

## **EUWI-FWG ANNUAL MEETING, STOCKHOLM, 8 SEPTEMBER 2010**

### **MINUTES**

These minutes cover the main points of the presentations and discussions held during the FWG 2010 Annual Meeting. The meeting took place as a 'closed' meeting during the World Water Week and the agenda is attached as annex 1, while the meeting documentation (including presentations) will be posted on the EUWI website. A list of participants is included as annex 2.

#### **1 Welcome and Opening of meeting**

The meeting was opened and all participants welcomed by the FWG Chair, Mr. Alan Hall. The Chair referred to the difficulty of getting a high attendance at the Annual Meeting owing to conflict with other events during the WWW. The Chair presented the FWG programme, its budget 2009-2012 as well as a summary of its activities 2009-2010.

The Strategic Financial Planning (SFP) paper report is currently being translated into French. Following discussions it was agreed that the French version would be printed in hard copy and made available at the 3<sup>rd</sup> Africa Water Week (to be held in November, Addis Ababa). The English version will also be reprinted owing to high demand.

#### **2 Regional workshops on financing – example of Central African workshop**

A presentation of the financing workshop organised jointly by FWG, GWP, AWF and ECCAS in Central Africa in June 2010 was made by Christopher Tamu, GWP-Central Africa regional coordinator. Information on six similar workshops previously held in other regions was given by the Chair and various participants.

The Central African workshop was very successful in bringing together senior officials from finance and water ministries, linking with regional political processes and building on national case studies. The expectation for follow up is now very high, especially in terms of demonstrating the benefits of good water resources management and service provision to sustainable economic growth.

In the subsequent discussions, it was noted that these regional workshops have been very successful and the demand is high: they help to establish dialogue between the water and finance communities (who don't normally talk to each other and know little about each other) and build their capacities. They have the potential for bringing the knowledge developed at global level to countries; and they can feed country cases into inter-regional or global processes (example of upcoming pan-African meeting of water and finance ministers, for which sub-regional finance workshops can play a critical role). It was also noted that the workshops have to meet the needs of the regions/countries and should be embedded in existing development processes. Since the FWG doesn't have a long term presence in the regions or at country level, it can only act as a catalyst for awareness raising, sharing

knowledge and dialogue. Thus the partnership with GWP's regional water partnerships and others such as the AWF is important in ensuring follow up.

It was concluded that FWG should capitalize on the regional workshops, by, for example, taking stock of the lessons learned to date and circulating them broadly. A final workshop is scheduled for Southern Africa in early 2011, after which a synthesis of lessons will be compiled.

### **3 ENRTP: developing outcomes for the financing themes**

The Chair presented potential activities to secure EC funding through the Energy and Natural Resources Thematic Programme (ENRTP) for the period 2011-2013. This will enable the FWG to continue once the DFID funding comes to an end in March 2012.

The conclusion from the discussions that followed is that FWG should engage in:

- *Further development of the SFP approach to address WRM and climate adaptation:* the demand from countries is very high (e.g. Mauritania, Niger) and the FWG should promote support for SFP by EU member states, the EC and others.
- *Establishing mechanisms to ensure coherence and aid effectiveness in the use of adaptation funds and other development funding:* engage with the AWG and others.
- *An objective review of existing funding for regional/transboundary infrastructure:* engage with the AU Programme for infrastructure development in Africa (PIDA).

It was felt that the proposal for “*Understanding absorptive capacity (scaling up aid vs macro-economic stability)*” was beyond the FWG's mandate and capacities. It was suggested that this idea is submitted for discussion by the coordination group. The proposal for work on “*Informing global international policy arena on the economic value of water*” was important but already being considered by others. One suggestion was that FWG, together with GWP and OECD, develop TOR for a substantive study on the economic value of water, which avoids duplication and helps to access the significant resources required for an in-depth study.

The priorities for the use of ENRTP funds will be examined further, during the multi-stakeholders forum on the day after the FWP meeting.

### **4 Financing water resources management**

The OECD made a comprehensive presentation on the country case studies undertaken on financing WRM. An interesting observation was that even in OECD countries, the situation is not clear, and this work is valuable in bringing together information for the first time as we need to learn more from experiences in developed countries. The main conclusion of the studies is that we need to invest more in improving governance *in order to* close the financing gap for infrastructure. Specific conclusions relate to information gaps, unbalanced funding allocations, importance of cost reductions and cost recovery instruments, a need to revisit policy frameworks and to adopt an integrated approach to water financing. When it comes to cost recovery instruments, it was noted that what matters is not really the model, but rather

that it is adhered to by all. In the subsequent discussions, it was noted that the IWRM community is lagging far behind the WS&S community when it comes to financing, and needs to do more, in particular by demonstrating the economic benefits of good WRM. Since water allocations and allocation of finance resources have become political issues, we should be aiming for the highest political levels.

