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1 Status of this document

Interim Draft, written by Thomas van Waeyenberge, Topic Coordinator for Topic 5.1.

- To be shared with Topic, Session and Theme 5 Coordinators
- Version # 11: after receiving input from OECD/EIB/WB/AquaFed – July 2008
- Version: #10 after sending out First proposal, and reception of Comments by P.Cairo / J.Labre
- 2008607-11: Commented with Roberto Marint-Hurtado

2 Introduction & Outline

Co-coordinators, contributors and interested parties are invited to comment the present draft that will be posted on the VMS at <http://portal.worldwaterforum5.org/wwf5/en-us/themes/Theme5/Topic5.1/Pages/default.aspx>

- TVW in the process of uploading the documents as they become “publishable”. As still work to do, the “draft session proposal” not uploaded yet. Planning in doing so at return in August 08.
- Various written documents have been received and will be posted to the VMS, starting Aug.4th 2008.

The focus of this document is on the **process** that leads up to the final selection of the Sessions within Topic 5.1.

For the time being there are 4 proposals for which we need to develop “session plans” which list speakers, moderators, targeted audience, out-of-the-box actors and a list of panellist/presenters.

This document will also include timelines and proposed meetings that will guide this open process in the coming months.

The ambition of the Topic Coordinator Consortium is to be transparent and inclusive.

The comment received by the Programme Committee invited us to continue to fine-tune our developed session plans (June 2008). Theme Lead A.Baeitti, alongside with the Thematic Coordination Group feel confident that we'll be able to build good sessions.

3 Update – JULY 2008 - A few key issues have been raised, which influence the whole structuring of the Theme 5

- The need to have a comprehensive and attractive formatting for the whole Theme 5 – Financing, which would result in an attractive thematic development for finance during the WWF5 week: concerns about possible overlap have been raised. The idea is to have ready by the end of the summer the “Finance programme for WWF5” which could be a useful tool in looking for interested parties to come to Istanbul to partake in the various sessions.
- We are thus asking the Secretariat to clarify whether we need to be planning for parallel events, or whether we can assume that we'll develop topic and session plans over a number of days.
- This clarification is important as it will enable us to invite session panellists and keynotes. This process will be started during the summer and various stakeholders have expressed their intent to start sending out invitations in September 2008.
- We remain unclear as to the format and process with regards to the high-level Finance Panel, that is supposedly to be organised by the WWF5 (MM. Fauchon & Berkamp). We strongly ask to be informed of the aim, overall place within the WWF5 and how it would be tied in to the thematic and topical “introduction”. As per evidence, we would like to see a coordinated approach with the Theme lead on this issue.

4 Format for the Sessions

As suggested by Programme Committee delegate Patrick Cairo; the session plan should be tailored as follows: 3 sessions of 4,3,2 hours and 2hour intro/wrap-up

Per session:

- *here is the consensus*
- *here are some of the issued*
- *and here are some solutions that can be deployed*

5 Key suggestions for the Theme and Topic coordinators (as from OECD / EIB) – July 2008

- reduce the number of sessions to 3: keep an international, general perspective and then focus 1 session on supply side and another on demand side of finance
- overall, attempt to limit the number of sessions within theme 5 and avoid overlap and parallel planning (competition is not desired between the various topics)

= > this is to be debated by the thematic consortium in Stockholm

6 Input from the utilities' standpoint¹ (to be included in the various proposed sessions)

The perspective by the international agencies comes too much forward and is therefore biasing towards too much of a "supply-side" view of financing issues. There is a need to focus as well on the demand-side:

Suggestion: try to show through experiences by operators (public, private, communal, mixt...)

- o water and sanitation systems exist that have been (well) financed through good uses of taxes and tariffications with the objective to show good results of self-funding activities in WSS expansion / R&R at the local level (TVW suggested e.g. to look at Pnomh Phenh)
- o this would then demonstrate the need for local authorities to make their systems as 'self-contained at the local level' as possible, as VIABLE as possible (which then would address a whole range of challenges)
- o In some cases, these self-contained WSS operations hit bigger challenges (poor, rapid urban expansion, CC, deteriorating quality of infrastructure): these increased challenges require improved efficiency and also an increased need to address environmental issues and also social policies
- o As these new challenges arise, a "viable WSS operation" can face the problem of not finding these optimal tax/tariff mixture and this is where the IFI's can jump in
- o TVW: the concept of the "ladder" (of various levels of financing being achieved through appropriate mixture of available sources) // ref to the WHO Sanitation ladder.

7 Overview of current deadlines / next steps after the June 25 2008 Thematic Tel-conf

- o July 2008: updating of the Draft Session proposal, following input from Aldo (standing by for indepth comments from Aldo)²
 - o More details on work done by the Bank
 - o Link-up with the Municipal Fund managers
- o Early July (urgent) - Standing by for Guidance from the Council (GER + FAUCHON) on the "overlap" with the high-level policy panel
- o July 2008: Aldo in Zaragoza (Erasmus de Alfonso will attend WB meeting on behalf of AquaFed)
- o August: (2008-08-19) a Coordinators Meeting during the Stockholm World Water Week
- o Next foreseen telconf with the Thematic Coordinators: to be scheduled in September 2008 by WB/ABaietti.³

It's clear that the discussion of Feb 2008 is going to streamline the topic development. We should try to be as "inclusive" and "multistakeholder" as possible, accommodating where possible suggestions made in the process.

