

# **WATER SUPPLY AND WASTEWATER TREATMENT**

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Opportunities for the Private Sector in ACP States

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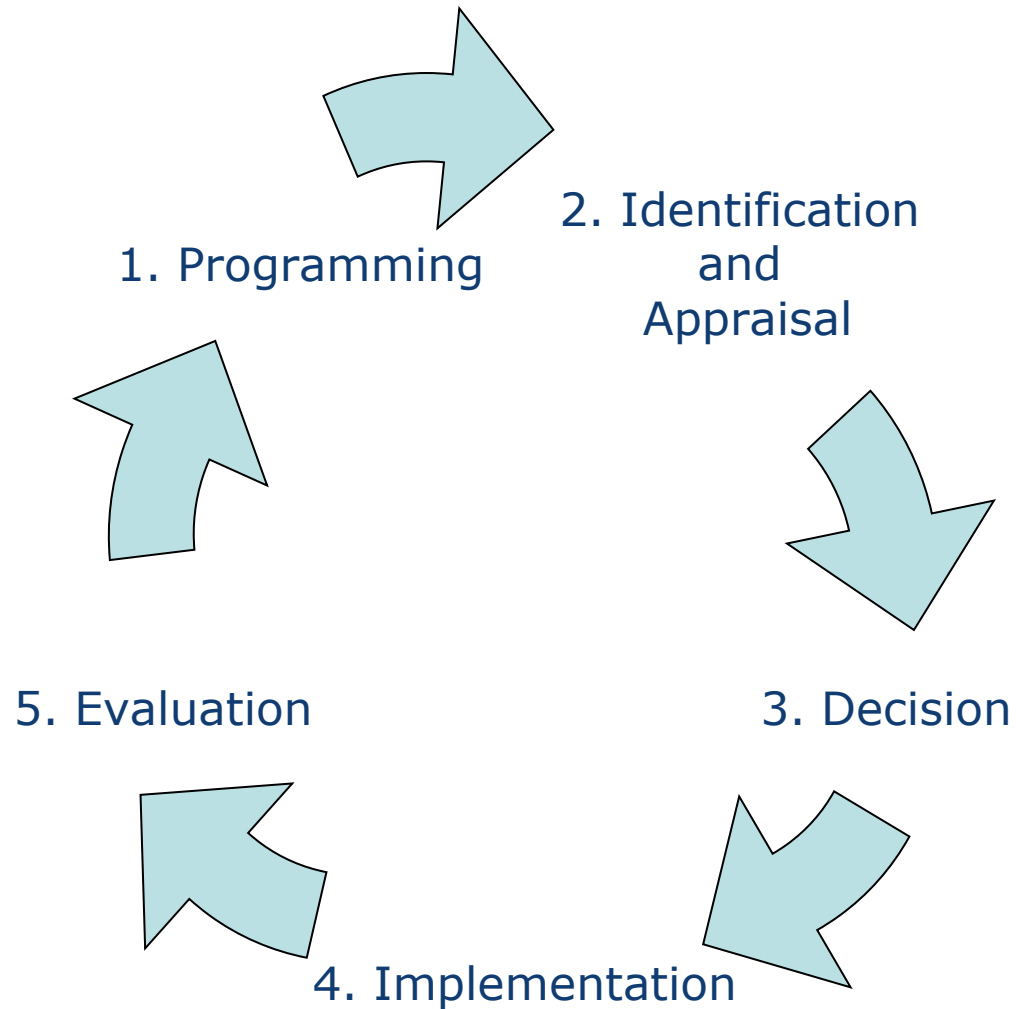
Director, EuropeAid/C



# EC Support to ACP States

- ACP financing
  - 90% European Development Fund
  - 10% EU Budget
- 10th EDF runs from 2008 to end 2013
  - €20.5 billion in grants managed by the Commission plus
  - €3.5 billion in loans managed by EIB
- Sudan and Equatorial Guinea have not ratified the revised Cotonou Agreement and are not eligible to the 10th EDF
- South Africa programmes financed from EU Budget

# PROGRAMME CYCLE MANAGEMENT



## Where are we?

- Programming completed, mid term review underway
- Identification and appraisal well advanced
- 10th EDF will be 55% committed by end 2010
- Implementation underway
- Second Revision of Cotonou Agreement entered into force on 1st November 2010

# European Commission Support to Water and Wastewater in ACP States

- National Programmes: Water is a focal sector in 18 ACP States – either as project aid or as sector budget support
- EU-Africa Infrastructure Trust Fund: blending grants with loans for regional infrastructure programmes
- ACP-EU Water Facility (€200 million) including Pooling Mechanism (€40 million)

# EC Support to Water/Wastewater Projects

- Financial Support provided as part of wider sectoral approach which looks at issues such as
  - Overall sector policy
  - Institutional reforms
  - Recurrent financing (maintenance)
- Financial support provided as project aid to cover cost of works and supervision contracts. Can also be provided as sector budget support
- Increasing use of blending grants with loans, including private sector financing

