Water & sanitation services

**Enhancing Access to finance for Local Governments / Operators**

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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

International water community

- National governments
- United Nations
- Development banks

Country government

Local water authority

Local water operator

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

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
- Multilateral have moved towards the “subsovereigns” but request “creditworthiness”

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Increasing financing flows?

- Public subsidies
- Aid subsidies
- Private equity
- Private borrowings
- Cash-flow from operation

To double water financing flows

- Long-term End payers
  - Water users
  - Taxpayers
  - Government budget
  - Donors
- Water Service Provider
- Water Investment
- Short-term Cash facilities
  - Public banks
  - Private banks
  - Private investors
Long term sustainability

End payers

- Water users
- Taxpayers
- Donors

Sustainable Cost Recovery

Water Service Provider

Water Investment

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.**