

Session 5.1.4 Pooling Resources to Close the Financing Gap: how can financing for the sector be optimised?

Date of the session	Wednesday 18th March
Time of the session	17:00- 19:00 (2 hours)
Topic	5.1 Sustainable financing
Main convening organizations	European Investment Bank
Contact person(s)	José Frade j.frade@eib.org and Niraj Shah n.shah@eib.org
Short description of what the session intends to discuss and the key questions that have been identified.	
<p>The water sector's capital expenditure requirements are enormous and no single source of finance is large enough to meet its financing needs in the short to medium term. In addition to optimizing the financing from the taxes, transfers (ODA) and tariffs (3 Ts), access to debt and equity financing, both from international financing institutions and from domestic financial and capital markets, is essential to bridge the financing gap for capital investments. This Session looks at what the "suppliers of finance" can do to increase the flows of funds to the sector, how the underlying sector risk can be assessed/addressed/ mitigated so as to make the sector more attractive for financing, and how financiers can cater to the different needs of potential clients. Specifically:</p> <ol style="list-style-type: none"> 1) In a water sector that provides essential services but is also capital intensive and risky, how can the financing flows from all sources be increased/ optimised? What should the role of different types of finance (e.g. 3 Ts, soft loans in local & hard currency, commercial loans, state/municipal/utility bonds, private capital & equity, etc.) be? How can the 3Ts be used to mitigate sector risk, address affordability constraints, and leverage other sources of finance to bridge the financing gap? 2) What can be done to help local capital markets develop appropriate long-term financial instruments that cater for the needs of the water sector and the needs of the different service providers (public –private; small scale, etc)? 3) How can financial resources be pooled together around a core or anchor source, so as address the different needs of the sector (all types of service providers in an area, governments, users, etc.), increase leverage, overcome affordability issues and cater of varying risk profiles? 	
Wider context of issues : Why is the question important to improving water challenges in the world today ?And how does it relate to issues outside the water sectors?	
<p>Access to a safe and reliable drinking water supply and adequate sanitation are essential to public health and well-being. Yet, according to latest coverage estimates, there still exists a significant global deficit in coverage, with two out of every ten people lacking access to a safe water supply, and five out of ten having inadequate sanitation. Where services do exist, they are often characterised by an intermittent and poor quality supply of water, and inadequate sanitation. Increasing access and improving and maintaining existing service coverage and quality levels will require significant financial resources.</p> <p>Although data on actual financial flows going into the water and sanitation sector is difficult to ascertain, there is a common consensus that it falls significantly short of even the lowest estimate of</p>	

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the financing needs, resulting in a large global financing gap. In 2003, the Camdessus Report, found that the supply of financing going into the sector, from all sources, needed to double in order to achieve the targets for the water and sanitation MDGs. Despite efforts of recent years to increase the amount of finance flowing into the sector, the gap between the sector financing needs and actual investments remains large and the Reports' conclusion still as valid as ever.

Discuss the development of session questions and its role on the relevant topic

i. Identify common issues and priority problems	<p>Main sources of finance: the 3 Ts: (taxes, tariffs, and transfers), characteristics, role, constraints, potential for increase, difference between two Ts (taxes & transfers) and 3rd T (tariffs), scarcity of resources, targeting, leveraging, advocacy, competition with other sectors vs. revenue generation/cash flow building.</p> <p>Bridging the financing gap: available financial tools – debt finance, bonds, equity, microfinance, OBA, etc.</p> <p>Pooling the financial resources to close the gap: leveraging, scaling up, risk mitigation, core (anchor) finance, and financing attractiveness, success and replication.</p>
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List of Speakers and Timing

17.00-19.00 (2 hours)