

Water Loss Specialist Groups Webinar Series



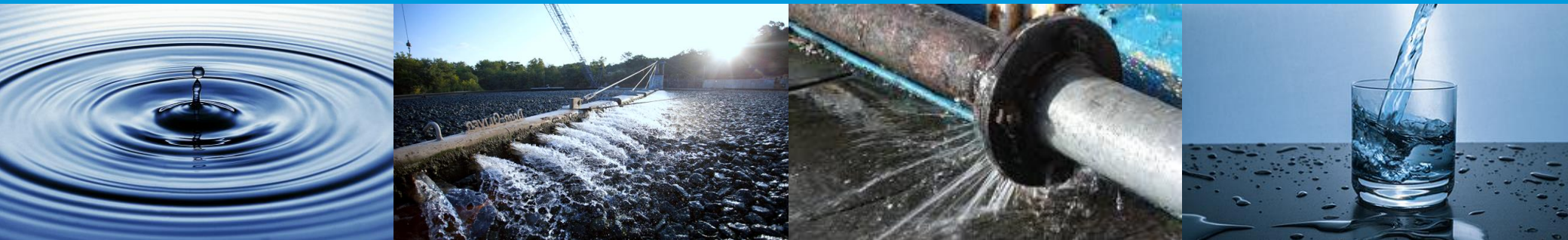
**WATER LOSS
SPECIALIST GROUP**

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Privately Financed NRW-PBCs: COVID19 Response



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COVID19 Pandemic boosts demand for NRW Reduction

- **Ubiquitous clean water supply is the front-line defence:**
 - Hand-washing is the cheapest, most widely-available, defence against infection
 - Reliable piped water supply to the premises is a prerequisite for social distancing / self-quarantine strategies
 - **Infrastructure expenditure stimulus post-pandemic will require projects that:**
 - Use mostly local resources
 - Are labor intensive
 - Are widely spread around the country
- ➡ **NRW reduction projects will be demanded (if we spread the word) since they:**
- Are often the fastest, most effective ways to improve water supply
 - Are labor intensive
 - Can be implemented in most towns in most countries.

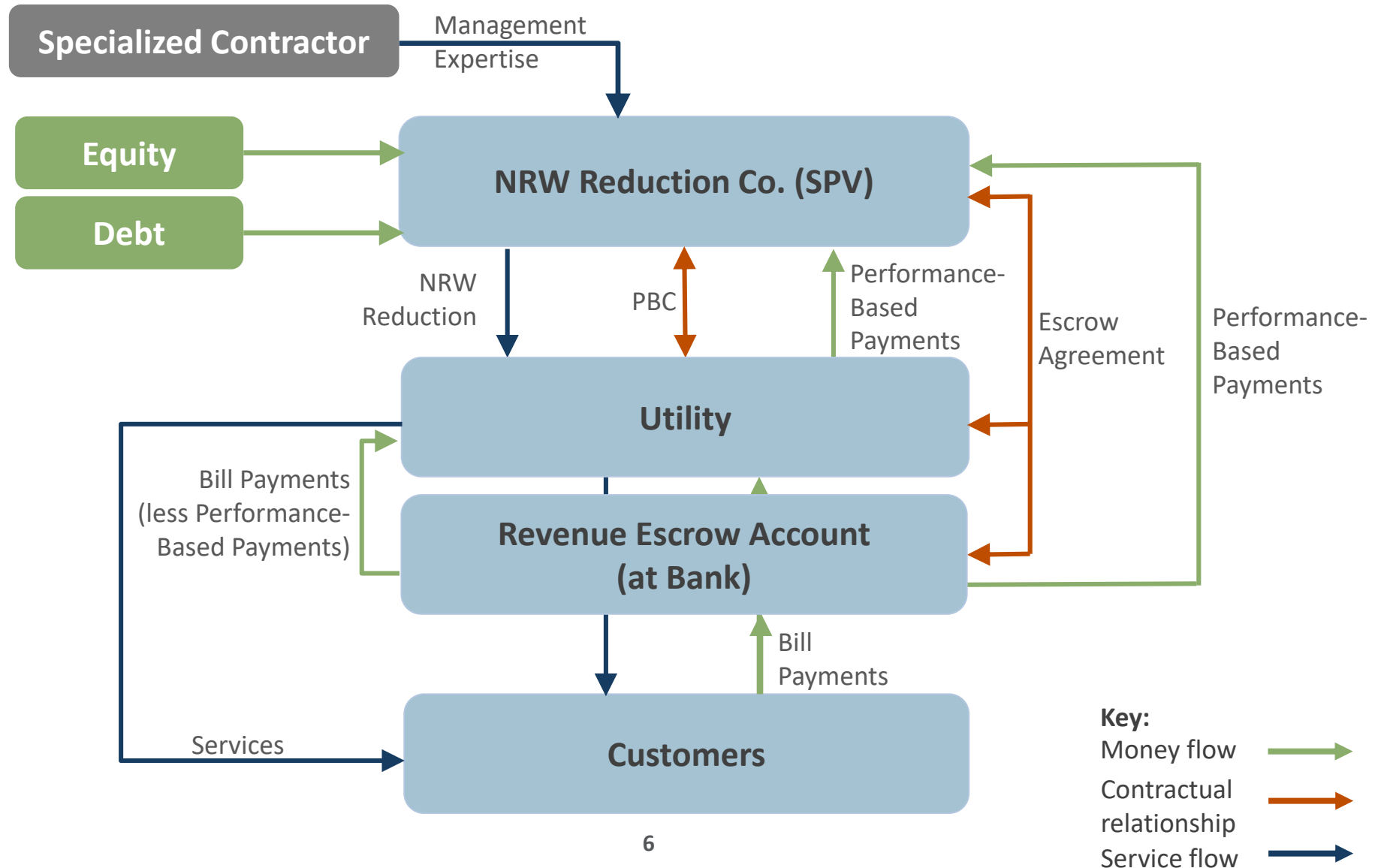
COVID19 Pandemic reduces finance for NRW Reduction

