WATER, SANITATION AND HYGIENE FINANCE (WASH-FIN) MOZAMBIQUE

Expanding finance for viable water service providers to enable investment in improved service for safe and affordable water supply.

Beyond the urban core of Maputo and other larger urban centers, where water supply is the responsibility of the Water Supply Asset and Investment Fund (FIPAG), Mozambique has active local private water service providers known as Fornecedores Privados de Agua or FPAs, distinguished by the fact that they are many and operate small to medium sized piped networks. In 2018, there were over 1,800 FPAs across the country with the majority concentrated in the greater Maputo area (58%). FPAs are concentrated in the peri-urban areas, mainly the most heavily populated and areas where there has been unprecedented growth in recent decades. Private investment from FPAs has rapidly scaled to meet demand, and FPAs are estimated to cover 23% of the total peri-urban population of Mozambique.

In secondary towns, the Water and Sanitation Infrastructure Administration (AIAS), was created in 2009, as a national asset management unit with a mandate of promoting autonomous, efficient and financially sustainable management of water supply systems. AIAS currently oversees 130 secondary water supply systems in small and medium-sized urban areas, and rural towns, accounting for 13% of the total Mozambique population. With support from development partners, such as the World Bank, AIAS has built capacity and assumed responsibility to oversee a portfolio of lease contracts with professional operators in more than 40 systems across all 10 provinces, with approximately 70% being operated by the private sector. However, significant investment is still required to rehabilitate, and jump start water systems in many secondary towns. Improving the lease contract model, to encourage private investment for services expansion by private operators and operation of AIAS systems, will be an efficient path to mobilize the required investment and to provide safe and reliable water supply services to unserved secondary towns. To meet this goal, the legal and institutional framework needs to be updated to allow scaling up of private investment in water supply infrastructure.

APPROACH TO CLOSING THE FINANCING GAP

WASH-FIN’s approach to closing financing gaps is based on the premise that citizens should be treated as valued customers and adequately served by WASH service providers operating on sustainable business models that strengthen creditworthiness, within clear regulatory and governance structures. Only then can increased public investment, private sector participation and market finance be effectively leveraged to expand or improve service delivery for all. The goal of this multi-year program is to provide strategic, well-targeted support to key public and private WASH actors to enable the Mozambican WASH sector to optimize the potential contributions of the private sector to finance and/or directly provide improved services to populations in urban, peri-urban and small towns.
ACTIVITIES

WASH-FIN is providing technical assistance and capacity building support on the following activities:

STRENGTHENING PRIVATE SERVICE PROVIDERS. WASH-FIN is implementing a capacity development program for targeted private water providers (FPAs) to support FPAs to build better business skills. Technical assistance will also focus on licensing and legalization of FPAs with local districts and municipalities. WASH-FIN will support Public-Private Partnerships (PPPs) by providing AIAS with support preparing or reviewing feasibility studies to advance potential partnerships that leverage private investment. Additionally, support will be provided to FIPAG to structure a non-revenue water reduction plan with a private operator, based on a performance contract.

LEGAL FRAMEWORK FOR PRIVATE SECTOR PARTICIPATION. WASH-FIN is supporting AIAS to develop the capacity and contractual tools that will enable it to attract private investment to the secondary towns and villages under their mandate. Investment is sought for the development of new abstraction and treatment facilities through a new PPP model, as well as network extensions and expanded water production capacity through improvements to the current PPP model, which use lease contracts. WASH-FIN is supporting the development of the regulatory framework, analytical tools and data management required for effective government oversight of private sector participation.

SECTOR INVESTMENT MONITORING WITH TRACKFIN. WASH-FIN, along with IRC, will support the Government of Mozambique to institutionalize tracking of financial flows in the WASH sector using the TrackFin. Developed by the World Health Organization, TrackFin is a tool to monitor WASH expenditure to facilitate improved planning and advocacy for WASH investment.

PROJECT DETAILS

The 30-month, $4.7 million WASH-FIN Mozambique activity is funded by the United States Agency for International Development (USAID) and began in November 2018. WASH-FIN implementation in Mozambique is led by Tetra Tech. For more details, visit https://www.globalwaters.org/WASH-FIN

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