



Local Financing for Rural and Peri-Urban Water Supply and Sanitation

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List of Abbreviations

AfDB	African Development Bank
AsDB	Asian Development Bank
CAPEX	Capital Expenditure(s)
CBO	Community-based Organization
CG	Central Government
DFI	Development Financial Institution
GB	Grameen Bank
HH	Household
HRD	Human Resources Development
IADB	Inter-American Development Bank
IDA	International Development Assistance
IFI	International Financial Institution(s)
INGO	International Non-governmental Organization
LG	Local Government
MDG	Millennium Development Goal(s)
MF	Micro-finance
NGO	Non-governmental Organization
O&M	Operation and Maintenance
OPEX	Operating Expenditures
ROSCA	Rotating Saving and Credit Association
SHG	Self-help Group
TW	Tube well
USAID	United States Agency for International Development
WATSAN	Water and Sanitation
WB	World Bank
WTO	World Trade Organization

1 Introduction

The Millennium Development Goal 7 states:

“Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation”

In 2003, the Camdessus Panel¹ warned that the Millennium Development Goals (MDGs) would not be achieved unless annual investments in water supply and sanitation services in developing countries are doubled from the 2003 level (US\$15 billion per year to US\$30 billion per year). The water sector is, however, experiencing decreased, static, or marginal increases in financing, despite recommendations to double investments. According to Van Hofwegen² (2006), the Camdessus Panel's call to double the level of water finance has not, and will not, expire. This higher level is still required and must be achieved. This is also repeated in the Human Development Report 2006 “Beyond scarcity: Power, poverty and the global water crisis”.

Increasingly, focus has shifted on local level financing and various proponents of this approach emphasize that action has to take place on local level to meet the global challenges for a secure water future for all. According to them, water is a local affair because water services are provided by local entities on a local scale to citizens of villages, towns and cities. The local government has the responsibility to provide their citizens with adequate services. In addition, decentralization increases responsibility at the local level.

Keeping this recent trend in mind, a desktop study was conducted to look for effective financing mechanisms at local level that contribute to scaling-up maintenance and expansion of drinking water and sanitation services to the poorest, especially in the rural and peri-urban areas.

Before we proceed further, we must define what lies in the scope of “local level”. While indicating local level, we will be referring to any of the two sub-levels, which we, for the sake of understanding and classification, will call Meso or Micro level.

The **Meso level** is what most of the reviewed literature referred to as *the Sub-sovereign or Municipal level*. On the other hand, **Micro Level** indicates *community level*, where a group of individuals or households act together. This can be within a village or more than one village, but certainly less than a town or city level action, which we classified as Meso level actions.

While looking at local financing sources, we searched for any kind of financing mechanisms available at one of the two levels mentioned above. Please note that we did not exclude financing sources comprising of so-called outside funds, so our approach is to look for “availability” of funds at local level, and not necessarily “generation” at local level. We then grouped them in to one of the classes mentioned above- Micro and Meso. These sources are defined and where appropriate, complemented with examples from the field. All these cases studies are provided in highly condensed form in “insets” in the text and one can always refer to the details through the bibliographic sources provided along with each case. It should also be noted that only in rare cases, the source of funds is singular. Most of the times, money from various sources is used and readers will therefore find some overlapping examples of funding sources, grouped under different headings. This should not cause confusions as the classification mentioned by us is only for the sake of understanding and there are always grey areas in-between.

¹ Camdessus, Winpenny *et.al.* (2003); World Panel on Financing Water Infrastructure: Financing Water for All. www.worldwatercouncil.org

² Paul VAN HOFWEGEN. 2006. Task Force on Financing Water for All. World Water Council.

2. Micro-level Finance

The following table enlists (almost) all of the financing sources currently available at the community- or as we call it- Micro level. Based on “Source” of funds, this table groups these sources into further classes (indicated by different colors) as well as provides a rough idea as to where these funds are generally being used.

