

Joint meeting between the Africa Working Group and Finance Working Group of the EU Water Initiative

25 May 2011, Salle Auclert, Rue de la Science 15, Brussels

Annex 1: Participants list (p. 8)

Annex 2: Recommendations from AWG Governance report (p. 9-10)

Report by Johanna Sjödin, AWG secretariat and support group

Introduction by Chairs of AWG and FWG and presentation of status of the programmes

Alan Hall, chair of the Finance Working Group, welcomed the participants and gave a brief account of the recent activities of the group. They have held a number of regional financing workshops, and await a report from OECD on financing of IWRM. The group also has a focus on involving private banking companies in the water sector.

Dick van Ginhoven, co-chair of the Africa Working Group, welcomed the participants and informed about the current status of the group. The group is working to disseminate results from previous reports on EU aid to water and sanitation and aid effectiveness, to various target groups; most recently through a political briefing note passed to the ACP and CODEV council groups.

Charles Ngangoué, programme coordinator at AMCOW, welcomed the participants and informed that the AMCOW secretariat in Abuja, Nigeria has been extended with new staff members who entered in May, supported by Nigeria, South Africa, and EC through GIZ. Charles Ngagnoué substituted in the meeting for Salisu Abdulmumin, the new AWG focal point at AMCOW.

Joakim Harlin, who helped to lead the meeting, presented the agenda, which was accepted by the participants.

Discussion on specific AWG issues

Presentation and follow-up of Political Briefing Note: “Update on EU Aid to Water and Sanitation in Africa”

André Liebaert described how the political briefing note has been handled in EU processes. The note was sent by the two AWG co-chairs to ACP Council group (dealing with operational issues) and to CODEV (dealing more with policy issues). It was then presented at an ACP council group meeting on Friday 20 May, which made it known to all member states.

André also informed that the formal EU-Africa water strategy is proposed to be integrated in the overall Africa strategy. Politically, the partnership is now part of overall framework.

Per Bertilsson described how the political briefing note was developed. It is based on three previous reports prepared by the AWG. The key experiences and recommendations were extracted from

these reports and presented in more political terms. This was then presented in two formats – a longer political briefing note “Update on EU Aid to Water and Sanitation in Africa” and a shorter policy brief “Improving Aid Effectiveness for Water and Sanitation in Africa”.

Per presented the main features of the political briefing note under the main headings of key messages, progress, challenges to be addressed, and actions required.

For more details see “Update on EU aid to water and sanitation in Africa – political briefing note” and “Improving Aid Effectiveness for water and sanitation in Africa – policy brief” (available on www.euwi.net/wg/africa).

Per welcomed input on how to improve this material and how to spread it to larger networks.

Questions, answers and comments

Q: Why is it presented in negative terms that small sums of aid are allocated? Such sums could be important to communities.

A: The sums presented in the report refer to overall donor packages, where there is a trend of too many donors giving too small sums to too many partner countries, which is inefficient.

Q: Will the European focus continue to be on WASH or will it take a wider view supporting African partners in their other areas, including water for growth?

A: The current briefing notes build on historic studies, related to mainly WASH ODA. In line with the AMCOW work plan which includes TWM, IWRM, water for energy and productive sectors, and climate change adaptation, these topics should be more visible in the future.

Q: What was the discussion in the ACP council group regarding the political briefing note?

A: There was no discussion on the document; it was only presented under an information point.

Comment: The studies produced have a quantitative focus, and would need to be complemented with a more performance based focus. Some policy conclusions seem not to be based on deep enough analysis. Special approaches would be needed to analyze fragile states and cost-effective allocation.

Comment: A next step should be to spread the documents outside of the water sector. For example, many conclusions of the study on aid effectiveness and follow up of the code of conduct will be relevant also for other sectors and should be lift to the general level of aid effectiveness discussions. Suggestion was made to contact OECD-DAC; they are also looking at this subject.

