Water & sanitation services

Enhancing Access to finance for Local Governments / Operators

Gérard PAYEN
Member of the “Gurria Task Force” on Financing Water for All
Member of the UNSG’s Advisory Board on Water & Sanitation
President of AquaFed

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

Access to finance for local governments

- “Camdessus” report: March 2003
- “Gurria” report: March 2006
- UNSG’s Advisory Board report: March 2006
Analysis of the situation

Camdessus: all financing flows to double!

- No material change in financing flows since Kyoto WWF3
- Water management is a local issue
- Multilateral have moved the “subsovereigns” but request “creditworthiness”

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Increasing financing flows?

Private equity  
Private borrowings  
Public borrowings

Cash-flow from operation

Aid subsidies  
Public subsidies

To double water financing flows

Long-term  
End payers

Water users  
Water Service Provider

Taxpayers  
Government budget

Donors  
Public banks

Private banks  
Private investors
Long term sustainability

End payers

Water users
Water Service Provider

Taxpayers
Government budget

Donors

Sustainable Cost Recovery

Water Investment

Sustainable Cost-Recovery

“Camdessus” recommendation

- 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
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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

<table>
<thead>
<tr>
<th>The needs of the local government and its operator</th>
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<tr>
<td>Long-term loans</td>
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<td>Affordable interest rates</td>
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<td>Protection against currency risk</td>
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Key financial recommendations

<table>
<thead>
<tr>
<th>Recommendation</th>
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<tr>
<td>Central governments to have Water Action Plans</td>
<td>C,G,U</td>
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<tr>
<td>Local governments to have Water Action Plans</td>
<td>G</td>
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<tr>
<td>Develop Sustainable Cost-Recovery policies</td>
<td>C,G,U</td>
</tr>
<tr>
<td>Central governments to facilitate access to finance for local governments</td>
<td>C,G,U</td>
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<td>Develop local financial markets</td>
<td>C,G,U</td>
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<td>Long-term maturities with affordable interest rates</td>
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<td>Develop pooling mechanisms</td>
<td>C,G,U</td>
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</tbody>
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C = Camdessus   G = Gurria   U = UNSGAB
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A major political move

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