



Annual Financial Report 2009



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European Union Water Initiative

The European Union Water Initiative (EUWI) was launched at the 2002 Johannesburg World Summit for Sustainable Development as a response to declining investment in water and sanitation. The EUWI is an innovative attempt to focus increased attention on water-related issues, embracing a broad selection of stakeholder interests and concerns, for purposes of social and economic development and protection of the environment. The EUWI is based on a participative multi-stakeholder approach consisting of various strategic partnerships and draw together stakeholder groups such as government, civil society, private sector etc. A number of EUWI working groups were established with a focus on either regions (Africa, Eastern Europe, Caucasus and Central Asia, Latin America, Mediterranean) or cross-cutting issues (monitoring, research, and finance). A Coordination Committee ensures coherence of all EUWI activities, while an annual Multi-stakeholder Forum takes overall policy decisions.

EUWI Finance Working Group

In 2003, a Financial Working Group (FWG) was formed in order to shape the financial strategy of the EUWI. The FWG has representatives from civil society and from the public and private sector, with special expertise or interest in the area of financing of the water services sector. The FWG is hosted by GWPO in Stockholm since July 2006 under an agreement between DFID and GWPO.

The FWG has two objectives:

- to improve the efficiency and effectiveness of existing and future EU aid flows to water, including encouraging innovation, the development of institutional and regulatory frameworks and capacity building, and
- to enable the use of development funding as a catalyst to leverage other forms of finance, including donor, user and private finance, to improve access of the poor to water and sanitation services.

At its meeting in February 2006 the FWG adopted a work plan for 2006 – 2008. The 2008 annual meeting decided to extend this work plan through 2009 also. This work plan included four main activities:

1. Provision of financing expertise at country level in response to requests
2. Maximize opportunities for accessing EU resources available for support
3. Generate increased knowledge of finance mechanisms and policy tools for water-related development
4. Coordination and management of the FWG

Financing arrangements

Since its inception the FWG has been supported by DFID. A grant of GBP500,000 (about EUR705,000) was provided when FWG started operating with GWPO as host organisation in July 2006. Provision and use of this grant was governed by an MoU between DFID and GWPO for a three year period. In June 2009 this grant was renewed for another three year period and another GBP450,000 provided in support of FWG.

In 2007 there were discussions about a proposal from the FWG to the ACP-EU Water Facility (WF). A project was designed to be co-financed by the WF and DFID to enable FWG carry out the four main activities of its work plan, mentioned above. The "FWG project" was costed at EUR740,000 with the WF covering EUR400,000 and DFID contributing the remainder of EUR340,000 out of its already approved support (the GBP500,000 just mentioned). This project became effective on 1 January 2008 and was designed for a duration of 24 months.

In August 2009 it became apparent that a major revision of the design of the FWG project would be necessary. On the one hand, the project would not include a strategic financial planning study in a French-speaking country, as originally intended. On the other hand, the country study ongoing in Lesotho needed more time because of problems with data collection. Following negotiations with EC it was agreed to extend the FWG project through March 2010 with no additional financial contribution (no-cost extension).

The elimination of a second country study considerably reduced the total cost of the FWG project. According to Addendum no. 2 to the contract, approved by EC on 20 December 2009, the total project cost was estimated as EUR413,126 or only about 56 per cent of what was originally foreseen.

In 2008 there had been a minor financial contribution from Sida. In 2009 there was no such contribution nor any other support from other donors than DFID and EC.

Since July 2006 FWG has therefore had principally two sources of finance which partly have overlapped, DFID and WF. First, there was the DFID grant of GBP500,000 subject to DFID's overall (and very broad) guidelines reflected in the MoU between DFID and GWPO from June 2006. Second, there was the support from WF to the FWG project subject to EC rules, which applied also to the co-finance from DFID. Third, there was the second grant from DFID covered by the MoU agreed by DFID and GWPO in June 2009.

Partnership with OECD

An important feature of the FWG project has been close collaboration with OECD. With Danish support a methodology called FEASIBLE had been developed for OECD in 2002 to facilitate strategic financial planning in water services in the countries and regions of the former Soviet Union. OECD decided to apply this methodology also in Africa and it was agreed that this would be tried as part of the FWG project.

FWG therefore worked closely with OECD in identifying the countries where FEASIBLE could be applied and joint visits were carried out to Burkina Faso and Lesotho, OECD also visited Niger. There was close collaboration with OECD during 2009 on the application of the FEASIBLE methodology in Lesotho. FWG participated in a task force created by OECD that prepared a report on water finance for the World Water Forum in Istanbul in March 2009.

There was also collaboration with OECD on a project to identify IWRM costs, one activity of the next phase of DFID support to FWG.

Activities during 2009

During the year the primary focus has been on the first of the four items of the work plan mentioned above. This meant implementation of the strategic financial planning study in Lesotho approved in 2008 and launch of a second such study in a French-speaking country.

The study in Lesotho proceeded well until it became increasingly clear in mid-year that there were problems related to data availability. These problems related to the asset register of the water utility (which did not have adequate data on the pipe networks), the need to adapt the FEASIBLE methodology to local circumstances, adaptation of data from the population census, delays in the completion of a connection survey for the water utility, and huge differences in the existing estimates of industrial demands for water. Project management was of the view, strongly supported by the government, that it would best for the legitimacy of project outputs to carefully resolve these issues, taking the time necessary. This necessitated an extension of the Lesotho project by about four months until early February 2010.