¹ as suggested in a discussion with P.Cairo (June 26)

² Aldo has sent some "fractions of information", but awaiting more guidance on the reframing of the document

³ Members of the Theme Coordinators Consortium, as per de facto + implicit recognition by the Council are : Aldo BAIETTI (Lead), Monica Scatasta, Cindy Suh (WB), Thomas van Waeyenberge and with Danielle Gaillard as counterpart in the Council.

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8 Actions

| What | When | Who | Comment |
|---|--|--|---|
| Agree on proposed # of sessions: followin JUNE telconf: suggestion is to maintain the 4 proposed sessions and re-allocate time according 4/3/2 – hour sessions to be divided up | | | |
| Agree on format of sessions: interactivity | | | |
| Update, extend and validate stakeholders <ul style="list-style-type: none"> Extend “consultation group” Focus more on DEMAND SIDE (as suggested by P.Cairo & Programme Committee | | <ul style="list-style-type: none"> Target Utilities from the South (EIB) Target Ministries of Finance See to what extent AquaFed members want to be involved? Find utilities that “show what they need” | |
| Fill in session plans | | | August – September 2008 Deadline for submission of detailed session plans is October 2008 |
| Incorporate Unions suggestion + AWC Possibly have a better look at what the Dutch Water Boards are suggesting | <ul style="list-style-type: none"> - AWC = PPPs - Unions = ? | | |

9 Notes

9.1 Questions & Suggestions from R.Martin-Hurtado on Juny 11, 2008

- develop a “finance week @wwf5’ framework in order to have a comprehensive overview for the whole finance-related sessions: to facilitate internal theme 5 coordination and invitation process of externals to the process
- clarify high-level financing panel
- clarify whether the programme committee wants finance to be linair / avoid parallel sessions for our topics
-

9.2 Suggestions from J.Labre to Aldo Baietti (June 2008)

a) Coordination with the Finance policy panel :

Interactions between the Finance Policy Panel and Finance thematic sessions would be beneficial in terms of content and also of attractiveness of the sessions through the high profile of the panel's members . Here are some thoughts on this matter :

- How to emphasise the work of the Finance panel (including its preparatory report if any) in thematic sessions ?
- What role should the Finance panel play during the process of preparation of Theme 5 sessions ?
- Would not it be relevant to include , as the first session of theme 5, a presentation and debate of the Finance panel report , with the presence of its members?

9.3 Other Notes

- Include input from the 467 questions
- Cross-check with forum announcements
- Unions suggestion
- AWC suggestion for session with WB/MENA on PPPs: the guidance received is that the sessions should “accommodate” input from the regional processes
- Telephone contacts with
 - Dutch Water Boards: Roumania + NL publication on decentralised financing
 - ICLEI: looking to get ICLEI Executive Committee Member Margaret Pageler involved
- Suez Env contribution (still not received) will focus on underlining the need to integrate with Policy Panel and also the “Learning Centre”: Jacques believes that some of the “theoretics” should be evacuated to the learning centre rather than kept in a general session
- Suez Env has set up a new structure SEED: Suez Env Eau & Développement, headed by J.Bertrand (info from P.Guiffant): this new “model B.U.” has a focus on Africa and is testcasing new approaches and pursues ‘4PPP’: PPPs + participation

10 Existing body of text, as discussed at the 2nd Coordinators Meeting (Feb. 2008)

1. 2008-02 Topic Scoping Paper 5.1.:
http://www.worldwaterforum5.org/fileadmin/WWF5/Preparatory_Process/Topic_Development_Documents/Topic_5.1.pdf
2. 2008-02 Roundtable Report 5.1.:
http://www.worldwaterforum5.org/fileadmin/WWF5/Preparatory_Process/Topic_Development_Documents/5.1_topic_roundtable_report.pdf

WWF5 – stakeholder map for Topic 5.1. Sustainable Financing

11 Stakeholders for Topic 5.1

Please reflect on what types of organisations

- Should be “coordinator” alongside the main “green” ones
- should not be missed in the process: public sector, water agencies, service providers
- should be invited to the sessions

