

# GDA for Water

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# Rationale

- The needs for water and sanitation investment are great (\$180 billion to meet Millennium Development Goals for W&S).
- There is not enough money available from national government subsidies, nor from aid institutions to finance water supply and sanitation.
- Eventually finance will need to come from domestic capital markets. It is imperative that new approaches to access these markets be developed.

# Decentralization adds a new Dimension

- Local Governments given major new responsibilities
- Banks and capital markets not used to lending to local governments
- Local governments unfamiliar with requirements of market.

# Objective of GDA

To to increase availability of local currency financing for Water and Sanitation

# How

by

Fostering reform of municipal financing institutions in developing countries through an understanding of existing, effective market institutions such as US Bond Banks and State Revolving Funds (SRFs).

- In India, USAID worked with the Tamil Nadu Urban Development Fund to apply these frameworks and to support the first domestic bond pool issue in developing countries using a Development Credit Authority (DCA) coupled with TA.

# Some 60 institutions exist around developing world that lend to local governments

- Most institutions are unaware of how peers operate
- Unaware of how institutions in market economies work

# Examples of Financing Institutions in Developing Countries

- ❑ Brazil: *PARANACIDADE*
- ❑ Columbia: *FINDETER*
- ❑ Czech Republic: *Municipal Finance Co.*
- ❑ India: *Tamil Nadu Urban Development Ath.*
- ❑ Philippines: *Municipal Development Fund Office*
- ❑ South Africa: *INCA,*
- ❑ Etc.

# Main Outputs of Alliance

- Newsletter on Municipal Financing
- Data base on Financing Institutions
- Website for Knowledge Sharing  
([www.developmentfunds.org](http://www.developmentfunds.org))
- Training exchange
- Conference
- Action plans for two countries
- Best Practices Guide

# GDA for Water

Members:

IADF

World Bank

Inter-American Development Bank

Fitch Ratings

International Private Water Association

# An Alliance Produces Synergies

- *IPWA* worked with Camdeseus Panel on Water Financing
- *World Bank and Inter-American Development Bank* are traditional lenders for W&S that should support sustainable finance
- *Fitch* rates US Bond banks and is interested in improving municipal credit markets around the world

## Synergies (Cont.)

- *IADF* is a non-profit association of local revolving funds that lend to local governments
- *USAID* has taken the lead in demonstrating the applicability of pooled financing techniques in developing countries

# Future of GDA for Water

*New Members added to GDA: EBRD, ADB, AfDB, Moodys, S&P*

*IADF would be able to operate the professional Network and Knowledge base in the future on a self-sustaining basis supported by contributions and fees from participating members for IADF activities and conferences.*