- **Utilities will be even more short of money than usual:**
 - Loss of income means that many customers will struggle to pay their utility bills
 - Utilities will not be permitted to disconnect customer's water supply during a pandemic
 - **Governments will be even less able to finance water projects than usual:**
 - Economic downturn means tax receipts will fall
 - Emergency health and social spending will increase
- ➡ **Public finance – from utilities or governments – will be limited.**
- **Donors will lend more, but this will not be enough**

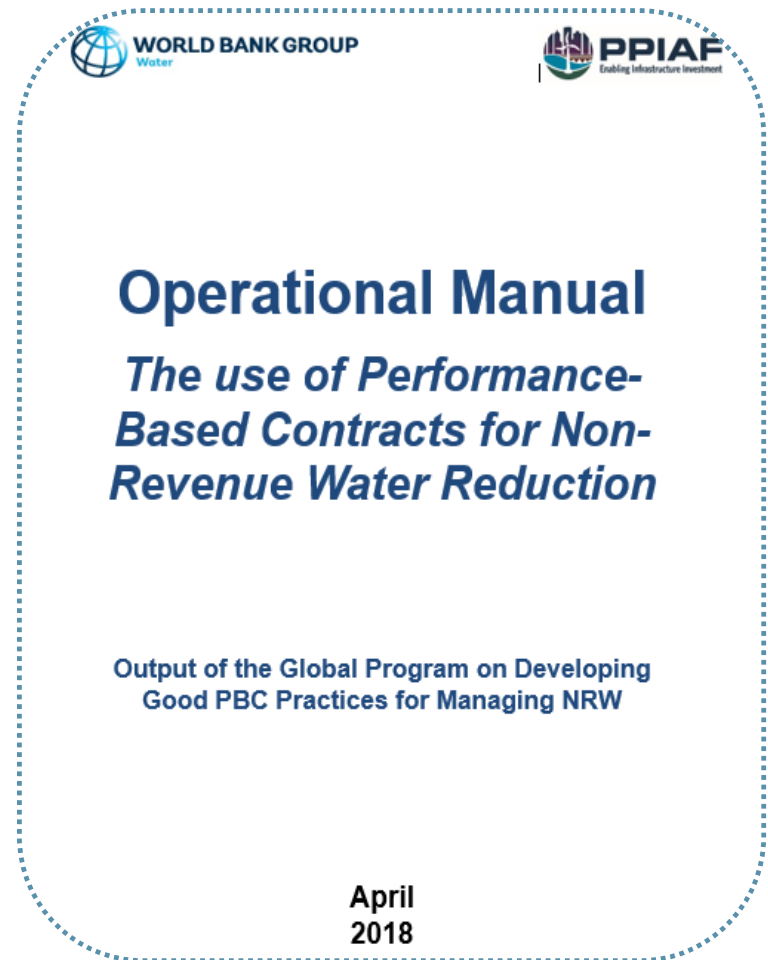
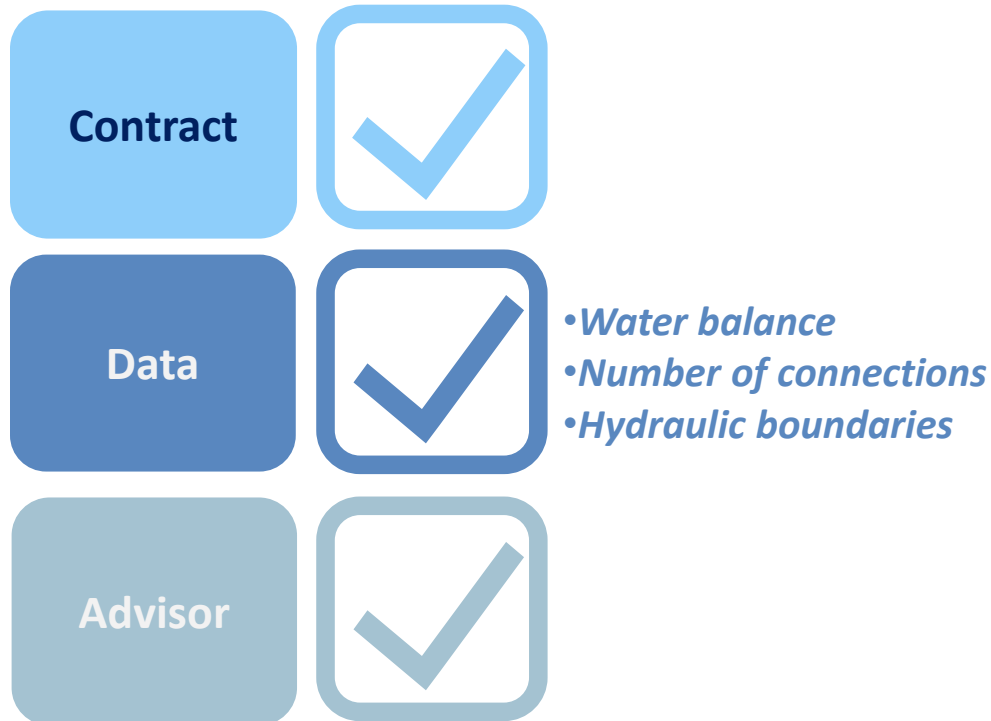
Privately-financed NRW Reduction PBCs: an idea whose time has come

