

DEVELOPING CAPACITIES AND AWARENESS IN FINANCING WATER IN WEST and EAST AFRICA and CENTRAL ASIA & CAUCASUS REGIONS

Executive Summary

Report on the Outcomes of a Programme of Workshops

By Alan Hall, GWP Secretariat

June 2008

EXECUTIVE SUMMARY

This programme of workshops has evolved from global activities of the GWP, including the sponsorship of the Camdessus Panel on Financing Water for All and the Gurria Task Force. Too often discussions at an international level remain remote from practitioners and this programme has helped to bridge the gap between global policy debate and national practical application. It has shared ideas and information and promoted regional and country level awareness, knowledge sharing and capacity building.

Three workshops were held in three regions based on demand expressed by the GWP regional water partnerships. Each region followed up with activities at country level. There was good representation of governments and other stakeholders at the three regional workshops and the country roundtables. In particular, the programme brought together water professionals and finance officials to discuss water financing, often for the first time.

A significant outcome was the Ministerial Statement agreed by AMCOW ministers at their Brazzaville meeting in May 2007. This has raised awareness and generated momentum at the political level in Africa on financing. The ministers called for enhanced engagement, collaboration, partnerships and alliances and called on development partners to meet their commitments under the Paris and Monterrey Declarations with increased support to infrastructure development in the region. Action – support AMCOW to follow up on the statement to keep financing water on the political agenda.

There was also a high level of interest by countries to initiate follow up activities and some action has already taken place. In Ghana, a validated document was produced on the strategies for implementation of the IWRM plan of the Densu basin, including estimated costs and potential sources of financing. Action – GWP-Ghana Country Water Partnership to follow up with the Ministry of Finance.

The programme of workshops and roundtables has increased awareness of financing issues across a broad range of stakeholders and alerted technical water professionals to the importance of financing issues. The key element linking financing and good governance has also been addressed and the importance of IWRM for increasing finance and using it better. Action – GWP and EUWI-FWG to develop a capacity development programme on financing matters to capitalise on the awareness raised and political interest. Carry out a similar programme of workshops in Southern Africa and Caribbean to meet demand.

Further Recommendations

Strategic planning: to realize adequate financing for water and IWRM, the water sector has to work with the responsible institutions to ensure that water is a priority in country poverty reduction and MDG action plans as well as other key national strategy documents and plans. Effective governance systems and structural reforms are needed to attract investment; build capacity to make reforms effective; Action - CWP's to ensure IWRM plans now under development are included in National Development Plans as for example in Mali.

Harmonisation: procedures should be simplified in order to increase the rate of spending; Bottlenecks from both the demand and supply sides of financing in water sector need to be addressed in order to absorb existing funds and more efficiently use new funds e.g. donors need to look at harmonizing and simplifying their procedures at an operational level (i.e. apply the principles of the Paris Declaration) and governments need to give donors clear and consistent messages on what procedures need to be harmonized in particular to reduce the administrative burden of the EC. Action – carry out studies to identify where there are bottlenecks to the release of funds (eg excessive donor or government bureaucracy) and promote reforms to streamline financial flows.

Delivering finance: In the water sector, the options for new forms of aid delivery (e.g. direct core or sector budget support) are not well understood. In addition their potential impacts for funding to the water sector should be examined further. There was a general lack of awareness of new financing mechanisms and different possibilities in accessing non-ODA funds. Water charges and local private sector were accepted as options for generating finance. Action – design Cap Dev programmes on financing and advocacy programmes to raise awareness of different forms of aid and sources of funds

National Budgets: double efforts in financing of water; including increased national budget allocations for sustainable water use; use increased provisions to finance “Public Goods” that put in place the enabling environment and leverage other finance; national budgets should be more functional and linked to outcomes. Action – CWP’s to advocate and support other sin advocating for higher allocations for water, for example, through the IWRM planning process.

