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

UNDESA – UN-Habitat
Nairobi December 7, 2006

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 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”

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

Gerard PAYEN
UNDESA-UN-Habitat Workshop
Nairobi, 7 December 2006
Water & sanitation services
Enhancing Access to finance for Local Governments / Operators

Increasing financing flows?

To double water financing flows

Long-term sustainability

Sustainable Cost-Recovery

Sustainable Cost-Recovery

Enhancing access to finance for local governments / operators

Gerard PAYEN
UNDESA-UN-Habitat Workshop
Nairobi, 7 December 2006
Water & sanitation services
Enhancing Access to finance for Local Governments / Operators

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

Gerard PAYEN
UNDESA-UN-Habitat Workshop
Nairobi, 7 December 2006

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

Loans in local currency?

Gerard PAYEN
UNDESA-UN-Habitat Workshop
Nairobi, 7 December 2006

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,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

Gerard PAYEN
UNDESA-UN-Habitat Workshop
Nairobi, 7 December 2006

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.