



# Public-private-civil society collaboration & adaptive strategies to restart the economy, promote investment and create jobs

in the Water Sector

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# Introduction

Why is this important? Where do we stand currently?



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# Why is public-private-civil society collaboration important?

A post COVID world will require all actors to work together



1

## Vast infrastructure needs

Public finances alone are insufficient to cater to these

2

## Build-neglect-rebuild paradigm

Inconsistent and insufficient budgets for O&M

3

## Enabling service delivery

Transition from beneficiary → consumer → customer

4

## Innovation and technology adoption

Competition, efficiency, customer focus → enhanced value

5

## Breaking monopolies and enabling the value chain

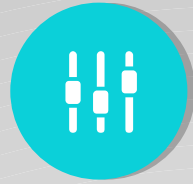
Unlocking commercial capital and linking markets

6

## Building ownership and shared responsibility

Resource sustainability and use efficiency

# Private sector engagement in Water is evolving: Innovations, reform and capital constraints is driving project design



## **Evolving technology landscapes**

Pressurized pipes, wastewater reuse, pay as you go / uberization platforms, improved satellite imagery and crop models, mobile solar etc.



## **Emerging markets**

Commercial investments in water sector companies, performance-contracts for irrigation service providers / command area managers etc.



## **Credit access, availability and affordability**

Gradual rise of non-banking finance corporations, micro credit institutions, commercial banks in this space



## **Global climate concerns**

Green funds, green stimulus programs and/or compliance driven leveraging of private investments for water savings

**Water security is becoming critical, governments recognize they need to do more, and do it more efficiently**

# Constraints in mobilizing private investment: Influencing factors



Inefficient water delivery, high risk of service disruptions



Landholding patterns, sharecropping and tenant farming



Farmers Cash-flow availability and access to credit is limited



Input cost variability, higher costs of production than revenue



Commodity price variability, access to markets, weak supply chains





# Global initiatives

How different countries are approaching this



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# Enabling access to credit in India: Transitioning from beneficiary → customer

1.1

Mobilizing private investment

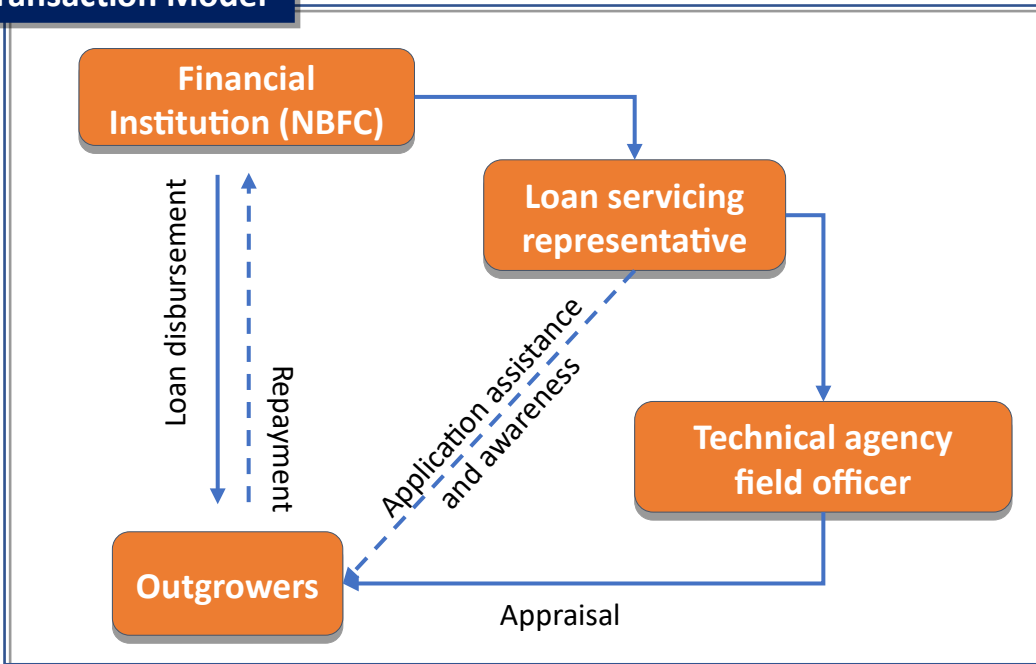
## Financing farm ponds, minor tanks, sprinkler and drip irrigation

