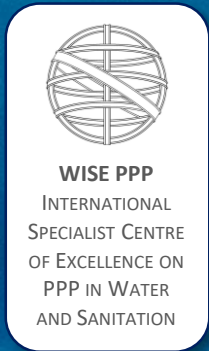
THE 3RD CHINA PPP FORUM

BETTER GOVERNANCE FOR SUSTAINABLE PPP DEVELOPMENT



SUSTAINABLE DEVELOPMENT GOALS

DECEMBER 1ST, 2018



WISE PPP
INTERNATIONAL
SPECIALIST CENTRE
OF EXCELLENCE ON
PPP IN WATER
AND SANITATION

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PRESIDENT – WISE PPP, INTERNATIONAL SPECIALIST CENTRE OF EXCELLENCE ON
PPP IN WATER AND SANITATION (UNECE)

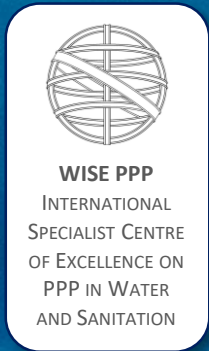


OBJECTIVES

- 1 WATER AND SANITATION INTERNATIONAL FRAMEWORK
- 2 THE ROLE OF PPPs AS A TOOL FOR SOCIETY
- 3 SOURCES OF FINANCE
- 4 CREATING THE CONDITIONS TO ATTRACT FUNDING
- 5 THE INTERNATIONAL SPECIALIST CENTRE OF EXCELLENCE ON PPP IN WATER AND SANITATION



SUSTAINABLE DEVELOPMENT GOALS



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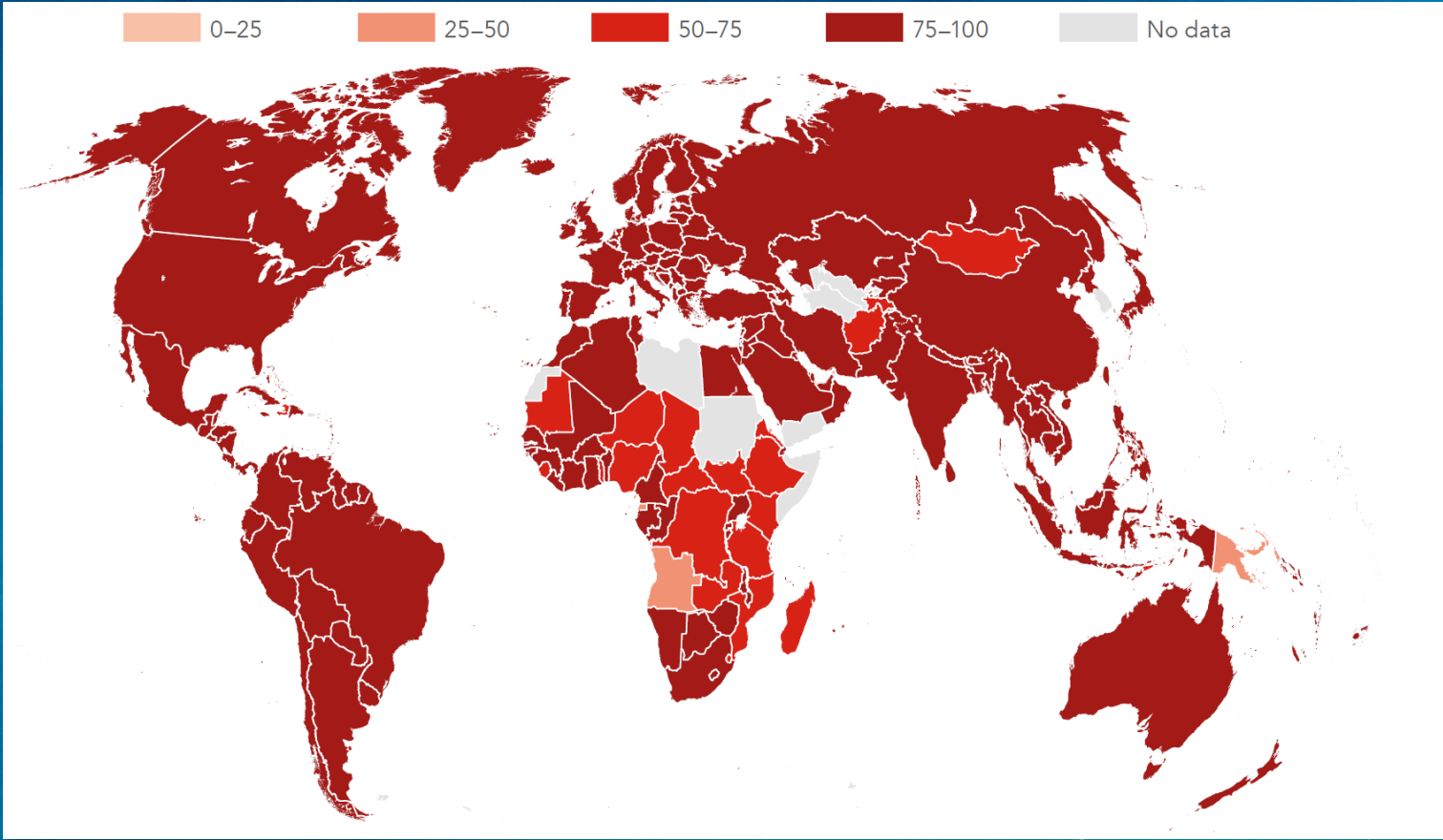
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WATER AND SANITATION INTERNATIONAL FRAMEWORK

