

Water & sanitation services

Enhancing Access to finance for Local Governments / Operators

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UNDESA

Recife July 11, 2007

Enhancing access to finance for local governments / operators

● Financing water: the global viewpoint

Main financing flows

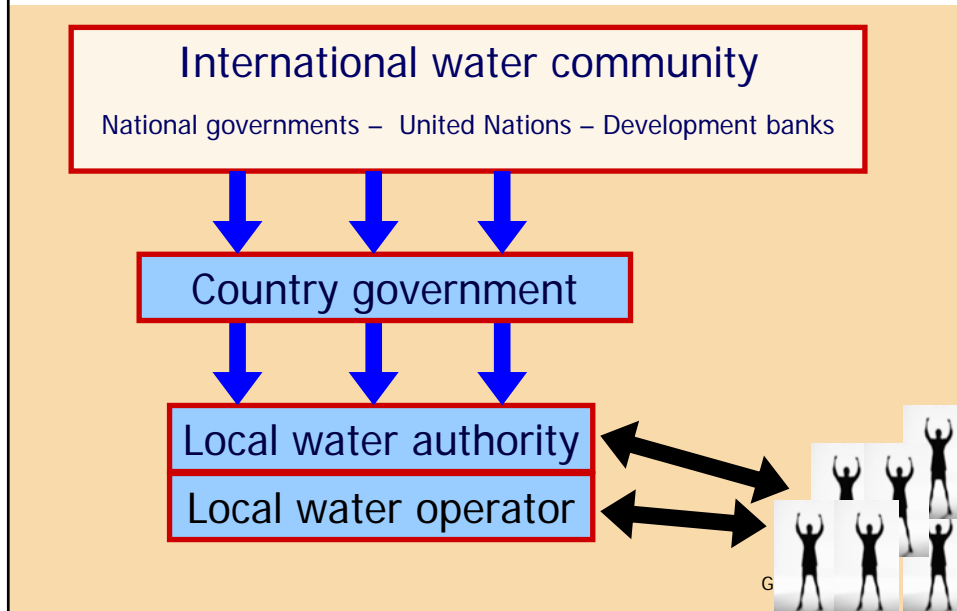
Loans: from supply to demand

Key recommendations for action

A major political move

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Water challenges at the global level



Financing Water & local governments

3 high-le

Access to finance for local governments

- ◆ "Camdessus" report March 2003
- ◆ "Gurria" report March 2006
- ◆ UNSG's Advisory Board report March 2006

A recent UN report on water

- ◆ Human Development Report November 2006

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Analysis of the situation

Camdessus: all financing flows to double !

- ◆ No material change in financing flows since Kyoto WWF3. (HDR2006 insists)
- ◆ Water management is a local issue
- ◆ Multilaterals have moved towards the "subsovereigns" but request "creditworthiness"

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- Main financing flows

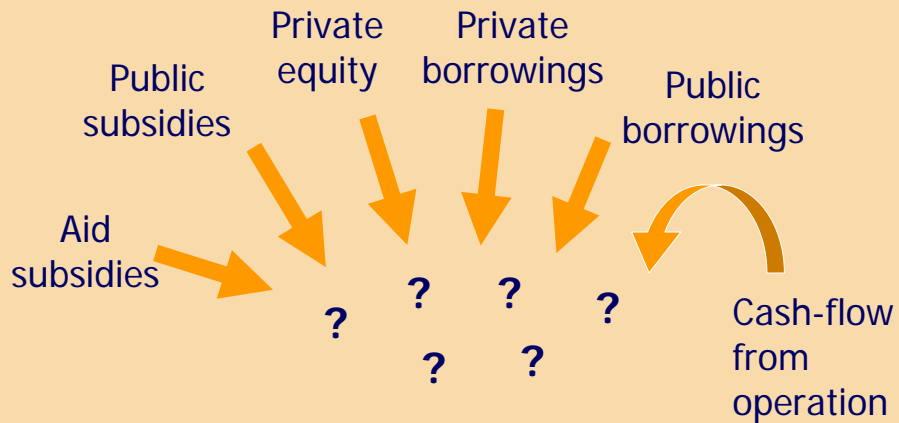
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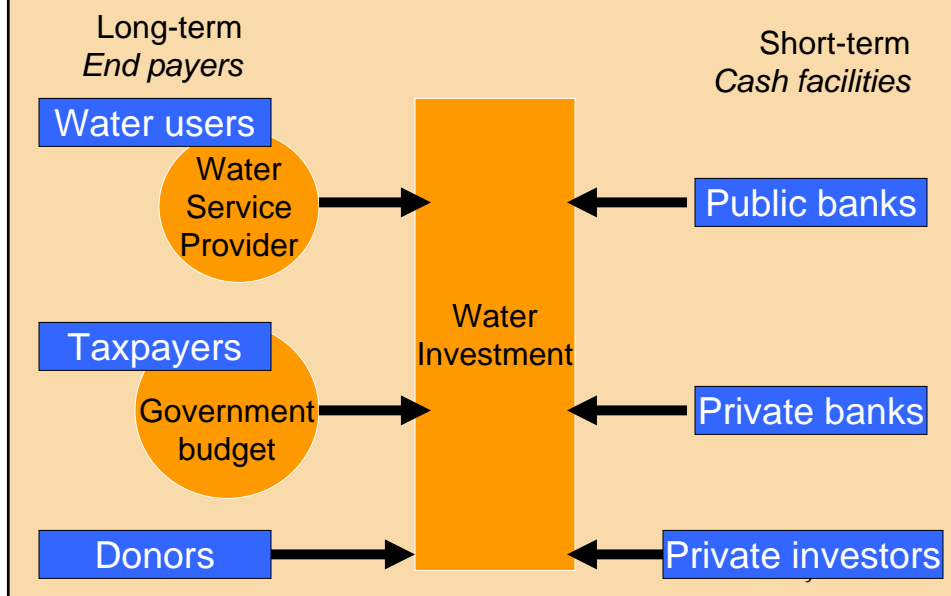
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Increasing financing flows ?

