



WSP and AfDB focus on market financing for water utilities in Africa

Nairobi, 10th August 2006: On 7-9 August 2006, the Water and Sanitation Program-Africa (WSP-Africa), the African Development Bank (AfDB) and other regional partners jointly organized a Practitioners' Workshop on *Mobilizing Resources from Domestic Financial Markets for Water Utilities in Africa* to focus on the challenge of accelerating market financing to improve delivery of services in the continent.

More than 130 participants from about 25 countries who attended the workshop in Pretoria, South Africa, urged new ways to bridge this financing gap, along with reforming sector governance and improving financial viability of utilities. The participants included managers of utilities and regulatory bodies in the water sector, as well as from the financial sector, such as commercial banks, credit rating agencies, insurers and project development facilities.

The workshop was called to address new ways for mobilizing additional funding resources to develop the water sector in Africa, and ensuring that these investments result in sustainable delivery of services. Current approaches rely on public funding from governments and donors, and often fall short on resource mobilization and in ensuring improvement in service delivery.

A key strategy in meeting these twin objectives is for utilities to tap domestic financial markets for sector investments. *"There is a wind of change blowing across Africa that gives us great opportunities to address the constraints of financing the sector (...) First of all there is the need to create the enabling environment to develop the conditions for utilities to access private sector financing sources such as capital markets and money markets,"* said Kordjé Bedoumra, Director of the African Water Facility (AWF) and head of the new AfDB's Water and Sanitation Department.

The workshop stressed that mobilizing resources from domestic and regional banks and financial sector institutions can compliment or free scarce public resources that can then be focused on services to the poor. Piers Cross, Principal Team Leader of WSP-Africa, further observed that access to such market resources for investments can also be a powerful incentive for water utilities to reform and improve performance, particularly with the focus on improved governance and improved internal generation of resources. *"...it's not only about access to more resources. Perhaps of even greater benefit than increased access to capital, is the discipline and influence in deepening of reforms that market-based finance is likely to have on utility performance, creating fundamental improvements in service levels, reliability, customer responsiveness, cost-recovery."* At present, however, only a few African water utilities have been able to mobilize market resources.

The workshop developed actionable ideas for both the water and finance sector to increase domestic market-based finance into water services. Water agencies need to get the financial management basics right in their organizations, moving towards greater financial viability and bankability. Several agencies, including government, can assist in country processes to build the dialogue and create conditions more conducive to market-based finance including more innovative uses of grant finance. Shadow credit rating and the involvement of credit-rating agencies is another step towards building confidence in water service institutions. National banking charters and other approaches can give commercial Banks greater incentives to better understand the risks of the water sector.

The workshop was jointly convened by WSP-Africa; AfDB; the Department of Water Affairs and Forestry (DWAF), South Africa; the Public Private Infrastructure Advisory Services (PPIAF); the Water Utility Partnership (WUP); and the World Bank Institute (WBI). The International Finance Corporation (IFC) Municipal Fund also sponsored some participants.

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