EXPANDING ACCESS TO DRINKING WATER

More than 90% of the world's people now have access to improved water sources

Share of population with access to an improved water source, 2015 (%)



Source: World Bank Group, 2017

Still, in 2015, 663 million people were drinking from unimproved sources

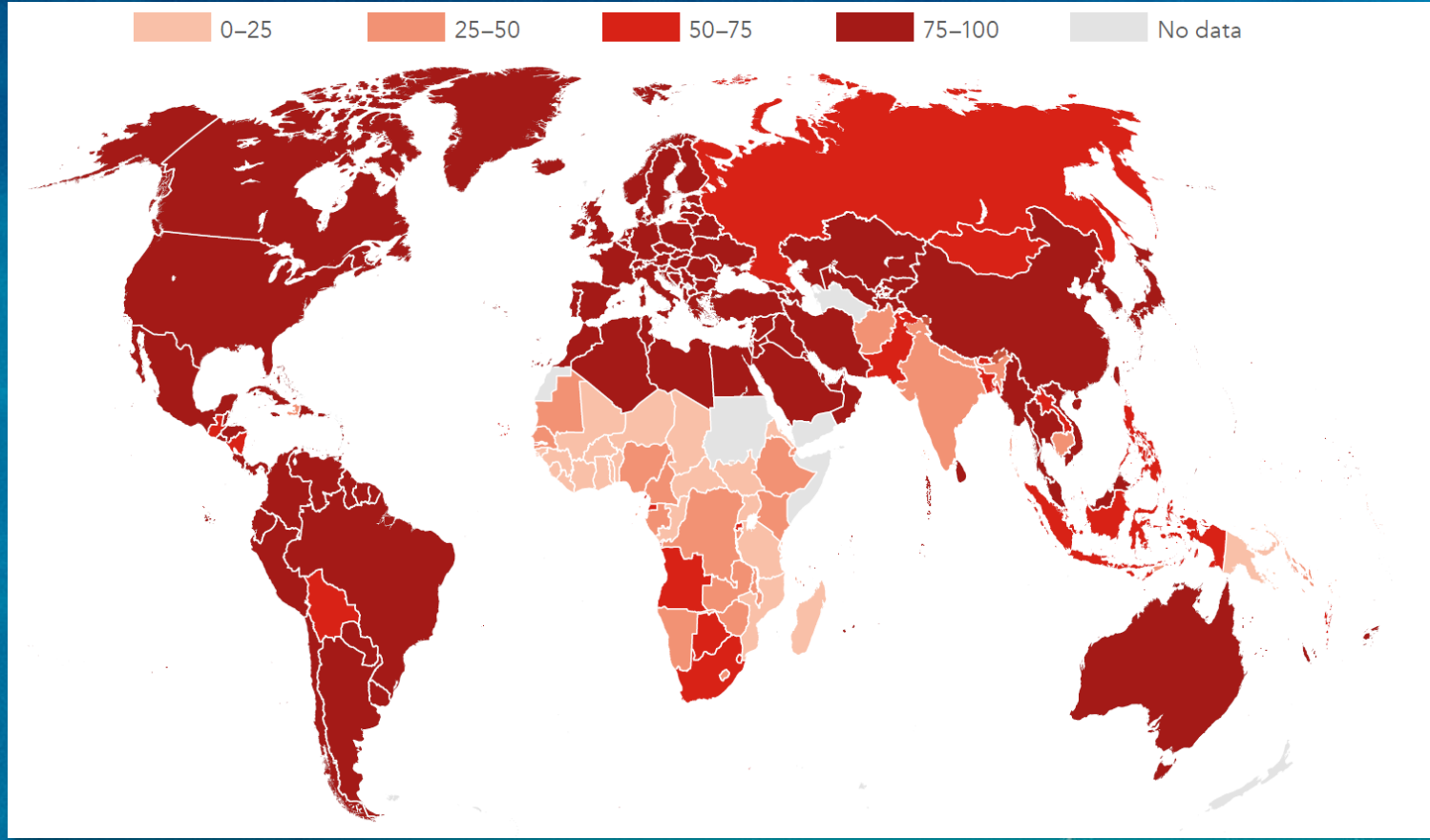
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WATER AND SANITATION INTERNATIONAL FRAMEWORK

EXPANDING ACCESS TO IMPROVED SANITATION FACILITIES

In the past 25 years, 2.1 billion people gained access to improved sanitation facilities

Share of population with access to improved sanitation facilities, 2015 (%)