Comment: These documents should be presented in the AMCOW-TAC and could possibly also attract the attention of the African water ministers.

Comment: An idea for a future study could be for an economist to look at how we are doing on aid effectiveness and how to improve it. That could give tools for politicians how to deal with aid fragmentation and identify low-hanging fruits.

Comment: The documents have already been shared briefly with EC staff working on aid effectiveness but this needs further exploration.

Comment: It should be further discussed with AMCOW how to best present this to them. One idea was to do it in a meeting in Addis Abeba, but this meeting was cancelled.

Comment: The reports should be fed to country level, embassies etc of donor countries. Donors at country level have an important role to play, not only water experts.

Comment: The reports will also be spread through UNDP country offices.

Discussion on recommendations from AWG Governance Report

Joakim presented main findings of the AWG Governance Report prepared by Piers Cross. It was a desk study complemented with interviews of AWG members. All respondents agreed that strengthening political dialogue is crucial. Other conclusions were that emphasis has recently been stronger on EU than on the African side and that there are encouraging opportunities both on EU and African sides. There were diverse views on management issues such as selection of co-chair and the focus of the work plan.

The recommendations from the report were divided into three groups by the AWG support group: A) recommendations suggested for approval, B) recommendations for further discussion and C) recommendations already in place (see annex).

Recommendations discussed by the meeting:

- The term of office of the European co-chair should be the same as the AMCOW co-chair (i.e. 2 years) to enable sufficient time for a co-chair to develop and implement an agenda of activity. The current co-chair's term of office should be extended until the end of 2011 and the process of selecting the new co-chair be initiated shortly. (p. 17)

It will be even more difficult to get a new chair if it has to be two years term. It could also be easier for member states to take up chairmanship if responsibility is more clearly only for the European side.

Agreement: For the identification of the new European co-chair, it is not realistic to have a two year term.

- AMCOW's existing structures would manage AWG activities and have the AWG as an agenda item on its work plan. (p. 18)
- The terms of reference of technical assistance to AMCOW should specifically include support to AMCOW AWG activities (p. 19)
- AMCOW to clearly distinguish the terms of reference and roles of the AMCOW TAC chair and AMCOW ES (p. 19)

The European side asked for clarification regarding job descriptions of AMCOW staff, and their roles in relation to AWG. Clarifications would also be welcome on how AMCOW TAC chair and AMCOW ES relate to AWG, and their lines of reporting.

One step in this direction was the establishment of the AWG focal point in the AMCOW secretariat, but the respective roles of the focal point and the TAC chair are still unclear to European partners.

- AWG to support AMCOW to host a meeting of African partners at next AMCOW EXCO (p. 15)

This recommendation was made based on the good experience of the friends of AMCOW meeting in Addis in 2010.

Usually AMCOW EXCO meets twice per year. It could be difficult to fit such a meeting in an AMCOW EXCO meeting.

The idea with the “friends of AMCOW” meeting organized by Germany in 2010 was to initiate something that could be taken on by AMCOW if they wish. If AMCOW takes the lead, AWG and Germany could support future yearly meetings of this nature.

- The European co-chair should drive the European aspects of AWG activity and the African chair the African component. Each co-chair should have a specific terms of reference reflecting these different responsibilities. (p. 17)

No terms of reference exist today, but several participants thought it would be a good idea that would reduce frustration and provide clarity on what is expected of co-chairs.

However, there is a risk of dividing responsibilities in this way that the partnership would be lost.

- If no European MS is willing to take on the chair by this AWG process, then the EUWI should go back to the MSs through formal EU channels for a political decision on whether there is sufficient interest to continue to have an AWG. (p. 17)

The EU co-chair issue must be resolved during this year. This process could be influenced by macro processes such as the new EUWI strategy, the MDG partnership and the Africa EU partnership. When the political briefing note was presented to the ACP council group, the message that a new European co-chair is needed was also passed in writing.