### Overview



- Non Banking Financing Corporations (NBFCs) and Micro Finance Institutions (MFIs) have entered the irrigation market
- They offer irrigation specific loan products catering to ground realities around water availability, risk and cost of specific equipment
- These are financially more sustainable as they include technical appraisal, outreach, customer servicing, loan appraisal & monitoring
- Increasing interest from equity investors in these NBFC, but cost of capital for them is still very high

### Transaction Model



### Loan products

- Dealer financing
- Subsidy/margin financing
- Cash entrapment (FCE)\*
- Stand-alone financing

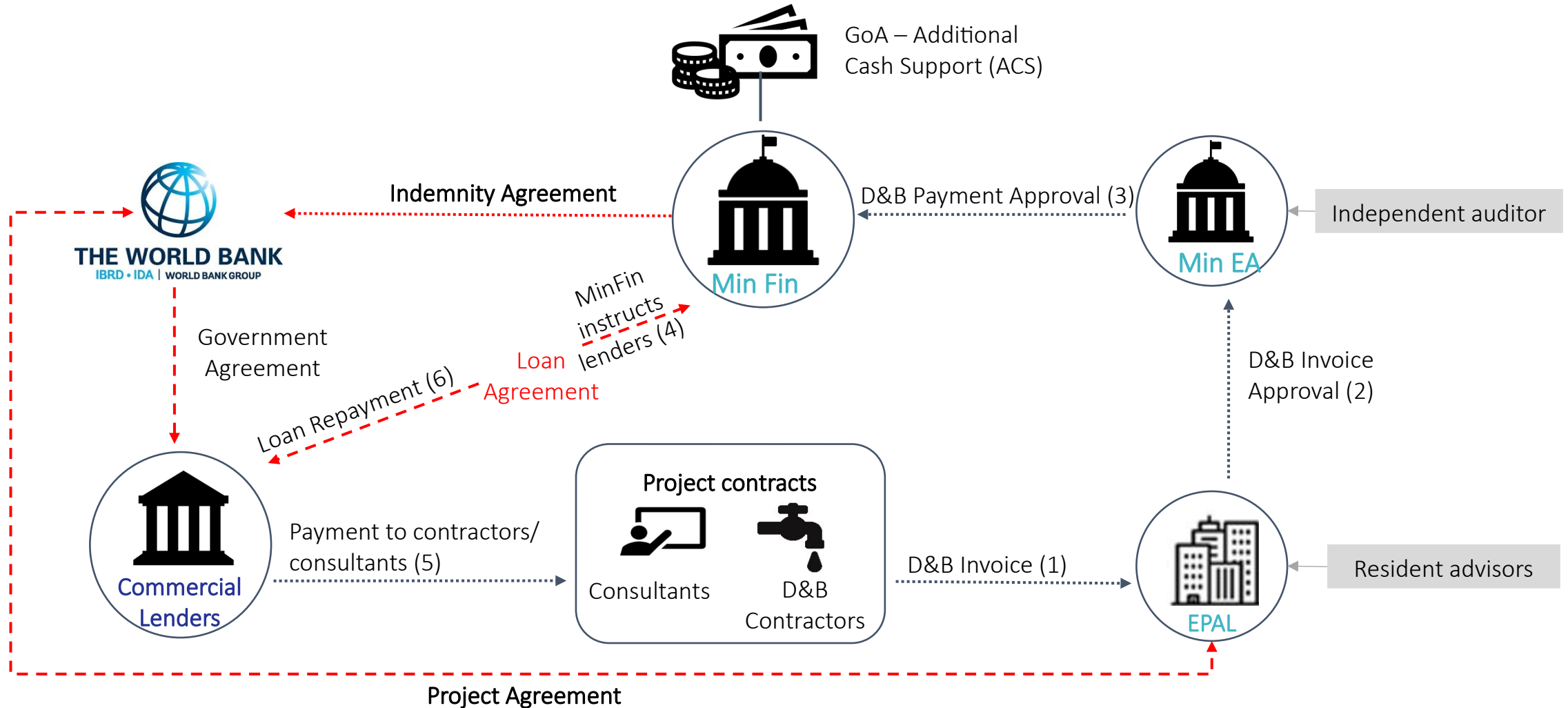
*Portfolio of products that caters to different stakeholders across the agri-value chain*

