

Country Overview- Paraguay



The investment system of Water and Sanitation in Paraguay

1. WASH sector Governance

In Paraguay, the ownership of the drinking water and sanitation service is public and corresponds to the Paraguayan State through the Executive Branch¹. Since 2010, DAPSAN, which depends on the MOPC (Ministry of Public Works and Communication), has been the sector's Rector and is in charge of designing public policies², including financing policies.

Law No. 1614/2000 on the Regulatory and Tariff Framework of the WASH service establishes the roles of the Regulator (ERSSAN), the promoter of access to services in rural areas (SENASA) and the providers in two categories: Concessionaires (ESSAP) and Permit holders (Sanitation Boards, Water Supply Boards, others).

Apart from this scheme, other institutions are involved and/or investing to advance in this sector. Those of the central government: MADES, STP, MH, MDS, MUVH, SEN, INDERT, INDI, MAG and MEC. Binational entities: EBY and Itaipú. Subnational Governments: State Governments and municipalities. In addition to the CSOs, the Academy and the service providers which are also included in this map of stakeholders.

In view of the multiplicity of institutions and to facilitate the coordination and articulation of interventions and investments in the WASH sector, **CICOSAPS** – Inter institutional Coordination Committee for the Water and Sanitation Sector³, was created.

However, despite the efforts, this **governance system is fragmented**, with divided, overlapping and duplicated functions. There is also evidence of weak leadership in the sector's steering and regulation, a lack of public policy development and poor implementation of sector plans. Situations that generate inefficiency in the use of investments.

The **legal framework** needs to be updated to harmonize and reorient the **roles** of the institutions. Establishing clear rules will allow optimizing investments and increase the quality of WASH services.

The provision of services has difficulties in terms of quality, water supply and infrastructure. The 4515 providers with different levels of technical capacities, most of which are atomized, overlapping

¹ Law No. 1614/00, General Art 6° of the Regulatory and Tariff Framework of the Public Service for the Provision of Drinking Water and Sanitary Sewerage

² Decree No. 5369/2010 Establishing the Directorate of Drinking Water and Sanitation (DAPSAN)

³ Decree N° 1402/2019 Extension of CICOSAPS

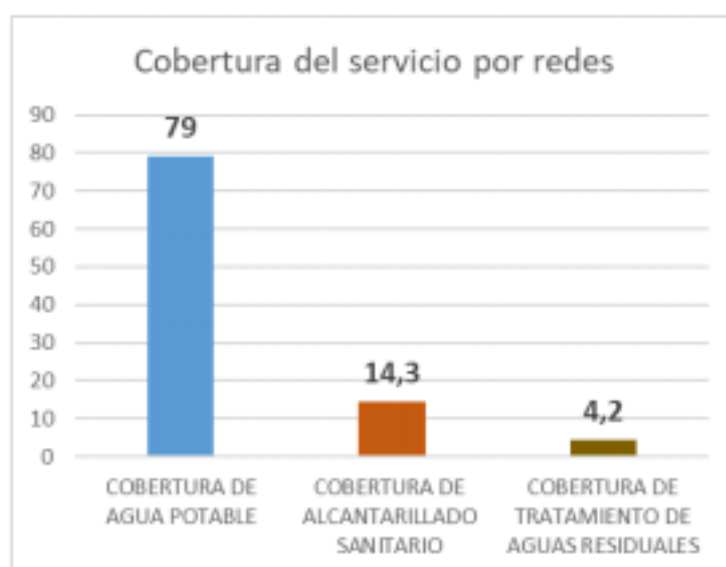
and lacking in formalization, avoid moving towards an economy of scale and sustainability of WASH services.

Sectorial information is key to improving planning and generating greater investment. However, in the country, there is evidence of dispersion, lack of clarity, consensus and even accessibility of data.

The sector is financed mainly through the General Budget of the Nation (PGN), distributed among the different institutions, but without an exclusive allocation for this sector. Financing comes largely from external credits of international cooperation, which is sub divided into non-reimbursable and reimbursable loans. However, these resources are not fully exploited due to the lack of coordination and absence of a **financial policy** for the sector. (Investment plan, sources, guarantee mechanisms), tariffs, subsidies and PPPs.

COVID-19 showed that the WASH sector is key as a mechanism to prevent and mitigate impacts on public health. On the one hand, international cooperation agencies and CSOs have prioritized their investments to provide the sector's services. On the other hand, Law 6.524/20 established exceptional guidelines for services and differentials (continuity of service and subsidies).

