



Financing strategies for water supply and sanitation

Presentation of draft report of OECD Task Team.

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Overview of overview

- Structure of Report
- Sources of material
- Case studies
- Value added
- Implication of global financial crisis



Sources of material

- Chair's Summary of TT meetings, esp. most recent
- Case studies. Diverse – ref. Annex 2
- Practitioner's experience (esp. Ch 4)
- OECD EAP work in EECCA region
- Relation to OECD Horizontal Project
- Reports in public domain, internet searches, new recent material (Transparency, SWAP reports, WHO/UNICEF, etc)

Case studies

- Armenia, Austria, Czech Rep, Dominican Republic, Ethiopia, France, Georgia, India, Kenya, Korea, Mexico, Moldova, Netherlands, Senegal, Spain, Turkey, Uganda.
- Some of these are for specific regions only : Mexico, Spain, Kenya
- Some are basically project reports: Kenya, India
- Some were received very late: Czech Rep, Turkey or not yet (national Mexico report being translated)
- Some of points of interest are noted in Annex 2.
- Unbalanced use of cases - frequent reference to those with “classical” FSs (EECCA, Uganda, Ethiopia)

Value added

- Relays recent experience of countries that have developed FSs
- Unique and fresh feed-back from practitioners
- “Financing requirements” are a variable, not a given. They are part of an iterative process. The aim of a FS is to produce a zero financing gap.
- Clear distinction between basic sources of revenue and the financing sources they can leverage
- Gives an international, and inter-temporal, perspective on how water is financed
- Weak correlation between financing systems and level of development
- Should prompt reflection by all countries, including OECD member states, about the consequences of under-financing their WSS, and the value of a systematic approach to overcoming this problem.



Implications of global financial crisis

- State *versus* market
- Banks
- Bonds and credit agencies
- Guarantees
- equity
- Financial engineering, structured finance & leveraging

Chapter 1: challenge of financing WSS

- Finance a necessary, not a sufficient condition, for progress on WSS. Governance reforms vital
- Distinctive features of water and – particularly -sanitation: .
- Cost structure of WSS affects financing
- The main sources
- Historical perspective
- Demographic drivers, especially for urban development
- Estimates of size of financing task
- Typologies: level of development, institutional context; existing state of infrastructure & services; sources of finance
- Summary of the argument: the *problematique*; solutions
- Contextual factors: political, development cooperation; trends in oda.
- The Report: value added; new emphases; target reader



Chapter 2: policy choices

- Setting and costing objectives
- The basic sources of revenue: tariffs, taxes & transfers (oda)
- Tariffs: willingness & ability to pay; affordability
- Taxes & subsidies; criteria for subsidies
- Transfers, solidarity & oda
- The FS is a framework for choices over allocation: between water and sanitation, spatially and geographically, functionally & institutionally

Chapter 3: response: the role of financing strategies

- Concept of the FS
- Rationale & objectives
- Outcomes: decision support; governance & processes; realism in planning; due recognition of sanitation
- OECD experience with FS: shared understanding; consensus on targets; better informed discussion of tariffs; more realism on social & environmental aims; better dialogue with Ministry of Finance; basis for linking with MTEF
- Relevance of OECD countries' own experience

Chapter 4: lessons learned from experience with FSs

- Key success factors (e.g. ownership by host countries, engagement of key stakeholders, credibility of models, patience, donor support, etc)
- Level of ambition
- Structure, content & process
- Capacity & tools. Models
- Maximising the impact

Chapter 5: conclusions, recommendations & future work

- Summary of main points from the analysis: diagnosis, choices to be made, what the FS can do
- Lessons learned from FSs
- Recommendations for developing country governments, development agencies, and other stakeholders
- Proposals for future work: (e.g. linking the FS into national budgetary processes such as MTEFs, broadening the scope of the FS to the whole water sector and the IWRM mindset, analysis of the political economy of reform, and collation of OECD members' own experiences with strategic water financing).