Source: World Bank Group, 2017

But 2.4 billion still lack improved sanitation facilities in 2015

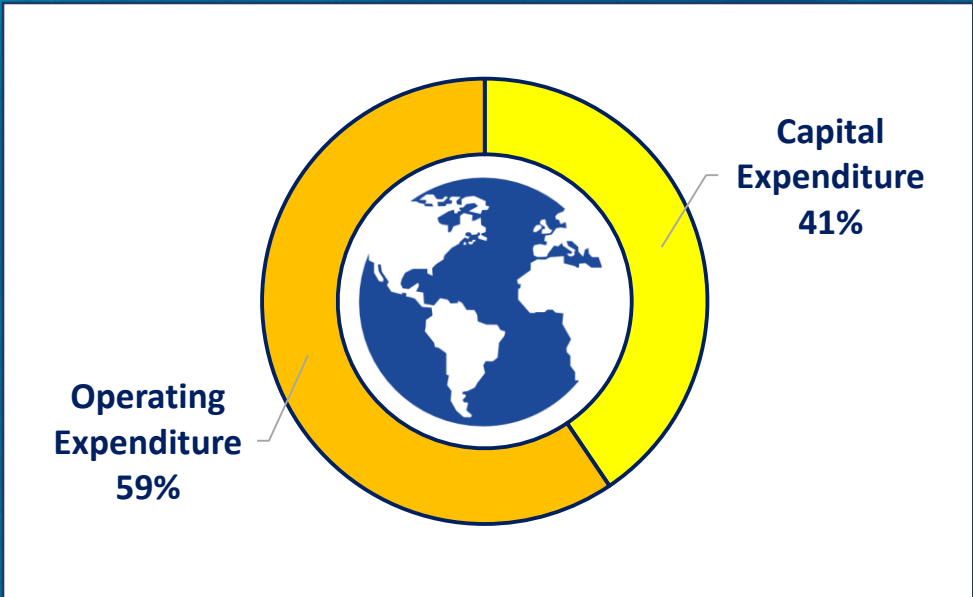
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WATER AND SANITATION INTERNATIONAL FRAMEWORK

GLOBAL MARKET

Annual cost of water and sanitation utilities is estimated in US\$ 580,4 billion

Global Market: US\$ 580 444 million



Operating Expenditure: US\$ 345 120 million

Capital Expenditure: US\$ 235 325 million

Utility Expenditure, 2016

Source: Global Water Intelligence, 2017

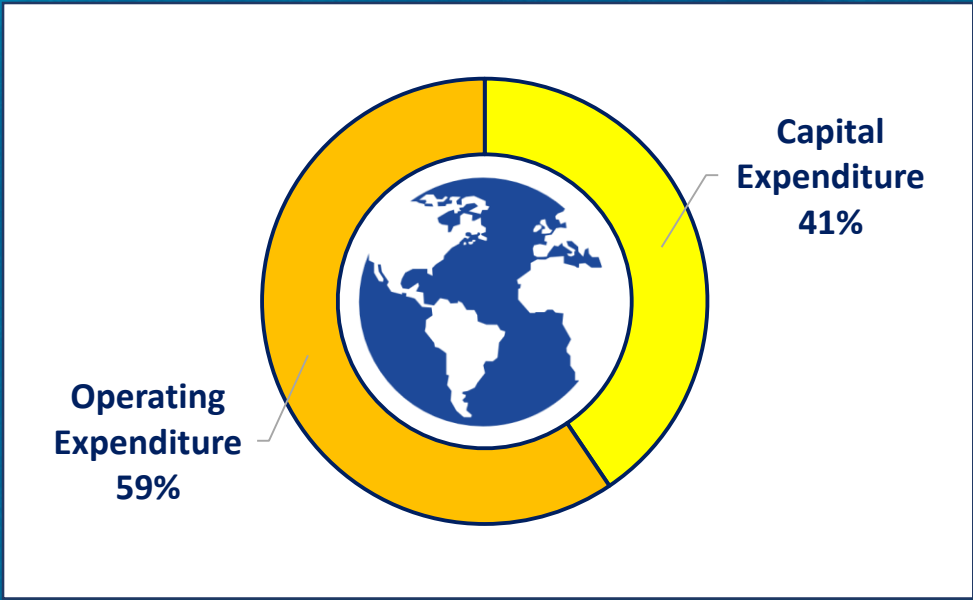
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WATER AND SANITATION INTERNATIONAL FRAMEWORK

INVESTMENT GAP

The World Bank estimates that the gap to meet the Sustainable Development Goal #6 is about 113 billion per year, until 2030

