



# Financing for Water Infrastructure

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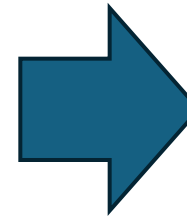
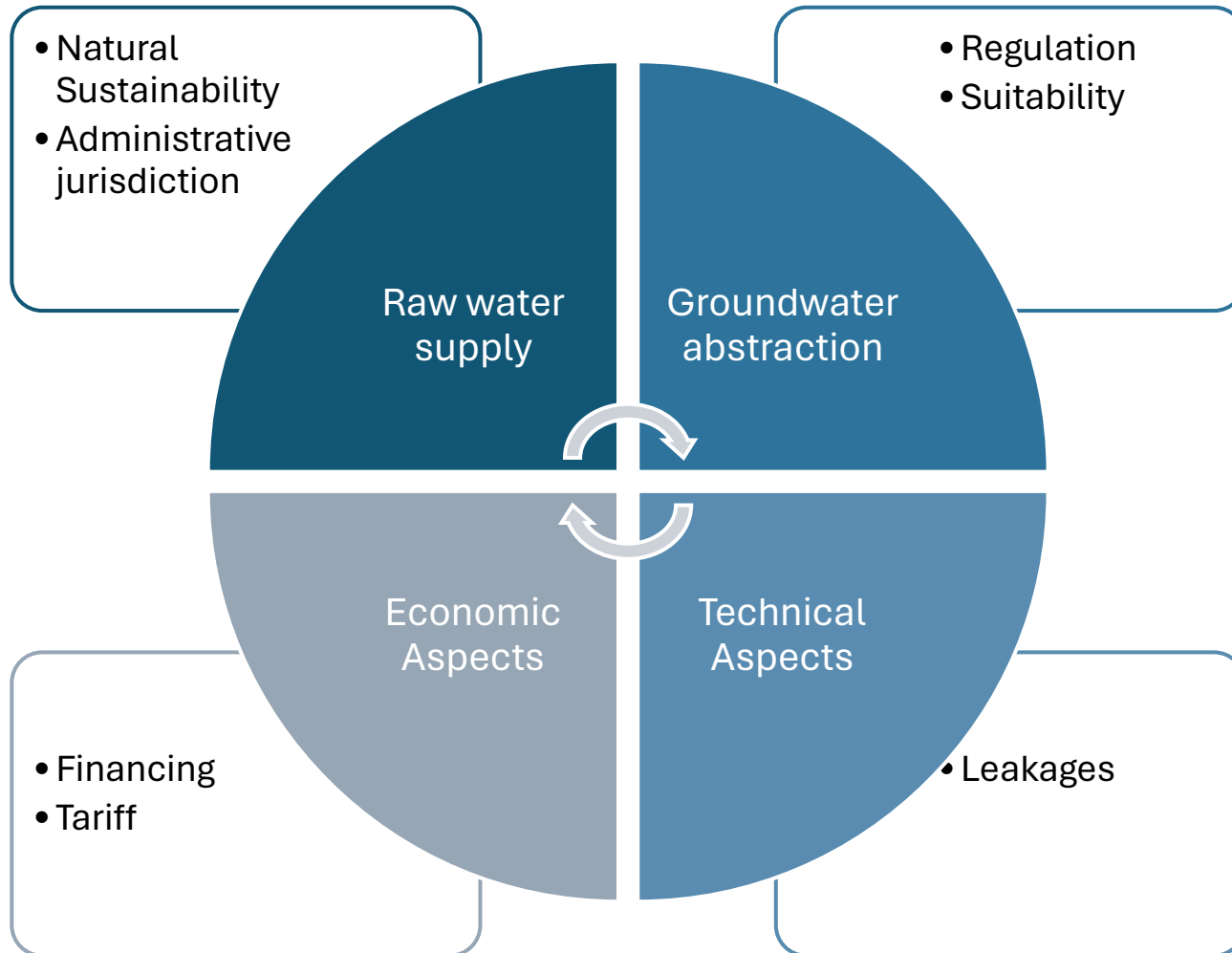
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10<sup>th</sup> World Water Forum