2. Service Coverage – Gaps



(ERSSAN, 2019)

Paraguay has **79% coverage in drinking water** by piped connections - which represents approximately **5,552,161 inhabitants**. Around 4,515 providers provide this service with water systems built by the national, departmental and/or municipal government, or by other actors in the sector.

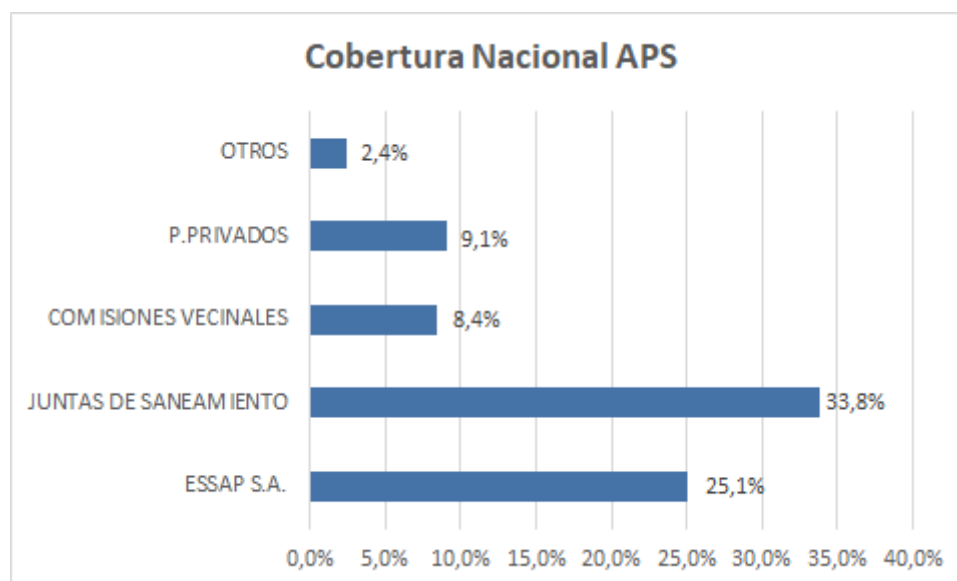
The indicators of **Coverage of Sanitary Sewage with Sewage Networks** have reached **14.3% of the population**, taking into account the investments that are being executed and the programs in financing management, this percentage will improve at a national level; furthermore, the Coverage of Sewage Treatment Systems (WWTP) has reached to 4.2% of the population.

The private watering places are located mainly in the urban areas of the country, the community systems are these Sanitation Boards, Neighborhood Commissions and others are located mainly in the periurban, rural and in small percentage in the urban areas where they do not reach the coverage of ESSAP S.A.

The main (NBI) corresponds to the inadequate sanitary infrastructure and presents significant geographical differences, with the rural population being the most affected.

Drinking water coverage by type of provider

(ERSSAN, 2019)



On the other hand, coverage in terms of **access to service** independent of the **source and quality** is of **95.3% for improved water⁴** and **80.3% for improved sanitation⁵** at the country level⁶.

Need for investments to overcome gaps

SDG 6 "Clean Water and Sanitation" and the NDP 2030, aim at the universalization of WASH services. (100% coverage).

The National Drinking Water and Sanitation Plan (PNAPS) requires an investment of **USD 6 billion** (USD 487.4 million per year until 2030), without considering the requirements for the rehabilitation of infrastructure, which as we have seen, should be of importance.

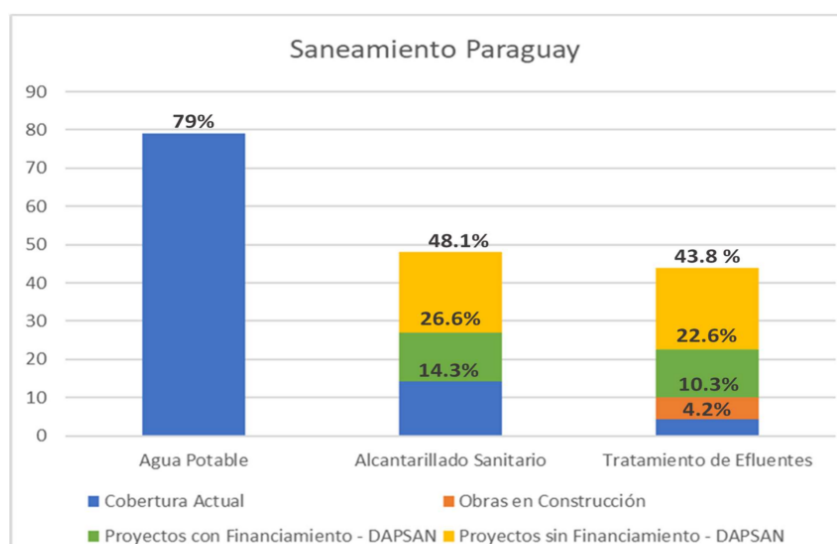
In Paraguay, the impact of the lack of sanitation infrastructure and access to water quality for consumption produces illnesses or deaths that imply an annual loss equivalent to **10,643 years of life** and a cost equivalent to 1.63% of GDP. (World Bank, 2020).

