

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

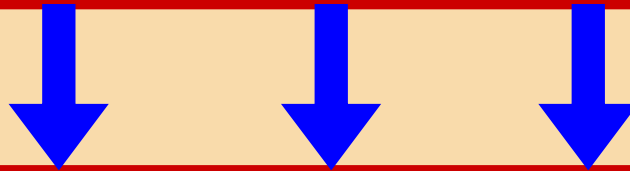
Loans: from supply to demand

Key recommendations for action

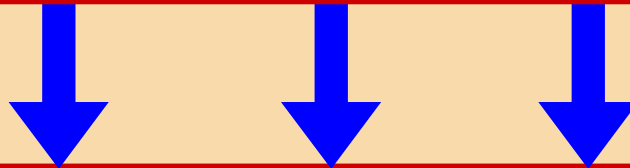
A major political move

# Water challenges at the global level

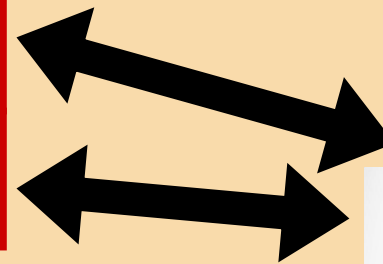
**International water community**  
National governments – United Nations – Development banks



**Country government**



**Local water authority**  
**Local water operator**



# Financing Water & local governments

3 high-level

Access to finance for local governments

- ◆ "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
- ◆ Multilaterals have moved towards the "subsovereigns" but request "creditworthiness"