- The AMCOW TAC chair should be the African co-chair, consistent with intention that the AWG is essentially a political, not a technical initiative. (p. 18)

The meeting wished not to be prescriptive about whom from AMCOW that should co-chair AWG, but expressed the importance to have a co-chair from Africa.

- AWG should broaden the European troika to create a 6 person Executive Committee (5 MS representatives and 1 non-MS representative) that would work together to manage AWG activities. This wider management team (extended troika) should include the MSs most active in the sector in Africa and be balanced to give sub-regional representation (e.g. include one Scandinavian country). AMCOW’s existing structures and work plan provide the framework for prioritizing African activities. This broader team should include the MSs most active in the sector in Africa and be balanced to give sub-regional representation in the management team. Engaging a broader management team would give more opportunities for building momentum and ensuring that all the main players were engaged in AWG activities. (p. 18)

It was agreed to continue the current practice of inviting an extended troika to monthly teleconferences.

- Membership of the AWG should be extended to the AMCOW ES, and representatives of each AMCOW sub-regional TAC. Direct links to AMCOW’s sub-regional leadership will help to build greater ownership, rejuvenate the AWG and provide opportunity for political dialogue. (p. 18)
- African membership of the AWG should also be extended to non-state actors. (p. 18)

The understanding of the meeting was that membership of AWG is already open to the AMCOW ES, and representatives of each AMCOW sub-regional TAC as well as to non-state actors.

**Planning of AWG meeting, back-to-back with AfricaSan 3, Mon 18 July, Kigali
and other AfricaSan 3 sessions 19-21 July**

Joakim Harlin presented an overview of AWG's planning for Africa San 3. An AWG meeting is planned on 18 July. Two sessions are also suggested to be co-convened by EUWI AWG: 19 July Donors/Banks/multilaterals dialogue on commitments and 21 July on increasing aid and improving its effectiveness.

Ideas on agenda items for the AWG meeting were presented. There should be a strong focus on the Africa oriented issues.

Item 1: Implementation of eThekwini declaration – how to make it reach the local level?

Item 2: Capacity and leadership development for the water sector in Africa

Comments and input

We should focus on sanitation since it is at AfricaSan. We should make use of previous EUWI reports (sanitation mapping study, joint EU declaration, paper from the research WG) and possibly prepare a summary of them, especially for the conference. We could have a discussion on what has happened since the eThekwini declaration and donor commitments, with a link to the agenda of the conference. Less planning of coming meetings and more substantial dialogues would be appreciated.

It will be enough to have a discussion on implementation of the eThekwini declaration. Capacity development should be removed from the agenda. In the end of the meeting we could have an item on AWG future, including EUWI strategy, governance issues etc. The AWG support group will interact with the organizers and Sanitation and Water for All for further planning.

Another version of the EUWI strategy will be published on 15 July. AfricaSan could be an opportunity to table that version. The meeting could provide feedback on how sanitation is represented in the strategy.

Participation of European and African partners

The event falls during European summer holiday season which makes it difficult for many European partners to attend. One suggestion was for the European partners to discuss the implementation of the eThekwini declaration before the meeting and send their comments in writing.

An AMCOW EXCO meeting is planned in connection to AfricaSan, but might be cancelled since there will be an AMCOW EXCO meeting in Tunis in June. This could affect the participation of African water ministers at AfricaSan. However, ministers responsible for health and sanitation are also invited to AfricaSan.

Foreseen participation from the European side: Erma Uytewaal, Netherlands, one person from Germany, Per Bertilsson and Johanna Sjödin, AWG support group.

Finance Working Group discussion on small scale financing

Small Scale Finance for Water and Sanitation

Sofie Trémolet presented her ongoing work for the Finance Working Group on the topic "Small Scale Finance for Water and Sanitation".

The objectives are to a) analyze what the role of donors should be to catalyse funding for small scale agents; and b) share lessons.

Small scale finance includes microfinance (<5000 EUR) and mesofinance (< 500000 EUR).