Coverage and gaps of the WASH service

⁴ **Improved sources:** piped water (inside house, in yard/batch, neighbour's, public tap), piped well, protected/covered well, protected spring, collected rainwater, tank car/tanker truck, bottled water

⁵ **Improved sanitation facilities:** sanitary sewage network, septic tank and cesspool, cesspool without septic tank, ventilated dry pit latrine (common with ventilation pipe), ventilated dry pit latrine (with slab, roof, walls and doors). (MSPBS/DGEEC/UNICEF, 2016)

⁶ MICS 2016 DGEEC/UNICEF



The projects under execution and/or near completion in the MOPC's portfolio, aim to increase coverage to **48.1%** of sanitary sewage and **43.8%** of effluent treatment by 2023.

According to SENASA (2019), the investment required in the water and sanitation sector to comply with the SDGs (2020-2030) according to the country plan in rural areas is USD 555,000,000. Expressed in three components: population gap to be covered in rural network water, improved sanitation and, SENASA's scope of competence in small cities, composed of 90 cities, out of which 35% need collective sanitation systems.

3. Mapping of investment of the WASH sector

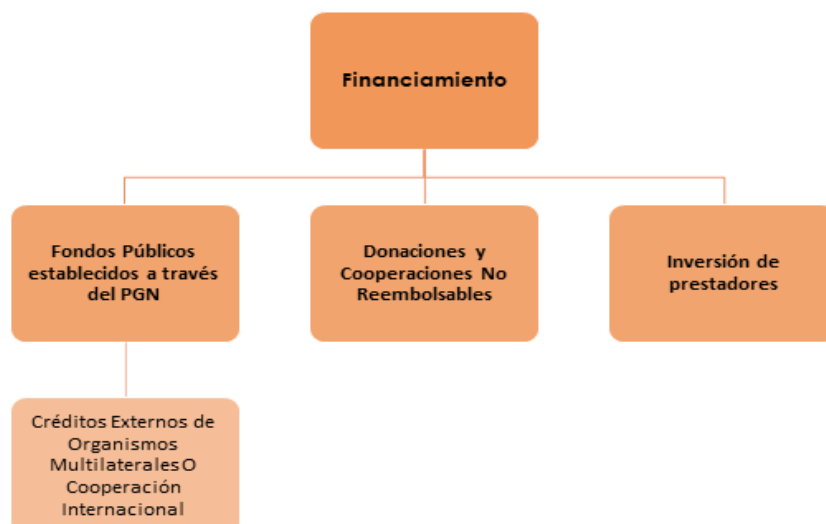
Investing in WASH contributes to the promotion of public health and generates sustained economic growth. The sector's investments are executed through projects, where the MOPC (mainly urban areas) and the MSPBS (SENASA, rural areas) are the main executors.

The **accumulated investment between 2010-2020** of the WASH sector by the MOPC and SENASA is **USD 292,000,000⁷** that represents **0.68% of the country's GDP**.

Out of this investment an estimated amount of **USD 2,010,292,000** will be added, by the MOPC portfolio. Of this last figure, **32% is in the process of being approved** by Congress (USD 647,292,000) and represents 1.3% of the MOPC portfolio budget.

The average life of **projects in the sector is more than 7 years**.

