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Workshops on Water Sector Finance – A Concept Paper

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In response to a need expressed both by international reviews as well as by practitioners working in the field it is proposed to hold training workshops in water sector finance. Such workshops were organized by GWP with FWG support in 2007 covering West Africa and East Africa respectively, and in 2008 in the EECCA region. They were followed by national roundtables held in Ghana, Uganda and Kazakhstan. The project would be based on experiences gained from these meetings and would use material prepared for them. The project would engage GWP/FWG and IRC/AWG working in collaboration. Its cost would be about €600,000.

The need for country level capacity building in water sector finance

1. The UNDP Human Development Report from 2006 stated that the world as a whole is on track to meet the MDG water target due to strong progress in India, China and other populous countries, but that it is off track on the sanitation target. This scenario has strong regional and country variations. On current trends Sub-Saharan Africa is likely to miss the water target by a full generation and the sanitation target by two generations. In many countries there are large differences in coverage between urban and rural areas as well as within urban areas.
2. International reviews have pointed at the lack of finance as one of the main constraints for countries to meet the water and sanitation targets (the Camdessus Review of 2003 and the Gurria report of 2006, both of which were sponsored by the GWP). But they also suggest that it is not only the lack of financial resources per se that is the problem. It is the inability of the water sector¹ to access finance due to institutional weaknesses and a serious lack of knowledge and capacity in many countries hampering their ability to benefit from the financial resources and instruments available. On the other hand, the finance sector has limited knowledge about the water sector which traditionally has been seen as a government and donor driven area.

Institutional context

3. The EUWI Finance Working Group (FWG) is since July 2006 hosted by the Global Water Partnership (GWP) in Stockholm. Capacity building in water sector finance is one priority in its work plan for 2006-2008.
4. GWP is operating networks of water sector institutions at regional and country levels all over the world, including some 80 country networks. Drawing on these networks it is able to identify key training needs and suitable individuals for participation in training activities. The GWP also works closely with the UNDP-supported CapNet programme for training of trainers on various water issues.
5. The EUWI Africa Working Group (AWG) is since 2004 hosted by the IRC in Delft. In its work plan for 2008 AWG seeks to add value in various ways to EU actions in Africa related to water and sanitation. IRC has considerable capacity in water sector finance,

¹ By “water sector” is here understood water, sanitation and hygiene (WASH) as well as integrated water resources management (IWRM)

particularly related to WASH, and as an international knowledge centre has the mandate to work with developing country partners, adapting, using and disseminating sector knowledge to local contexts.

Actions taken in 2007 and 2008

6. In the spring of 2007, FWG collaborated with GWP to organize two regional workshops on water sector finance, one for West Africa held in Ouagadougou in March and one for East Africa in Nairobi in April. They were intended for senior water practitioners, and the idea was to bring them together with financial experts. The underlying rationale was that the water practitioners have little idea about finance, and the financial experts do not understand the water sector and its characteristics. Follow-up roundtables were held at country level, one per regional workshop, between water, finance and planning professionals to look at ways to leverage more finance into the sector. One such roundtable was held in Ghana, Densu basin, in February 2008, another in Uganda in June 2008.
7. A third similar workshop covering the EECCA region was held in Tbilisi in February 2008. The follow up roundtable was held in Kazakhstan in June 2008.
8. A synthesis report covering these three workshops and accompanying national roundtables has been prepared by GWP².
9. The FWG financed the preparation of a practitioner's guide to water sector finance that was used as background material for the three workshops³.
10. GWP has developed a background paper to link water finance and good governance which was used as another input to the workshops⁴.
11. IRC supported GWP in the planning of the East African workshop and prepared a concept note on the subject⁵. IRC also participated with FWG in preparing training materials on water financing for the CapNet programme.

The workshops held: objectives, content and assessment

12. The objectives of the three workshops held can be summarized as follows:
 - Raise awareness of water sector financing issues and build bridges between water/sanitation and finance officials and experts.
 - Share knowledge and experiences of different types of finance by highlighting new mechanisms for financing and explaining linkages between finance and governance
 - Find solutions by identifying economically and financially viable alternatives in multiple objective water programmes in order to meet social and political expectations
 - Devise follow-up mechanisms by identifying further steps to be taken at sub-regional, basin or national levels to enhance prospects for sustained investments.
13. The agendas of the workshops differed somewhat but generally covered the following themes:

² GWP (2008): Developing Capacities and Awareness in Financing Water in West and East Africa and Central Asia & Caucasus Regions. EUWI FWG and GWP, Stockholm.

³ Winpenny, James (2007): Financing Water Infrastructure and Services: An Introductory Guide for Practitioners in Developing Countries. EUWI FWG, Stockholm

⁴ Rees J.R., James Winpenny and Alan W. Hall (2008): Water Financing and Governance. TEC Background Paper No. 12, GWP, Stockholm.

⁵ Cardone, R. and Fonseca, C. (February 2007): IRC Thematic Coordination at the Financing for Water Infrastructure in East Africa Conference, Nairobi, 2007. Draft paper.

- Issues and challenges to water development
 - Financing water: opportunities and constraints in hydropower, irrigation and water services
 - Community based water development
 - Trans-boundary water programmes
 - Multi-purpose water programmes: issues and synergy
 - Financing water development: from micro projects to trans-boundary water projects
 - Fees and other financing issues for public utilities
14. The approaches adopted to cover these topics varied. In Ouagadougou the workshop stressed the link to PRSPs and national development plans and noted the weakness of the water sector in articulating its needs in broader development terms. In Nairobi the workshop included a Ministerial session with participation of five ministers of water and planning from East Africa. The ministers agreed a statement based on workshop outcomes which was adopted by AMCOW at its ministerial meeting in Brazzaville in May 2007. The workshop in Tbilisi focused more on implementation of IWRM principles and on reducing the dependence of local authorities and utilities on central government finance.
15. There was good representation in all workshops by central and local governments and other stakeholders. Participation was lively and constructive. No external evaluation has been held, but a summary assessment by participants gives a positive picture. A majority of them indicated that the workshops had addressed a priority need and all stressed the value added from bringing together finance and water experts. The GWP synthesis report concludes that the workshops have “increased awareness of financing issues across a broad range of stakeholders and alerted technical water professionals to the importance of financing issues”.

