EVIDENCE BRIEF

Public Banks and Public Water in the Global South

Key takeaways

- There is new research on public banks supporting public water and sanitation services (WSS) in Latin America and the Caribbean, Asia, Africa, and the Middle East (Marois et al. 2025).
- Results show public banks offer affordable and appropriate financing, as well as technical assistance to WSS operators.
- Public banks can do more to meet the funding needs of WSS operators in equitable and sustainable ways.

Meeting Water and Sanitation SDGs: A Role for Public Banks?

Hundreds of millions of people lack clean, reliable, and affordable water and sanitation services (WSS). The situation has slightly improved since 2000, yet only 45 percent of countries are on track to fulfill their 2030 Sustainable Development Goals (SDG) drinking water and sanitation targets (Glass 2022). The United Nations 2023 WSS report states that SDG 6 progress "is alarmingly off track", requiring massive action by 2030 (UN 2023). Poor countries are furthest behind.

And yet universal access to clean and affordable WSS is an achievable goal. Simple technology can be managed locally, while safe WSS offers huge health, economic, and environmental benefits. There is an urgent need for a real and material increase in WSS investments, notably in the Global South.

Public banks offer a unique and potentially transformative vehicle for addressing short- and long-term financial challenges in WSS in the Global South. The research offers cautionary notes, but it also finds promising examples and recommendations for how public banks can support equitable and sustainable public WSS.

Cautionary Notes

Public banks, like all public entities, are diverse and complicated. They do not share a universal purpose, and public banks are neither inherently good nor bad. There are no guarantees that public banks will lend to public WSS, nor lend in ways that are affordable, sustainable, equitable, and transparent. It is also not the case that public banks alone can or should finance all WSS needs. Direct injections of capital from all levels of government, north and south, are needed.

There are specific cautionary notes for public banks lending to public WSS. For example, a lack of public bank coordination with governments can undermine the long-term planning, and state support needed to develop, maintain, and upgrade large-scale WSS infrastructure. Overly bureaucratic processes within public banks can cause delays and even push water operators to private lenders. Public bank lending can lead to over-indebtedness in WSS. Relatedly, foreign exchange fluctuations are a grave concern, particularly in the Global South.

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At the same time, pressure on public banks to treat WSS lending on market-based terms needs sober rethinking. Financialized performance metrics; engaging in private investor de-risking, leveraging, or blending schemes; support for public-private partnerships, and the privileging of cost-recovery have all undermined universal WSS provisioning. Market-based approaches typically increase costs and deliver poorer quality public infrastructure (Eurodad 2022). There are no cases anywhere in the world where tariffs (that is, cost recovery) cover all WSS capital expenditures. Nor have private investor leveraging and de-risking schemes delivered finance at the pace, scale, or terms needed in WSS (Kolker 2022). Public bank lending, while not a panacea, is promising.

Promising Findings

Research illustrates that public banks provide significant sums of inexpensive, 'patient' capital. Our nine cases from Argentina, Brazil, Colombia, Costa Rica, India, Palestine, the Philippines, Tanzania, Uganda, and Vietnam show that public banks can provide long-term financing for WSS infrastructure, which can take decades to produce a return. Public banks' lending terms are often superior to private. Public–public cooperation with other public financial institutions could provide a much-needed boost to WSS funding.

Research also shows that public banks have social, political, and ecological water and sanitation experience that international lenders lack. Case studies describe public banks working directly with public water providers who have sectoral knowledge. Better-resourced multilateral banks can partner with local institutions to prioritize culturally and politically appropriate capacity building. The Uganda and Tanzania cases are critical examples here.

Public banks can definancialize lending by emphasizing local interests and quality services over for-profit financial actors' interests. Costa Rica's Banco Popular and India's NABARD have invested in WSS infrastructure while promoting equity and sustainability beyond financialized metrics. Lending in domestic currencies reduces exchange rate risks for WSS operators. Government guarantees are often vital for public banks to be able to deliver concessional financing to WSS operators on appropriate terms.

Collaboration between public banks and services enables synergistic co-financing, information exchange, and public bank capacity building. Such public collaborations are growing among public banks, utilities, and others in WSS. The public bank/public water case studies in this book illustrate a diversity of collaborations with national water operators, community-based entities, and other public banks to provide WSS, notably in rural areas.

Smaller regional, national and subnational public banks are often uniquely positioned to grant smaller credits. Locally positioned public banks play an important 'last mile' function by financing household connections to large-scale WSS infrastructure financed by larger multilateral development banks. Case studies from Argentina, Vietnam, and the Philippines show that small-scale WSS solutions are typically what is needed most to build WSS networks in low-income communities.

Finally, public banks' institutional architecture and sectoral knowledge can make them less prone to political cycles (though never immune). Public banks' accumulated expertise can allow for lending strategies and WSS support that transcend political timelines.

Public banks can make a significant difference in helping reach SDG 6 given their financial capacity, ability to leverage funding at low rates, knowledge and expertise, and potential mandates to advance progressive social, economic and environmental goals. There is a need to highlight where caution is required, but so too is there a real need to further excavate the promising lessons of public bank/public water collaborations.

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Public Banking Project (PBP) McMaster University, Canada **Publishing Director** Thomas Marois
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