

TOPIC SESSION REPORT	Chair: Abel Mejia	Reporter: Roberto Martin-Hurtado
<p>Theme: Financing</p> <p>Temporary thematic coordination group:</p> <ul style="list-style-type: none"> • World Bank • OECD • IsDB • AfDB • Aquafed • Gates Foundation • NWP • EIB • Ilder Bank 	<p>(Interim) Thematic coordination lead: Organization: World Bank</p> <p>Name contact person: ...Abel Mejia.....</p> <p>e-mail: ... Amejia1@worldbank.org.....</p>	
<p>Topic: 5.1 Sustainable financing for the water sector</p> <p>Topic Main Question:</p> <p>Topic coordination group:</p>	<p>Topic coordination lead:</p> <p>The various partners involved need greater clarity (Terms of Reference) on the roles of the various partners – should they produce a document, convene sessions, etc?</p>	
Key Topic Issues	Questions	Session Ideas
<p>Financial issues are particularly relevant for the water sector because it is characterised by high capital-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 in the financing sector, 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.</p>	<ul style="list-style-type: none"> • Why water is important • What has been the recent progress (Camdessus, Gurria, 4th Forum, MDG leverage) • Emerging issues (climate change adaptation) 	<p>Financial Sustainability: Importance, progress and emerging issues</p>
<p>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</p>	<p>What are the benefits of a financing strategy, what should be its building blocks and how can it be developed?</p>	<p>Financial sustainability requires credible planning</p>

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.		
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.	How can the use of public resources (including aid) be improved?	HOW CAN THE USE OF PUBLIC RESOURCES (INCLUDING AID) BE IMPROVED?
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.	What can the different actors do to increase the borrowing capacity of service providers?	THE CAPACITY TO LEND IS THERE, THE CAPACITY TO BORROW NO

Topic 5.1 possible topic coordinators

IFIs

Public sector

Service providers

Water agencies