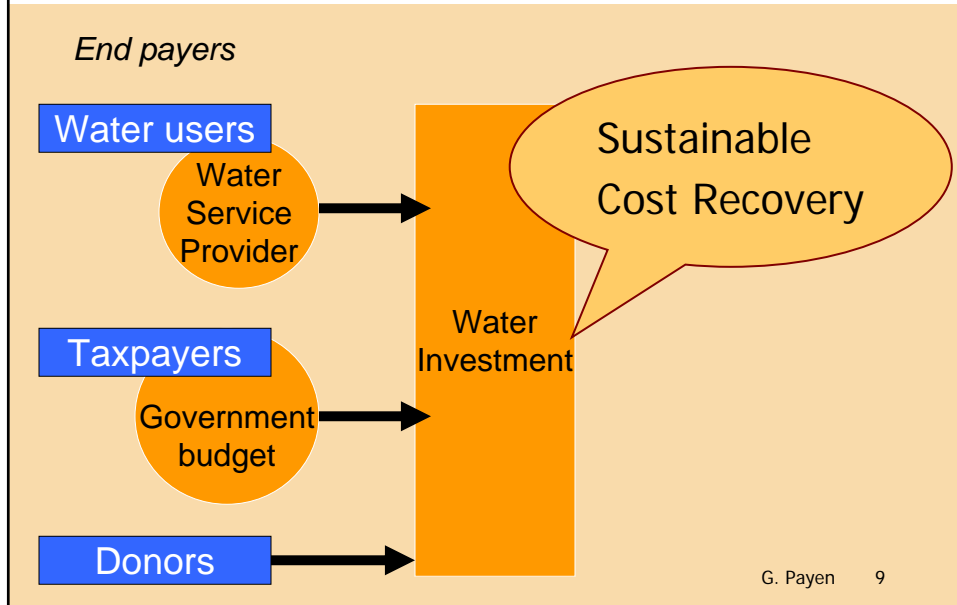


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To double water financing flows



Long term sustainability



Sustainable Cost-Recovery

Defined by the Camdessus report
in 2003

- ◆ Long-term cost-recovery policy anticipating needs
- ◆ Subsidies from public budgets secured well in advance
- ◆ Revenues from users as a group with cross-subsidisation to ensure affordability

Sustainable Cost-Recovery

Human Development Report
2006

“Water may be a human right, but someone has to pay the capital investments and cover the operating costs - **either users or taxpayers and government** ”

“Regulation and **sustainable cost-recovery** are vital to equity and efficiency”

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Sustainable Cost-Recovery

International Water Association
2006

A 4-pages “Reference paper” describes Sustainable Cost-recovery

*Link: www.iwahq.org
then search “sustainable cost recovery reference paper”*

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Loans – supply side

A bank (multilateral, public or private)
only lends if trust & creditworthiness

-strong balance sheet of local government
only some happy few ones

or

- strong balance sheet of water service
provider : Sustainable Cost-Recovery

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Shift from supply side to demand side

Gurria report

- ◆ “local governments” not “subsovereigns”
- ◆ to build financial products that suit the needs of water service providers

better than

to find WSPs that fit the current financial products of the banks

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Loans – demand side

The needs of the local government and its operator

- ◆ Long-term loans
- ◆ Affordable interest rates
- ◆ Protection against currency risk

not available in
many places

Loans in local
currency ?

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Key financial recommendations

To improve access to finance by
local governments / operators

- ◆ Central governments to have Water Action Plans C,G,U,H
- ◆ Local governments to have Water Action Plans G
- ◆ Develop Sustainable Cost-Recovery policies C,G,U,H
- ◆ Central governments to facilitate access to finance for local governments C,G,U
- ◆ Develop local financial markets C,G,U,H
- ◆ Long-term maturities with affordable interest rates G,U
- ◆ Develop pooling mechanisms C,G,U,H

C = Camdessus G = Gurria U = UNSGAB H = HDR2006

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A new voice in the international community

DECLARATION ON WATER BY MAYORS AND LOCAL ELECTED REPRESENTATIVES

At the Fourth World Water Forum, Mexico, 21 March 2006

We, mayors and local elected representatives, call on national governments, regional and international organisations and the United Nations to:

4.3. Increase financing for local water and sanitation
infrastructure to address the needs of poor populations lacking access to water and sanitation.

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Taxpayers & users
long-term loans

sustainable cost-recovery

affordable interest rates

central government to facilitate

use ODA as a catalyst
and mix funds

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