- **NRW-PBCs are highly financially viable**
 - Most have Project IRRs above 20% -- many above 50%
 - Payback periods of less than two years are achievable.
 - These figures are attractive to private financiers– they exceed returns on Water Treatment Plant BOOTs, for example
- **The pieces are in place to allow NRW-PBCs to be privately financed, like WTPs:**
 - Similar project finance structures can be used
 - Model contracts and contracting tools are being developed with support from international agencies
 - There is a vibrant competitive market of service providers
 - Regulators have tools to support these contracts

Structure for Privately Financed NRW-PBC



Model contracts and support from international agencies are available



<https://pppknowledgelab.org/tools/performance-based-contracting-tools-non-revenue-water-reduction-tools-resources>

Competitive market of service providers in Americas

Name	Home country	Relevant experience includes
BBL ENGENHARIA	Brazil	Brazil
EGIS	France	Guyana, Jamaica
GARZON-SALINAS, SA	Colombia	Guyana, Jamaica, Puerto Rico, Argentina, Brazil, Chile, Colombia, Dominican Republic, Honduras, Mexico, Nicaragua, Panama, Peru
JOAT	South Africa	Suriname, Honduras, Nicaragua
MIYA	Spain	Bahamas, Jamaica
THORNTON INTERNATIONAL	Brazil	Bahamas, Brazil
SEURECA	France	Trinidad & Tobago, Ecuador, Mexico, Peru, Venezuela
SUEZ	France	Jamaica, Colombia
VEOLIA	France	Brazil, Colombia, Ecuador
VINCI-WMI	France	Barbados, Jamaica, Dominican Republic, Colombia
VITENS-EVIDES INTERNATIONAL	The Netherlands	Curaçao, Haiti

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Regulators have the tools to support NRW reduction PBCs

Actions	Jamaica OUR	UK OFWAT	Manila-MWSS-RO
Set targets	2018 target: 74%	Thames Water 2019 leakage target (ml/d): 612	2007 target: 43%
Penalize not meeting targets	--	Ofwat fined Thames Water (TW) £120 million after TW failed to control leaks	2007 reward threshold: 42% 2007 penalty threshold: 44%
Direct utilities that fail to meet targets to implement PBC	--	--	--
Ensure funding in tariff to cover costs	K-factor	--	--
Enable or require utilities revenue to be put in special account to secure payment	K-factor account	--	--

Conclusion

- **We need NRW-PBCs now because they**
 - Are often the fastest way to improve water services to fight infection
 - Are one of the best infrastructure-stimulus projects possible
 - Help utilities to remain financially viable
- **Privately financed NRW-PBCs will be best because:**
 - Utilities in the Americas are often not able to finance NRW reduction activities—lower cashflows from the pandemic will make this worse
 - Fiscal positions will deteriorate because of the pandemic, so government finance will be scarce
 - ➡ Conventional sources for finance NRW projects will often not be available
- **Privately financed NRW-PBCs can be made to work given:**
 - Project finance structures adapted from WTP BOOTs and ESCOS
 - Model contracts and contracting tools developed by international agencies
 - Vibrant field of service providers
 - Regulatory support
 - Financiers looking for investments with good returns plus social and resilience impact