A survey was sent to EU donors regarding what is done already regarding small scale finance for WATSAN and also other sectors. Preliminary findings show that donors have limited experience in this. They are more focused on lending to public actors on national level. There was however a strong interest expressed for this kind of financing, but some decided against. Only DGIS had direct experience of small scale finance in WATSAN.

Transaction costs for donors to transfer money directly to small scale financing recipients are too large. Funds must therefore go through multi-donor trust funds, NGOs, MFIs, local commercial banks etc. These channels between donor and small scale recipient will be unpacked.

Preliminary key messages

- Available financing is often not the main obstacle for small scale agents to deliver sustainable services.
- A variety of channels can be used to transfer finance to small scale finance recipients.
- Few MFIs and NGOs are involved in the water sector – building their capacity should be a priority.
- Sanitation could hold most potential and also where need is greatest.

Discussion

Donors might resist engaging in small scale financing because it could become accessible to unregulated small scale water providers, which goes against some donors' principle of only supporting regulated water and sanitation services. There are examples of microfinance systems for financing e.g. new household connections are sometimes made available to clients by regulated utilities which could be highlighted.

Another view point is that there could be an issue with absorption capacity – regulated utilities at national level cannot absorb all that the funds that are needed. Small scale financing is then an additional channel, which also reaches the poor often to larger extent than regulated services. This kind of financing could also contribute to the formalization of informal water providers.

The decision whether to support microfinance through subsidies can be a difficult dilemma. IFCs want to encourage microfinance, but without subsidies, so that it does not become dependent on subsidies. A middle way could be to provide seed finance for revolving funds.

It would be interesting to look at whether this small scale financing leverages funds from the private sector. It is difficult to find information on this since monitoring and evaluation of projects, often focus on the MDGs, and return little finance information on e.g. leverage ratios. Such indicators should always be recorded, to enable a discussion.

If we knew what drives the demand of households for microfinance for water services, we could stimulate it. Is it for example the fact that they wish to reduce their costs from poor health by investing in water and sanitation?

Project preparation

It is often heard that there are not enough bankable projects, which is probably a combination of few economically sound projects and that many projects are not presented in the correct form for financiers. From this came the idea to develop a guidance document on project preparation.

African Development Bank already has a document on this (ICA guide) but it is not user friendly. It will be developed into online version.

The Finance Working Group will await the results of this before they decide whether to go ahead with developing a document of their own or not.

Discussion on next steps for FWG and AWG and synergies

The idea with a joint meeting was to see where both working groups can go in the future in relation to the new EUWI strategy. FWG will come to an end in May 2012. For the future, the suggestion from the FWG is to mainstream finance into work plans of regional working groups. People find it difficult to attend many meetings, it would therefore be better to integrate it. Collaboration with Cap-Net was suggested for which AWG and FWG could work together in developing material and supporting capacity building on finance for African partners.

Other options that were discussed:

- a) to continue having a finance working group, to deal with macro finance issues that would be tackled under the new EU policy and the global role of the EU or
- b) to set up an expert group on finance to deal with a particular task, e.g. the production of a flagship document.

Wrap up by chairs

Dick wrapped up the meeting by thanking all participants for attending the meeting, the colleagues at the EU for their arrangements, Joakim for helping lead the discussions and Alan for the initiative. A special word of thanks was also given to Maria for her support to AWG and skilful guiding of the political process. This was her last AWG meeting before moving on to her next assignment.

