

Water & sanitation services

Enhancing Access to finance for Local Governments / Operators

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UNDESA – UN-Habitat
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Enhancing access to finance for local governments / operators

- **Financing water: the global viewpoint**

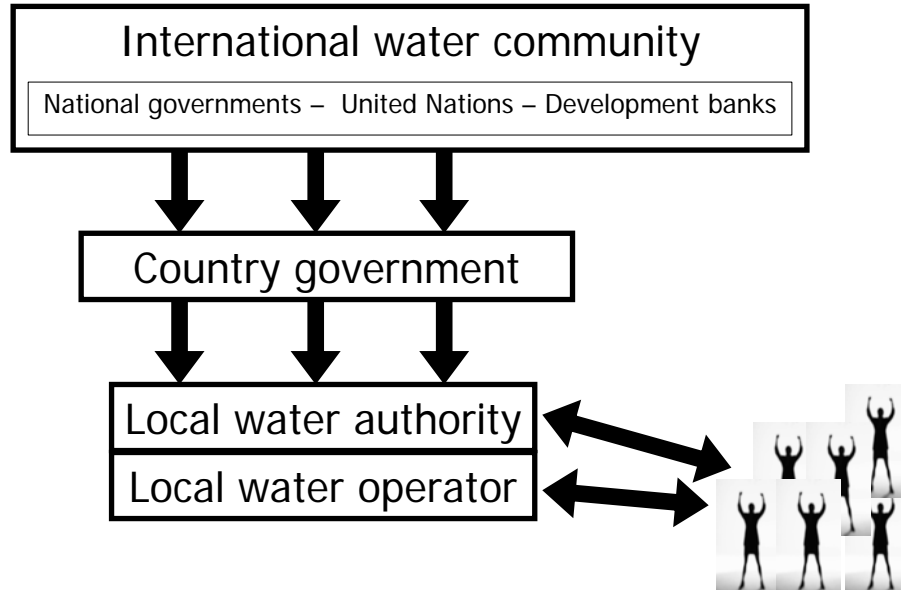
Main financing flows

Loans: from supply to demand

Key recommendations for action

A major political move

Water challenges at the global level



Financing Water & local governments

3 high-level reports on water

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

Access to finance for local governments

A recent UN report on water

- ◆ Human Development Report November 2006

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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Financing water: the global viewpoint

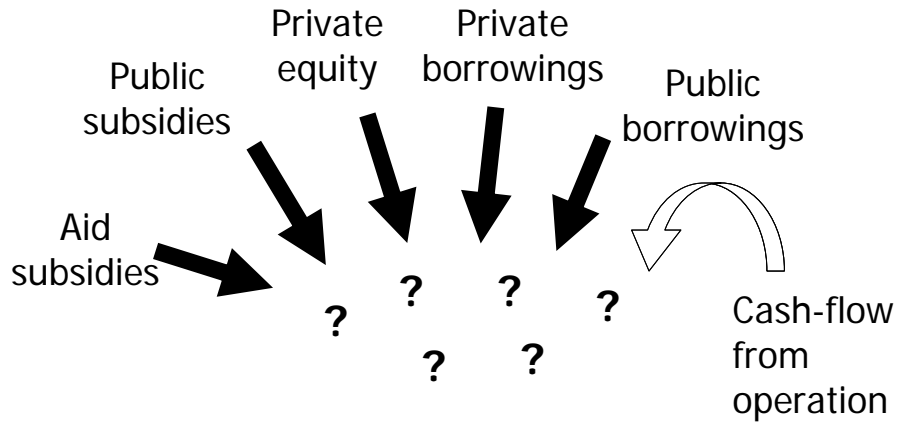
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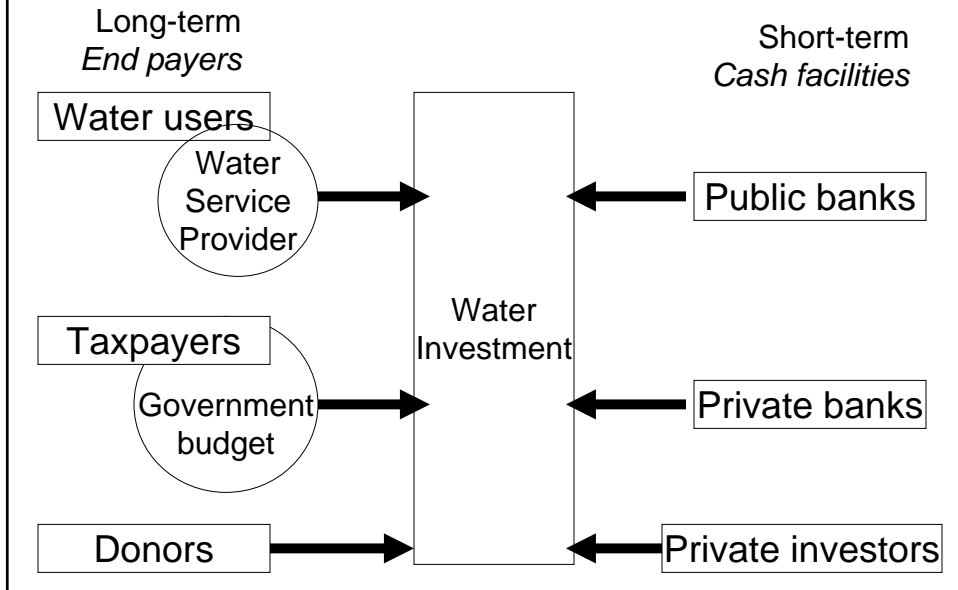
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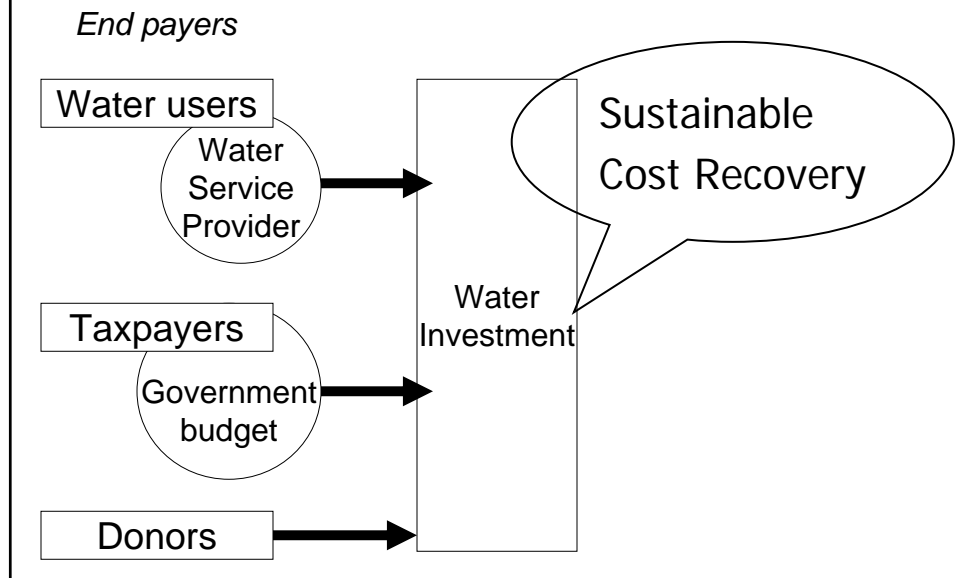
Increasing financing flows ?



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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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

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

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.

Taxpayers & users
long-term loans
sustainable cost-recovery
affordable interest rates
central government to facilitate
use ODA as a catalyst
and mix funds