# Water treatment and transmission: The first IBRD guarantee in the Angola water sector

1.2

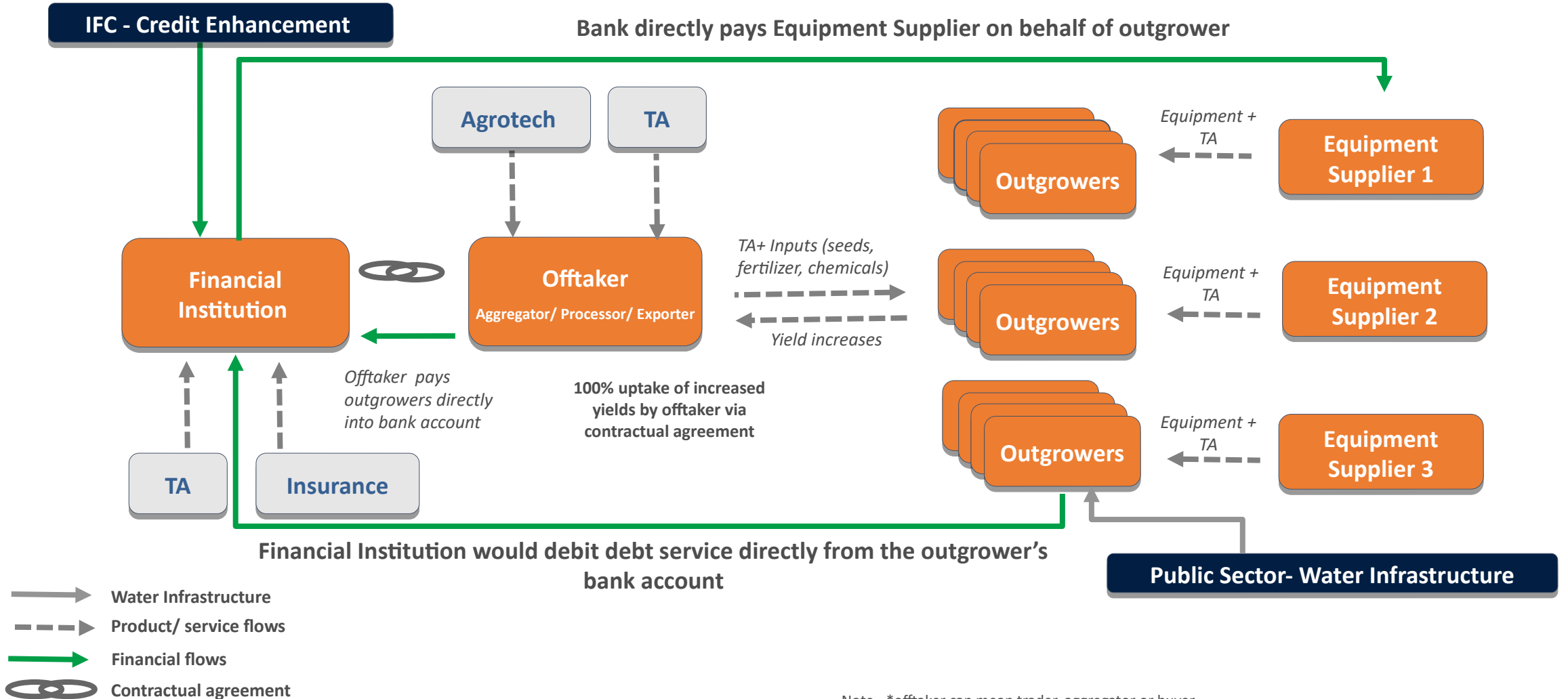
Mobilizing capital

Angola was able to undertake a \$1.09b project by only using \$125m of its IBRD Envelope