Community Level	Source of Funds	Financial Costs		Support Costs*
		CAPEX ³	OPEX ⁴	
Gift money	1. Budgetary allocation from CG/LG/ Municipality	✓	✓	✓
	2. Direct/ Cross/ Access Subsidies	✓	✓	✓
	3. Grant from international donors/ INGOs	✓		✓
	4. Charities	✓	✓	
Loans (Formal)	5. Microfinance bank's credit to group	✓	✓	
	6. Microfinance bank's credit to Individual/ HH	✓	✓	
	7. Cooperative bank's loan to cooperative	✓	✓	
	8. CG/ LG loan to Community/ HH	✓		
	9. Development Financial Institution's Loan	✓	✓	
	10. Commercial bank's loan	✓	✓	
Loans (Informal)	11. ROSCAs (for individual lending)	✓		
	12. NGOs' microcredit to group/ HH	✓		
Members' Money	13. Membership fee (one time at joining)	✓	✓	
	14. User charges/ Water tariff	✓	✓	✓
	15. Members' regular savings (for communal pool, pre-project)	✓		
	16. Members' contribution in kind (material, Labor)	✓	✓	✓
	17. Members' special contributions (irregular)	✓		✓
	18. Community revenue	✓	✓	✓
	19. Interest on CBO's Bank Savings	✓	✓	✓
Investment	20. Local Private sector	✓	✓	
Gift or Loan	21. Indirect funds through Capital Market (e.g. bonds, guarantees to banks)	✓		
* Support costs are: Institution building, HRD, information systems, monitoring & assessments, regulation, planning, strategy development.				

We define these funding mechanisms while following the grouping done on “Source”:

2.1 Gift Money

Gift money refers to funds that need not be returned. These include budgetary allocation from CG/LG/ Municipality, Direct/ Cross/ Access Subsidies and/or Grant from international donors/ INGOs. Also, money coming from charities and philanthropy may be called as Gift money.

³ CAPEX: Capital Expenditures

⁴ OPEX: Operating Expenditures

Budgetary allocation from CG/LG/ Municipality refers to the normal development expenditures incurred by the central or local government and reflected in the annual budgets. Direct subsidies, a way of wealth redistribution, is the assistance provided by governments (cash or kind) to poorer segments of the society to avail services which they otherwise would have not been able to. In this case, it can be money provided to buy water or water infrastructure. Cross subsidies are kind of solidarity funds, when the governments tax the rich to provide better life to the poor, or taxing the urban to help the rural population. Access subsidies are when the governments provide cheaper access to water and sanitation facilities to the poor, e.g. by providing cheaper connections to rural or slum populations, providing cheaper hardware below market price and so on.

Grant from international donors/ INGOs is a traditional flow of money when international donors-governmental as well as non-governmental, provide money to developing countries to help them in overcoming capital shortage. Similarly, INGOs also provide assistance both in cash and kind.

Gift money can also be provided through informal sources like Charities and other local philanthropic organizations. A characteristic of this kind of sources is their irregularity i.e. they may be non-institutionalized, may only be present intermittently and hence cannot be relied upon in the longer run.

No examples are given here as these are very conventional financing sources and one can easily find a lot many such cases.

2.2 Loans (Formal)

Formal Loan Sources include Commercial bank's loan, Development Financial Institution's (DFI's) Loan, Cooperative bank's loan to cooperatives, Microfinance bank's credit to group, Microfinance bank's credit to Individual/ Household (HH), and Central Govt./ Local Govt. loan to Community/ HH.

Very rare in the rural and peri-urban WATSAN sector, commercial banks have provided loans for such purposes. This is sometimes guaranteed not by the beneficiary but a third party like government or a donor. Most likely, the borrower will be a group or an institution and not an individual. DFIs are specialized banking institutions, mostly set up by governments and not-for-profit, are providing loans to special segments of the economy, e.g. Industrial banks, Housing finance corporations and so on. Though the trend had greatly reduced due to their inefficacy and high budgetary deficits, some housing finance banks/ Corporations may provide loans to individuals to improve housing conditions, WATSAN included.

Some cooperative banks have shifted their focus from lending for agriculture inputs to providing microcredit and consumer loans. This has served to their revival as they were losing their raison d'être after the WTO regime is being established globally and consequently opening up of markets. They have provided loans for WATSAN too.

Microfinance banks were predominantly lending for income generating activities but are now increasingly diversifying their products by providing loans for consumption purposes too. Therefore they now also provide bank loans to borrower groups or individuals for establishing joint ventures, income generating or otherwise, e.g. infrastructure development.

Grameen Bank (GB) Experience

In 1980, UNICEF provided GB free of cost materials for 5000 Shallow Tube Wells (STW) and home pumps, which were sold by GB to their members and the generated funds were recycled by GB for independently sustaining rural water supply program.

