

OECD TASK TEAM ON WATER SUPPLY AND SANITATION

Summary Record of the 1st Task Team Meeting, Paris, France, 22 March 2007

Opening and Welcome

Brendan Gillespie (OECD) opened the meeting. Alain Henry (Agence Française de Développement) was elected to chair the Team, and expressed his desire to co-chair the team together with another member country co-chair.

Sessions 1 and 2: Background and Role of Task Team

Brendan Gillespie (OECD) recalled the background and rationale for work of this Task Team. The Joint Meeting of DAC and EPOC at the Ministerial Level, held in April 2006 in Paris, endorsed a *Framework for Common Action Around Shared Goals* and the *Declaration on Integrating Climate Change Adaptation into Development Co-operation* which complement both the Paris Declaration on Aid Effectiveness and the OECD Environment Strategy for the 1st Decade of the 21st Century. The *Framework* presents a “menu of options” of eight broad themes, out of which four priority themes were discussed at the Joint Meeting of the EPOC/WPGSP and DAC/ENVIRONET on 20 November 2006, and informally the following day. These priority themes are: i) Climate Change Adaptation, ii) Integration of Natural Resource Management into Development Policies and Plans, iii) Strengthening the Capacities of Environmental Institutions, iv) Sustainable Financing to Ensure Affordable Access to Water Supply and Sanitation.

Brendan Gillespie and Pierre Poret (OECD) also provided an overview of work on water in the OECD’s 2007-2008 work programme, with three topical pillars: 1) work on water pricing and innovative financing models, 2) work to adapt the Principles for Private Investor Participation in Infrastructure to the water sector, 3) work to develop a methodology to support strategic financial planning in developing countries in Africa.

Remy Paris (OECD) provided a brief overview of the Member-led Task Team approach that is frequently used within the DAC. He also indicated that the Task Team members participate in expert capacities and that the deliberations would follow Chatham House rules, which should enable free flowing discussion. The Task Team will report on its progress to WPGSP and ENVIRONET on a regular basis. Then he presented the ongoing changes in development co-operation, especially the shift in aid instruments and the changes of aid modalities in the context of the *Paris Declaration on Aid Effectiveness*.

Task Team members agreed that the purpose of the meeting was:

- To constitute a Member-lead Task Team to work on the financing of water supply and sanitation;
- To discuss the modalities of the Team’s work;

- To agree on a work programme for the Team;

It was also agreed that the results of the work of the Task Team would be reported to a possible joint meeting of EPOC and DAC at Ministerial level in 2009, and to the 5th World Water Forum to be held in Istanbul, Turkey in March 2009. The work may also be relevant for meetings to review progress in implementing the Paris Declaration on Aid Effectiveness, such as the high-level forum planned in Accra in the fall of 2008.

Session 3: Thematic focus of the team

This session focussed on the proposed thematic topic of the Task Team, i.e. to support developing country efforts to develop strategic financial plans for the water supply and sanitation sector. Presentations by Alexis Bonnel (AFD), Johan Holmberg (EU Water Initiative Finance Working Group) and Peter Börkey (OECD) introduced the discussion.

There was general agreement that the significant financial needs of the WSS sector could only be satisfied if, in addition to measures to increase the supply of finance, measures to improve the demand (i.e. to strengthen project preparation and financial planning capacity) were undertaken. Approaches that support the development of strategic financial plans could be instrumental in this respect as they help sector actors to consider options that are financially realistic. Such approaches were also seen to be supportive of broader efforts described in the Paris Declaration on Aid Effectiveness, since they support the alignment of aid with national strategies as well as the harmonisation of donor support.

The meeting emphasised that policy dialogue on the issue of financing water supply and sanitation could usefully be supported by approaches such as FEASIBLE (developed by the OECD) or SWIFT (developed by World Bank WSP), but that more clarity about the respective strengths and weaknesses of the two methodologies was needed and that it could form part of the Team's role to move this agenda forward.

Task Team members emphasised that such tools are meant to support policy dialogue, but not to drive it. The issue of educational measures to address sanitation and hygiene related behavioural problems was raised as an example of policies that are not part of these models, but that would need to be considered in the policy dialogue.

Session 4: Possible work programme

The session discussed options for future work of the Task Team. Several delegations presented planned work that could form part of the Task Team's work programme. Greece and Egypt presented work to support the development of a financing strategy for the water supply and sanitation sector within the provisions of the National Water Resources Plan of Egypt. This work is being led by Greece in its role as chair of the EU Water Initiative's Mediterranean component and associates the OECD, which is contributing its FEASIBLE model to this work. Greece asked for the inclusion of this work into the Task Team's work programme.

The EU Water Initiative Finance Working Group indicated that it was planning to support efforts to develop financial strategies in up to three African countries to generate and document experiences and then develop a capacity building programme on this basis. It also proposed to work with the OECD secretariat to organise an expert meeting to discuss different methodologies that can support policy dialogue on the financing of water.

The OECD indicated that it could contribute to the work of the Task Team on the basis of work foreseen in its horizontal water project, i.e. collecting OECD member country case example from Africa, EECCA and other world regions, support methodological work in cooperation with the EU Water Initiative Finance Working Group - including the adaptation FEASIBLE to the African context, carry-out two in-country applications of FEASIBLE in Africa (one of which jointly with Greece in Egypt), and draft a report synthesising this material and providing policy recommendations.

The meeting also confirmed the Africa focus of the work, where the access of people to safe drinking water and sanitation services is lowest and the most significant efforts to achieve the water related MDGs will be needed. Participants discussed the criteria that should be used to select countries where policy dialogue on the financing of water and sanitation would be supported. The Team mandated the chair of the EU Water Initiative Finance Working Group to discuss possible candidate countries for such work at the next meeting of the African Minister's Council on Water (AMCOW).

Session 5: Conclusion and next steps

The Task Team agreed that four areas of work should be included in the work programme of the Task Team:

1. The collection of relevant experience from OECD member countries, international organisations and IFIs on financial planning in the water sector; A letter should be circulated to request members to provide this information.
2. The implementation of at least two policy dialogues on the financing of water and sanitation in Africa in order to better understand some of the key issues in financing the water sector in developing countries. It was further agreed that one finance strategy should be conducted by Egypt with support from Greece and the OECD secretariat. The other country should be from sub-Saharan Africa and should be identified in cooperation with the EU Water Initiative Finance Working Group, using the following selection criteria:
 - strong demand from the beneficiary;
 - political stability in the beneficiary country to allow for continuity in the dialogue;
 - donor involvement and interest;
 - a policy for the water and sanitation sector is in place;
 - timeliness/opportunity to influence the reform process;
 - capacity to implement reforms in beneficiary country;

If resources allow, select one English and one French speaking African country in consultation with the African Minister's Council on Water (AMCOW)

3. Organisation of a meeting jointly with the EU Water Initiative Finance Working Group to discuss different tools for conducting finance strategies, i.e. OECD's FEASIBLE and World Bank WSP's SWIFT.
4. Eventually, preparation of a synthesis report, drawing on other elements of the work programme, analysing available experience, and proposing policy conclusions and recommendations for donors and beneficiary countries. The synthesis report could be proposed for submission to Environment and Development Ministers in 2009.

The next meeting of the Task Team could help to review existing experience from member countries and international organisations as well as the conclusions from the joint meeting in point 3). It could take place towards the end of the year depending on availability of inputs.