



FINANCING WATER FOR ALL

From the Camdessus Panel to the Gurria Task Force

Access to finance is an essential part of the local capacity to develop and manage water resources and water services in a sustainable way. It is on this local level that action has to take place to meet the global challenges for a secure water future for all.

The Panel on Financing Water Infrastructure under the chairmanship of Michel Camdessus in 2003 recommended that Funding flows should double and financing institutions should adjust their instruments to enhance the supply of finance for the sub-sovereign level to meet the MDGs. Task Force 7 of the MDG Project confirmed this. All the IFIs and some bilateral donors have responded positively and made important efforts to have their financing instruments reach the sub-sovereign level. Also important impact has been made on the political side through the G8 meetings where commitments are made to double the level of ODA.

The Gurria Task Force on “Financing Water for All” is established by the World Water Council, the Global Water Partnership and the Secretariat of the 4th World Water Forum as a direct consequence of the Camdessus Panel, to maintain its momentum. The World Bank, the Regional Development Banks, some civil society organisations and representatives of local governments joined this Task Force.

Why a new report on Financing Water for All?

The Task Force on Financing Water for All was established to provide recommendations on innovative financing mechanisms and make concrete proposals for immediate action that enhance the access of local governments to financial resources for investments in water services and agricultural water management.

The tasks covers an assessment of (i) the status and trends in water financing, (ii) reasons behind current water financing trends, (iii) examples of innovative financing options being explored and tested with local governments and (iv) the future of financing for the water sector, particularly at the local government level.

The Task Force has given special attention to (i) the financing needs of local governments, especially as they are increasingly being faced with impacts that accompany decentralization, and (ii) the financing of necessary investments in agricultural water management to enhance efficiency and productivity of the sector that uses the most water.

Recommendations for enhancing investments in water

The importance of rural and urban local governments is growing because of decentralisation. Also the bulk of finance originates from contribution of users of the services and taxpayers. However, a main obstacle in increasing the financial flows is the local capacity. This demands that now the main focus on sustainable water sector development is put on the demand side of the local actors.

This report makes this important shift from the supply to the demand side and the need to match these better. The essential need for adequate capacity at local level to bring about the changes needed is paramount.

National as well as local governments are urged to give in their planning investments in water services for all water the proper priority for financing and to take appropriate action to develop the necessary institutional and financial capacities at local level to enable an increase of financial absorption capacity. These include tariff structures and regulation of services to ensure sustainability and social and political acceptance. They also need to ensure in their strategies that the benefits are really targeted at the poor.

Service agencies will need to be more customer-oriented and provide a better service if this potential of users contribution is to be realised and especially for agriculture, the trend to give Water User Associations more delegated responsibilities needs to be accompanied by sufficient delegation of powers (“voice and choice”) to enable them to function effectively in this new environment.

Governments are also urged to develop local capital markets and provide access to these markets for local governments and service providers to make investments possible. Building of associated local capacity is essential. Working in partnerships of local and national government, users of services, service providers, and national and international financiers is essential for the development of sustainable investments in services.

External aid will continue to be needed in this sector. Donors should be more receptive to new roles for aid, with the keynotes being facilitation, leverage and capacity building. Bilateral and multilateral financing agencies coordinate aid to stimulate development of local capital markets making local currency loans possible and more attractive. Governments, donors, and IFIs should develop appropriate fora involving local financial service providers to identify ways of promoting microfinance in water. They should also review the impact of existing credit and capital market controls on the potential development of a microfinance market for this purpose.

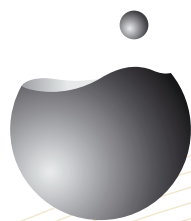
Aid donors commit themselves to taking urgent action to increase the share of water in ODA, and to increase the level of disbursement to the water sector. In particular, international aid donors pledge themselves to overcoming impediments to increased spending in the water sector.

In order to secure finance for essential major infrastructure from IFIs and commercial lenders, working arrangements are required, which take account of the key elements of the World Commission on Dams report. However, these should avoid unnecessary delays and complex procedures.

Partners

Global Water Partnership
Secretariat of the 4th World Water Forum

This report and detailed case studies can be found at : www.financingwaterforall.org



World Water Council
World Water Forum

World Water Council
Espace Gaymard - 2/4 place d'Arvieux - 13002 Marseilles - France
Phone: +33 (0)4 91 99 41 00 - Fax: +33 (0)4 91 99 41 01
Email: wwc@worldwatercouncil.org
Website: www.worldwatercouncil.org