

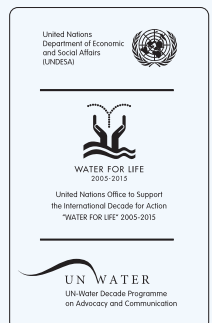
Financing Water and Sanitation Reader

UN-Water Decade Programme on Advocacy and
Communication (UNW-DPAC)

Produced by the UN-Water Decade Programme on Advocacy and Communication (UNW-DPAC), this reader is intended for all those interested in getting familiar with financing issues related to water and sanitation. The reader provides basic references for easy reading and some of the latest and most relevant United Nations publications on financing. It also contains references for specific audiences such as financial institutions and policy makers. Link is provided when the publication is available online

United Nations Office to Support
the International Decade for Action
'Water for Life' 2005-2015

www.un.org/waterforlifedecade



Financing water and sanitation: an overview

■ **UN-Water Global Annual Assessment of Sanitation and Drinking Water (GLAAS) 2010. Targeting resources for better results**

World Health Organization (WHO). 2010

www.unwater.org/downloads/UN-Water_GLAAS_2010_Report.pdf

The purpose of the GLAAS report is to provide key information, based on data collected from a large number of sources, concerning sanitation and drinking-water in the developing world: specifically, the use of sanitation and drinking-water services, government policies and institutions, investments of financial and human resources, foreign assistance and the influence of these factors on performance. It strives to enable comparisons to be made across countries and regions and is expected to achieve global reporting within the coming years. This first report covers 42 countries and 27 external support agencies.

■ **Hashimoto Action Plan II**

United Nations Secretary-General's Advisory Board on Sanitation (UNSGAB). 2010

www.unsgab.org/HAP-II/HAP-II_en.pdf

The Hashimoto Action Plan II articulates a time-bound vision, targeted actions and outcomes aiming to ensure the achievement of the MDG water-related target. It provides recommendations to its partners to achieve objectives in five key areas: financing, sanitation, monitoring and reporting, integrated water resources management and water and disaster.

■ **3rd United Nations World Water Development Report: Water in a Changing World.** Chapter 4

World Water Assessment Programme (WWAP). 2009

www.unesco.org/water/wwap/wwdr/wwdr3/pdf/14_WWDR3_ch_4.pdf

Chapter 4 of the 3rd edition of the UN World Water Development Report focuses on financing issues.

■ **Water – the blue web that unites us**

World Water Assessment Programme (WWAP). 2009

www.unesco.org/water/wwap/wwdr/pdf/WWAP_G8.pdf

This report presents a brief review of progress made since the Water Action Plan agreed at the 2003 G8 Summit in Evian, France. It includes an introduction to some of the key themes of the United Nations World Water Development Report 3: Water in a Changing World and proposes then some priority areas for discussion at the 2009 G8 Summit in Abruzzo, Italy. Chapter IV 'Putting water onto a sounder financial footing' specifically covers the financing issue.

■ **UN-Water Global Annual Assessment of Sanitation and Drinking-Water (GLAAS) 2008 pilot report. Testing a new reporting approach**

World Health Organization (WHO). 2008

www.who.int/water_sanitation_health/glaas_2008_pilot_finalreport.pdf

This GLAAS pilot report presents the concept of a possible global, periodic, comprehensive reporting mechanism to inform policymaking in the sanitation and drinking-water sectors. Among the specific objectives of this pilot report are to present an all-round view of the sanitation and drinking-water sectors by collecting information on country capacities, national financing and external aid priorities; assess the ability of countries and external support agencies to compile institutional and financial data in the sanitation and

drinking-water sectors for use in periodic sector reporting; stimulate discussion on the development of better indicators to monitor progress in the sanitation and drinking-water sectors; show lessons learned and recommend a way forward to the possible establishment of a global periodic comprehensive reporting mechanism on the sanitation and drinking-water sectors.

Financing mechanisms

■ **The Challenge of Financing Sanitation for Meeting the Millennium Development Goals**

World Bank Water and Sanitation Program (WSP). 2004

www.wsp.org/UserFiles/file/af_finsan_mdg.pdf

In addressing the challenge of financing sanitation, this paper explores three strategic issues: (a) ways to find effective strategies and funding mechanisms for sanitation promotion while ensuring rapid service expansion, (b) ways to leverage household, community, local government and other market based resources for the sector while ensuring demand responsive approaches, (c) ways to (re)design public finance strategies for sanitation which focus on identifying: approaches for accelerating sustainable sanitation access, institutional mandates, sources of finance and financing mechanisms, trade-offs in allocation and performance of monitoring systems. These issues are developed using examples and case studies from several countries. The paper concludes with actions required by key stakeholders.

■ **Financing Water and Sanitation: Utilizing Risk Mitigation Instruments to Bridge the Financing Gap**

World Bank. 2005

[irispublic.worldbank.org/85257559006C22E9/All+Documents/85257559006C22E98525700600662370/\\$File/WSS_Investments.pdf](http://irispublic.worldbank.org/85257559006C22E9/All+Documents/85257559006C22E98525700600662370/$File/WSS_Investments.pdf)

This paper presents some of the findings from the review of experiences with risk instruments and sub-sovereign lending and identifies ways to increase financial flows to the sector.