# General Budget Support

## Sector Budget Support

### General Budget Support

Supports overall macro-economic & Budgetary framework

Supporting a poverty reduction strategy or equivalent process

### Sector Budget Support

Additional funding to a specific sector, supporting an agreed policy & spending framework

Supporting a Sector Policy and Programme

# Implementation in the ACP region

- During 2009 we signed contracts under the EDF totalling €4.3 billion
- We made payments totalling €3.1 billion
- We launched 75 tenders for works contracts and 125 tenders for service contracts



# Tenders and contracts

- Contract Authority and Supervisor in most cases is the ACP partner, with responsibility to manage implementation from launching of tender, contract award, execution of the contract and final acceptance
- EU Head of Delegation approves all studies designs and tender dossiers, participates in tender evaluations as observer, and must endorse contract award
- Revised Cotonou Agreement: untying of EDF

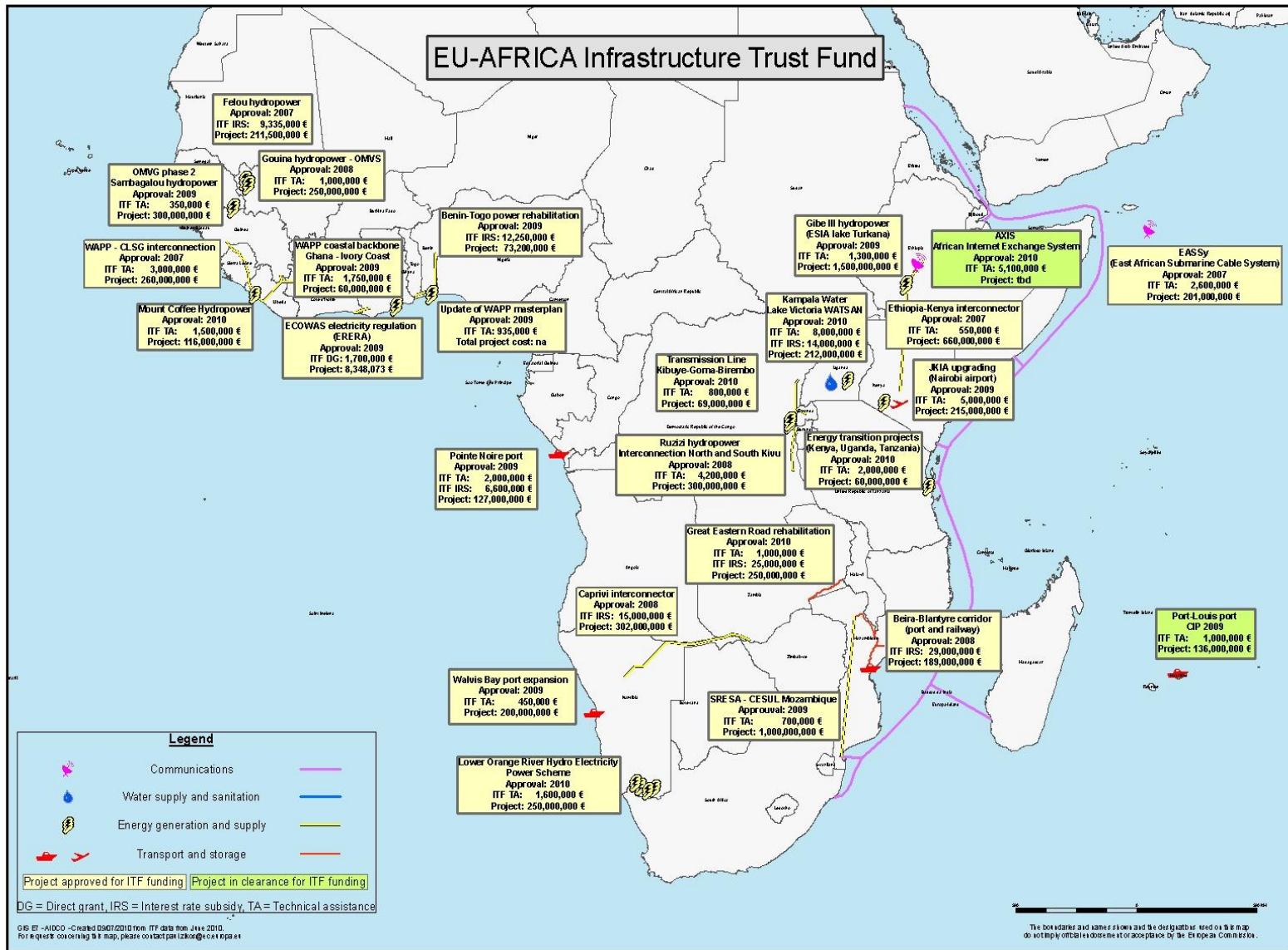
# EU-Africa Infrastructure Trust Fund

- Forms part of EU-Africa Infrastructure Partnership
- Established in 2007
- Focus on interconnection of trans-African networks
  - Transport
  - Water
  - Energy
  - ICT
- Trust Fund can provide interest rate subsidies, direct grants, studies
- Leverages grants with loans from European development finance institutions