| Identified Type of Organisation | Organisation | Lead Contact | area | Contact details | Comment /Status |
|---|--|---|--------|---|---|
| MAIN TOPIC COORDINATOR CONSORTIUM | | | | | |
| Operators and service providers (private) | AquaFed, (Int. Fed.) | Thomas van Waeyenberge | ALL + | Thomas@aquafed.org +32 2 234 78 08 +32 479 23 78 26 | Lead Coordinator, as identified by WWF |
| Financial – MFIs | EIB, World Bank | J.Fradé N.Shah ... others as suggested by Arab Water Council | ALL + | | <i>involved</i> |
| Local Gov't | ICLEI (?) | Peter Defranceschi Barbara Anton ICLEI Executive Committee Member Margaret Pageler | | peter.defranceschi@iclei.org | Contacted, currently checking how far their commitment can go |
| Multilateral | OECD | Céline Kaufman + team. R.Martin-Hurtado | 5.1.2. | | <i>Involved</i> |
| OTHER STAKEHOLDERS | | | | | |
| UN System | UNSGAB | | | | |
| Operators & Service Providers | (public, SSWSPs) | | | | |
| UNIONS | Turkish Unions | | | | |
| INGOs | Arab Water Council, Netherlands Water Partnership | | | | |
| Donors(mult & bilaterals) | AFD | | | | |
| Banks | Islamic Dev Bank Iller Bank (?) | | | | |

WWF5 – stakeholder map for Topic 5.1. Sustainable Financing

| | | | | | |
|---|--|--|--|--------------|--|
| Local Gov'ts & Water Authorities | UCLG? | | | | |
| Foundations | Gates Foundation, Rockefeller (?) | | | | |
| Water Boards | Unie van Waterschappen (NL Dutch Water Boards) | | | Sonja TIMMER | Are interested in submitting case study TVW to follow-up |
| To be invited | | | | | |
| National Governments (min of finance/economic affairs/ infrastructure/public works) | | | | | |
| Private financiers | Banks, specialised funds | | | | |
| Microfinance institutions | | | | | |
| Research | | | | | |
| National regulators: from developing and industrialised countries | | | | | |

12 Session plans, adopted from the Roundtable Outcome – and adjusted

4 interesting lines of thought focus on the following potential sessions

1. Financial sustainability
2. Credible planning
3. Use of public resources
4. capacity to borrow

12.1 Proposal to reformat to 3 Sessions 5eib : July 15, 2008)

EIB, following up on various suggestions added the following comments for discussion. They have not been fully agreed and are posted here for discussion.

EIB comments (15/07/08)

12.2

1. The topic would be discussed in 3 main sessions divided as follows:

- 1 Assessment of sector financial sustainability, finance demand-supply balance, main issues, progress since Camdessus and Gurria reports, blending loans and grants to reach the poor;
- 2 Financiers and donors (supply side): available financial flows, role of each type (ODA, national budget, sovereign, sub-sovereign, soft/commercial, equity, corporate, OBA, microfinance, hybrid), ODA targeting, political awareness, optimisation and leveraging of flows, scaling up, IFRM, risk mitigation
- 3 Borrowers (demand side): borrowing capacity, creditworthiness, risk mitigation; utilities (social policy role and balance, cost recovery and bankruptcy, tariffs and political mismanagement, water prices and efficiency, role of regulators); national and local governments.

2. Key questions could be modified as follows:

- 4 Session 5.1.1: What progress has been made since the Camdessus and Gurria reports? Is the water sector currently financially sustainable? What are the emerging issues to be addressed to ensure sustainability?
- 5 Session 5.1.2 (merging previous 2 and 3 sessions): Is it possible to integrate and optimise financial flows to cover the current finance gap? Could financial strategies increase the availability/supply of finance to the water sector?
- 6 Session 5.1.3: The capacity to lend exists; but the capacity to borrow does not: how can this be bridged?

- Organisations involved, speakers, roundtable, panel
- World leading organisations (UNSGAB, Camdessus Panel, Gurria TF);
- Multilateral (EC, OECD, WB, EIB, IsDB), regional (EBRD, AsDB, AfDB, IADB, NIB) and bilateral (DFID etc) agencies, investment, development and commercial national banks, pension and equity funds;
- Governmental authorities – national (MoF, MoW) and local (municipalities);
- Utilities – public (AquaPublica etc) and private (AquaFed etc)
- Civil society, NGOs

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Roundtable idea 1: Financial Sustainability: Importance, progress and emerging issues – progress since Camdessus on sust. Financing – a good starting point for the thematic area: where are we now / what is the status of our thinking: where are we on the benchmark after Camdessus report

It is the perception that this will be a very “good session (ref. to AfDB comments) + discussions within the Theme coordination: The objective should be to attract the “high-level” people and to “relate to the high-level policy panel

12.2.1 Coordinator: AquaFed + Others?

Potential others: UNSGAB, EIB, OECD, WB, GWP

Who's carrying out the rationale . the analytical framework

IFC + Municipal Fund on sub-sovereign finance: what's the Bank doing

ODA flows: OECD will have new data ready (up until 2006/2007):

- 1 speaker on ODA flows
- IFC + Mun. fund...
- Check analytical work on overall flows from World Bank
- Risk instruments (WB): why didn't it go ahead more
- Aldo wrote a publication / Peter Raymond?