Most beneficiaries (98%) stated not to have problems procuring this money. Most beneficiaries paid this through their own income.

Since 1992, GB also provided credit especially for tube wells and sanitary latrines. The income generated from self-employment loans allowed the families to improve both their water and sanitation facilities and to relay the loans especially for WATSAN sector.

Source: Shirin Biswas and Marieke Adank. 2004. Cost Recovery and Financing of Rural Water Supply in Bangladesh: A Case Study. National Resource Centre, NGO Forum for Drinking Water Supply and Sanitation, Bangladesh

Apart from banks, Central and Local Governments sometimes provide loans (in addition to gift money and subsidies) for community/ HHs. The user has to pay back this money over a period easy for him, mostly interest free. An example of such is from Nepal:

Butwal municipality in Nepal

The Butwal municipality in Nepal, has adopted a cost sharing approach for water supply, whereby 80% of capital costs are paid by the users and 20% is provided as a grant from the municipality. However, the users pay their 80% on an installment basis (1US\$ per month per household), over a period of time, agreed by the users themselves.

Source: WaterAid Nepal, 2005

2.3 Loans (Informal): Micro credits and ROSCA'S

Apart from the formal financial intermediation, some informal sources of lending are also available. These include NGOs' microcredit to group/ HH as well as Rotating Saving and Credit Associations (ROSCAs)- used mostly for individual lending.

Many NGOs, local and national/ international, are involved in microcredit. Unlike commercial microfinance institutions, they have a lesser focus on sustainability in the long run. Similarly their products are more diverse and processes less bureaucratic and less standardized. They lend to individuals as well as groups.

NGO Intermediaries in Cote d'Ivoire

In three neighbourhoods of Abidjan, CREPA Côte d'Ivoire- an NGO, partnered with SODECI, the public water utility, enabled 300 poor households to connect to the network. CREPA first pre-financed the full amount (US\$36 each) of connection fees as a loan for all 300 households. The micro loans were paid back in 17 months.

Source: Agbenorheri, M. and Fonesca, C. (2005) Local financing mechanisms for water supply and sanitation investments. Background report for WELL Briefing Note 16.

Another example of partnerships is in Ghana where ProNet North, an NGO effectively works with state, politicians and community for a microcredit program for sanitation.

Latrine Credit in Ghana

Demand for household latrines in some districts of the Upper West Region rose by more than 500% between 2002 and 2004. This was as a result of a latrine credit scheme introduced by ProNet North, a WaterAid partner operating in the region.

In partnership with either the Ghana Health Service or the District Assembly, ProNet selects communities for the scheme. ProNet pre-finances the construction of latrines in those selected communities (Hitherto, the community contributions were collected by artisans as their workmanship). The communities are then allowed to determine when they can pay (this is usually during the harvest period). The community nominates a trusted person as treasurer to collect the installments.

Source: Water Aid Ghana Briefing Paper #2 (2005)

A Bangladeshi NGO- named “DSK” has ventured in using microcredit for access to water and sanitation for the poor:

A Case from Bangladesh of NGO “DSK”: Water Supply in Urban Slums at 100% Cost Recovery

The NGO Dushtha Shashthya Kendra (DSK), established in 1988, runs a microcredit project for urban slum communities. The project works with 20 such communities representing over 5,000 people. Communities are entrusted to pay the borrowed amount for construction of water points in 24 installments spread over 30 months, with 6 months grace period. No interest is charged on loans. Repayment rate (47%) has been low due to eviction of communities by govt., low willingness to pay and non-availability of water. However, the model has been considered as successful and being adopted by other NGOs as well.

Source: Shirin Biswas and Marieke Adank. 2004. Cost Recovery and Financing of Rural Water Supply in Bangladesh: A Case Study. National Resource Centre NGO Forum for Drinking Water Supply and Sanitation.

Rotating Saving and Credit Organizations, or ROSCAs as we may call them (sometimes called Tontines), are more like cooperatives but informal, where members pool in money for providing loan to a member. Once s/he repays, another member gets the loan. This money is sometimes used for a common cause e.g. WATSAN.

