

LATIN AMERICA

Ecuador considers legislation for water PPPs

The country has relied on DFI funding for water and wastewater projects. Will a national PPP framework unlock more opportunities?

Sweeping policy reform legislation introduced in Ecuador's parliament on 27 September included provisions which would authorise, for the first time, the use of public-private partnerships in the country for water and wastewater projects.

While the bill was initially struck down on a technicality, the proposals are expected to be re-introduced later this year as a series of three separate reform bills – one of which will include the water PPP provisions. The original bill had proposed creating an institutional framework to promote foreign investment, and to establish a technical secretariat to structure PPPs.

The move reflects the ambitions of the current Guillermo Lasso government – which took office in May this year – to further improve water and wastewater coverage in Ecuador.

“Although this bill is facing several obstacles, we believe that this government will be able to create the right framework for PPPs, and we could see the first project being implemented in the next two years,” explained Fabian Chang, founding partner of consulting and research firm Aquaintel,

who also serves as an advisor to the Lasso administration.

To date, Ecuador has largely relied on development finance to fund major water infrastructure, with entities such as the World Bank and CAF supporting projects to meet the universal coverage targets laid out in the 2018 national water and sanitation plan.

This month, Acciona Agua was awarded a \$160 million World Bank-backed contract to construct the 345,600m³/d Los Merinos WWTP serving EMAPAG, the water utility in Guayaquil. It is the ninth water or wastewater treatment project the Spanish contractor has been awarded in Ecuador since 2017.

Major projects are concentrated in the country's three largest cities – Guayaquil, Quito, and Cuenca – which account for around 60% of Ecuador's population. While Guayaquil has almost realised its water and wastewater coverage targets, the wastewater plan in Quito has faced repeated delays. A new national water and sanitation plan, due to be announced early next year, is expected to drive opportunities for

major projects in Quito.

PPPs and concession arrangements are prohibited under Ecuador's existing constitution, except under specific circumstances. The only extant water PPP in Ecuador is the concession that Interagua, a Veolia subsidiary, has held since 2001 to operate the water and wastewater system in Guayaquil.

Market participants are cautiously optimistic that national PPP reforms will unlock new opportunities in Ecuador. Ignacio López Mier, Acciona Agua's business development director for the Americas, cited the fact that, unlike previous administrations, the current government understands the need to offer financial guarantees which would make projects commercially viable, given that regional and local entities are unable to generate sufficient cashflows.

“The current government has a clear commitment to attract international private investors and promote public-private collaboration,” López Mier told GWI. “It is still early days, but we hope that this will translate into firm steps towards PPPs in the water sector.” ■

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