12.2.2 Comments

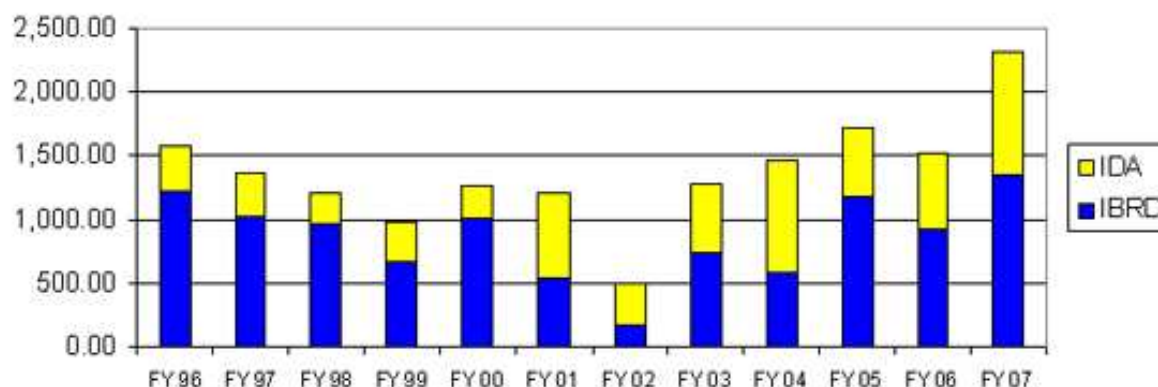
June 6 - Aldo: Include the Arab Water Council session ideas: we are awaiting their more detailed messages as their proposals can not be accommodated as such

June / July 2008: Aldo references: on hybrid financing

- Flows to Water Sector: I have checked internally and there is no comprehensive summary of fund flows to the water sector in all countries. We of course, have flows for Bank operations (see below) and we have begun to do expenditure reviews in this area but we have the information of one selected countries. In addition, I am attaching Note 9 from our Infrastructure data base which shows activity in private water projects for 2007 (ref to PPIAF report). This could be useful as well.
- What's Happened Since Camdessus: The Bank has certainly been acting on some of the recommendations of the Camdessus panel and I will need to send you a listing of these sometime next week as I need to get the more recent update to our infrastructure action plan. However, it would be worthwhile to talk to the our people that are managing the Municipal Fund (Isabel Chatterton) which is directly financing local governments. Also I'm attaching a publication I did, which followed up on the Camdessus Report on utilizing risk instruments. This publications discusses in detail the challenges of making these risk instruments more flexible, but also provides a roadmap for developing PPP projects with a more equitable risk allocation framework (hence the hybrid financing schemes). In other words, we at the Bank are looking more and more on modifying the more traditional risk allocation framework with a recent Project I am doing in the West Delta on PPP in the irrigation sector. I am attaching another report that we did on local providers that was a follow up to my report and which shows a number of projects with mix financing schemes and risk allocation.

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Historical WSS Lending (\$US Millions)



Email from K.Caplan / JMMoss to G.P (June 19, 2008) – possibly interested parties: WaterAid / PBD

- What are the major trends that you see developing in the source and types of finance (or financial instruments) being used to enhance delivery in the urban water and sanitation sector?
- Are there different targets or channels for finance emerging that could influence the way the urban water and sanitation sector evolves?
- What considerations (including non-financial) do you see shaping the short and medium term debates around finance for urban water and sanitation delivery in developing countries?

12.2.3 Questions

- Why water is important: major investments are required in the WSS sector over the next decades (in particular to meet public policy goals tied to the MDGs + to confront new challenges)
- What has been the recent progress: (Camdessus, Gurria, 4th Forum, MDG leverage)
- Emerging issues (climate change adaptation)

12.2.4 Topic Issue

Financial issues are particularly relevant for the water sector because it is characterised by high capitalintensity and long repayment periods for investments. Without financial sustainability the sector will not be able to deliver on its important goals, including contribution to economic growth. There is a need to know what has happened, what progress has been made on the topic of financing, including the effect of the Camdessus report, Gurria Task Force, 4th Forum, MDG leverage, and assess the progress in implementing the recommendations of Camdessus report, Gurria Task Force, 4th Forum, and to what extent the MDG agenda has leveraged additional funds for the sector. Moreover, there are new issues on the financing water agenda, chiefly the issue of climate change adaptation.