# MAPPING OF WATER INFRASTRUCTURE PROVISION ISSUES



## Time Related Factors

Population Growth vs Water Availability

Increase in cost of provision exceeding growth in people ability to pay

Regional development trends



# CHALLENGES IN SUBNATIONAL GOVERNMENT FINANCE

## Sub-sovereign Creditworthiness

- Cost of borrowing
- Bankability

## Asymmetric Decentralization

- Budget size vis-à-vis scope of responsibilities
- Source of taxation

## Institutional Capacity

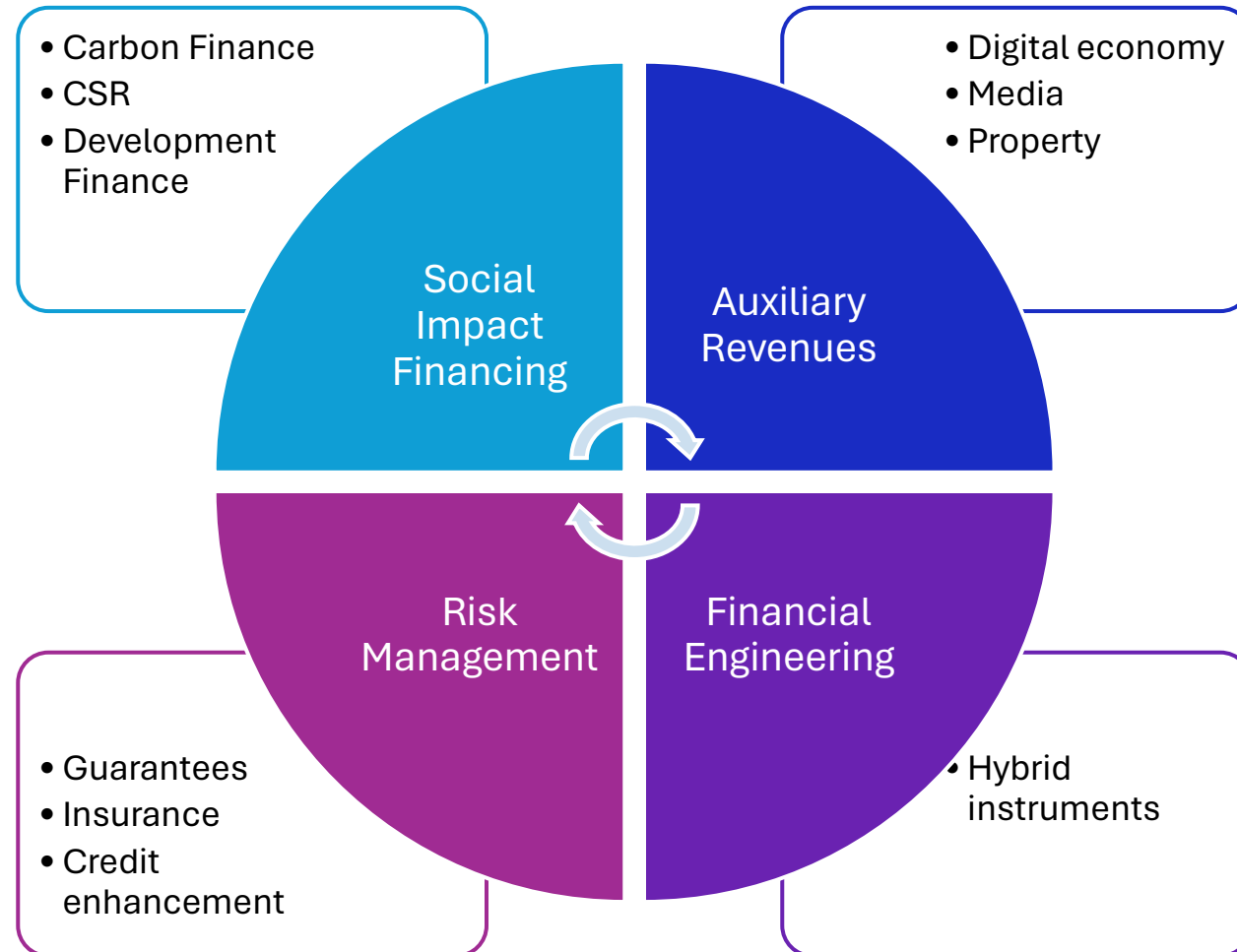
- Transaction capacity of LG institutions
- Absence of Nation-wide scale State Owned Enterprise

## Specific Restrictions

- Tenure limitations
- Regulatory limitations
- Access to international development finance



# INNOVATIVE FINANCING MODEL





# INTER-HIERARCHICAL MODEL

## Multiyears Co-financing

Transfer payment beyond 1 fiscal year or 1 administrative tenure

- Co-financing of tipping fee for waste-to-energy projects in the form of specific transfer payment from MoF to local govt budget

## On-lending

On-lending of concessionary financing

- On-lending of IFI or multilateral/bilateral financing to local governments or directly to local government enterprises (previous model: USDRP World Bank)

## Viability Gap Funding/On-Granting

Upfront or recurring project subsidy

- VGF for capex subsidy of Umbulan Water Project in East Java
- On-granting of 50% JICA loan for Jakarta MRT

## Guarantees

Enhancement of Subnational Creditworthiness

- Guarantee of local government obligations under PPP agreement in water projects (Lampung, Umbulan, Semarang)





# FINANCING MODELS

