

Water & sanitation services

Enhancing Access to finance for Local Governments / Operators

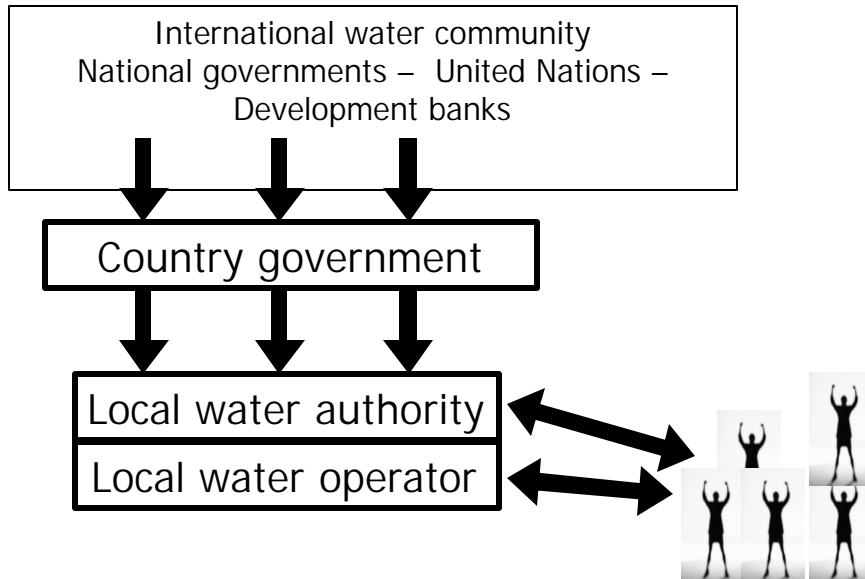
Gérard PAYEN

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



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

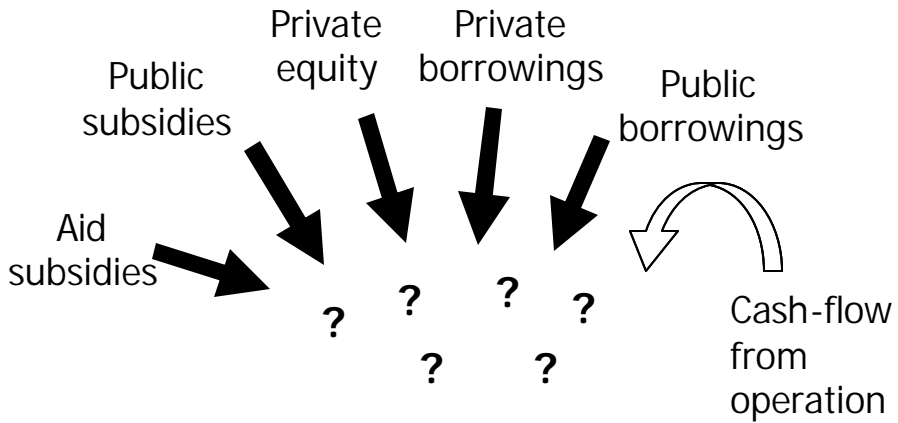
Camdessus: all financing flows to double !

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

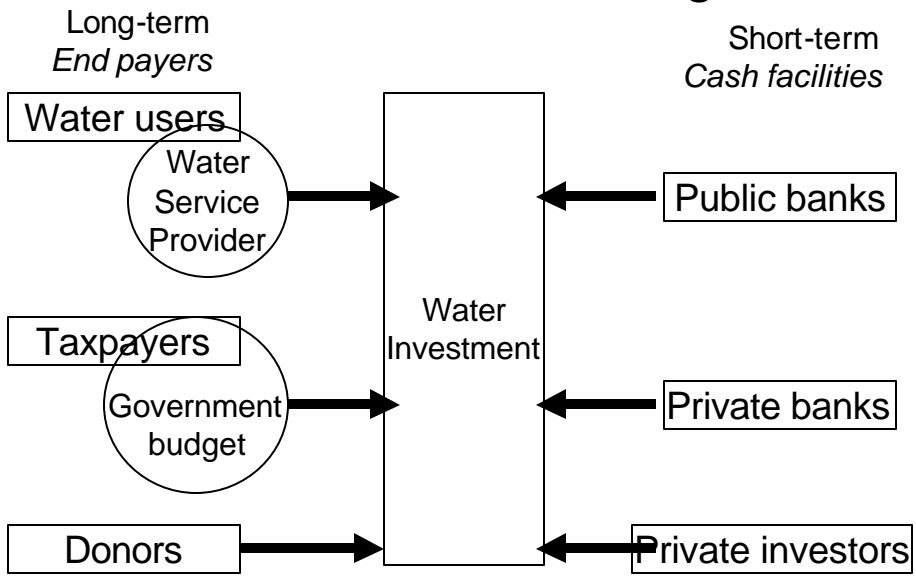
Enhancing access to finance for local governments / operators

- Financing water: the global viewpoint
 - Main financing flows
- Loans: from supply to demand
- Key recommendations for action
- A major political move

Increasing financing flows ?

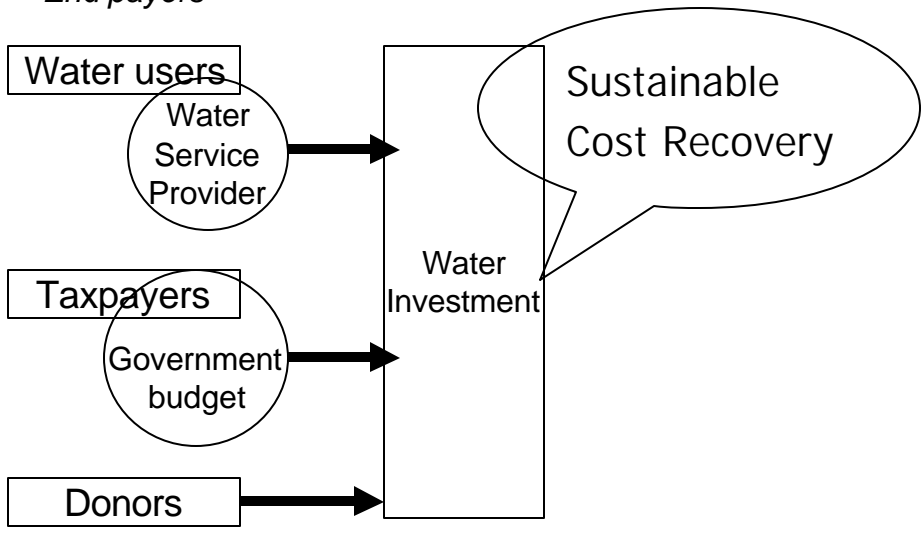


To double water financing flows



Long term sustainability

End payers



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

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**

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 ?

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

Key financial recommendations

To improve access to finance by
local governments / operators

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

C = Camdessus G = Gurria U =UNSGAB

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

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