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12.2.5 Updated Table

| | |
|---|---|
| Broader Issue/Context | <ul style="list-style-type: none"> - Importance to monitor the follow-up post Camdessus Report & Gurria Panel. This session will set the stage for the whole topic and is indeed of major importance for the whole theme. - Financial issues are particularly relevant for the water sector because it is characterised by high capita-intensity and long repayment periods for investments. Without financial sustainability the sector will not be able to deliver on its important goals, including contribution to economic growth. There is a need to know what has happened, what progress has been made on the topic of financing, including the effect of the Camdessus report, Gurria Task Force, 4th Forum, MDG leverage, and assess the progress in implementing the recommendations of Camdessus report, Gurria Task Force, 4th Forum, and to what extent the MDG agenda has leveraged additional funds for the sector. Moreover, there are new issues on the financing water agenda, chiefly the issue of climate change adaptation. |
| Key Question | What has been the recent progress in thinking and action on Financial Sustainability? What are the emerging issues? |
| Session Development Description/ Outline | <ul style="list-style-type: none"> - Given the crucial needs for significantly increasing financing of the WSS, what is the current status of reflections in international agencies? - How are sector stakeholders (central/local Governments, donor governments and MDBs, NGOs/CBOs) following up on these recommendations? What lessons can be shared (good practices, challenges & obstacles)? Who has initiated “new” financing techniques? - Who is carrying out ground-breaking analysis and what can they share? (World Bank, OECD) - Risk instruments (WB) <p>Potential list of speakers</p> <ul style="list-style-type: none"> - Key “Leaders” (UNSGAB, Camdessus, Gurria) - Keynote from IFC / Municipal Fund - Speaker on ODA flows - Local Gov’t representatives <p>Organisations involved: UNSGAB, EIB, OECD, WB, GWP, AquaFed</p> <p><u>Session plan:</u></p> <p>inaugural remarks: roundtable discussion with moderator</p> |
| (Types of Organizations to be involved in session development) | <ul style="list-style-type: none"> - Multilateral Agencies (World Bank, OECD) - IFC + Municipal Fund - Operators of all types (AquaFed) - Governments (national + local) - Civil Society + NGOs |
| What is being bridged here? | <ul style="list-style-type: none"> - Understanding key concepts and financial flows in the WSS sector, - Rethinking of development models + New needs. |
| Next steps and timeline | <ul style="list-style-type: none"> - Internal assessment of World Bank activities - OECD publication and data up until 2007. - Closed meeting during Stockholm World Water Week with interested parties - Securing high-level participation in the session |
| Contact information for coordination of this session 5.1.1 | <p>Name: Thomas van Waeyenberge Organisation: AquaFed Country: Belgium E-mail: Thomas@aquafed.org Tel:+3222347808</p> |

12.3 Roundtable idea 2: Financial sustainability requires credible planning

Aldo could also provide help

“Realistic Financing Strategies” (from the demand side)

AquaFed

Supply side = WB: WB on “financing techniques” in Philippines, Cambodia

OECD: link between investment planning and budget, ODA, and the instruments that

12.3.1 Lead: OECD

Mail from R. Martin – Hurtado - OECD is willing to lead the organization of Session 5.1.2 (realistic financing strategies). As you probably know from Gerard Payen and Jack Moss, there is an OECD Task Team that looks at this topic, although only from a WSS perspective, so we will have to get outside of our comfort zone to bring other sub-sector perspectives. I will try to explore opportunities to bring GWP onboard here as active contributor. Some of the participants in our OECD Water Task Team may be able to provide some targeted contributions to this session once the framework is more clear.

OECD to provide some more details here:

-bringing in Mid-income and developing country Minister of Finance / director for water

- aim for balanced representation public/private sector & NGO

Format

Session Chair / Keynote and Panel of 5 distinguished personalities

Comments below from OECD / R.Martin-Hurtado

For the time being, we will work under the assumption that session 5.1.2 will take place in the afternoon of Monday 16th March 2009 and will last 2 to 3 hours.

Our initial thoughts on structuring the session are:

Opening by the Chair: 5 minutes (e.g. Maurice Bernard, AFD)

Keynote speech: 15-20 minutes, Jim Winpenny (author of the report on Financing Strategies currently being prepared in the framework of the OECD Water Task Team and where, in addition to OECD member countries, other stakeholders – such as UNSGAB, WSP, PS-Eau, IRC – take part)

Panellists' interventions: 30-45 minutes in total. The number of panellists would depend on the final time allocated to the session. Panellists could include:

- Representative from the Water Directorate of an OECD middle-income country (e.g. Mexico)
- Representative from the Water Directorate of a developing country (e.g. Senegal)
- Representative from a Ministry of Finance of a developing country
- Representative from private sector (e.g. AguaFed)
- Representative from an NGO (e.g. Water Aid)
- Representative from IWRM community (e.g. GWP)

General discussion: 60-90 minutes

Conclusions and closing by the Chair: 10 minutes

12.3.2 Questions::

We will provide an improved write-up of the session proposal in October. An alternative anchoring question for the session could be:

How can we make the water sector financially sustainable? Lessons from financing water and sanitation services

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The questions around which to structure the session need to be further elaborated. For illustrative (and to request feedback) purposes, some of the questions could be:

-

Cluster 1

- What is the basis for a financially sustainable water sector?
- Are there examples of financially sustainable WSS sub-sectors?
- What are the lessons learned in OECD and developing countries on defining a financial model for the WSS sub-sectors?
- What can/should be the share of the ultimate sources of finance (i.e. taxes, user charges, solidarity) in financing the different WSS sub-sectors?
- To what extent does financial sustainability depend on setting more realistic sector targets?

Cluster 2

- Is there a clear rationale for improving strategic financial planning in the water and sanitation sub-sectors?
- What should be the roles of the Water Ministries/Directorates and the Ministries of Finance in strategic financial planning for the WSS sub-sectors (and for the Water sector more generally)? And what should be the roles of other stakeholders?
- What are the lessons learned in putting in place strategic financial planning processes?
- Can strategic financial plans (i.e. financing strategies) as such lead to a significant change in the WSS sector finances?

