

PROJECT SUMMARY
CAPITAL MOBILIZATION TO PROMOTE RESILIENCE IN WATER SERVICES
(ES-T1276/ES-Q0001)

El Salvador is facing chronic water stress, and is recognized as one of the most vulnerable countries to climate change due in part to degraded land and water resources. The *El Niño* crisis of 2015 and 2016 further exposed the water-related risks, which forced the National Water and Sewers Administration to declare a national water emergency in 2016.

At least 22% of Salvadorans (nearly 1.8 million people) do not have access to piped water in their homes, so they depend on cistern trucks to deliver water periodically or access water from public water points. Nationally, more than 50% of water is not sufficiently treated at the system level, meaning water does not meet international and national standards for drinking.

About 30% of the population (including secondary cities, peri-urban areas, and rural communities) receive water services managed by local water service providers (WSPs), such as municipal water supply operators, decentralized service providers, community water boards, Community Development Associations, non-profit associations, and private water and sanitation service enterprises. An estimated 85% of WSPs require working capital to improve and/or expand services to the populations they serve, and 65% are in a critical state.

Water users have demonstrated their capacity and willingness to pay for piped water services, which provides WSPs with continuous revenue from payments for running water plus new connection fees, and some local financial institutions (FIs) in El Salvador have demonstrated interest in providing loans to WSPs, provided they have sufficient liquidity and technical support.

The combination of quality technical services and access to financing for WSPs can improve and expand water services. The project objective is to expand and rehabilitate water services in secondary cities, peri-urban areas, and rural communities by supporting WSPs with: (i) technical services to strengthen their capacity to effectively manage and operate water and sanitation systems; and (ii) an investment vehicle to provide debt financing to local FIs for on-lending to or co-financing of WSPs to finance their expansion and improvement of water and sanitation infrastructure.

In collaboration with Catholic Relief Services (CRS), this project seeks to cover a critical financing gap in the water sector in El Salvador, with high potential for replication in other countries in the region. An innovative vehicle for financing WSPs will be developed to encourage other potential investors to join their efforts with the MIF and CRS. The project will serve to catalyze financial contributions and capacity in the water and sanitation sector.

As a result of this intervention, 300,000 people living in 150 peri-urban communities and small cities will have improved access to potable water supplied by local WSPs in El Salvador.