

WATER & SANITATION

UPPER MIDDLE INCOME *

CLIMATE-SMART

TRADE-ENABLING

ARGENTINA

Water Supply and Sanitation & Irrigation

GIF FUNDING & LEVERAGE

GIF Project Definition Grant:

\$318,000

Estimated Project Support:

N/A

Potential Private Investment Mobilized:

up to \$2 billion

Water has been identified as a key pillar of the Argentinian Government's strategy based on a National Water Plan that aims to ensure supply and sanitation access to two-thirds of the population, expand the productive systems, adapt to climate change, and develop multipurpose projects. The Government has emphasized the importance to re-engage of private investment, which however has been lacking in this sector since the early 2000s. To implement its new PPP Program and mobilize private capital, GIF is supporting Argentina to identify and structure pilot PPP projects in the sub-sectors of Water Supply and Sanitation (WSS), and Irrigation.

EXPECTED PROJECT OUTCOMES

- ◆ Rehabilitate, expand, or extends water-supply infrastructure through under build-operate-transfer-type models
- ◆ Support utilities towards sustainability and creditworthiness with investments in soft infrastructure or equipment and performance-based service or management contracts
- ◆ Expand the irrigated area from 2.1 to 6.2 million ha through a combination of increasing the capacity of existing irrigated schemes, providing complementary irrigation, and new irrigation schemes

TECHNICAL PARTNERS



THE WORLD BANK
IBRD · IDA | WORLD BANK GROUP

* Based on World Bank Group classification by income

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BACKGROUND

Argentina is a federal country where the 23 provinces are responsible for setting policies and rules for both the water supply and sanitation (WSS) and irrigation sectors. During the 1990s many WSS utilities were concessioned out to private operators, with mixed results. Following the 2001 economic crisis, several of these concessions were subsequently cancelled and many were renegotiated, and there has been no new private sector engagement in the sector since. The Government has identified water as a key sector to drastically reduce poverty, and through its National Water Plan it aims to maximize the economic, social, and environmental value of water. The World Bank is already supporting the Plan through large public investments in the sector, but given that financial resources required exceed available funding for the plan, contributions from the private sector through PPP schemes have become fundamental. Relevant ministries have pre-identified two WSS projects and four irrigation projects that could be structured as pilot PPPs, with a potential private investment of \$68 million in WSS, and between \$8.5 million to \$368 million for each irrigation project. The focus on PPPs in water is part of a broader Government agenda to mobilize private investment in infrastructure, in which water is expected to be an “early mover” sector.

PROJECT FEATURES

GIF is supporting the Government of Argentina with the design and development of pilot PPP projects in the priority sub-sectors of WSS and irrigation. The objectives of this activity are:

- ◆ to support the identification of suitable pilot PPP projects;
- ◆ to support the definition of the selected pilot projects by incorporating international best practice and experience;

- ◆ to support the design of the financial and legal structure for the selected WSS and irrigation projects as PPPs/concessions; and
- ◆ to develop a strategy and timeline for implementing the overall PPP program, including a sequencing of projects.

This will be implemented in coordination with a second GIF PDA that will help the Government put in place the right conditions to enable successful roll-out of a broader cross-sectoral PPP program that can attract international participation.

WHY GIF

The Government of Argentina’s overall PPP agenda is ambitious and will require a strategic, coherent approach in bringing projects to market to be successful, particularly given the country’s checkered history with private investment in infrastructure. This is especially important in the water sector, where previous experience in private sector participation is both dated and faced mixed success, with many concessions renegotiated or cancelled. In this challenging context, in both WSS and irrigation the Government is now seeking to engage the private sector under new models that have not been attempted before in Argentina, and that could potentially be subsequently rolled out as part of ambitious investment programs. GIF support will help ensure these projects are structured and brought to market bearing in mind international good practice and experience, based on wide-reaching consultation with a range of prospective investors, and in a way that is coherent, and well-coordinated with the broader PPP program.

The Global Infrastructure Facility, or GIF, is a partnership of governments, multilateral development banks and private sector financiers that facilitates private-sector investment in complex infrastructure projects in emerging economies. We serve as a platform through which governments collaborate with international financial institutions and private sector investors to design, structure and implement these complex projects.

The comprehensive project-preparation support provided by the GIF draws on the expertise of its advisory partners which includes commercial banks and institutional investors. The broad partnership ensures that well-structured and bankable infrastructure projects are brought to market in a way that meets the needs of governments and service users in a sustainable way.