Cluster 3

- How do these experiences and lessons learned relate to new trends in aid delivery (e.g. budget support, SWAps,...?)
- How do these experiences and lessons learned relate to the financing IWRM agenda?

Note that the first set of questions would also answer the “new suggestion” received by the Forum organisers for Topic 5.1. (i.e. what are the really sustainable means of financing local water authorities and their systems in the world?)

12.3.3 Key Topic Issues

Financial sustainability requires closing the financing gap by acting on the demand and supply sides of finance. The need for finance is potentially boundless, so sector goals should be defined according to realistic financial envelopes. The ultimate sources of finance are limited to user charges, tax-payers (budgetary resources) and international solidarity. Credible and sustainable financing strategies would identify realistic cost recovery levels and realistic subsidy flows.

Sub-question: When is decentralization not the preferred institutional option for water supply and sanitation services to local communities?

This sub-question, as it is currently framed, would not be covered in the session. The issue of decentralization would be discussed as part of the discussion on defining a financial model for the WSS sector.

12.3.4 Comments from AfDB (transmitted directly to Roberto for review)

We hope that the questions detailed above provide a better sense of what would be covered in the session. Although intermediary sources of funding (such as loans of various forms) have an important role to play in “bridging the financing gap” (i.e. handle timing constraints in the ultimate sources of finance) and some of them may help to leverage the ultimate sources of finance, the session however, will focus on the ultimate sources of finance. In the past, much more attention has been paid to the intermediate sources of funding than to putting in place financially sustainable models. Issues of “financing techniques” (including risk mitigation instruments) would be better dealt with under Roundtable Idea 4.

12.4 Roundtable Idea 3 - HOW CAN THE USE OF PUBLIC RESOURCES (INCLUDING AID) BE IMPROVED? (include non-traditional financing mechanisms)

July Update:

- Possibility to merge with Roundtable Idea 2, to have homogenous “supply” side look at finance (this is raised by EIB)

Suggestions from the utilities’ side to broaden the session

Key issues to be addressed as possible recommendations / best practices / ways forward

- OBA
- WB Municipal fund
- Setting the debate: 2 or 3 representatives of operators and 2 or 3 representatives of local authorities in a panel and let the utility people tell their story (hopefully the message comes out that... look, we tried everything, e.g. for example bringing in the private sector and have achieved good results... now we need more to happen if we really need to address these huge challenges
- The outcome could be that workable solutions exist: BUT, that to address e.g. ageing infrastructure, or huge populations of poor people; solutions will not come from the Private sector alone: “where is the money going to come from”?

12.4.1 Lead: ?

- EIB?

12.4.2 Problems & questions with this session

- We need to clarify the background, what the real challenge is we’re addressing with this session

| | |
|------------------------------|--|
| Broader Issue/Context | <p><i>Public funds account for a large part for WSS funding: these funds must be managed according to good public finance principles.</i></p> <p><i>Please expand to clarify and focus the background to the topic, what is the challenge?</i></p> |
|------------------------------|--|

- Explore options in the Public Finance (rather than the Water) community. Explore the options in the local water budgets
- What Means and resources can be mobilised at the local level (fiscalité locale?)
- NL – Water Boards want to promote their study on the decentralised model of financing (they have other partners in East Europe). NL had shown a report in 2003 in Mexico and is willing to follow-up on this
 - o Hungary (central financing)
 - o Romania: decentralised modelled on the NL experience
 - o The key questions to answer which enable you to decide whether you want a decentral or central model. NL has a list of key success factors.
- One of the Dutch Directors is taking his pension, could potentially be more involved

12.4.3 Questions: How can the use of public resources (including aid) be improved?

12.4.4 Key Topic Issues

In many countries public funds account for 70-90% of sector funding. Those funds need to be managed according to good public finance principles. Important aspects include: the role of those vis-a-vis other sources of finance, what their best use would be (including issues of targeting subsidies) and the capacity to manage public funds.

12.4.5 Various notes on 5.1.3.:

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OBA

Potential parties to include: AquaFed members from the South who can demonstrate that they've looked at all the available options

WSUP programme (Thames + multistakeholders?)

