

UN Secretary General's Advisory Board on Water & Sanitation 10th meeting in Tokyo, 26 May 2008

Draft

Financing Working Group Update and Minutes of Tokyo meeting

Outcome of the working group meeting in Tokyo with Margareth Catley-Carlson, Michel Camdessus, Olivia La O'Castillo, Omar Kabbaj, Richard Torkelson, Ms Meng, Koen Overkamp, Gerard Payen (chair).

Actions were previously decided in the following directions:

- follow-up of existing agreements with OECD and RDBs;
- meeting to organise with World Bank president
- inclusion of water in the 2008 G8 agenda;
- dialogue with Regional Development Banks to stimulate action on access of water utilities to local finance and to convince them to report on the leverage effect of their aid.
- Initiate dialogue with countries on priority of WSS in their country budgets

1. Reinforcement of the Working Group and of UNSGAB knowledge

The chair welcomes heartily Omar Kabbaj and Roy Torkelson who are bringing most-valuable and complementary experiences to the Board.

Each one is requested to give his appreciation of UNSGAB targets after his first day with the full Board. This is the starting point of a rich discussion on topics that had already been debated by the Board and for which OK and RT bring new perspectives.

Confirmation by RT that ODA can work as a catalyst to facilitate access to local currency debt markets (examples in India, Vietnam, the Philippines).

Multilateral loans to country governments on-lent to local utilities, even with low rates in foreign currency, may be very expensive for local utilities partly because of the currency risk taken at sovereign level, partly because multilaterals may define interest rates independantly from the financial markets.

Some multilaterals have still institutional difficulties to lend to subsovereigns.

Local debt markets develop only after several successful field cases. ODA or governmental support is necessary more than once.

Guarantees are most efficient tools to facilitate financial packaging or to develop local debt markets. Unfortunately, multilaterals prefer to build their loan portfolio and have not developed enough their guarantee offering.

Revolving funds dedicated to subnationals can be capitalised by ODA or country governments. To attract local currency debt markets they require appropriate legal frameworks that prevent them from being redirected to other uses. Some have funded utilities that were previousy perceived as non creditworthy.

There is a chicken & egg issue: when multilaterals set up programs it may take years to identify adequate projects; when innovative revolving funds are set up they need a continuous pipeline of projects; when projects are independantly organised they have difficulties to tap local currency debt markets.

Africa requires more ODA funding than other continents

OK confirms that in Africa energy receives a higher priority than water.

Many of these findings are clear confirmations of the 2003 "Camdessus report" recommendations to whom several WG members contributed. They also confirm the validity of HAP recommendations.

2. Follow-up of "agreements" with IFIs

Agreement with OECD

Several meetings and seminars with UNSGAB representatives (G.Payen, K.Hiroki)

OECD has set-up a "horizontal water project" that mobilises several OECD divisions.

A governments-led Task Team pilots a research on WSS financing policies at country level. This work should allow better knowledge of country expenditures in various cases.

Asian Development Bank

Meeting to organise in Stockholm this August

African Development Bank

Meetings in Tunis during African Water Week (MC+GP). They have a new team dedicated to WSS. Their water portfolio is quickly increasing in rural areas. Next progress will be to do more in urban areas.

InterAmerican Development Bank

They have accepted to support WOPs in Latin America

World Bank

A meeting between WB president and UNSGAB chair took place on May (DB, MCC, GP, RT were present). The WB is interested to work with UNSGAB on schemes that allow development of local financial markets to finance local utilities that are not yet completely creditworthy. It has been agreed to jointly work in 5 to 6 countries. WB is not interested in working with UNSGAB to raise the profile of the WSS sector at the level of Finance ministers. Minutes of meeting with WB to finalise.

3. G8 in Japan in June 2008

Letters have been sent to G8 Heads by UNSGAB chair. Members have transmitted a detailed proposal to G8 sherpas. Unclear answers up to the WG meeting.

4. WSS priority in state budgets, facilitating access of local utilities to finance

UNSGAB has started action in Africa in several directions:

- support to targets of country WSS expenditure being politically decided (eThekweni declaration, AU draft declaration). However, current situation of expenditure versus GDP is not precisely known by UNSGAB.
- proposal that AfDB organises a meeting of Finance and Water ministers that would address barriers and constraints to local utilities financing.
- speeches explaining that development of water and sanitation benefits health, education and economical development

UNSGAB to continue to privilege direct contact with Finance ministers in particular when multilaterals are not helpful.

Dialogue with AsDB to organise in Stockholm this August in order to discuss how they could organise a meeting of Finance and WSS ministers in Asia and if it is appropriate. Another opportunity (for follow-up?) is the meeting with AsDB president in Cebu organised by Olivia.

Dialogue with AfDB to continue building on the AfDB-UNSGAB joint statement and the expected AU declaration.

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