Informal financing mechanisms for operation and maintenance in Upper East Region, Ghana

The women of Zorkor-Kanga in the deprived Bongo district have successfully developed a Susu scheme, an indigenous financial model to pool resources to maintain their water systems. The Susu consists of the collection of regular fixed sums of money from groups of villagers. A loan is then given to one person at a time, until each member of the group is served. About 400 women are involved and 140 homes benefit.

Beginning in 1999, mobilization of funds has increased using income from ventures such as land preparation, planting, harvesting and housing construction. Beneficiary groups have joint responsibility to pay back the loan with a flat interest rate at the end of the agreed period. In areas of intense poverty, low interest rates are set to entice women to borrow higher amounts to undertake productive activities. By 2004, US\$112 was mobilized representing huge savings by one of the poorest communities in the country, enabling the water systems to run continuously throughout the year. Full loan repayments are recorded for each loan cycle.

Source: Agbenorheri, M. and Fonesca, C. (2005) Local financing mechanisms for water supply and sanitation investments. Background report for WELL Briefing Note 16.

2.4 Members' Money

This can be safely termed as the internal money, as the source is the local community using the water and sanitation facilities. This includes a) Membership fee (one time at joining), b) User charges/ Water tariff, c) Members' regular savings (for communal pool, pre-project), d) Members' contribution in kind (material, Labor), e) Members' special contributions (irregular), f) Community revenue and g) Interest on CBO's Bank Savings. These are briefly explained as under:

Membership fee may be raised by establishing a self help group and charging joining fee. Any community member who wants to avail a common interest or service provided can join the group.

Funds may be generated through User charges or Water tariff. The users pay for water and sanitation facilities that they use. User charges can be of many types. For example, users may pay at the spot like latrines in public places, or they may pay a monthly subscription fee (like household water connections), with different types of tariff, trying to adjust for social equity.

Cost Recovery of Rural Water Supply Schemes in China

Compared to the global norm of about 10 percent cost recovery, users of the piped rural water supply schemes in China pay about 75 percent of the capital investment and the full operation and maintenance cost. The capital cost is recovered through upfront cost sharing by the county government and community (25 percent each) and an IDA loan (50 percent), in turn repaid through user charges. User charges cover the debt servicing and full operation and maintenance expenses.

Source: Mehta, M. 2003. Meeting the Financing Challenge for Water Supply and Sanitation: Incentives to Promote Reforms, Leverage Resources, and Improve Targeting. Water and Sanitation Program, World Bank.

Funds can also be collected through Members' regular savings. This is like ROSCAs but saving more regularly for a specific purpose other than for revolving loans. Members of the self help group/ user association may save regularly before they initiate a WATSAN sector venture. They may also do the same to meet unforeseen future costs of refurbishment/ repair of the WATSAN scheme.

Self help groups as rural bankers in Kerala, India

Some 60,000 Self Help Groups (consisting of women) have been set-up under a government programme in Kerala. For the construction of a new water supply system, the Self Help Groups will have to raise about 25% of the costs, the rest is a grant from government. Furthermore the poorest contribute by providing labour.

The Self Help Groups generally set tariffs which they collect from the users. Water tariffs are related to the amount consumed. The revenues are used for financing O&M. The government finances the capacity building for this program.

Source: Agbenorheri, M. and Fonesca, C. (2005) Local financing mechanisms for water supply and sanitation investments. Background report for WELL Briefing Note 16

In case of extremely poor communities, Members may contribute in kind. It can be in the form of human, animal or mechanized labor or material like sand, cement and so on.

Unlike a one-time joining fee, members may contribute under special circumstances, like in case of an accidental expenditure, e.g. the unexpected break down of machinery and so on.

Under ideal conditions, the members of the group/ community may undertake a communal income generating venture to raise funds. For example, they can sell the water to non-members, rent out their communal natural resources (forest, grazing pastures) to neighboring communities. They may crop a communal land or raise a communal animal herd to generate funds. This sounds nice but with a lot of risk for non-transparency and conflict.

Finally, the community may generate enough funds themselves or through any other source, to put in a bank's saving account and earn interest on it. This money may be used to meet OPEX or not touched to use it for expected CAPEX expenditure in future.

2.5 Investment Money

Small private investors may find it interesting to invest in local WATSAN schemes. In the process, they may be helped by government, banks, NGOs and others. An interesting example is given below in which banks finance to the private sector for WATSAN facilities and the loan is guaranteed through an NGO-established fund.