12.4.6 Comments from AfDB

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| Key Question | <p>How can the use of public resources (including aid) be improved??</p> <p>Please clarify “improved.” The topic is too generic as it is. This seems to be about the governance of the sector. Are we referring to the financial processes (PFM), e.g., budget allocation and implementation, value-for-money, control systems (accountant general, auditor general, Inspector General), cost trends. Or are we looking at SWAP and sector coordination? Anything else?</p> <p>Personally I think the main question is how to ensure that WSS receives an appropriate allocation of the national budget is an interesting topic. What are the bottlenecks, how have participants overcome them? E.g., in Uganda WSS is a priority sector as per the PRSP/PEAP, yet it has been receiving a decreasing share of the national budget over the last several years. What can the WSS sector in a country do to increase its share of the budget? Part of the solution may be to prove that the public funds allocated to the sector are well used.</p> <p>What has been in the impact on the good use of funds with decentralisation? My impression is that cost effectiveness has worsened, and hopefully this is an interim stage until controls are strengthened.</p> |
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| Session Development Description/ Outline | <p><i>Issues</i></p> <ul style="list-style-type: none"> - Explore options – of what? - in the finance community – who is this? - Success factors - of what in central, decentralised models (NL, Hungary) – Dutch Water Boards - Also include non-traditional finance mechanisms - What's the best use of public funds - Capacity to manage these funds <p><i>Stakeholder</i></p> <ul style="list-style-type: none"> - Planners - Lenders (commercial) - Public authorities - Operators of all types - Regulators - Finance (non-WSS) out-of-the-box experts ?? - Academia - Prof. Networks - ODA donors - Central governments,: Water ministry & ministry of Finance <p><i>Comment: this session needs to be really looked at and fine-tuned.</i></p> |
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12.5 Roundtable Idea 4 - THE CAPACITY TO LEND IS THERE, THE CAPACITY TO BORROW NOT**12.5.1 Lead: EIB – TBC**

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| Broader Issue/Context | <p>Focus on the “capacity to borrow” of the various actors.</p> <p>Despite investment needs, financiers face a lack of effective demand for lending. Increased borrowing capacity and mitigated risks would allow the latent demand to emerge (whether through stand-alone lending or blending arrangements). Different actors (central governments, local governments, autonomous service providers and international financial institutions) have a role to play.</p> |
| Key Question | The capacity to lend is there, the capacity to borrow not? |
| Session Development Description/ Outline | <p><i>Issues</i></p> <ul style="list-style-type: none"> - How can the capacity of local authorities / service providers to attract finance be increased? - In what ways can the borrowing capacity, creditworthiness and cashflow be built up, ring-fenced and maintained? <p>Sub-Question from February 2008-06-02: How can local governments become more reliable financial stakeholders, ...(and)...(and) allow utilities become more creditworthy borrowers?</p> <p>Question from February 2008-06-02: Should local water authorities be allowed to access private finance and under what circumstances? What financing policies can promote an easier transition from public to private sources of financing?</p> <p>Find some examples of “unlikely” borrowers who managed to pull it off.</p> <p>How can the known risks (e.g., long payback, political influence over tariffs, operator incentives and capacity) be mitigated/managed – any new ideas?</p> |
| (Types of Organizations to be involved in session development) | <ul style="list-style-type: none"> - Planners - Lenders (commercial) - Public authorities - Operators of all types - Regulators - Finance (non-WSS) out-of-the-box experts - Academia - Prof. networks |
| What is being bridged here? | Borrowing capacity for WSS actors, creditworthiness, improved demand for finance |
| Next steps and timeline | <p>Zaragoza,</p> <p>Stockholm closed meeting</p> |
| Contact information for coordination this session | <p>Name: J.FRADE, N. SHAH</p> <p>Organisation: European Investment Bank (EIB)</p> <p>Country: Luxemburg</p> <p>E-mail: n.shah@eib.org</p> <p>Tel: 00 352 4379 82723</p> |

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12.5.2 Question - What can the different actors do to increase the borrowing capacity of service providers?? What do financial institutions need to do to adapt their offer to the requirements of the borrowers

12.5.3 Key Topic Issue

Despite investment needs, financiers face a lack of effective demand for lending. Increased borrowing capacity and mitigated risks would allow the latent demand to emerge (whether through stand-alone lending or blending arrangements). Different actors (central governments, local governments, autonomous service providers and international financial institutions) have a role to play.

- How can the capacity of local authorities / service providers to attract finance be increased? In what ways can the borrowing capacity, creditworthiness and cashflow be built up and ring-fenced?

12.5.4 Potential other subquestions for this session

Question from February 2008-06-02

Question 1: How can local governments become more reliable financial stakeholders, ...(and)...(and) allow utilities become more creditworthy borrowers?

Question from February 2008-06-02

Question 2: Should local water authorities be allowed to access private finance and under what circumstances? What financing policies can promote an easier transition from public to private sources of financing?

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13 Received input – to be discussed with Topic Consortium

13.1 AWC with WB: proposal to have under 5.1. a session on PPPS

| | | |
|--|-----------------|--|
| 10. Public Private Partnership for Financing and Managing Water Infrastructure and Services. | WB/ MENA Region | <p>Dr. N.Vijay JAGANNATHAN Sector Manager (Water), Middle East and North Africa Region World Bank Washington DC, USA Tel: 1-202- 473 1306 Fax: 1-202-4771981 Email: Njagannathan@worldbank.org</p> <hr/> <p>Ms. Julia BUCKNALL Lead Natural Resource Management Specialist, MNSSD Water, Environment, Rural and Social Development Department Middle East and North Africa Region The World Bank 1818 H Str., NW, Washington DC 20433, USA Tel: 1 (202) 473 5323 Fax: 1 (202) 477 1609 Email: jbucknall@worldbank.org</p> |
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Further details

Title of the proposed session:

Public Private Partnership for Financing and Managing Water Infrastructure and Services.

