



Financing Water for All *Gurria Task Force*



**Delivering financial engineering
and concessionality to local partners
New approaches from AFD**

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ODA = catalyst of water sector financing

ODA

leverage

Goals

Stakeholders

Tools

- Access to water for all (MDGs)
- Sustainability

Multiple Stakeholders
public, private, civil society
foreign, central and local)

Multiple Financing Sources

NGOs

Consumer financing

FDI

Migrant Transfers

Local finance

Gvt budget





Increase in “good old” ODA financing tools required

- ❑ **Advocating for more ODA funding in the sector**
 - ODA estimated to cover only 15% of funding needs, even after doubling
 - “Classic” ODA sovereign financing needed to stop **erosion** of existing infrastructure and cover **upfront structural capital investments**
 - **Access to water services requires (source OECD):**
 - USD 80 / inhabitant = average in developing countries
 - USD 260 / inhabitant in Africa : 80% is rehabilitation (lack of self funding capacity, poor management and inadequate consumer financing through payment of services)
 - More **grant financing for sanitation**, so far poorly addressed by aid
- ❑ **Main source of funding = consumer payment for services**



ODA has to take more risks

- ❑ **ODA can take more risks** in support of local financing solutions
 - **Non and sub sovereign** lending
 - **Financial vehicles** to support local access to LT capital in local **currency** (eg. MFI support, local currency bond guarantees, ...)
 - **Guarantee** and risk mitigation tools
 - **Soft loans to private sector** for projects with strong economic/environmental/social impact but deferred financial viability
 - **Output based aid** mechanisms
 - **Flexible loans** allowing indexation of debt service or concessionality on given indicators (e.g. cash flow)



For that to happen :

(1) need to assess & mitigate the risks...

- ❑ **The tariff issue** : raise awareness on **payment** for water services
 - “Free” water services are **not sustainable and expensive**, particularly for the poor
 - No local financing solution without **minimal financial viability**

- ❑ **The governance issue** : building **economic confidence**
 - Regulated **contractual arrangements** improve transparency, governance and performance (eg. case of PPPs)
 - Improved governance and performance **attracts financing**, local and foreign
 - Importance of **monitoring** : what gets measured gets done



For that to happen : (2) make sure new tools account as ODA

- ❑ Recognize **ODA value of guarantee schemes** (partial risk guarantees, guarantees in local currency, etc.)

Thank you ...

