Financing Water for All
Gurria Task Force

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

4th World Water Forum,
Mexico City, March 17, 2006

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ODA = catalyst of water sector financing

**Goals**
- Access to water for all (MDGs)
- Sustainability

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

**Tools**
- Multiple Financing Sources

- ODA
- NGOs
- Consumer financing
- FDI
- Migrant Transfers
- Local finance
- Gvt budget

leverage
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 (e.g. 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)
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: (1) need to assess & mitigate the risks...
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 ...