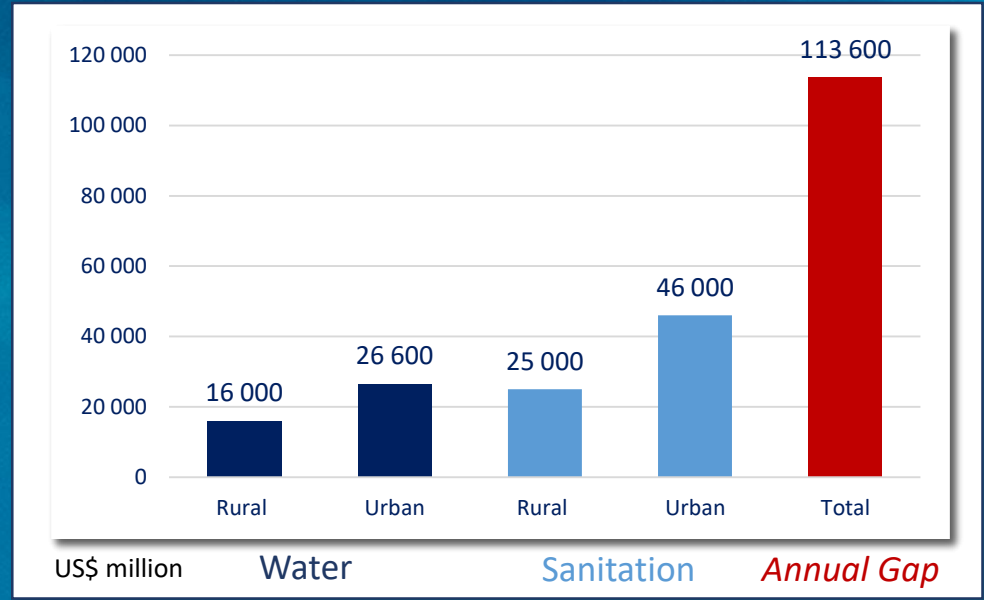
Global Market: US\$ 580 444 million



Utility Expenditure, 2016

Source: Global Water Intelligence, 2017

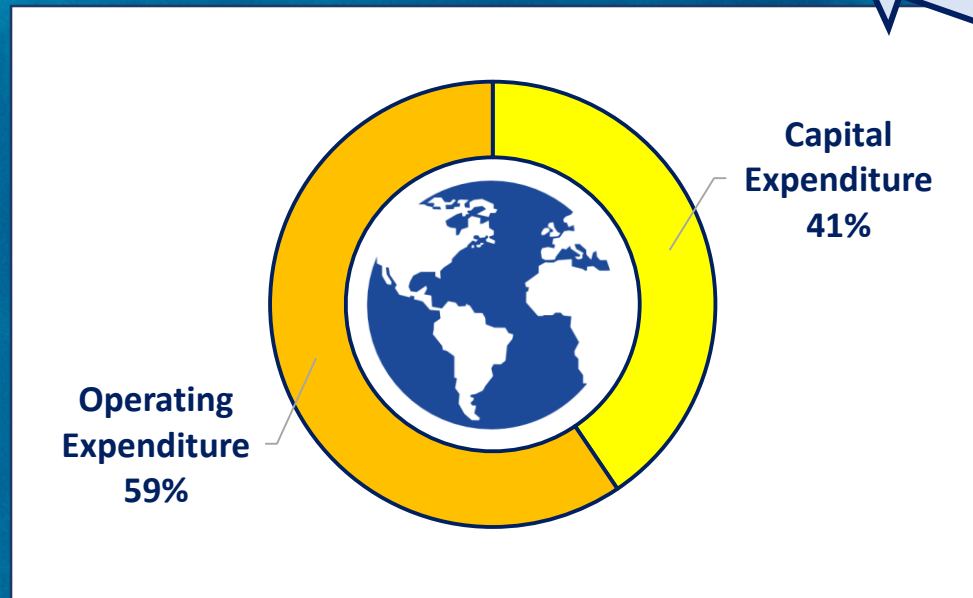
Annual Investment Gap to meet SDG #6



Source: World Bank, 2018

The success of the SDG #6 means that the annual market value will be set at US\$ 861 billion