⁷ Financial Policy Report. Chama, 2018

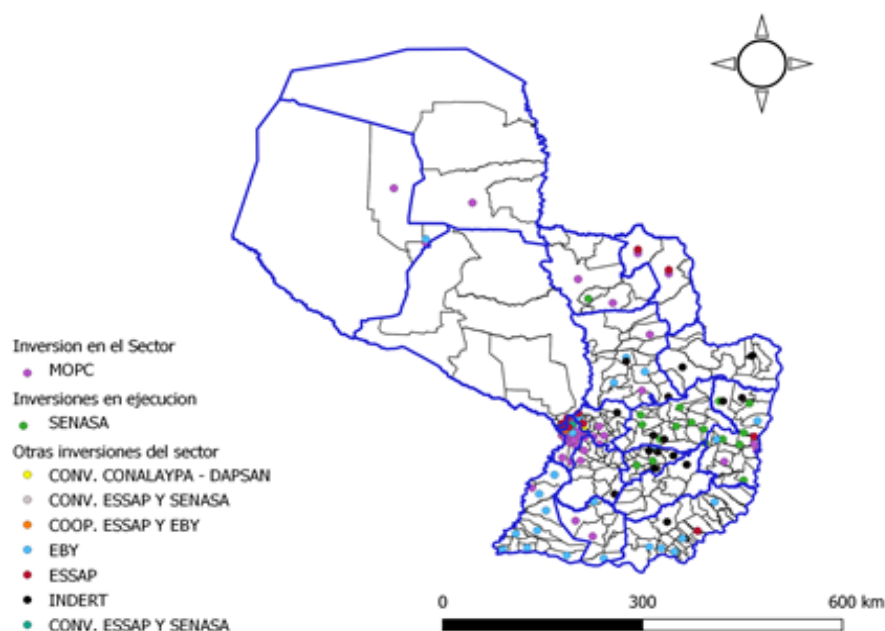


In addition, other institutions are investing in the sector, where the lack of sector planning generates the **overlapping of efforts and resources** in some areas, leaving others unattended, mainly in the most vulnerable areas of the country.

Investments in the WASH sector are more concentrated in the departments with the highest population density in urban areas.

On the other hand, service providers make private investments for the installment or expansion of coverage areas, but the scarcity of data makes their quantification complex.

Sixty six percent (66%) of sector public expenditure is financed through public credit and institutional resources (World Bank, 2020)



Budgetary sector spending is **volatile**, low in comparative terms, with historically low levels of execution, high incidence of current expenditures and dependent on external credit. (WB, 2020). Sectorial spending has grown strongly in absolute terms, but it is insufficient in relation to the needs

4. Opportunities

Improve and strengthen the governance of the WASH sector, by re-establishing a hierarchy in the sector's leadership, defining clear roles and functions of the actors, increasing technical capacities and institutional human resources, and increasing the efficiency of investments.

Promoting the Sector Information System with respect to investments, and including all actors, will facilitate national and local government to focus plans, policies and interventions, and will facilitate control and monitoring of sector financing.

Coordinate investments and prioritize resources through the establishment of a single window for the presentation and evaluation of projects competing for public resources.

Improve the allocation of resources to the WASH sector by analyzing the possibilities to establish a specific line within the PGN for sector institutions, as well as to allocate a percentage of the Royalties oriented to sub-national governments, explicitly focused on WASH interventions.

Support the creation of guarantee mechanisms and access to credit, as incentives for the validation of those of the providers, so that they can increase the coverage and quality of their services.

Establish fiscal mechanisms to support compliance with SDGs 6, 8, 16 and 17⁸ that respond to the reduction of gaps in development-oriented public spending.

Support the process of creating the Investment Plan for the WASH Sector by analyzing geo-localized investments in the sector, developing a financial plan for investment and fiscal analysis and financial sources (national and international).

5. Recommendations

SWA recommends a series of guiding principles to address the challenges of the sector correctly, mainly through:

High-level political consensus and commitment to prioritize the sector within a realistic timeframe, setting specific results to measure success.

Financial Reforms. Support this process to establish the basis for mobilizing financial resources and funding.

Sources of funding, supporting the creation of avenues to mobilize sources (either through taxes, fees, transfers or reimbursable financing) with a special focus on sanitation (due to its low coverage at the national level).

Public funds to support the reduction of inequalities, the use of these funds in the provision of services and to subsidize services, focusing on those who cannot afford to pay more.

⁸ SDG 6, Water and Sanitation for All. SDG 8 Decent Work and Economic Growth, SDG 16 Peace, Justice and Strong Institutions, SDG 17 Partnerships

Political will and leadership to undertake reforms are key to the continued reform of the WASH sector in Paraguay.

Finance Ministry is an indispensable stakeholder in supporting such reforms through financial incentives to improve governance and efficiency, as well as facilitating access to market financing.