The proposal

16. GWP has through its networks received several requests for training in finance adapted to the needs of the water sector specifically related to IWRM planning, implementation of these plans, and integrating WASH into national Poverty Reduction Strategies. The proposal is to expose water sector practitioners to finance by conducting a series of regional workshops based on the experiences already gained, and to roll out a number of accompanying national roundtables.
17. Based on the interest already expressed, it is proposed to start by holding two workshops in:
- Southern Africa (with links to SADC)
 - the Caribbean (with links to the Caribbean Development Bank, CBD)
- The venues would be determined later. The CBD has expressed an interest in hosting the Caribbean workshop.

GWP has indications of interest to organize workshops also in:

- Latin America
- Central America
- North Africa

All these workshops would be similar in format to those already held, while trying to learn from the earlier experiences and focusing on priorities raised at country level. The workshops would therefore again

- be aimed at practitioners working in the field (water and finance sectors),
- include a total of about 30-40 participants,
- be of two-three days duration,
- use the training materials (guidebooks and papers) already prepared.

18. Based on the earlier experiences, attention would be given to the following:

- tailoring the workshops and the subsequent country roundtables to the expressed needs and demand,
- strengthening the commitment and ownership of the regional and national participants, while providing organizational support and back-up,
- linking to existing national sector planning and coordination processes, covering both IWRM and WASH aspects in a coherent way,
- aligning with the new (modified) approach to country dialogues to be recommended in the evaluation study to be carried out for AWG (results due later in 2008),
- linking into the work programmes of AWG and of FWG with respect to the development of country dialogues in African countries and financing strategies,
- reporting and dissemination of the results of the workshops and of the roundtables for wider use and application.

19. The workshops would be followed up by national roundtables to be held at country or basin level involving only participants from that country (or basin) and be more practically oriented. These roundtables would be developed on the basis of the experiences gained from the meetings held in Ghana, Uganda and Kazakhstan. The countries (or basins) targeted have not yet been determined, but they would be identified in consultation with the GWP networks in the regions proposed to be covered: first Southern Africa and the Caribbean, later Latin America, Central America and North Africa.

Tentative budget

20. The direct cost of each of the three workshops already held was about €60,000. This was financed by contributions from the FWG (€25,000) and from Dutch programme support to GWP (€35,000). The country level workshops have been budgeted at €7,000 each⁶. These costs exclude participation from GWP and from the FWG Secretariat which were covered from their core budgets.

21. One experience from the two workshops held in 2007 was that more preparation with the countries in the region to be covered would have been beneficial to adapt content closer to local needs and ensure more rapid follow up at country level.

22. On that basis it may be estimated that a total project cost would be about €600,000. This would include (a) five regional workshops and (b) up to ten country or basin workshops (two per regional workshop), (c) adequate preparation and involvement by organizers, and (d) documentation and dissemination. A more precise budget would be prepared at a later time when more details about venues etc. are available.

23. The EC has indicated that it may co-fund the project with about €50,000, to be taken from its thematic budget line earmarked for the EUWI.

⁶ Precise cost figures are not yet available.

24. AWG and FWG were both awarded support by the EU Water Facility in late December 2007, AWG received €600,000 and FWG €400,000. These amounts are closely tied to existing work plans and leave little room for flexibility. Although they will cover overall managerial support they do not provide for this type of capacity building. The GWP core budget will cover support by its Secretariat staff in planning and participating in the workshops.
25. The project is an indirect outcome of the EUWI, and finance would be sought from EU MS interested in its various regional components. For example, the UK (DFID) would be approached for support to activities in Africa, Spain would be asked to support the project in Latin America, and possibilities of support from EC neighbourhood instruments would be explored for support to North Africa.

Assessment

26. The proposed project would:

- address a priority area for which many practitioners have asked for support,
- benefit from experiences from the three regional workshops and three country roundtables already held and from material prepared for them, while making use of lessons learned,
- strengthen the on-going work programmes of FWG and AWG and generate inputs for other related activities to come,
- help bring AWG and FWG closer together, contributing to preparations for a future merger between them (proposed in the EUWI review of 2007),
- draw on the comparative advantages of the two host organizations: the networks and outreach of the GWP and the analytical and capacity building capability of IRC,
- help, through the GWP networks, to facilitate innovative approaches and bring together government officials and experts through an informal mechanism not usually possible in formal structures,
- help activate the GWP national networks in the regions concerned and identify priority countries for capacity development on water financing
- strengthen the quality and ownership for national processes in planning and implementation for IWRM and WASH
- provide additional resources for FWG and AWG respectively, giving them some more financial flexibility than is available through the EU WF grants
- provide an opportunity to add value to the EUWI

27. Possible risks include inadequate assessment of local needs resulting in insufficient commitment for participation and follow-up, inadequate selection of participants, exaggerated politicization of outcomes, and difficulties in selecting countries/basins for the ensuing roundtables.

Time table

28. An earlier version of this concept note was discussed between GWP, FWG, AWG and IRC in mid-January. Following consultations at the FWG and AWG meetings in August 2008 and also subsequently by members of these working groups, it should be developed into a full-fledged proposal by the end of October 2008. Consultations with prospective donors would then take place. The aim would be to hold the first workshops in mid-2009.