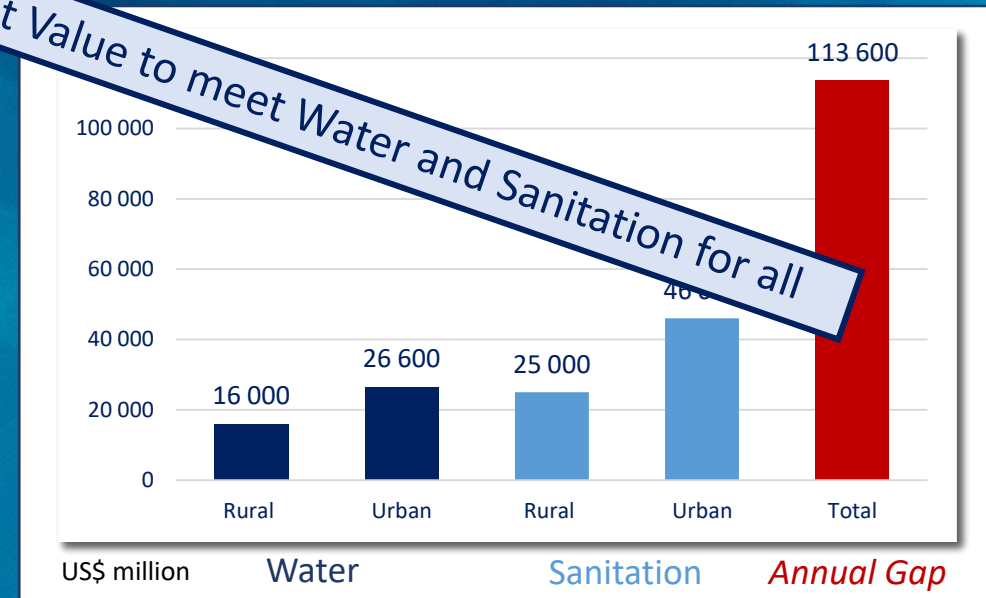
Global Market: US\$ 860 647 million



Utility Expenditure, 2016

Source: Global Water Intelligence, 2017

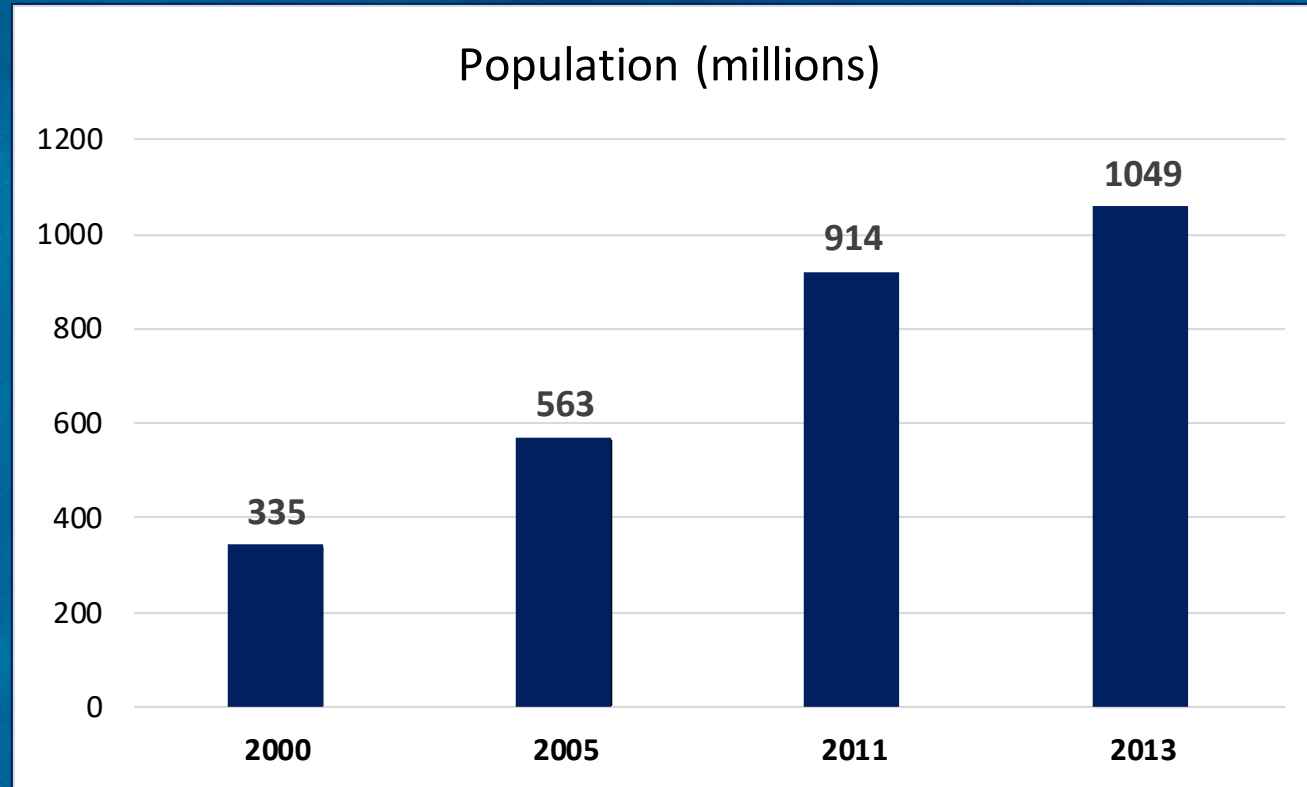
Annual Investment Gap to meet SDG #6



Market Value to meet Water and Sanitation for all

Source: World Bank, 2018
Analysis: WISE PPP

The total number of people who have access to water or sanitation services from the private sector exceeded a billion for the first time in 2013

