Financiers' Conference
SEPTEMBER 15, 2021

SUSTAINABLE, INCLUSIVE AND RESILIENT URBAN WATER SERVICES IN MOZAMBIQUE

INVESTMENT PROGRAM 2022 - 2032

Urban Water Supply Institutional Reforms in Mozambique

Nelson Beete

ORGANIZAÇÃO / ORGANIZER FIPAG | PARCEIRO / PARTNER THE WORLD BANK IBRD · IDA | WORLD BANK GROUP; African Development Bank Group; Kingdom of the Netherlands | CO-ORGANIZAÇÃO / CO-ORGANIZERS ÁGUAS DE PORTUGAL; VEI

SECTOR HISTORICAL OVERVIEW

Financiers' Conference

Municipal Urban Water Services Except for Beira

1981

State Owned Water Companies

Urban Water responsibility by central Government

1998

Delegated Management Framework

≈20 years SOE

1999

Contract with international private operator

Maputo Lease and 4 Cities Management Contracts

2011

?

FIPAG operates all their urban water systems

≈20 years DMF

2021

4 Regional Water Utilities (Private Law)

Separation of functions between Lessor and Operator

2011 FIPAG BECOMES OPERATOR'S MAJORITY SHAREHOLDER

WHAT DID IT MEAN?

- U-turn on sector policy and strategy? **NO!**
- Return to state owned utilities? **NO!**
- Failure of private sector participation? **NO!**

IT WAS THE WAY TO

BETTER

TRANSITION TO

POLICY AND

STRATEGY

IMPLEMENTATION

THE FACTS

Financiers' Conference

1999	2021
5 Water Schemes	26 Water Schemes
106,733 Connections	603,889 Connections
1,201 Staff	2,880 Staff
US$ 4,809 Million	US$ 50,125 Millions
204,577 m3/d	526,050 m3/d
1,133 km	9,976 km

1999
- Few and Scattered Schemes
- Long distances between Schemes

2021
- Four Regional Companies
- Regional Clusters
- Shorter distances between schemes.

1st Generation of PPP | Some lessons learned

1999

“False start”:

- procurement requirements too high as compared with business size
- Low bid
- Environment: 2000 floods - little awareness and preparedness
- Commercial: insufficient contractual arrangement
- Finance: funds from donors not tailor made for PPP

Infrastructure:

- to be developed and asset data not accurate

Capacity:

- Limited experience

Culture Change:

Transition from a state-owned enterprise

External: Private operation increased the general respect towards water service

Internal: Culture Change

Finance:

Attracted funding

2nd Generation PPP | Perspective 2021

Financiers' Conference

1 INSTITUTIONAL

Strong regulation and regional utilities legally created
FIPAG without operational capabilities - no temptation to operate

2 COMMERCIAL

Cluster into regions - economy of scale and synergies
DMF principles in place
More robust utilities with O&M costs covered from revenues

3 ENVIRONMENT

Much greater awareness of wider climate and natural issues much greater awareness of wider climate and natural issues

4 CULTURE

Greater DMF and PPP acceptance at national level and within the utilities
More commercial and business approach among staff

