



## **Water & Sanitation Services**

### **Enhancing sector financing**

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## **Financing Water & Sanitation**

### **High-level / reference reports on water finance**

- ◆ "Camdessus" report 2003 WWF3
- ◆ "Gurria" report 2006 WWF4
- ◆ UNSG's Advisory Board report 2006 WWF4
- ◆ UN Human Development Report 2006
- ◆ OECD report on pricing and financing 2009 WWF5

## Enhancing financing of the water / sanitation sector

### ● Improving governance

Increasing financing flows

Making sound water economics

Loans: from supply to demand

Key recommendations for action

3

## Improving governance

Camdessus: out of 87 recommendations  
one third are on governance

Noticeable progress, in particular

- ◆ national multi-stakeholder institutions
- ◆ annual country reports
- ◆ contractualisation with public utilities

4

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5

## Increasing financing flows

Camdessus: all financing flows to double !

Global progress:

- ◆ No evidence of material change in financing flows since Kyoto WWF3. (HDR2006 repeated).  
*Lack of global data. Knowledge of sector expenditures is poor.*
- ◆ ODA increased significantly. Many multilaterals increased their programs
- ◆ Positive political declarations: *African Heads in Sharm el Sheikh*

6

## Increasing financing flows

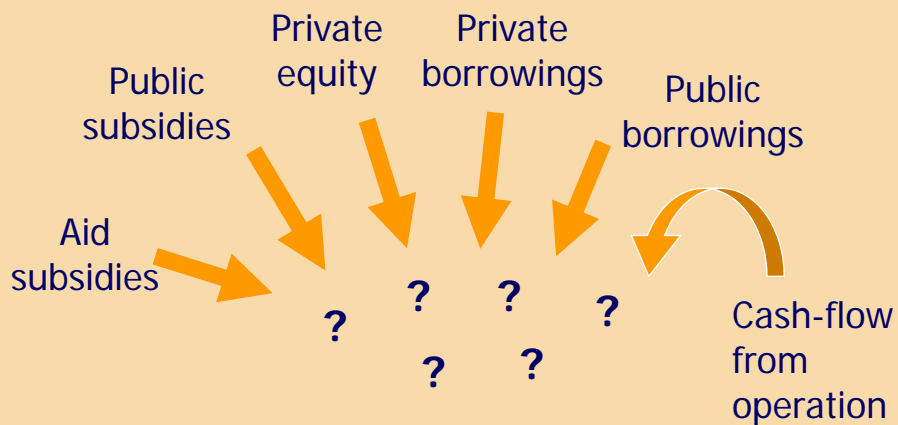
Camdessus: all financing flows to double !

### National progress:

- ◆ Many new dedicated programs
- ◆ Examples: *Philippines, Brazil, China*

7

## Increasing financing flows ?



8

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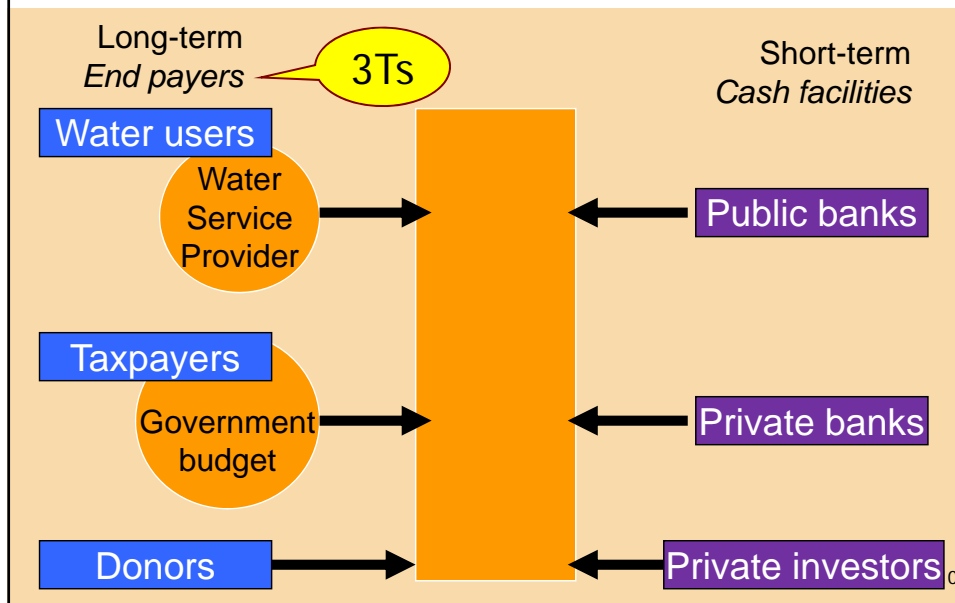
● Making sound water economics