# Enhancing access to finance for local governments / operators

## Financing water: the global viewpoint

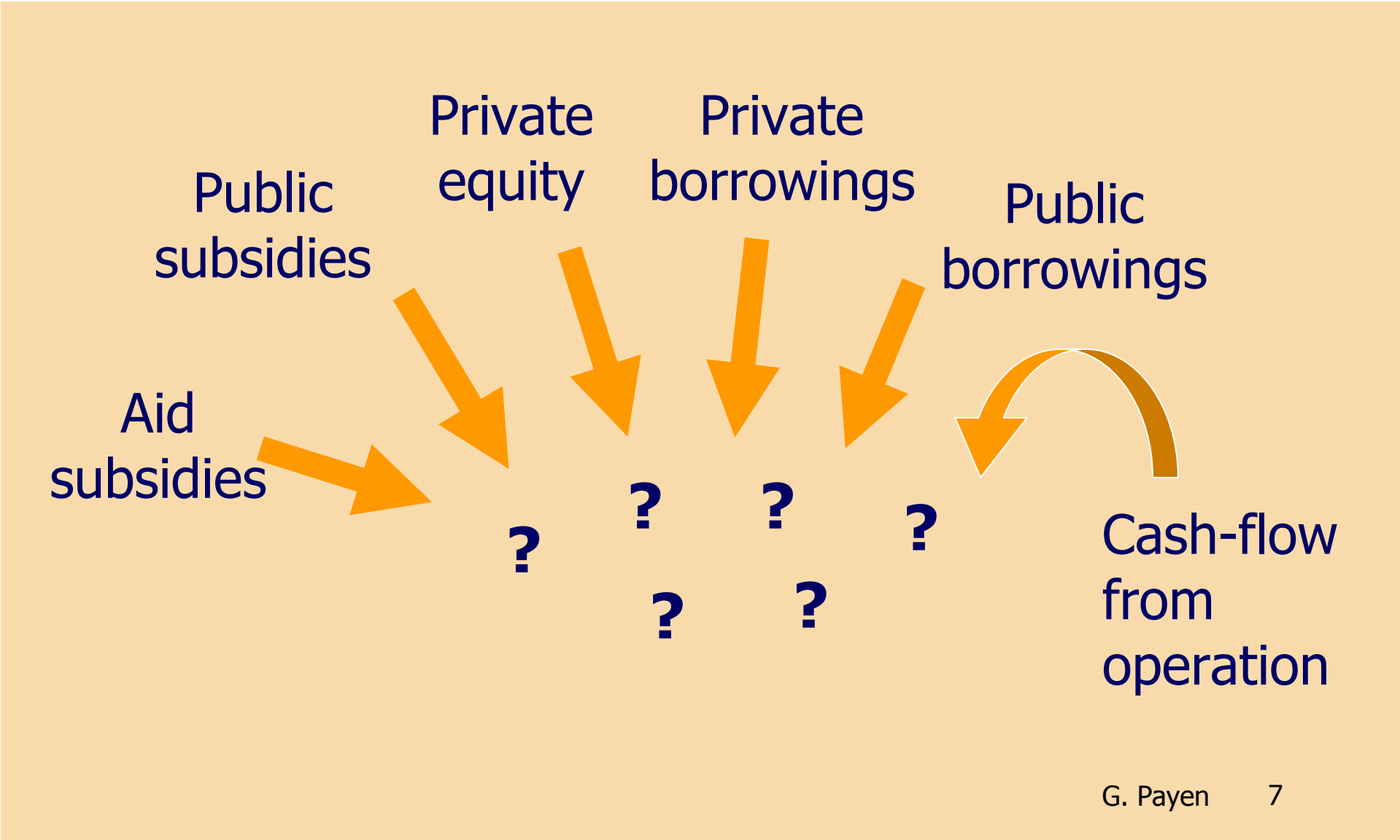
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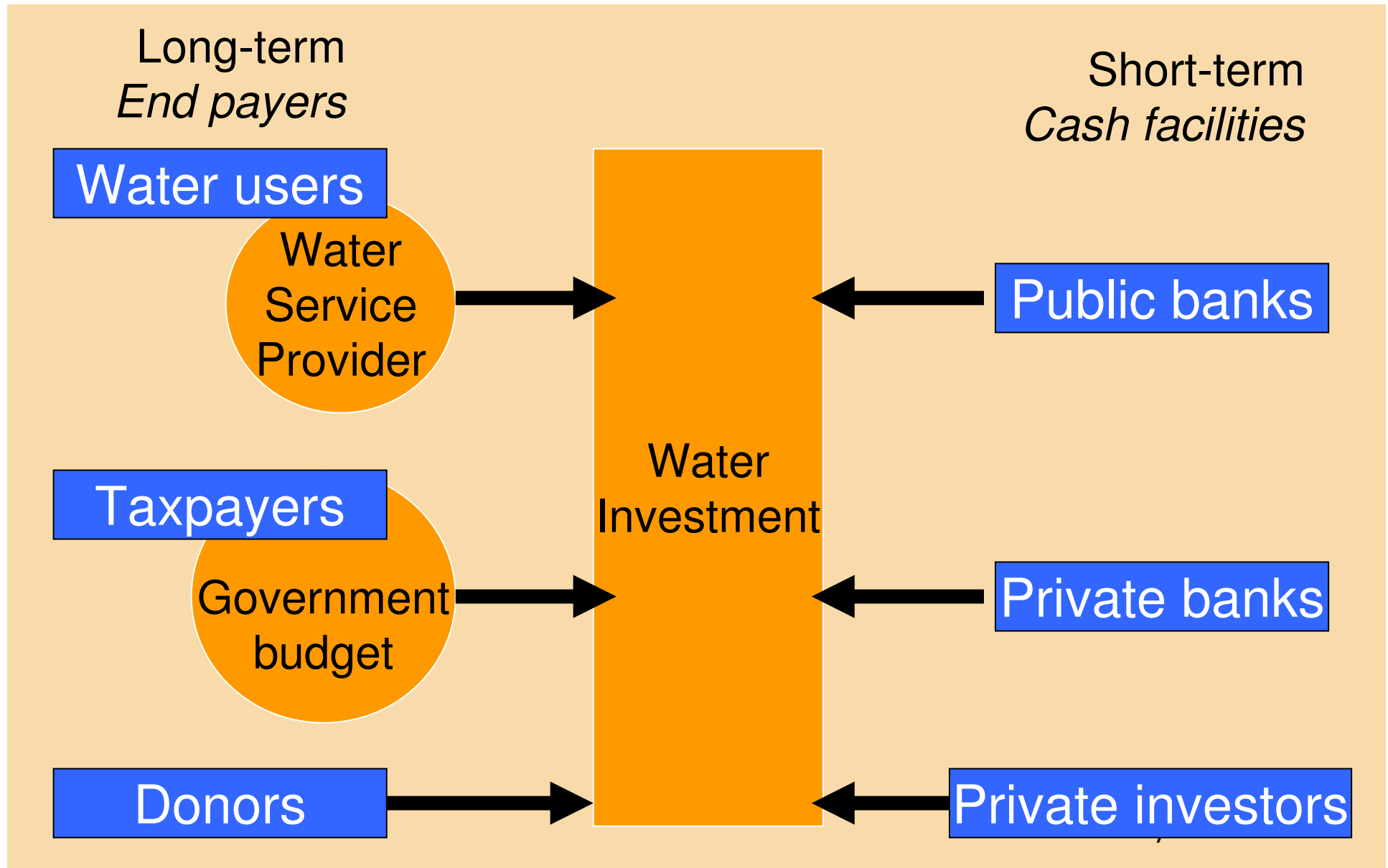
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# Increasing financing flows ?



# To double water financing flows



# Long term sustainability

*End payers*

Water users

Water  
Service  
Provider

Taxpayers

Government  
budget

Donors

Water  
Investment

Sustainable  
Cost Recovery

# Sustainable Cost-Recovery

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”

# Sustainable Cost-Recovery

International Water Association  
2006

A 4-pages "Reference paper" describes  
Sustainable Cost-recovery

*Link: [www.iwahq.org](http://www.iwahq.org)*

*then search "sustainable cost recovery reference paper"*

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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

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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.***

**Taxpayers & users**

**long-term loans**

**sustainable cost-recovery**

**affordable interest rates**

**central government to facilitate**

**use ODA as a catalyst**

**and mix funds**