8 INFRASTRUCTURE

More developed and better asset data management

7 FINANCE

Donors and non-donors investors

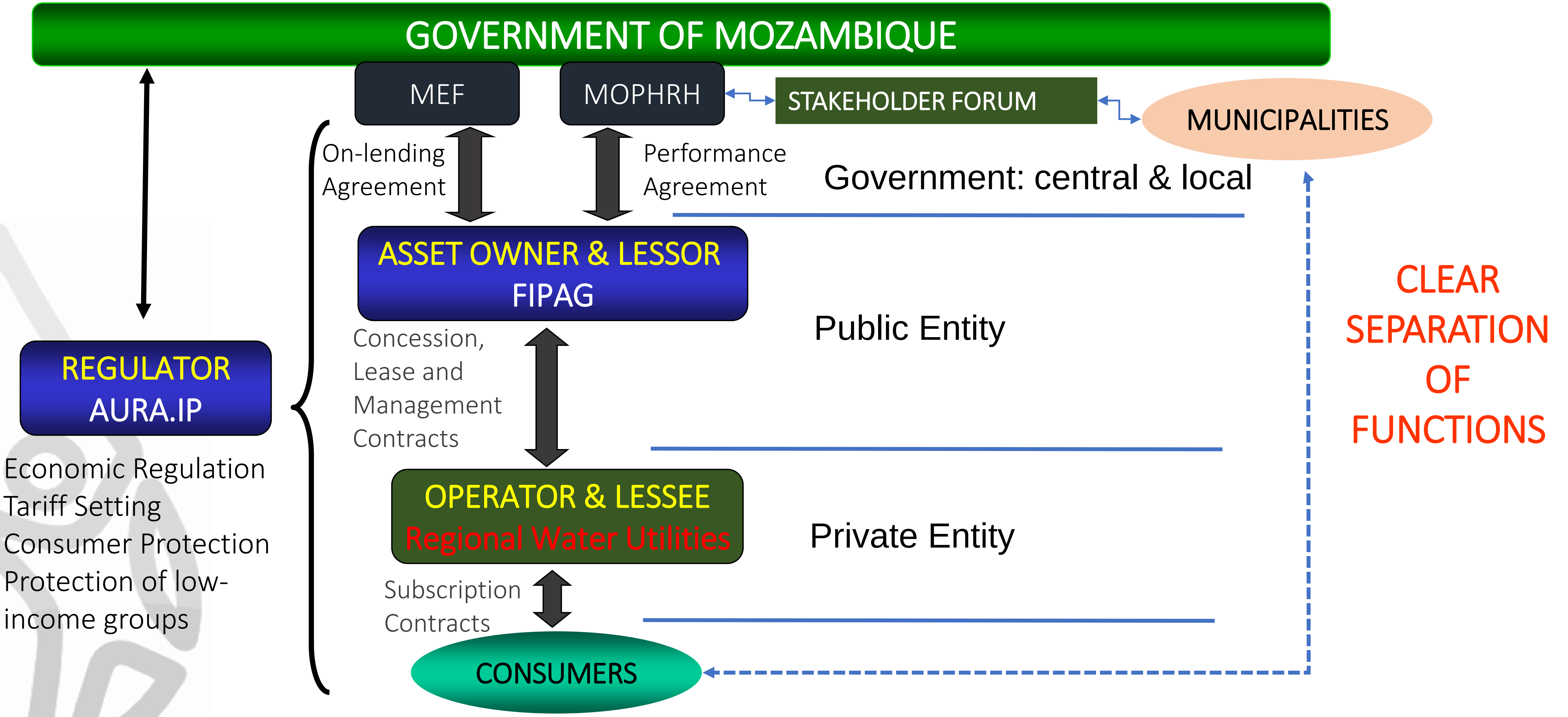
6 CAPACITY

Local experience with lease and management contracts and operator partnership
Greater operational and managerial capacity

5 INNOVATION

Opportunity to innovate in the water value chain. Digital transition, technological upgrade

DELEGATED MANAGEMENT FRAMEWORK



- Economic Regulation
- Tariff Setting
- Consumer Protection
- Protection of low-income groups

WAY FORWARD

Make Regional Water Utilities Creditworthy

- **Increase capacity at Utilities and FIPAG**
  - Utilities operational support and building skills, expertise and culture - procurement in progress
  - Mentor support to management/boards
  - FIPAG asset management, investment and financial management support
- **Infrastructure**
  - investment in assets and systems (asset management, NRW, etc)
  - Opportunities for BOT, DBO, etc on specific projects
- **Commercial**
  - Arrangement for utility equity purchase (PPP) - transaction advisor procurement in progress
  - Review & assessment of operations assets, performance, long term strategic and financial plans
- **Finance**
  - strengthening understanding of the finance for the sector
  - Attract infrastructure investment funds
- **Environmental**
  - Climate change and operational resilience standard *modus operandi*

2021

2nd GENERATION OF DELEGATED MANAGEMENT

MOZAMBIQUE

FIT-FOR-PURPOSE

PRIVATE SECTOR

PARTICIPATION

!

Financiers' Conference

SEPTEMBER 15, 2021

Sector Maturity and Commercial Attractiveness are the basis for the 2nd Generation of PPP & the 10-year Investment Program

ORGANIZAÇÃO / ORGANIZER

FIPAG

PARCEIRO / PARTNER

THE WORLD BANK IBRD · IDA | WORLD BANK GROUP

Kingdom of the Netherlands

CO-ORGANIZAÇÃO / CO-ORGANIZERS

ÁGUAS DE PORTUGAL

VEi