



REPUBLIC OF MOZAMBIQUE
Ministry of Public Works,
Housing and Water Resources



Financiers'
Conference

SEPTEMBER 15, 2021

***SUSTAINABLE, RESILIENT AND
INCLUSIVE URBAN WATER
SERVICES IN MOZAMBIQUE***

INVESTMENT PROGRAM 2022 - 2032

Sustainable, Resilient and Inclusive Urban Water Services in Mozambique.



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Delivering sustainable, resilient and inclusive urban water supply services in Mozambique

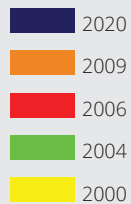
In September of 2021 the Government of Mozambique is holding a conference to present to international and national financing institutions and donors the ongoing structural reforms in the urban water supply sector together with the Capital Investment Programme (CIP) for 2022-2032. This Plan has the objective to deliver water supply to 100% of the Mozambican urban population, ensuring a high quality and continuous water service.

Aware of existing demographic and regional migration trends and the growing challenges of climate change, the CIP delivers increasing system resilience to address both issues.

Affordability is at the heart of universal and inclusive water services. Efficient, cost-effective and sustainable urban water operations are thus a major priority. This is reflected in the sector policies being implemented by the Government of Mozambique



Year of integration



The Urban Water Sector

The sector framework for delegated management services can be provided on a commercial basis by private companies. Specific arrangements can thus vary from area to area, although FIPAG operated most of the urban water supply schemes in Mozambique.

FIPAG is a wholly-owned autonomous public entity founded in 1998. It functions as an asset holder, fund raiser and lessor.

FIPAG's operational performance is set and monitored on a 3 yearly cycle through agreements with the Ministry of Public Works, Housing & Water Resources (MOPHRH). AURA (the Water Regulatory Authority) acts as both service quality/performance and economic regulator.

FIPAG has four operating divisions, namely, Maputo Metropolitan Area, FIPAG Regional South, FIPAG Regional Centre and FIPAG

Regional North. These four divisions cover all 28 major urban areas, and in 2020, served around 4m of the 7m population through 580,000 connections.

In 2009 AIAS was established to provide rural and small town water supply and sanitation services. AIAS operates entirely independently of FIPAG.

Water supply coverage varies across the country even within existing urban areas. There are extensive underserved periurban districts. In 2020, the Urban Water Utilities under FIPAG provided water to 64% of the population in its service areas, 51% of which is connected through domestic connections, and 13% through public stand-posts.

Hours of service increased significantly from 2010, doubling in many cases and reaching 24 hours in some areas.

Water quality also improved although recent cyclone damage to water infrastructure has set back progress in this area.

The challenges in the urban water sector are:

- Increasing household connections;
- Reducing Non-Revenue Water from approx. 50%;
- Increasing water systems capacity and resilience;
- Improving operational efficiency;
- Implementing a sustainable cost-recovery policy;
- Building and enhancing competences and skills.

Key Performance Indicators "2020"

FIPAG water supply coverage	64%
Total Staff FIPAG	2.930
	(Headquarters - 99)
Total active domestic connections	579.917
Annual Produced water (Mm3))	189.377

Moving Forward Towards Sustainable, Resilient and Inclusive Urban Water Supply

The Government of Mozambique has set out a wider sector policy framework and objectives through the Five Year Program and National Urban Water Supply & Sanitation Strategy.

The Government of Mozambique has set a goal of 80% urban population coverage with potable water supply by 2024 and the achievement of SDG 6 target by 2030.

To deliver this objective, the Government of Mozambique has undertaken the following reforms:

CORPORATIZATION: Establishment of 4 Regional Water Utilities for the operation of the

Water Systems in the South, Central & North regions, including the Maputo Metropolitan Area. At the outset FIPAG will hold 100% of the equity of the 4 utilities.

TARIFFS: Committed to a progressive tariff structure, considering affordability.

REGULATION: Re-structured the regulatory agency for greater effectiveness.

INVESTMENTS: Developed the CAPITAL INVESTMENT PROGRAM 2022-2032 (CIP) to develop water supply, increase resilience to climate change and reduce the rehabilitation backlog.

FINANCING: Creation of the enabling conditions to (a) successfully secure funds from a range of sources (Bilateral and Multilateral donors) to commence implementation of parts of the CIP and (b) attract new partners into the process and new financing instruments e.g. investment funds, local institutions (banks, insurance companies & pension funds).



PRIVATE SECTOR PARTICIPATION: FIPAG plans to delegate operation and maintenance of the water infrastructures to private operators through PPP contracts.

It is also envisaged that the regional utilities shares will be opened to the private sector, with FIPAG selling up to 49% of the capital of each company.

Investment Program Summary 2022-2032

ALL REGIONS	TOTAL (Million USD)
RESILIENT INFRASTRUCTURE - WATER SUPPLY	\$1,628.76
RESILIENT INFRASTRUCTURE - DAM	\$1,288.97
SUSTAINABLE SERVICES - NRW	\$124.90
SUSTAINABLE SERVICE - ENERGY EFFICIENCY	\$24.70
SUSTAINABLE SERVICE - OTHER	\$0.00
CAPACITY BUILDING	\$28.17
TOTAL WATER SUPPLY	\$1,806.53
TOTAL WATER RESOURCES (DAM)	\$1,288.97
TOTAL	\$3,095.50

Program delivery needs = US\$1.800bn

This is a preliminary conservative value that will be updated

SDG - Sustainable Development Goals



Results

Direct Impact

100% of the urban Mozambican population with **access to reliable water services**, over 4.5m additional people served by 2030.

Modernized urban water services delivering safe and affordable water.

Efficiency: significant reduction in Non Revenue Water (**below 30%**) and energy consumption.

Increased revenues from more customers and more consumption.

Resilient infrastructure better **adapted to climate change**.

Skilled water professionals with specialized **competences**.

Wider Outcomes

Improvements in **public health, economic development** and **poverty reduction**.

Increased social resilience to extreme weather events.

Improved water services accelerate achievement of Sustainable Development Goals by 2030, and contribute to:

- SDG 3 (Good health and wellbeing);
- SDG 5 (Gender equality);
- SDG 10 (Reduced inequalities);
- SDG 11 (Sustainable cities and communities).





Risks & Mitigations

Increasing Attractiveness

Political and governance: strong political commitment;

Macro-economic: contingency funds allocated for over-runs;

Capacity: PPP and Technical Assistance will assist in improving implementation ability;

Security: effective Government of Mozambique response;

Regulation: more robust and effective regime. Return on investment and capacity to comply with the debt service.

FIPAG summary P&L 2019/20 & forecasts to 2030

Values in US\$ (US\$=MT57,8)	2019	2020	2021	2025	2030
Revenues	44,16	40,34	46,10	53,81	62,79
Operational expenses	34,84	32,88	33,56	41,29	52,10
Operating margin	9,33	7,46	12,54	12,52	10,69
Other expenses	(25,46)	(4,32)	0,00	0,00	0,00
Depreciation & all interest expenses	(3,62)	(6,10)	(9,74)	(9,15)	(9,98)
EBIT	(20.19)	(3.03)	2.80	3.37	0.71

P&L - Profits and Losses;

Financial performance was negatively affected by COVID-19 due to the restrictions imposed on the water sector by the Mozambican Government



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