Stimulating investors through a Rural Infrastructure Fund in peri-urban Cambodia

An international NGO (GRET) has put in place a Rural Infrastructure Fund (RIF) in a public development bank with a two-fold objective:

- To provide medium-term (3-5 years) loans to local commercial banks who wish to finance investors involved in financing piped water systems (in Cambodia, credit is provided on a short term basis only);
- To provide a guarantee (30%) on loans for those commercial banks in case of default of the investor. Due to this guarantee, the commercial bank can ask less collateral and accept lower credit rate to the concerned investors.

The program run by this INGO consists in support rural private sector to invest and build piped-water-systems with technical and financial assistance. The investor connects the people with water-meters and collects the bills every month. The INGO has helped the installation of 10 systems which rate of coverage reach more than 85% in certain areas.

Source: Agbenorheri, M. and Fonesca, C. (2005) Local financing mechanisms for water supply and sanitation investments. Background report for WELL Briefing Note 16

2.6 Indirect funds through Capital Market (e.g. bonds, guarantees to banks)

Essentially, this is the funds transferred from Local governments to local communities. LGs have increasingly used financial instruments like bank guarantees and municipal bonds to generate enough money to invest in WATSAN. Part of this money flows from urban to peri-urban or rural communities. However this will be dealt in detail in the Meso-level finance.

3. Meso-level Finance

As described earlier, the Meso-level refers to Sub-sovereign level which sometimes may be termed as local government level or Municipal level. Financing sources at this level are diversified which may be classified (*according to the source*), into funds from a) Central Govt., b) Local Sources c) Donors, including international NGOs d) Solidarity funds e) Private sector f) Financial Markets, and g) International Financing Institutions.

We will briefly discuss and look for relevant examples accordingly on following types of meso-level financing:

- Central Governments' fund transfers
- Local Revenue Sources for Municipalities
- Donor funds (State agencies/ International NGOs)
- North-south solidarity funds (city twinning)
- Private sector/ water companies' investments (national/ international)
- Market-linked sources
- International Financing Institutions

3.1. Central Governments' fund transfers

Traditionally Central Governments (CGs) have provided funds for WATSAN. The trend continues to decline, especially in the wake of decentralization but still to date, central governments are considered as major source of funds, though the nature of funding has changed. For instance, now the CG may provide bank guarantees on behalf of the local governments (LGs), in order to encourage the Banking sector and the LGs to act together for financing WATSAN. Also, to attract investors, Guarantees may be provided by the CG in case of bond issuing by the LGs. In spite of recurrent provision of funds to the LGs, the CG now may establish revolving funds which are to be replenished by the LG sources. Subsidies are another source of funding by the CG which might take the shape of subsidized loans in an attempt to cover at least part of the subsidy costs. In an attempt to deal with acute shortage of finance for the WATSAN sector, some special funds may be created, called Social investment Funds. Some examples of these can be found in South American countries.

As said earlier, decentralization has been in vogue across the globe. To strengthen the newly established LGs, the CG may provide grants or loans to these governments, part of which might be spent on WATSAN sector. At this point, we will not provide any examples of the many types of funding mentioned above, as the prime source of funding in these cases remains the government and it goes without saying that one can easily find numerous examples of such cases in literature. Rather in this section (Meso-Level Finance) too, we will focus more on non-traditional funding sources.

3.2. Local Revenue Sources for Municipalities

Apart from the funds flowing from CGs, the local governments have some traditional revenue sources of their own, most common being the various forms of taxes and fees charged. Additionally, LGs may charge service fees for WATSAN services from users, which may or may not cover not all the costs associated, though later is more frequent the case. Also, users may contribute to installation, repair or replacement charges for the hardware, or as one may all it, the Capital Expenditures. In cases where LGs have enough funds to put aside in banks, interest/ profit may form a source of income, though it happens rarely partly due to low interest rates and partly because LGs have not such surplus funds available.

3.3. Donor funds (State agencies/ International NGOs)

Donors' funds have been another traditional source, covering at least part of the WATSAN expenses. Lately, they have changed in form too- donors now paying less for standalone projects but more for encouraging the institutional strengthening of WATSAN actors. This includes efforts to ensure a

sustainable income source for LGs by linking them to capital markets through support funds (more precisely bank guarantees for loan and bond issuing) as well as creating revolving funds, supposed to be replenished through LG sources though.