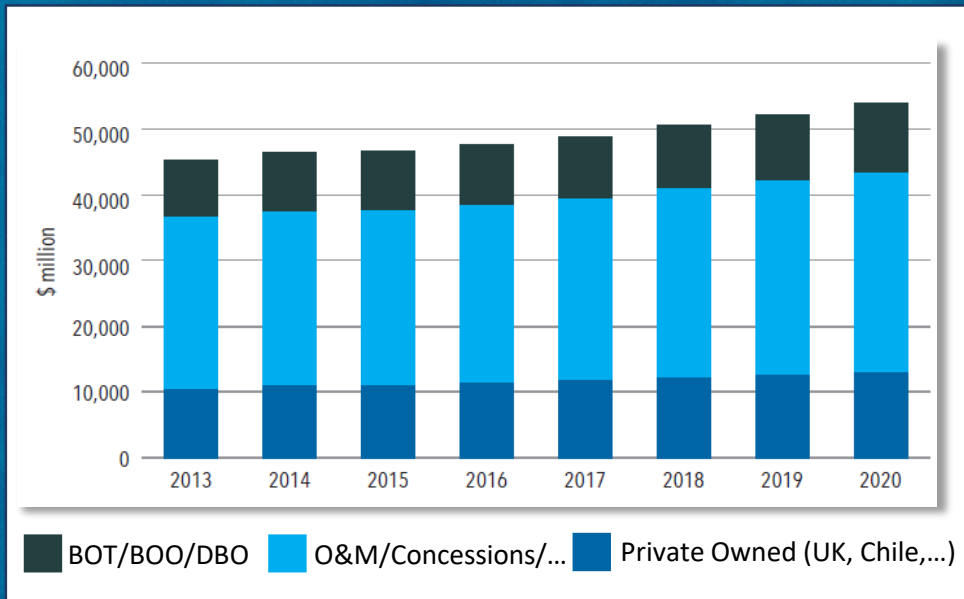


Source: David Lloyd Owen; GWI, 2013

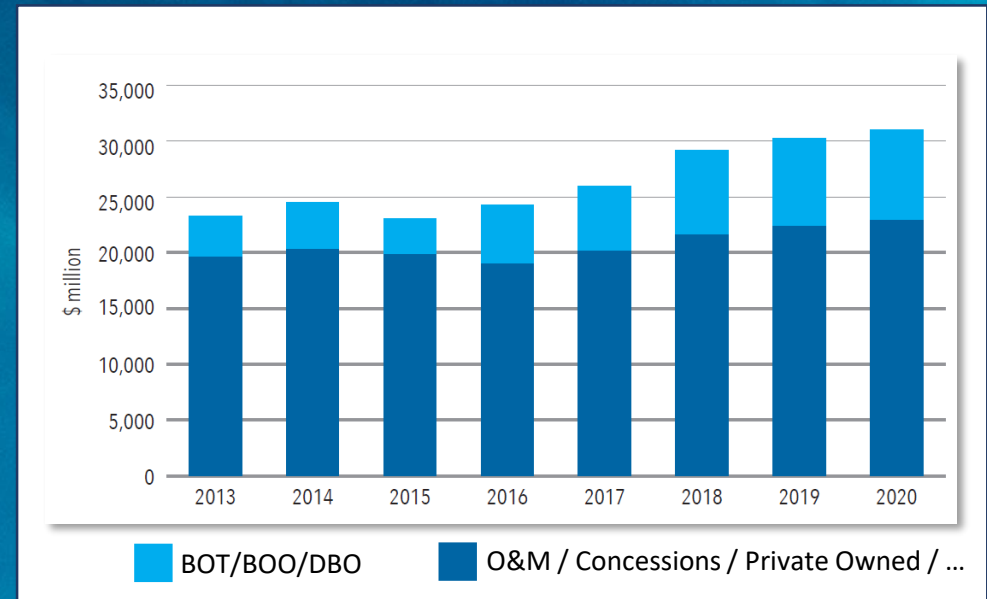


Private Sector Participation is growing steadily in the 21st Century.
Private Sector's market share in 2016 was about 12,4% of the Global Market

Private Sector Operating Expenditure



Private Sector Capital Expenditure



Source: GWI, Global Water Market 2017

Given the limited financial resources of many governments, it is foreseen that Private Sector Participation will keep growing to bring additional resources to meet SDG #6



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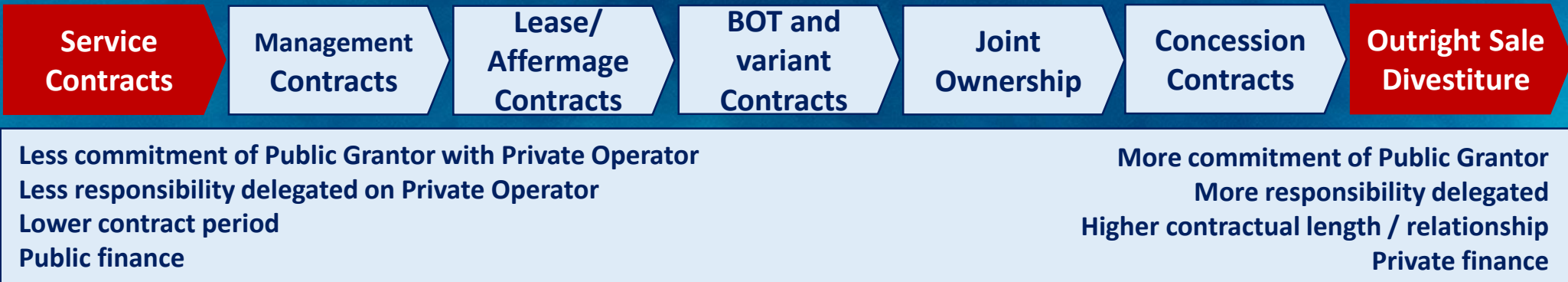
PPPs should not be seen as an “end”, but a “mean” to achieve certain objectives

In Water and Sanitation Sector, PPPs are a “tool” to achieve certain goals, namely:



