THE WATER FINANCING FACILITY (WFF)

Tapping local capital markets

**Objective**

The Water Financing Facility (WFF) mobilizes large-scale private investment from domestic institutional investors such as pension funds and insurance companies by issuing local currency bonds in the capital market in support of their own country’s’ national priority actions on water and sanitation service delivery. The aim is to develop several country level water financing facilities, which can issue bond in their capital markets to provide long-term loans to public or private water utilities that have little or no access to commercial finance or that have access at unfavorable terms, such as short tenors. Through the pooling of credit worthy water projects, the bonds will have lower risk. This risk can be further reduced, if reserve funds, guarantees, soft loans or grants for blended finance can be incorporated into the capital market structures.

**Why**

Availability of financing and sustainable management of water and sanitation for all (SDG 6) cannot be reached by public sector funding and management alone. WFF is a non-bank, public benefit financial company that can make a difference by using its capital to develop local water financing facilities that can bring private large-scale and long-term capital market financing into the water sector. At the same time, this will enhance local capital market development by providing alternative, credit worthy long term investments opportunities for the local pension funds and other investors of the domestic capital market. WFF’s target is to provide approximately 20 million people with sustainable access to safe water and adequate sanitation and hygiene.

**Governance and activities**

The global Water Financing Facility (WFF) catalyzes the creation of national-level facilities in various developing countries which will be structured to become long-term, sustainable stand-alone local non-bank financial institutions in those countries. The WFF provides financial development support and expertise to the National Water Financing Facilities (NWFFs) for organizational set-up, financial and legal structuring of the bonds and loans, compliance with all regulatory authorities, placement of the bond and related matters. In parallel, the NWFFs will select and support the local water companies to become bankable, to develop sound capital investment and financial plans, to complete all of their project designs, to support the procurement of contractors, and prepare their financials so that they can commit to loan agreement terms, and demonstrate their ability to pay back their debt service.
Kenya first

The first National Water Financing Facility (NWFF) has been initiated in Kenya with support of the Netherland Embassy in Nairobi, the Kenyan National Treasury, the Ministry of Water and Irrigation, the Water Sector Trust Fund, USAID, SIDA and SNV. The Kenyan NWFF will shortly be incorporated with a Kenyan Board and senior staff members and expects the first issuance of bonds (approx. KES 3.5 Billion for 6 Water Services Providers) to be issued by the end of the first quarter of 2018. This long term local currency financing will enable water and/or sanitation access to about 800,000 additional people, of which about 25% are poor and or living in rural areas. We expect the Kenya NWFF to be able to plan similar bond issuances each year going forward.

The global WFF is targeting other countries to be operationalized soon, possibly including western Africa (franco-phone region), South Africa, Peru, Indonesia, Vietnam.

Funding

WFF is soliciting grants to fund i) operational start-up expenses of WFF at global level, ii) NWFF set-up and project development costs in target countries, and iii) contribution to credit enhancement for specific transactions in target countries (see Table below). WFF, supported by the Global Innovation Lab for Climate Finance, seeks to obtain a total of Euro 65 million in co-financing support from development partners, international financing institutions and other organizations (see table below). The Netherlands Minister for Foreign Trade and Development has already provided EUR 10 million in seed-funding to date.
## WFF Business Plan

### (€ millions)

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>WFF Business Development</td>
<td>17</td>
</tr>
<tr>
<td>NWFFs set-up and project development</td>
<td>25.3</td>
</tr>
<tr>
<td>Contribution to credit enhancement</td>
<td>15.3</td>
</tr>
<tr>
<td>Technical assistance / capacity development</td>
<td>3.7</td>
</tr>
<tr>
<td>Viability Gap Funding</td>
<td>3.7</td>
</tr>
<tr>
<td><strong>Total WFF Additional Need</strong></td>
<td><strong>65</strong></td>
</tr>
</tbody>
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In brief, WFF:

- provides access to private capital in local currency needed to reach SDG#6 targets;
- provides the opportunity to reach scale in reaching SDG#6 targets;
- increases the impact of traditional ODA investments ten-fold;
- contributes to reliable water services delivery and sanitation;
- helps build stronger national water sectors, increases financial discipline, governance and credit worthiness of Water Service Providers;
- contributes to a self-sufficient water sector that can do in the long run without Governmental budget funding and ODA as main sources of investment financing;
- organises a roundtable donor meeting on December 18th and 19th 2017 in Amsterdam.

For enquiries please contact:

**Water Financing Facility**

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