# Water and food security in Kenya: Enabling the water for crops value chain

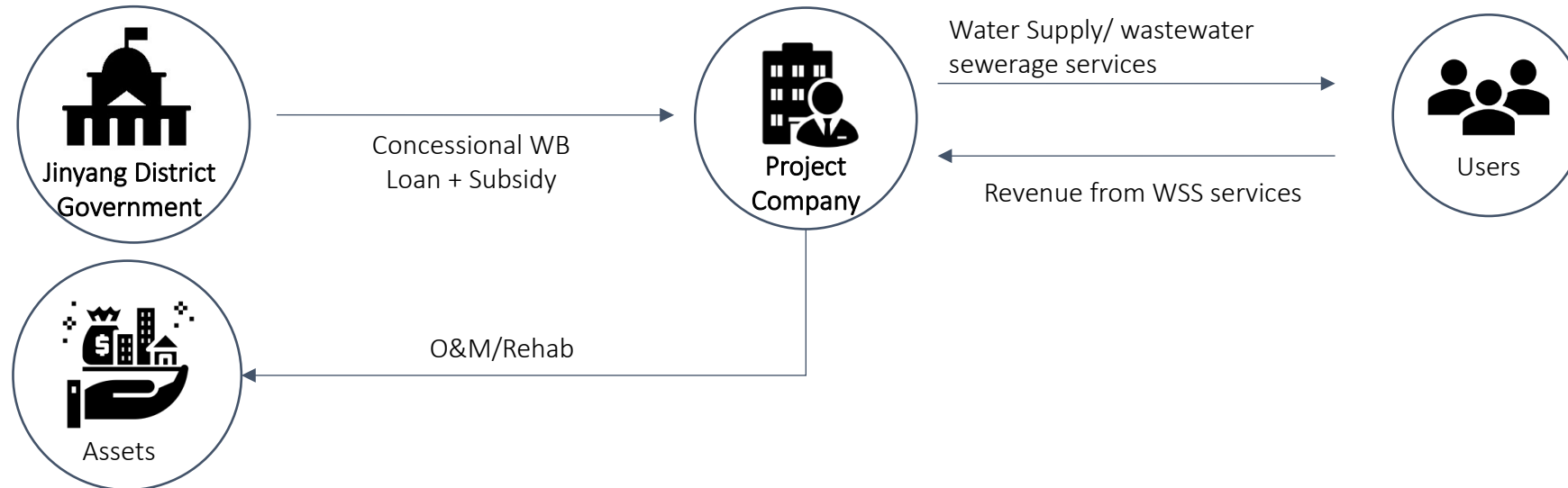


# Water supply, wastewater treatment, reuse: Sichuan WSS PPP in China

3

Adaptive strategies

## 1<sup>st</sup> WB financed PPP in the WSS sector in China



### JDG's role

- Awards long-term concession to Project Company who will construct, expand, rehabilitate, operate, maintain, & manage assets.
- Retains ownership of water supply/sewerage system.
- Provides subsidy (& potential guarantees) to Project Company to make the Project financially viable.

### Project Company's role

- Beneficial use, ownership and control over the assets.
- Provide water/wastewater services to consumers.
- Responsible for funding the residual CAPEX requirements not covered by the subsidy.



# Opportunities for future engagement

Can we incubate to innovate?



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# Going beyond concessionaires

## Meaningful engagement through a portfolio of solutions/ lending products



1

### Using guarantees

Support governments in accessing private /commercial \$\$

2

### Policy based financing

Ex. Subsidy reform for enabling farmer led irrigation

3

### Expanding the DBOT portfolio

Work with agri-offtakers and commercial lenders

4

### Service provision and wastewater reuse toolkits

Developing a package of tools to enable these

5

### Technical Assistances

Studies, analysis and project structuring



# Thank you

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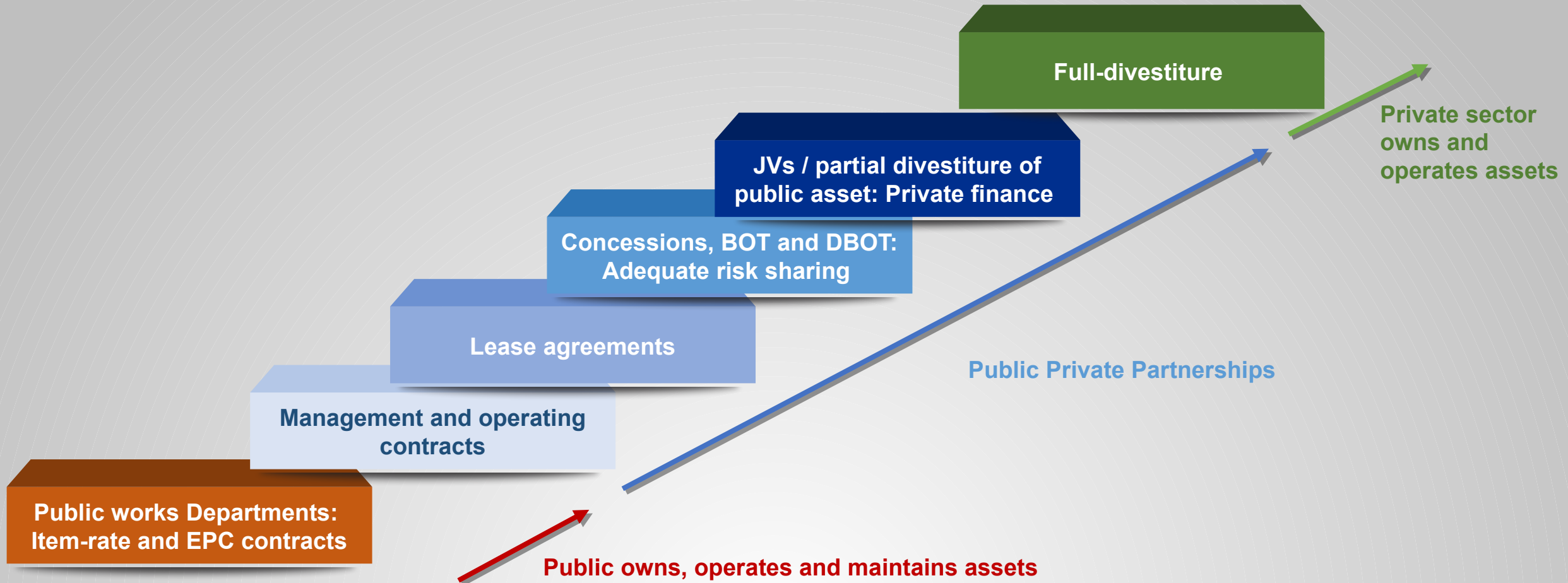
# Annexures

