

DRAFT OUTLINE

Show me the money! – Using financing strategies to inform policy reform and ensure service delivery in the water supply and sanitation sector (working title)

A Synthesis Report from the OECD Task Team on Sustainable Financing to Ensure Affordable Access to Water Supply and Sanitation

OECD Secretariat, 20th September 2007

REPORT FOCUS

This report will summarise the work of the OECD Task Team on Sustainable Financing to Ensure Affordable Access to Water Supply and Sanitation (OECD Water Task Team) in 2007-2008. As a follow-up to the 2006 Meeting of OECD Development and Environment Ministers, the OECD Water Task Team brings together experts to learn lessons and elaborate guidance on how OECD governments can best support the achievement of the Millennium Development Goal on water supply and sanitation.

The focus of the report is on financing strategies for the water supply and sanitation sector: why develop them, how can they support policy decisions, how can they be developed, what country experiences do exist and what can we learn from those experiences. The report will build on existing experiences with financing strategies as well as on the two additional experiences developed in the framework of the OECD Water Task Team.

INTENDED AUDIENCE

The primary audience of the report are OECD Development Co-operation Ministries, Ministries charged with water supply and sanitation responsibilities in developing countries and other development partners engaged in financing the water supply and sanitation sector in developing countries. It is expected that OECD Environment Ministries will contribute to the report by sharing their national experience in planning for and financing the sector. The report will contribute to the OECD Horizontal Water Project and will constitute an input to the 5th World Water Forum to be held in Istanbul in 2009.

REPORT LENGTH

The target length of the report is 100-150 pages (including Executive Summary and other front matter).

REPORT STRUCTURE

INTRODUCTION

This section will provide the background on the origins and work of the Water Task Team, discuss the importance of financing issues in achieving the water supply and sanitation MDGs (building on the

findings of the Gurría Report and others) and discuss the importance of financing strategies to support water-sector wide approaches. Estimated length: 3-4 pages

PART I. USING FINANCING STRATEGIES TO SUPPORT POLICY DECISIONS

Part I will discuss critical policy decisions that can be supported by a financing strategy. Estimated length: 30-40 pages (assuming 6-7 chapters of around 5-6 pages each).

Chapter I.1 Defining coverage targets and the level of service

This chapter will discuss how the financing needs depend crucially in the level of service to be provided. It will discuss what is known about the financial impact of using alternative technologies (including innovative technologies). The discussion will include a treatment of education measures. The chapter will also touch upon the issue of time schedules for the attainment of sector targets.

Chapter I.2 Mobilising finance: Water tariffs and household affordability

This chapter will discuss the scope for tariff reform to ensure the financial sustainability of the sector. It will look in turn at the scope for cost recovery in the drinking water sub-sector and the sanitation sub-sector, urban and rural areas, and among poor and better-off consumers. It will discuss briefly affordability benchmarks and how affordability thresholds evolve in growing economies.

Chapter I.3 Mobilising finance: Budgetary resources and de-centralisation

This chapter will discuss the scope for increased budgetary resources to support the WSS sector, the link between a WSS financing strategy and regular budget processes (in particular the medium-term expenditure framework) and other public finance issues, such as those related to decentralisation (local governments).

Chapter I.4 Mobilising finance: The role of development partners

This chapter will discuss the role of development partners (OECD governments and others) in supporting the development and implementation of financing strategies, including the scope for providing additional funds for the sector in the new international development context. The chapter will touch upon issues of harmonisation, resource pooling, SWAs and budget support. It will also discuss issues related to decentralised co-operation and NGO interventions.

Chapter I.5 Allocating finance

This chapter will discuss how a financing strategy can support policy decisions in allocating finance between sectors (drinking water versus sanitation), territories (urban versus rural, allocation across regions), work areas (sector management, infrastructure, education measures) and different parts of the governance system (ministry of water/central water agency, water regulator, water utilities, regional/local governments,...).

Chapter I.6 Involving relevant players

This chapter will discuss who and why should be involved in developing and implementing a financing strategy. It will discuss the role of different ministries, sub-national authorities, local communities, civil society organisations and private sector providers. The chapter will also discuss briefly the role of public-private partnerships in delivering water services. The chapter could also touch upon how

the process and results of a financing strategy can be used to facilitate policy reform through enhanced communication.

Chapter I.7 Who will pay for the toilets?

At the first meeting of the Water Task Team, it was pointed out that 2008 will be the International Year of Sanitation and the need to pay particular attention to sanitation in the work of the Task Team. This chapter could put together the different messages and analyses concerning sanitation. Alternatively, and in order to avoid repetition within the report, this chapter could be conceived as a stand-alone policy brief.

PART II. HOW TO DEVELOP (AND IMPLEMENT) A FINANCING STRATEGY

Part II will discuss how a financing strategy can be developed (and implemented). Estimated length: 30-40 pages (assuming 4 chapters of around 8 pages each).

Chapter II.1 Getting the level of ambition right

This chapter will discuss the different objectives that a financing strategy can fulfil and the level resources needed to achieve those objectives. It will discuss in particular “political process” requirements and data requirements for different levels of ambition.

Chapter II.2 Developing and implementing a financing strategy

This chapter will describe the different phases to follow in developing and implementing a financing strategy.

Chapter II.3 Making use of available tools

This chapter will discuss the different tools available to develop financing strategies. The chapter will analyse at a minimum the FEASIBLE and SWIFT tools, building on the related paper commissioned by the EU Water Initiative. The chapter would also analyse other tools that are in the public domain. The chapter would look at comprehensiveness, flexibility, user-friendliness and data requirements. The chapter will discuss how different tools are appropriate for different objectives to be achieved by the financing strategy.

Chapter II.4 Enhancing capacity to develop financing strategies

This chapter will discuss what skills are needed to develop and use financing strategies and how those skills can be enhanced in developing country players.

PART III. COUNTRY EXPERIENCES WITH FINANCING STRATEGIES

Part III will describe and analyse different country experiences with financing strategies. Estimated length: 30-40 pages (assuming 3-4 pages per country and 8-10 countries).

Possible countries to be included: Armenia, Georgia, Kyrgyz Republic, Moldova, Ethiopia, Kenya, Mozambique, Uganda, Vietnam, Egypt, Burkina Faso, Ghana.

Each country experience could cover: country background, financing strategy process, financing strategy results, financing strategy impacts and lessons learned.