Session Conveners:

WB/ MENA Region, OECD, AWC

Session's stakeholders:

KSA, Morocco, Jordan, Egypt, UAE, Ministries of Water and Irrigation, Private Sector

Justification about the Session:

This is a key area of interest for policy makers and citizens alike.

Main issue(s):

Arab countries have invested significant resources in water infrastructure in the past forty years, but since then has very large financing requirements both to replace ageing infrastructure and meet requirements of growing populations in urban areas and irrigated agriculture.

13.2 Unions

"What kind of financial resources can local governments create apart from local taxes and central government tax shares?" (as alternatives to PPPs)

14 From the 467 Questions

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17. Sustainable financing for the water sector

- Under what circumstances is micro-financing an effective strategy for providing sustainable water and sanitation services? (14%)
- Should central and local governments allow local water authorities to access the private capital market to ensure investments in development and management of the systems? (9%)
- What is the current application of the recommendations proposed by the Camdessus Report to allow for sub-sovereign financing? (9%)
- Cost-recovery: what are the pros and cons of water meters in different contexts? How to determine the appropriate level (householding, building...) for their installation? (5%)
- Why are private water companies the best placed to access financing? (2%)
- Who should pay for installing water metering networks in irrigated system? (1%)
- How could conflicts resulting from unequal distribution of water resources within local groups in countries, especially in underdeveloped regions of Asia, Africa and South America be prevented? (no vote option)

New suggestions:

- What are really the main sustainable means of financing the local water authorities and their systems in the world?

15 Proposed Actions

16 Proposed Calendar for Development of Session Plan for Topic 5.1.

- Physical Meeting @ Stockholm World Water Week, August 2008
- Telconference in September 2009
- Topic Coordinators Meeting (check WWF5 agenda)

17 References & Links

- TEAMROOM on Virtual Meeting Space (VMS) at <http://portal.worldwaterforum5.org/wwf5/en-us/themes/Theme5/Topic5.1/Pages/default.aspx>
- Document from 2nd Coordinators' Meeting in Istanbul: URL <http://www.worldwaterforum5.org/index.php?id=2095>

18 Annexes –

18.1 Résumé by Aldo Baietti of the last TelConf – June 25, 2008-07-08

Session Proposals. Feedback was received by the Programme Committee on the draft session proposal for the topics 5.1, 5.2 and 5.3.

With regards to 5.1, the Committee felt that the session proposal required a bit more development to be fully considered specifically, it stated that the questions as formulated in the proposal do not yet provide direction to the desired outputs. More concrete formulation that invites the recommendations of solutions to priority issues may be useful to direct the debate during the proposed sessions. It may be worthwhile to involve more the demand side of finance in the preparatory discussions to understand better their perspective

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of the financing issues. The Topic Coordinator will revise its proposal based on comments received and with resubmit it to the Committee within a two week time frame (prior to July 9th). Group participants are encouraged to submit their comments to the Topic Coordinator in order to strengthen the proposal.

With respect to 5.2, the Committee found the proposed sessions to be well developed, and the it encouraged the team to continue to proceed along the lines indicated therein. The Programme Committee also proposed that session 5.2.5 (on financing water for agriculture) and 5.2.6 be shared with topics 2.3/3.2 and 4.4 respectively.

With Regards to 5.3, the Committee was not able to review this proposal. However, this session proposal was the first developed and submitted for review. The Topic Coordinator for 5.,3 will resubmit the proposal before June 27th and with the four sessions, and will specifically address the time constraints allowed to make sure that all the sessions can be incorporated.

Policy Panel For Financing - Questions were raised during the meeting regarding the formation and role of the Policy Panel for the Finance theme. It was indicated that this Panel has not yet been formed and that its role vis-a-vis the various Theme 5 sessions was still undecided. The Theme and Topic Coordinators would like to be kept informed on the organization of the Panel and request that their email addresses be added in correspondence for this activity.

Further Development of Session Proposals and Timetable. The team is encouraged to move the session proposal forwards by obtaining more participation and feedback through the web-based platform, the call of which has not been launched. Topic Coordinators will be expected to submit their finalized session proposals to the Programme Committee by the end of October. For internal working purposes the team agreed to circulate the individual proposals by mid-September. At this point each proposal should have a more definitive breakdown of each session, including naming participants that will be involved with the titles and summary of each presentation and/or session components.

Next Meeting. We will communicate via email and the next audio conference will wait till after the summer.

18.2 Annexe – Comments by the Programme Committee (June 2008)

These will be posted to the VMS

Essentially

The questions as formulated in the proposal do not yet provide direction to the desired outputs. More concrete formulation that invites the recommendations of solutions to priority issues may be useful to direct the debate during the proposed sessions. It may be worthwhile to more involve the demand side of finance in the preparatory discussions to understand better their perspective of the financing issues.