

Water and sanitation Tackling the issue of scale via financial innovation

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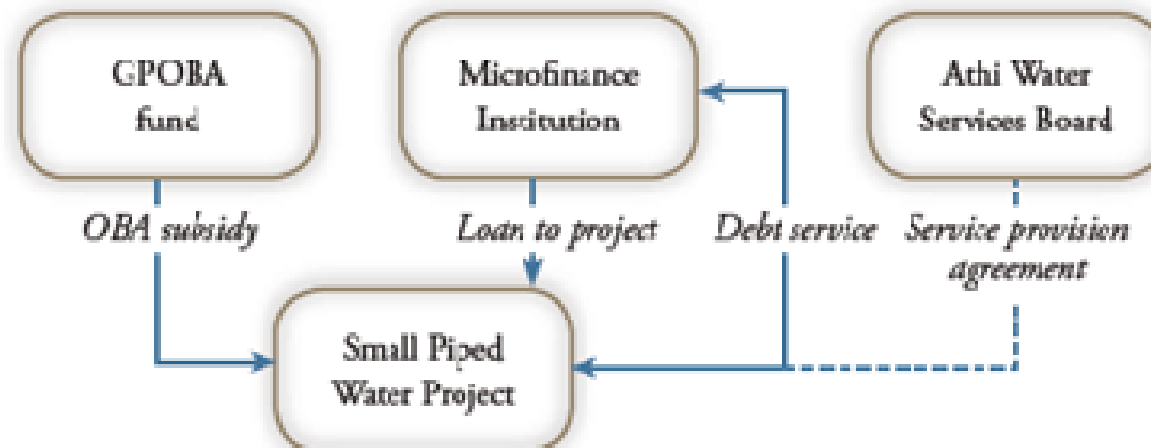
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Constraints and innovation in water sector

Constraints	Examples of innovative financial mechanisms
Affordability constraints	<ul style="list-style-type: none"> • Micro-finance, output-based aid, blending grants and loans
Small scale (informal) operators	<ul style="list-style-type: none"> • Micro-finance, output-based aid and innovative contracts
Decentralized market structure	<ul style="list-style-type: none"> • Municipal bonds, pooled funds, revolving funds, bond banks • Instruments to increase sub-sovereign lending
Risk profile and difficulties in managing certain risks	<ul style="list-style-type: none"> • Guarantees, insurance, devaluation backstopping facility • Local-currency financing, revenue agreements
Short tenor of available financing	<ul style="list-style-type: none"> • Guarantees and equity contributions
Under-capitalized balance sheets	<ul style="list-style-type: none"> • Raising equity to strengthen the balance sheet, convertible loans, debt-equity swaps, “asset-light” expansion models
Lack of understanding by external lenders and investors	<ul style="list-style-type: none"> • Blending of public and private finance, credit ratings
Lack of “bankable” projects	<ul style="list-style-type: none"> • Project preparation facilities

OBA & microfinance: K-Rep (Kenya)

- WSP with K-Rep (Kenyan micro-finance bank)
 - Microfinance to address lack of commercial finance for SSWSPs
 - OBA subsidies to focus investments on network extensions



Local-level borrowing in Colombia