Loans: from supply to demand

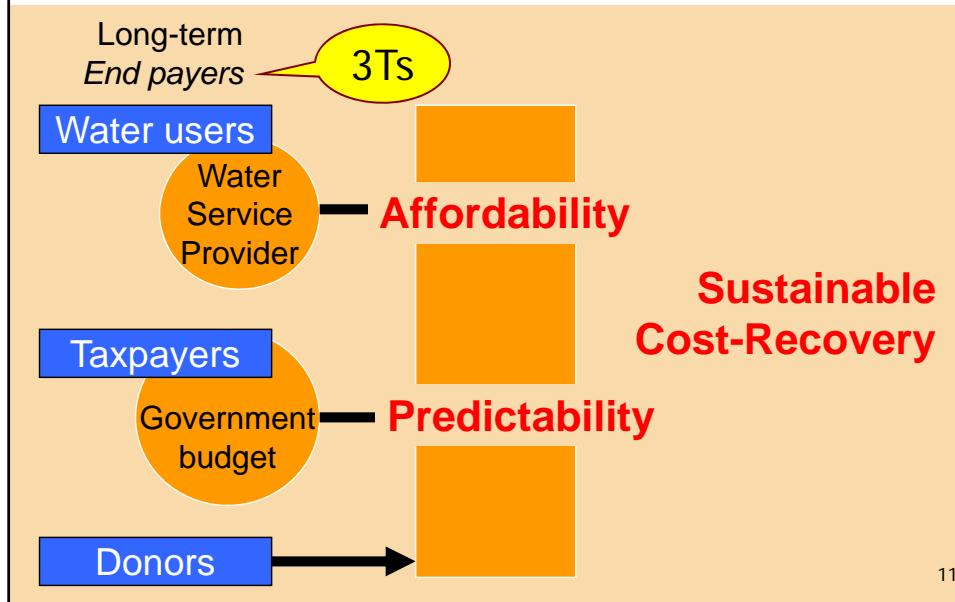
Key recommendations for action

9

## Two categories of water financing flows



## Financial sustainability



## Sustainable Cost-Recovery

### Human Development Report 2006

"Regulation and Sustainable Cost-Recovery are vital to equity and efficiency"

### International Water Association 2006

A 4-page "Reference paper" describes Sustainable Cost-Recovery

**OECD Report on Financing and Pricing Water 2009** "Sustainable Cost Recovery provides the essential foundation for achieving water- and sanitation-related investment targets".

12

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13

## Sub-sovereigns / Local utilities

Camdessus:

Water management is a local issue:

- Donors to finance “sub-sovereigns”
- Governments to permit domestic borrowings, to encourage credit pools, credit rating for sub-sovereigns
- Multilaterals to use local currencies and extend local loans maturities

14

## Loans – demand side

“Gurria”:  
local governments / operators need:

- ◆ Long-term loans
- ◆ Affordable interest rates
- ◆ Protection against currency risk

not available in  
many places

Loans in local  
currency ?

15

## Shift from supply side to demand side

Gurria report

- ◆ “local governments” not “sub-sovereigns”
- ◆ to build financial products that suit the needs of water service providers

*better than*

to find providers that fit the current  
financial products of the banks

16

## Sub-sovereigns / Local utilities

### Global progress

Multilaterals have moved towards the “sub-sovereigns” , offering more and more local currencies and have even extended maturities in some projects

However, they need borrowers that are “creditworthy” and this not the typical case

17

## Sub-sovereigns / Local utilities

### National progress

- Some African utilities are being “rated”
- Central governments organise funding of local utilities: Colombia, The Philippines, etc
- Better utility management created creditworthiness: Phnom Penh, Kampala, etc

18

## Sub-sovereigns / Local utilities

### National progress

- Revolving fund in Tamil Nadu (India): a pooling mechanism that allows “non-creditworthy” local utilities to borrow
- In Morocco, utilities can borrow in local currency

19

## Enhancing financing of the water / sanitation sector

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20

## Key financial recommendations

- ◆ 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
- ◆ Multilaterals to lend to “sub-sovereigns” C,G
- ◆ 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

21

## Key financial recommendations

### Positive responses

- ◆ Central governments to have Water Action Plans
- ◆ Local governments to have Water Action Plans
- ◆ Develop Sustainable Cost-Recovery policies OECD
- ◆ Central governments to facilitate access to finance for local governments Philippines
- ◆ Multilaterals to lend to “sub-sovereigns” World Bank, Asian Development Bank
- ◆ Develop local financial markets
- ◆ Long-term maturities with affordable interest rates Cambodia
- ◆ Develop pooling mechanisms India

22

**Thank You**



Source: Suez