PRIVATE FINANCIAL ACTORS AND WATER INVESTMENTS IN SHARED BASINS: WHAT ARE PRIVATE INVESTORS LOOKING WHEN INVESTING IN WATER RELATED PROJECTS, WHAT FINANCIAL MECHANISMS ARE BEING USED?

KARIN M. KRCHNAK
MANAGER, 2030 WATER RESOURCES GROUP
17 DECEMBER 2020
TOP 5 RISKS IN TERMS OF IMPACT*

World Economic Forum in partnership with Marsh & McLennan and Zurich Insurance Group
ALL WATER USERS PLAY A ROLE IN DESIGNING AND IMPLEMENTING SOLUTIONS TO SHARED WATER CHALLENGES

Private Sector
- Water-efficient operations
- Expansion with no increase in water footprint
- Water stewardship
- Treating effluent
- Minimizing pollution

Public Sector
- Water storage and treatment infrastructure
- Enabling environment and incentives
- Facilitation of PPPs
- Science-based water allocations

Academia
- Evidence-based technical advice
- International experience
- Expertise on best practices

Civil Society Organizations
- Local knowledge and context
- Voice of the vulnerable and marginalized
- Link between decision-makers and communities
- Pilot and program roll out in communities
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

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Private sector is moving beyond water stewardship approaches, but basin level engagement remains challenging
The spectrum of private sector participation:
Private finance can be mobilized at any phase in this value chain.

- Public works Departments: Item-rate and EPC contracts
- Management and operating contracts
- Lease agreements
- Concessions, BOT and DBOT: Adequate risk sharing
- JVs / partial divestiture of public asset: Private finance
- Full-divestiture

Public owns, operates and maintains assets

Private sector owns and operates assets

Public Private Partnerships
Commercial finance can be used to support all water related infrastructure
Opportunities to tap into commercial finance are not limited to larger service providers.

- **Financing needs**
  - Large
  - Medium
  - Small

- **Size of borrowers**
  - Households
  - SSIPs
  - Communities
  - Medium sized entrepreneurs
  - Utilities / Municipalities

- **Types of finance**
  - Microfinance
  - Vendor / supplier finance
  - Commercial bank loans
  - Bonds
How can tools work with each other? Applying different tools to generate value in trustful ecosystem

Developing trust: transparency, traceability, reporting instruments

Generating blended finance: i.e. mixing private and public sources of funding:
(i) grants & subsidies, (ii) debt e.g. concessional loans, green bonds, (iii) equity, (iv) private sector participation

Financial support mechanisms
Build trust to attract funding

De-risking & risk sharing tools
Allow actors to take risks

Implement a holistic de-risking approach that need to involve all stakeholders and can rely on:
- Financial instruments (e.g. insurances or guarantee mechanisms)
- Contractual mechanisms
- Resilient practices

Developing a trustful ecosystem

Capturing part of the value created to generate assets and from:
(i) Increased production (agriculture, biomass, energy)
(ii) Provision of ecosystem services (protection, increased resilience, carbon sequestration)
(iii) Reclamation of degraded land
(iv) Societal value (tourism, cultural goods)

On-the-ground activities
Generate and capture value
THANK YOU