Financing water and sanitation for the poor

■ **Financing On-Site Sanitation for the Poor. A Six Country Comparative Review and Analysis**

World Bank Water and Sanitation Program (WSP). 2010

www.wsp.org/UserFiles/file/financing_analysis.pdf

This research seeks to identify the best-performing approaches and the relevant factors and issues to consider in designing a sanitation financing strategy. The report offers guidance to sector professionals developing on-site sanitation projects and programs, which play a leading role in providing access to sanitation. The study compares alternative financing approaches based on a set of common indicators, including in terms of the effectiveness in the use of public funds and targeting. The report also shows that households are key investors in on-site sanitation, and careful project design and implementation can maximize their involvement, satisfaction, and financial investment. The study covers six cases from Bangladesh, Ecuador, India, Mozambique, Senegal and Vietnam.

Information materials for specific audiences

Financial institutions

■ **Financing Water: Risks and Opportunities**

UNEP Financing Initiative. 2007

www.unepfi.org/fileadmin/documents/WRR_Issues_Paper.pdf

This report is concerned with the major water-related risks incurred by banks and other financial institutions. Some of these risks are common to all types of business; others are specific to water or arise with particular force in this sector. This paper focus on the following risks: commercial (e.g. tariff, cash flow profile, credit risk); political (expropriation, political interference, devaluation); legal, regulatory and contractual (law and contract enforcement, regulation); water resource risks (scarcity, flooding, pollution, reallocation); reputational (compliance with good practice, corruption, stakeholder activism).

Water utilities

■ **Financing Water Supply and Sanitation Investments: Estimating Revenue Requirements and Financial Sustainability**

World Bank. 2005

info.worldbank.org/etools/docs/library/240093/FINANC~1.PDF

This paper examines the applicability of conventional formulas that have been widely used in the water supply and sanitation sector to determine revenue requirements for average tariffs. It discusses the impact of capitalization issues on revenue requirements, particularly focusing on the lack of long term financing for water investments in developing countries. This paper is mainly

intended for public utilities that are experiencing difficulties in meeting their financial commitments because of insufficient operating revenues and capital financing.

Financing water and sanitation around the world

Africa

■ **How Can Reforming African Water Utilities Tap Local Financing Markets?**

World Bank Water and Sanitation Programme (WSP). 2007 (Revised 2009)

www.wsp.org/userfiles/file/African_water_utilities_local_financial_markets.pdf

A regional workshop held in Pretoria, South Africa in August 2006 assessed the scope for 'Market Finance for Water Utilities in Africa'. The workshop focused on two finance related obstacles to achieving the Millennium Development Goals (MDGs) on water and sanitation: mobilization of additional funding resources to develop the water sector; and ensuring that these investments result in sustainable service delivery. This paper draws on presentations and discussions from the workshop as well as six utility case studies and 14 utility questionnaires.

■ **Financing Small Water Supply and Sanitation Service Providers. Exploring the Microfinance Option in Sub-Saharan Africa**

World Bank Water and Sanitation Programme (WSP). 2003

www.wsp.org/UserFiles/file/329200795910_afFinancingSmallWaterSupplySanitationProvidersMicrofinanceSSA.pdf

This paper discusses the development of the microfinance sector and services in sub-Saharan Africa and the potential demand for financial services by small water and sanitation service providers. The

role of governments and development partners in facilitating the finance and credit for small providers is also discussed.

Latin America and the Caribbean

■ **Drinking water supply and sanitation services on the threshold of the XXI century**

United Nations Economic Commission for Latin America and the Caribbean (UNECLAC). 2004

www.eclac.org/publicaciones/xml/9/19539/lcl2169i.pdf

The objective of this paper is to analyse the status of drinking water supply and sanitation services in the countries of Latin America and the Caribbean. The first section of the paper consists of an analysis of access to services and their quality. The second section of the study contains an analysis of the reforms carried out in recent years by the countries of the region. Despite the inevitable differences in a region that includes very different countries, the reforms have shown many common features: institutional separation of the functions of sectoral policymaking, economic regulation and systems administration; extension and consolidation of the decentralization process in the provision of services; a general interest in promoting private participation; formulation of new regulatory frameworks; and the requirement, since the crisis of the 1980s, that services should move towards being self-financing, and when that occurs, that subsidy arrangements should be set up for low-income groups. Lastly, some conclusions are drawn.

International Decade for Action 'Water for Life' 2005-2015

A Decade for Water, a Decade for Life

Towards the primary goal of the Water for Life Decade, Spain has agreed to provide resources to the United Nations to establish an Office to support the International Decade for Action. Located in Zaragoza, Spain, and led by the United Nations Department of Economic and Social Affairs (UNDESA), the Office implements the UN-Water Decade Programme on Advocacy and Communication (UNW-DPAC) aiming at sustaining the global attention and political momentum in favour of the water and sanitation agenda at all levels during the Decade.

The views expressed in this publication do not necessarily reflect the views of the United Nations Secretariat or the United Nations Office to Support the International Decade for Action (UNO-IDfA) 'Water for Life' 2005-2015.

The designations employed in this publication and the presentation of the material do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations or the UNO-IDfA 'Water for Life' 2005-2015 concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries.

UN-Water Decade Programme on Advocacy and Communication (UNW-DPAC)

Casa Solans
Avenida Cataluña, 60
50014 Zaragoza, Spain

Tel. + 34 976 478 346
Tel. + 34 976 478 347
Fax + 34 976 478 349

water-decade@un.org
www.un.org/waterforlifedecade