Can we incubate to innovate?



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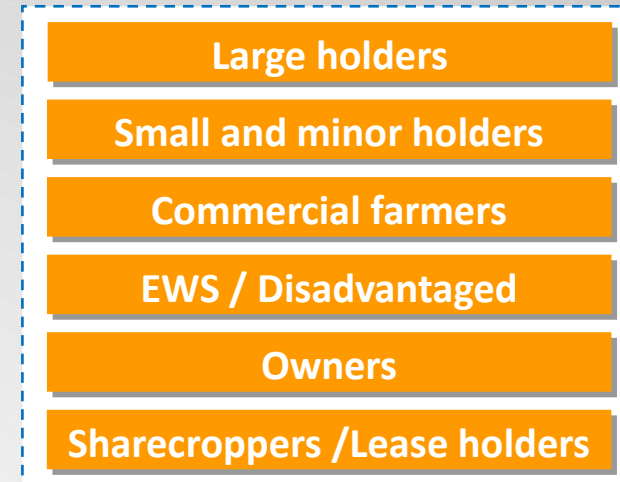
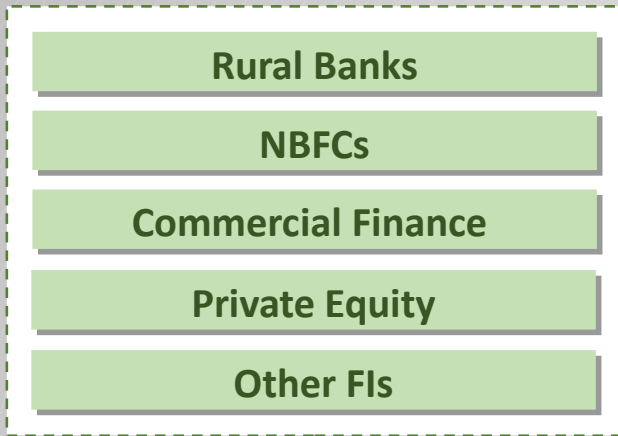
# The spectrum of private sector participation: Private finance can be mobilized at any phase in this value chain



# Private finance:

## Vast landscape, but there is nuance

Financers, manufacturers, contractors, retailers and end users all have varying capital needs and constraints



*Slide can be altered to fit country / state context*

*We could draw links to agriculture here*



# Tools for channeling finance

## How are financial transfers made in the water for agriculture value chain?



1

### Public finance

- Outright capital expenditure
- Subsidies
- Federal grants / loans / external transfers (direct aid)
- Equity investments
- Incentive payments for green initiatives/ecological services

2

### Private finance

- Self owned and financed
- Commercial Loans\*
- Micro-finance
- Rental models (Individual, shared)
- Pay as you go (incl uberization)
- Agri-based investors

3

### Industry (contractors, manufacturers, retailers)

- Source of capital primarily self owned
- Project based commercial loans
- Beginnings of interest from equity investors

\*Could be based on credit worthiness, collateralized against land, or with existing government schemes

# How do these tools work with each other?

## Applying different tools to generate value in trustful ecosystem