Much work was devoted to launching a similar study in a French-speaking country without success. In late 2008 the government of Niger had expressed interest through the French aid agency AFD. Representatives from OECD and AFD travelled to Niger in February 2009, and shortly afterwards the government formally confirmed its interest. The FWG chair travelled to Niger in April to introduce the project. However, no response was received from the EC to repeated requests for the revision of the FWG project contract, which did not mention Niger. Hence the study was not undertaken.

In previous years FWG had in cooperation with regional networks of the Global Water Partnership conducted workshops on water finance, the third item in the work plan mentioned above. The purpose had been to bring together water practitioners with finance experts, and the workshops had been highly appreciated by participants. In 2009 two such workshops were held, the first in Guatemala in July with participants from Central America, the other in Bogotá in October covering South America. Both workshops were considered by participants to have been very successful.

Late in the year a paper was commissioned to bring together experiences from strategic financial planning projects in different countries where the FEASIBLE methodology had been applied. The paper was finalized in early 2010. At the same time preparations were initiated for a training workshop in collaboration with the UNDP programme CapNet to be held in South Africa in March 2010. The purpose would be to disseminate experiences from the Lesotho country study to a wider audience in Africa.

FWG in coming years

Following dialogue with DFID FWG in March 2009 submitted a proposal for future support from 2009 until 2012. The proposal included the following principal activities: (i) support to country interventions by EUWI regional working groups, in the first instance in Africa; (ii) improved dialogue with AMCOW; (iii) workshops for water practitioners; (iv) issues in water pricing; (v) improved cost analysis of IWRM; (vi) enhancing the role of the private sector; and (vii) coordination and management of FWG. The ambition was for FWG to work more flexibly

as a working group with more active participation by stakeholders. DFID agreed to support the proposal, and its support became effective in June 2009.

Financial statement

Total expenditures for the FWG WF project during 2009 were EUR161,803. Details are reported in the GWPO Annual Financial Report. About two-thirds of this amount (EUR110,871) referred to the study in Lesotho. Expenditures for project administration during the year were EUR35,926 or about 22 per cent of total annual expenditure.

At the end of 2008 EUR17,956 remained from the part of DFID's contribution of EUR705,000 (GBP500,000) approved in 2006 that was not co-finance of the FWG project. The balance of these funds, about EUR8,290 (GBP7,011) were carried forward and added to the new MoU signed with DFID in June 2009.

On signature of the MoU in June 2009 DFID made an advance contribution of EUR165,147. Expenditures funded from the DFID contribution outside the FWG project, primarily for the two workshops, were EUR107,524 (GBP96,869) in total.

Income Statement

	Note	EUR 2009	EUR 2008
Contributions			
Contributions	1	117,189	65,589
Total Contributions		117,189	65,589
Expenditures			
Expenditures	2	-118,098	-63,807
Total Expenditures		-118,098	-63,807
Financial items			
Exchange gains/losses		909	-4,291
Net interest	3	-	2,509
Financial items net		909	-1,782
Net result for the year		0	0

Balance Sheet

	Note	EUR 31/12/2009	EUR 31/12/2008
Assets			
Current Assets			
Other receivables	4	17,987	23,910
Liquid funds		246,579	2,272
Total Current Assets		264,566	26,182
Total Assets		264,566	26,182
Liabilities			
Current Liabilities			
Advances from Donors	5	221,914	17,956
Other liabilities	6	42,167	8,226
Accrued expenditures	7	485	-
Total Current Liabilities		264,566	26,182
Total Liabilities		264,566	26,182

Notes

The Annual Financial Report has been prepared on an accrued basis in accordance with generally accepted accounting principles in Sweden, with the exception of the accounting of fixed assets. The financial statement includes contributions and expenses related to activities carried out by the EU Water Initiative Finance Working Group. The ACP Water Facility programme, financed by the European Commission and DFID, is reported in the GWPO Annual Financial Report.

Assets and Liabilities are reported to their nominal amounts.

	EUR 2009	EUR 2008
Note 1 Contributions		
<i>Total amount of Contributions as below. All contributions above the level of expenditures for the year are booked as Advances from Donors.</i>		
Advances from Donors transferred from previous year	17,956	216,790
DFID co-funding ACP Water Facility programme	156,000	-150,852
DFID MoU dated 16 June 2009, first instalment	165,147	-
Sida/Siwi	-	17,607
Advances from Donors at year end	-221,914	-17,956
Sum Contributions	117,189	65,589
Note 2 Expenditures		
DFID funded activities	117,189	46,200
Sida/Siwi funded activities	-	17,607
Sum Expenditures	117,189	63,807
Note 3 Net interest		
EURO bank account	-	2,112
GBP bank account	-	396
SEK bank account	-	0
Sum Net interest	-	2,509
Note 4 Other receivables	12/31/2009	12/31/2008
Receivables GWPO	-	6,303
Receivables GWP RWP Central America	2,076	-
Siwi	-	17,607
Receivables refundable taxes	15,340	-
Prepaid insurance	572	-
Sum Other Receivables	17,987	23,910

	EUR 12/31/2009	EUR 12/31/2008
Note 5 Advances from Donors		
United Kingdom	221,914	17,956
Sum Advances from Donors	221,914	17,956
 Note 6 Other liabilities		
Settlement GWPO	42,167	8,226
Sum Other Liabilities	42,167	8,226
 Note 7 Accrued expenditures		
Accrued audit fees	485	-
Sum Accrued Expenditures	485	-

Stockholm May 2010

Ania Grobicki
Executive Secretary
Global Water Partnership Organisation

Johan Holmberg
Former Chair
EU Water Initiative Finance Working Group

Alan Hall
Chair
EU Water Initiative Finance Working Group

My audit opinion concerning these financial statements was issued

Thomas Lönnström
Authorised Public Accountant