The OECD will finalise their report by the end of 2010 and the FWG have agreed to review drafts and add value to the report.

## **5 Role of micro-finance/private sector**

A presentation was made on micro-finance by Kajetan Hetzer, a consultant and ex banker from SNS Reaal. Kajetan has been an active member of the FWG for several years.

Microfinance can play a catalytic role in enhancing access to water and sanitation solutions for the poor. Micro loans can enable the creation of household water connections and sanitation facilities, as well as the purchase of various water equipment. Also the Gates Foundation report estimates the potential level of funding at USD 12 billion for 120 million potential borrowers (in particular for sanitation), based on research in 35 countries.

The current financial crisis makes it even more challenging to mobilise scarce capital for water but there is high potential to allocate finance resources via Microfinance to the water sector, since (some) investors, like Dutch pension funds, look for alternatives due to the current volatility of the stock market.

Access to microfinance for water and sanitation has been limited so far. There are important bottlenecks in terms of enabling environment, since the micro-finance institutions do not have the capacity to absorb the level of some funds investors (mainly institutional investors like pension funds) are currently proposing. MFIs often do not have the capacity to deal with it adequately and to implement and maintain solutions effectively. Often neither the end-user nor the MFI has the capacity to identify the suitability of a solution/technology which fits well in the specific situation. Also it is less clear how investments in water will generate money to pay back to loans.

The Chair indicated that micro-finance will be a key topic of the next FWG meeting (planned for end 2010) and some preparatory work will be undertaken for the meeting.

## **6 Wrap up**

The meeting confirmed the value of the work on SFP and regional workshops and recommended further follow up work on these topics.

The discussion on the key activities for support under the ENRTP funding provided input into the MSF and in preparing the proposal for financial support for the FWG for 2011 to 2013.

The meeting recognised the importance of financing WRM and welcomed the OECD report and FWG partnership with them. The report is scheduled for publication in 2011 and the

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FWG will need to consider any follow up activity. The meeting endorsed the work on micro-finance, which will commence in the last quarter of 2010.

The Chair thanked all participants for their active participation and closed the meeting.

<b>Annex 1 - AGENDA</b>		
<b>FWG Annual Meeting, 8 September 2010</b>		
09:00- 09:30	<p><b>Welcome and opening</b></p> <p>Report from WG meeting of 9 June 2010 and overview of work from first half of 2010 with update on FWG budget</p>	Alan Hall (Chair, FWG)
9:30-11:00	<p><b>FWG Activities</b></p> <p>Regional Workshops on Financing in Central Africa, Mediterranean and Latin America.</p> <p>Discussion on future programme 2011 -2013 funded under the EC ENRTP thematic programme</p>	<p>Christopher Tamu, GWP-C Africa</p> <p>Alan Hall</p>
11:00- 11:15	<i>Coffee/tea break</i>	
11:15- 12:30	<p><b>Financing Water Resources Management</b></p> <p>Review of Report and Case Studies</p>	<p>Presentation:</p> <p>Roberto Martin-Hurtado (OECD)</p>
12:30- 13:00	<p><b>Wrap-up</b></p> <p>Discussion on Working Group activities for second half of 2010, including a brief discussion on micro-finance.</p>	<p>Alan Hall</p> <p>Kajetan Hetzer</p>
13:00- 14:00	<p><b>Lunch break:</b></p> <p><i>Light lunch and drinks provided together with Africa Working Group</i></p>	

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## **Annex 2 – PARTICIPATION**

Jean-Pierre Bidjocka, Chair, GWP Central Africa

Malinne Blomberg, AWF

Alan Hall, Chair FWG

Kajetan Hetzer, Consultant micro-finance

Johan Holmberg, Consultant (ex Chair)

Aly Kerdany, GWP Stockholm

Andre Liebaert, EC

Josefina Maestu, UN

Roberto Martin-Hurtado, OECD

Charles Ngangou, AMCOW

Monica Scatasta, EIB

Christopher Tamu, Coordinator, GWP Central Africa

Paul Taylor UNDP CapNet programme

Simon Thuo, GWP East Africa

Aurelie Vitry, GWP Stockholm

Lesha Witmer, Women for Water partnership

Stephen Young, DFID