3.4. North-south solidarity funds (city twinning)

Not very common source of finding is the Solidarity funds, mostly North-South where revenues of a city in North may be spent in a city in the South, as a gesture of philanthropy.

3.5. Private sector/ water companies' investments (national/ international)

Private sector has also invested in the WATSAN sector in some parts of the developing world but is mostly confined to densely-populated urban areas, with little focus on peri-urban or rural areas. In general, the investments have been limited to installation of meters or upgradation of existing facilities while new establishments have been rarely invested in.

Local Government Unit Guarantee Corporation in Manila, Philippines

The Manila-based Local Government Unit Guarantee Corporation (LGUGC) is a domestic financial institution established to encourage the flow of private capital to creditworthy municipal infrastructure projects. LGUGC is a public-private joint venture owned by the Development Bank of the Philippines (49 percent) and the Bankers Association of the Philippines (51 percent). Its goal is to provide a market-based guarantee fund for loans to local authorities targeted at sustainable, financially sound infrastructure projects that can repay debt in a timely manner. LGUGC offers guarantees to private investors and lenders on local government infrastructure projects that meet its underwriting criteria. The criteria feature a screening process that results in a uniform system of local government credit rating countrywide. Over time, it is expected that an increasing number of LGUs will take necessary actions to receive a favorable credit rating and design self-sustaining infrastructure projects.

Source: PADCO. 2003. Innovations and Solutions for Financing Water and Sanitation: Background Paper. PADCO Inc. Washington, DC

3.6. Market-linked sources

As mentioned earlier, important stakeholders like state, international donors and IFIs have been promoting linkage of LGs to capital markets. The most important form of this linkage has been issuing of municipal bonds to generate funds for civic services including WATSAN. It must be noted that such bonds have been successful in case of large municipalities with majority of its population as urban. For smaller municipalities, pooled financing arrangements have been proposed which may take the shape of bond banks. In some cases, local banks may also provide loans which will however be an expensive source of funds and can't be take up as a sustainable solution. Market based solutions have been gaining popularity in the south e.g. in India with many stories of success.

Bond Issuing in India

Ahmedabad, the commercial capital of the Indian state of Gujarat, is the largest city of the state and the seventh largest city in India. In 1996, Ahmedabad became the first urban authority in India to request and receive a rating for a municipal bond issue for water and sewerage expansion. Credit Rating and Information Services, Ltd., India's premier credit rating agency assigned Ahmedabad an "A+" rating (out of a possible rating of AAA) for a bond issue of Rs. 1,000 million (US\$29 million) which was more than sufficient to go to market. Ahmedabad's water and sewerage projects were subsequently financed through proceeds from the bond issue, AMC's own revenue, a loan from IL&FS using funds made available through USAID's Urban and Environment Guaranty Program and other financial institutions including the Housing and Urban Development Corporation and the Life Insurance Corporation of India. Ahmedabad's local government has learned to use bonds as a financial tool to raise investments for its capital investment priorities and scheduled the issue of its third bond.

Similarly in Tamil Nadu state in India, a Water and Sanitation Pooled Fund (WSPF) was organized as a pure debt fund, in order to facilitate small and medium towns' and cities' access to the domestic capital market. WSPF acts as a bond bank with a reserve fund coming from the state government. The funds raised by bond issues are disbursed as sub-loans to the participating municipalities. An asset management company, Tamil Nadu Urban Development Infrastructure Financial Ltd., 51 percent owned by private investors and 49 percent by the state government, manages the trust. The Water and Sanitation Pooled Fund issued its first bond in November, 2000. The bond issue of US\$ 21.3 million was over-subscribed by \$1.3 million, carried an interest rate of 11.85 per cent and a 5 year term and was considered to be a tremendous success. WSPF issued a second bond in December of 2002 in the amount of approximately \$6.47 million.

Source: PADCO. 2003. Innovations and Solutions for Financing Water and Sanitation: Background Paper. PADCO Inc. Washington, DC

3.7. International Financing Institutions

Bretton Woods Institutions (WB, IMF) as well as the regional development banks (AfDB, AsDB, IADB) may also provide financial leverage in the form of short or long term loans for standalone projects, but increasingly they are emphasizing on linking Local Governments with capital markets in the form of guarantees and other financial tools.