# EU-Africa Infrastructure Trust Fund

- Commission and 12 Member States have contributed €389million in grants
- 26 operations approved or cleared in principle
- €210 million in grants have leveraged €2.1 billion in total financing

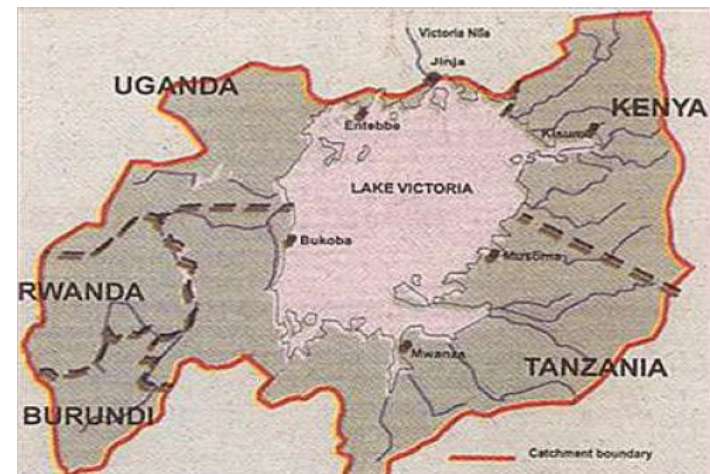
## EU-AFRICA Infrastructure Trust Fund



# Trust Fund Approved Operations in Eastern Africa

- **Lake Victoria WATSAN (Kampala Water)**

- Sector: Water
- Type: IRS+TA
- Amount: EUR 14m+8m
- Lead: AFD+KfW
- Benefitting countries:  
Uganda +Lake Victoria Basin



TA is to support planning, project preparation and hydraulic analyses to the environmental assessment. The IRS grant will contribute to the Kampala component of LVWATSAN, which will include investments and capacity building to implement and operate public health and environmental infrastructure, and to incorporate viable services for poor populations.

# ACP-EU Water Facility

- €500 million under 9th EDF, cofinancing 175 projects
- €200 million under 10th EDF, comprising:
  - Two calls for proposals for access to water and sanitation and sector governance
  - Pooling mechanism: to be launched

# ACP-EU Water Facility Pooling Mechanism: Background

- Available grant financing is not sufficient to meet the needs of investments in water supply and sanitation
- Blending of grants with loans can provide valuable support to the provision of water and sanitation services to the poor with low affordability
- First Water Facility results reveal that the Call for Proposals is not an adequate instrument to finance larger scale projects

# Pooling Mechanism: Objectives

- To provide flexible financing for medium-size investment projects for access to water and sanitation services in ACP rural and peri-urban areas
- To encourage private sector participation in water and sanitation services in ACP rural and peri-urban areas (e.g. PPPs)
- To better coordinate at EU level available resources and expertise
- To maximise the impact of the Water Facility grants through blending with loans



# Pooling Mechanism: Financial allocation and Funding priorities

**Amount: €40 million**

## **Investment projects** (grants €1-5 million)

- Medium-size investment projects for increased access to modern, affordable and sustainable water services in ACP rural and peri-urban areas (within the range of approximately €10-50 million)

## **Studies and Capacity Building Activities** (up to €1M)

- Advanced project preparatory studies for potentially eligible projects
- Capacity building activities directly linked to a specific eligible investment project

# Pooling Mechanism: Types of operations

- **Grants for direct investment**
  - to finance part of the projects initial investment cost
- **Interest rate subsidies** through the provision of a lump-sum amount to enable lenders to:
  - make long-term loan finance available at reduced interest rates
  - finance credit lines for lending to the local private sector
- **Technical assistance**

# Pooling Mechanism: General Characteristics of Supported Actions

- Comply with the principal objectives of the Water Facility
- Be relevant to national strategies and programmes related to water resource management and safe drinking water supply and sanitation services
- Promote sustainable socio-economic development and contribute to poverty reduction
- Enhance ownership and sustainability
- Promote donor coordination and complementarity of investments

# Pooling Mechanism: Eligible applicants

- **Eligible applicants:** European Investment Bank (EIB) and the EU Member States official development cooperation agencies or ministries in charge of development aid, and the European Development Finance Institutions (EDFIs).
  - propose projects directly for grant financing to the Pooling mechanism
- **Project promoters:** ACP public and/or ACP and EU private sector
  - identify project proposals for the Pooling mechanism together with eligible applicants (and possibly other co-donors)
- **Other co-donors and co-financiers:** ACP Development banks, other International Finance Institutions and commercial banks
  - co-finance projects with eligible proponents

## Other Upcoming Initiatives

- Caribbean Infrastructure Facility
- Pacific Infrastructure Facility
- MDG Initiative
- Green Paper on Future EU Development Policy

# Thank you