Annex 1: Participants list

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Thomas Zipper	Hydrophil, Austria
Paul van Koppen	HTSPE, UK
Margaret Caton	U.S. Mission to European Union
Anemari Ciurea	European Commission DEVCO
Blanca Saez-Lacave	European Commission DEVCO
Fritz Barth	UNDP
Maria Vink	European Commission DEVCO
André Liebaert	European Commission DEVCO
Rodica Guisset Merci	Coalition Eau, France
James Winpenny	Consultant to Finance Working Group
Josefina Maestu	UN WATER
Andy Bullock	HTSPE UK
Christoph Merdes	BMZ, Germany
Dick van Ginhoven	DGIS, Netherlands
Alan Hall	EUWI Finance Working Group
Sophie Tremolet	Consultant to Finance Working Group
Sophie Ayling	Consultant to Finance Working Group
Charles Ngangoue	AMCOW secretariat
Per Bertilsson	Stockholm International Water Institute
Joakim Harlin	UNDP
Johanna Sjödin	Stockholm International Water Institute

Annex 2: List of recommendations from Governance Review

A Decision points recommended for approval

Operational

- AWG work plan and work arrangements to distinguish between European and African activities. (p. 15 in final report)
- EUWI should establish a clear position with respect to Sanitation and Water for All (p. 16)

Governance and Management

- The process for electing the European co-chair should be that European MSs internally consult as to whether they can take the chair. Selection made by mutual consent, unless if more than one country is willing to do this and the chair selection cannot be arranged by mutual consensus involving all AWG members, then move to an election process for chair selection. The co-chair should not be expected alone to provide additional operational resources. (p. 17)
- The term of office of the European co-chair should be the same as the AMCOW co-chair (i.e. 2 years) to enable sufficient time for a co-chair to develop and implement an agenda of activity. The current co-chair's term of office should be extended until the end of 2011 and the process of selecting the new co-chair be initiated shortly. (p. 17)
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- AMCOW to clearly distinguish the terms of reference and roles of the AMCOW TAC chair and AMCOW ES (p. 19)
- Mobilize additional resources for AWG operations (p. 19)

B Decision points to be further discussed

Operational

- AWG to support AMCOW to host a meeting of African partners at next AMCOW EXCO (p. 15)

Governance and Management

- The European co-chair should drive the European aspects of AWG activity and the African chair the African component. Each co-chair should have a specific terms of reference reflecting these different responsibilities. (p. 17)
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in the sector in Africa and be balanced to give sub-regional representation (e.g. include one Scandinavian country). AMCOW's existing structures and workplan provide the framework for prioritizing African activities. This broader team should include the MSs most active in the sector in Africa and be balanced to give sub-regional representation in the management team. Engaging a broader management team would give more opportunities for building momentum and ensuring that all the main players were engaged in AWG activities. (p. 18)

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- African membership of the AWG should also be extended to non-state actors. (p. 18)
- AWG to facilitate an AMCOW-lead meeting with all African sector donors as a regular event. (p. 18)
- The terms of reference of technical assistance to AMCOW should specifically include support to AMCOW AWG activities. (p. 19)

C Decision points already addressed

Operational

- Seize current opportunities for increased political engagement on water in Europe. (p. 15)
- Prepare a review of AWG achievements and devise options for future emphasis to be presented at Rio+20. (p. 15)
- Give greater emphasis to communications and dissemination. (p. 15)
- Increase focus on leveraging political opportunities. (p. 15)
- The AWG needs to be more entrepreneurial in finding opportunities for influence. (p. 16)
- Be a proactive partner in finding ways to improve and support AMCOW's workplan. (p. 16)
- Increase focus on resource mobilization and aid-effectiveness. (p. 16)
- Find opportunities to leverage resources from country level budgets. (p. 17)

Governance and Management

- Continue the practice of having a European and African co-chair. (p. 17)
- The co-chairs should be in regular communication to ensure complementarity and coordination between the activities carried out under both the European and African work streams. (p. 17)
- A duty of the co-chairs would be to brief and help facilitate a good transition of chairs. (p. 18)
- Performance criteria for the co-chairs should be developed and performance reviewed annually by members. (p. 18)
- The AWG secretariat's role should be to support both workplan streams and the organization of all meetings. (p. 18)
- The secretariat should be responsible for sharing information and supporting coordination between the European and African workstream. (p. 18)
- Prepare an annual meeting schedule with a series of EU co-chair lead European meetings and AMCOW-lead Africa meetings. (p. 18)