

UK Intervention on International Financing Facility
During Interactive Sanitation Session 12th April 2005

We align ourselves with the previous statements by the EU on the provision of water and sanitation services. It is clear there is a need for increased finance for the sector and more effective use of aid. The UK would like to highlight the International Financing Facility as a mechanism through which this policy option (paragraphs 37-41 of the Chair's text) could be delivered and would call on others to support this initiative.

Based on the long term commitments to increase aid that donors made at Monterrey in 2002, the IFF will leverage additional money in the short term by issuing bonds in the international capital markets.

The IFF is the only feasible mechanism to immediately generate the necessary increase in development finance to meet the MDGs. The additional finance raised by the IFF would be entirely based on front loading existing aid commitments, not new resources.

By frontloading aid, the IFF will be able to deploy a critical mass of aid when it will have the most impact. The economic and social returns of frontloading can be very high; money spent now will tackle the root cause of current difficulties and so dramatically reduce the build up of hugely expensive problems in the future.

There is a strong case for frontloading aid for water and sanitation due to the capital intensity of projects.

Significant front loaded resources will enable comprehensive investments to be made both within and across sectors, which will be complementary and self reinforcing and increase overall returns.

The IFF could secure a step change in aid effectiveness. Firstly by locking in commitments from a wide range of donors, it would provide recipient countries with predictable stable and co-ordinated aid flows. Secondly it could ensure that these aid flows are used effectively through donor agreement to high level principles, such as investing in poverty reduction, untying aid and providing aid in predictable multi year programmes. Thirdly the IFF would improve the transparency of development assistance allocation, since the facility's responsibilities to bondholders would mean that information on the spread of countries receiving IFF funds would be freely available.

For these reasons Chairman we would encourage other delegations to pledge their support for the International Financing Facility.