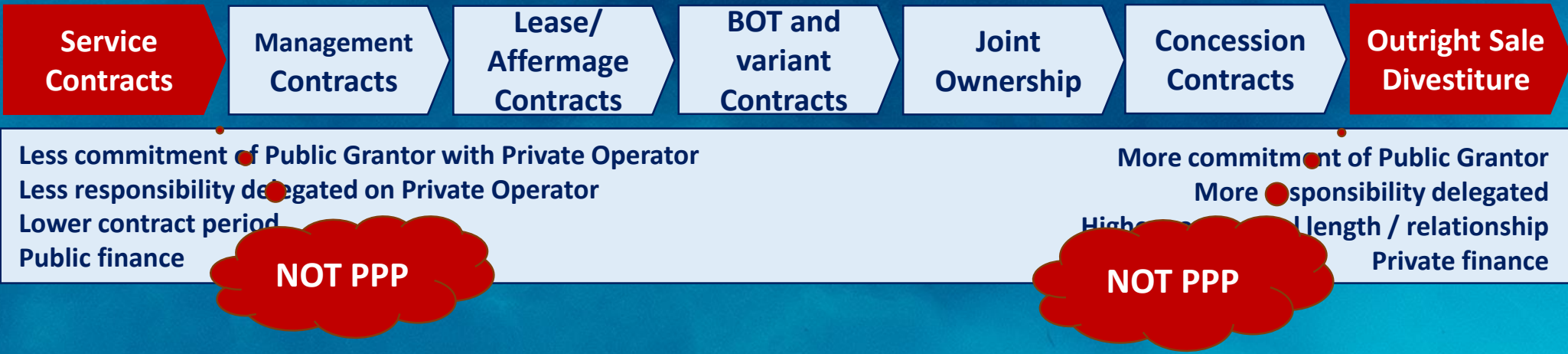
- ✓ PPPs, as any other management model, have advantages and disadvantages;
- ✓ Each project has its own needs – it is the project that requires a certain management model, and not the other way around.

Different management models should be used to achieve different objectives



New trends, hybrid contracts and new forms of financing keep appearing

A "Partnership" is supposed to share risks, successes, profits or losses



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PPPs may play an important role in financing, but hardly alone.
Other sources of finance are needed and are available.

**3Ts & Other
recurrent finance**

- Tariffs
- Taxes
- Transfers from Donors
Philanthropy & NGOs
- Official Development
Assistance (ODA)
- Property developers
- Farmers and industries
- House Owners

**Loans and
Bonds**

- State-owned banks
- Commercial banks
- Sovereign Wealth Funds
- International Financial Institutions
- Public Bounds | Project Bounds
- Green Bounds
- Institutional investors (pension
funds, insurance, etc.)
- Microfinance
- Climate finance
- Foreign credits