Decentralization: human resources and skills for water interventions must be developed and finances provided in addition to devolving responsibilities for management and service delivery. Action – increase capacity development programmes that target those with devolved responsibilities

Knowledge sharing: The workshop brought together Finance and Water people; it was generally agreed the workshop resulted in a better understanding of the issues facing the two sectors to increase finance for water. Action – promote more interaction between water experts and finance officials.

Specific recommendations from Ghana

Need to vigorously pursue the adoption of innovative internal mechanisms for financing the water sector, e.g. carefully designed ‘ecological’ value-added tax as a valuable fiscal instrument to compensate local governments for water resources and ecosystem protection.

Encourage the set up and proper management of a Depreciation Fund for replacement of fixed assets and a Sinking Fund for expansion of facilities by water service providers.

Facilitate water financing as part of the decentralisation process. Promoting water financing at the local level. For instance removing blockages in the flow of funds to local entities responsible for water services/projects and creating micro-finance credit schemes.

Investigate the use of Water User Associations (WUAs) as a potential local management institution for the attraction, generation and management of micro financing for agriculture.

The next process is to develop and submit specific and concrete proposals for funding those actions/measures that need external support.

Specific recommendations from Uganda

The Uganda roundtable gave a bleak outlook for financing water which is not considered a priority sector and a low budget ceiling has been set by government (the budget for water has steadily declined over the last four years). The majority of donor funds are now channelled through budget support. With this background the roundtable explored six areas for possible follow up:

- Use of NGOs and faith based organizations can help to meet the funding deficit. The Ministry of Water and the Uganda CWP would seek ways to create awareness in NGOs and civil society on how they can influence District Development Plans so they get their proposed projects incorporated in the national level SWaP process.
- Improve coordination so there is greater impact and more rapid identification of problem areas and opportunities. For example, greater collaboration and coordination is needed with the agriculture sector to enhance water productivity.
- Use of new financing instruments. The water sector should learn from and emulate the HIV/Aids basket funding mechanism, which is open to all agencies which have credible and competitive proposals for funding.
- To overcome the low budget ceiling set for the water sector is to solicit and encourage private sector investment, which the government is actively seeking to maximize.
- Help is needed to tackle the escalating cost of infrastructure and services, including avoiding corruption which pushes up implementation budgets. Benchmarking by all actors is suggested to monitor unit costs of infrastructure and services to ensure value for money spent.

Follow up by the GWP and EUWI-FWG

Africa

- Demand for follow up workshops received from Southern Africa and the Caribbean, with an offer of support from the Caribbean Development Bank. A proposal has been submitted to a donor for funding.
- Outcomes shared with the country level activities in Benin, Cap Verde, Mali and Senegal as part of the Programme for African Water Development with support from GWP. Report to be shared with the EUWI Africa Working Group and other GWP regions.
- GWP to follow up with country level activities in Uganda and/or Eritrea. GWP-EAf to summarize a country matrix and assess further country level follow up.
- Training material has been developed to build capacity and awareness on financing issues through the “Introduction to Finance” publication for country level follow-up. EUWI-FWG also supported the preparation of training material with CapNet.

Central Asia:

- GWP CACENA should advance their activities in partnership development and help the country water partnerships to build capacities at country level, with support from the UNDP CapNet programme.
- better understanding of its possibilities and link government, civil society and the private sector.
- GWP to use financing water as a means to promote more efficient water use.
- GWP CACENA should assist countries in basin management both at national and transboundary levels, by elaborating recommendations for efficient operation of the Basin Councils. GWP will work with INBO to develop a Handbook on IWRM at the basin level.
- GWP will share experience and information at the regional and interregional levels, for example, GWP-CEE is sharing its experience on EU legislation with GWP-CACENA to help harmonize regional countries legislation.
- Water financing will be linked to the water and sanitation initiative of GWP CACENA with a further training workshop in Baku, Azerbaijan, in July and also explore links to the newly formed CACENA Water Utilities Network at their meeting in Yerevan Armenia in late September 2008 (with support from DFID).