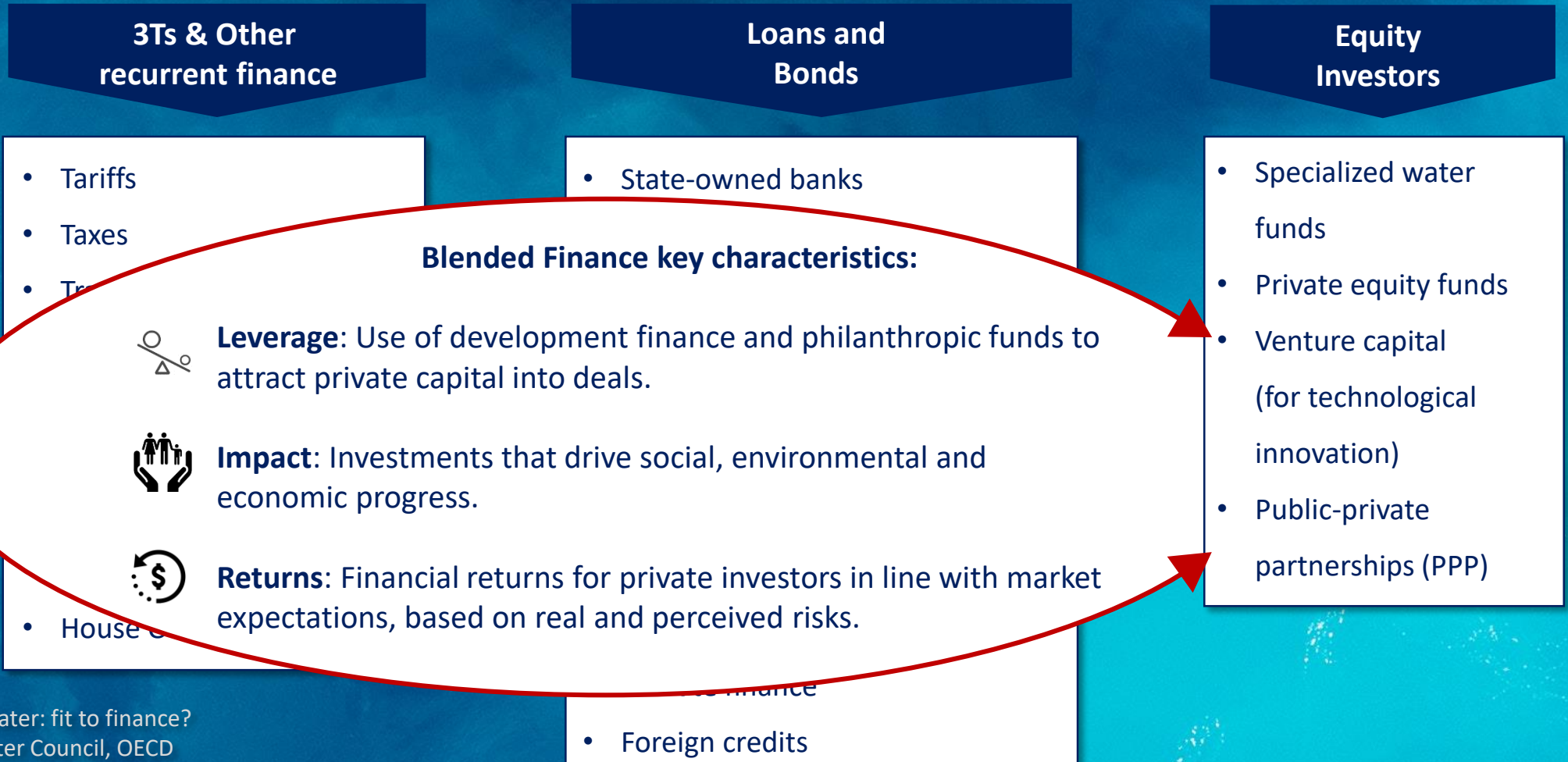
**Equity
Investors**

- Specialized water
funds
- Private equity funds
- Venture capital
(for technological
innovation)
- Public-private
partnerships (PPP)

Source: Water: fit to finance?
World Water Council, OECD



Blended Finance is the “strategic use of development finance and philanthropic funds to mobilize private capital flows to emerging and frontier markets”



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4

CREATING THE CONDITIONS TO ATTRACT FUNDING **LAW AND GOVERNANCE**

Clear and stable law and governance to all stakeholders:
Government, Municipalities, Utilities, Workers, Private Operators and Banks

 **Law and Governance**

- Establish a transparent, clear and stable legal framework
- Promote adequate management of water resources
- Incentive public utilities with enough scale to become efficient and practice affordable tariffs



4

CREATING THE CONDITIONS TO ATTRACT FUNDING **PLANNING**

Long term planning with investment needs adjusted to social and economic needs



Law and Governance

- Establish a transparent, clear and stable legal framework
- Promote adequate management of water resources
- Incentive public utilities with enough scale to become efficient and practice affordable tariffs



Sector's Planning

- Set up objectives
- Compile reliable data and info
- Develop sound capital investment plans
- Approve national strategic plans
- Implement monitor & evaluation tools

Reduce inefficiencies before increase tariffs



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Efficiency

- Attract skilled managers and professionals
- Establish performance indicators
- Establish efficiency goals
- Invest in asset management
- Approve realistic budgets



Balanced tariffs: Affordable | Cost recovery | Discouraging waste



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Tariffs

- Promote cost recovery
- Discourage waste and protect environment
- Assure affordability for ALL
- Promote utilities' sustainability and financial stability



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These 4 conditions are essential to Creditworthiness



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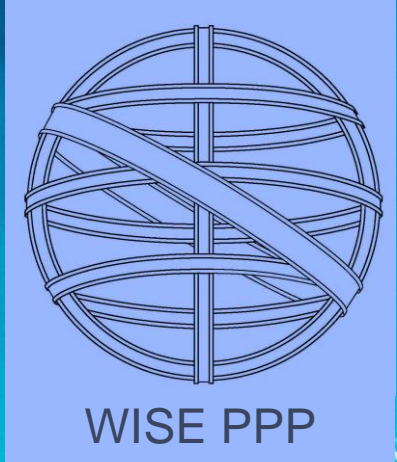
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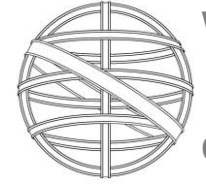


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THE INTERNATIONAL SPECIALIST CENTRE OF EXCELLENCE ON PPP IN WATER AND SANITATION

SUPPORTING THE SDGs



WISE PPP
International Specialist Centre of Excellence
on PPP in Water and Sanitation





5

THE INTERNATIONAL SPECIALIST CENTRE OF EXCELLENCE ON PPP IN WATER AND SANITATION **MISSION**

The Centre of Excellence was established to collect information on successes and failures from the past and current PPP experiences and to distil from such an analysis the principles of best practice.



Defining Standards

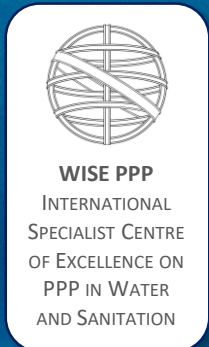
Prepare, update and improve Standards in Water and Sanitation, and certify PPPs on request

Sharing Knowledge

Promote know-how exchange on PPP models between major players and stakeholders in order to facilitate development of sustainable infrastructure

Promoting Stakeholders Cooperation

Foster relationship and dialogue between governments, municipalities, private sector, IFI, regulators, workers, civil society and NGOs to drive successful PPP



The Centre's activities aim to deliver successful **People First PPP**





“It is critical for achieving the 2030 Agenda to mobilize new investments in high quality infrastructure projects, especially in low and middle-income countries.”



*Ms Olga Algayerova
UNECE Secretary-General*