



Water for life

Third World Water Forum

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Financing Water Panel Report - Critical issues to be addressed
By Ravi Narayanan

Water is life. Yet safe and affordable water is denied to poor women, children and men across the developing world, a situation that perpetuates poverty, ill health and ignorance. Consequently, 2.2 million die from water related diseases every year, mostly children under five.

It is useful to remind ourselves of the scale of human tragedy arising from the failure of governments in both developing and developed countries to invest sufficiently in the most basic of services for their people. It is deplorable that only 1- 2 % of national expenditure in developing countries is ever allocated to developing and maintaining water infrastructure and services, matched by only 6 % of official development aid, which has been declining. And yet, even that money is ineffectively targeted at bringing services to the poor and un-served and inefficiently used, resulting in huge waste.

These problems in public financing must be the starting point of any attempt to find financial solutions to achieve not just the 2015 millennium targets for halving the proportion of people without access to safe water and adequate sanitation, but also of universal sustainable access by 2025. After all, public financing from developing and developed countries remains the main source of funds - up to 85% - for the water sector as a whole. So it is only right to expect the World Panel on Financing Water Infrastructure to focus on these issues.

At the heart of the panel's various proposals are two related assumptions: the investment requirements for water are very large and current sources and levels cannot meet them. Indeed the panel's report reminds us "the current annual flow of investment in drinking water supply has just been sufficient in the past decade to maintain at 1.1 billion the number of people without adequate access to drinking water."

Let's unpack these assumptions. Investment requirements are indeed large - to achieve the millennium development goals, the 2000 Global Water Supply and Sanitation Assessment Report states that in Asia, Africa, Latin America and the Caribbean alone, over the next 15 years, 280,000 people will need to be provided with water supply and 384,000 people will need to be provided with sanitation facilities every day. The majority of those needing access live in Asia and Africa, where current levels of access are worse in rural areas than in urban areas.

Essentially, the investment requirements are largest in the poorer countries of the world. If these countries are to employ the technologies that are standard in richer countries, then investment requirements will be much larger than are necessary to provide a basic standard of service as a first step for the unserved communities and populations. The point, however, is less about lowering standards for poorer countries, but looking for more appropriate, lower-cost technologies to achieve basic standards of reliability, safe water quality and affordability in water and sanitation services. These technologies already exist, and there is continuing experimentation and development of appropriate technologies, not just of water supply and sanitation, but also for wastewater treatment. Examples include septic tank -sludge suction, latrine and ecological sanitation systems being used in many poor urban and rural areas in countries in Asia and Africa and the use of reed banks in treating wastewater as in some parts of Nepal.

Similarly, there are alternative and traditional technologies used in water storage systems that are cheaper, more easily maintained, have a longer lifespan, and are less environmentally and socially destructive than many modern dams. A combination of rainwater harvesting technologies and rehabilitation of centuries-old storage systems in the Indian states of Gujarat and Rajasthan, for example, secured water for agriculture and domestic uses even in times of drought.

The full range of alternatives for decentralised, local technologies and solutions need to be explored before commitments to large scale projects, including dams and other water projects are made, which in any case should be subject to rigorous social and environmental safeguards.

These types of investments can be financed from a variety of services including people's own contributions,

Government bought allocations (in turn supported if necessary by ODA and other external concessional finance) and support from the local financial institutions including banks. They do not necessarily need high volume/high risk external loans which have in the past proved to be detrimental to the interest of poor countries.

The panel correctly assessed that current sources and levels of financing for water are not sufficient. "...(W)ater has been underemphasised and neglected in the past, compared to other sectors," its report states. And to counter this, the panel calls for a doubling of annual funds going into the sector, including aid.

Also, we must not underplay the fact that current resources are so poorly targeted and inefficiently used. The panel does argue for aid to be better targeted at poor countries in Africa. That would be a good start. But is equally important for it to be untied and used on cost effective sustainable technologies.

For national governments in developing countries to double their allocations to water, their national incomes need to rise substantially. This requires, amongst other things, a healthy balance of trade and a growing national economy. However, given the continuing inequities in global trade between rich and poor countries, poor standards of governance, corruption and misallocation of scarce resources developing country governments' abilities to grow their allocations to water, let alone other sectors, is hampered severely. Developing countries would also need to reallocate expenditure from other sectors. This will require improved understanding within government of the contributions of water to poverty reduction, economic growth and human development, and better knowledge of investment levels and gaps, as well as open and accessible government.

There are a number of initiatives and proposals from the Panel that WaterAid believes merit support. The panel's proposals on governance and sector reform in the main reiterate the many proposals and recommendations from previous international and national meetings, particularly on the need to plan and prioritise water within development plans. Two proposals under governance are however particularly noteworthy: the need to provide predictable revenue frameworks to water service providers and the encouragement by central government to municipalities to work on projects to respond rationally to increasing urbanisation. The former would require a socially negotiated framework for tariff-setting, characterised by transparency and participation from citizen groups and should open discourse on subsidy levels for the destitute and how these are to be administered. No matter how revolting the idea of paying for a basic service, the fact remains that failures in recovering costs for services in the past constitute one of the reasons why current services are so poor and paltry. There is a cost to be borne for poor services. And that cost is most heavily borne by those who are poor and un-served who fall ill, lose their income and livelihoods or die. There is just no getting away from this fact. But the panel's initial proposals on the concept of 'sustainable cost recovery' bears further consideration and work. We hope that those who work directly with the poor and who advocate poor people's interests assist in further developing this concept and assisting governments, both national and local, to pilot and implement lessons from these pilots.

Plans to respond to increasing urbanisation is an imperative, as all predictions indicate that urban populations will double or near double in some of the poorer countries of the world. WaterAid would highlight that in this planning, it is necessary for central and municipal governments to settle the question of services to the urban poor, particularly those who live in unregistered dwellings or are in informal settlements. In the first place, the urban poor must be recognised as legitimate dwellers with rights of access to services and therefore be visible in the plans of municipal governments.

The emphasis on assisting sub-sovereign entities (local governments, local water authorities) should also be further considered and progressed. Countries are decentralising, but decentralised levels of government, though saddled with responsibilities, have had none of the powers or authority to raise resources, nor receive sufficient funds from central governments for their more extensive responsibilities in water. The capacity building of local governments and local water boards need to be addressed though, not just through the various ways suggested of building knowledge and skills, e.g. cooperation agreements which are an innovative way of building capacity in a more appropriate way, particularly as it veers away from lumbering developing countries with foreign (mainly western and expensive) experts.

There is a more fundamental capacity building required, particularly in the poorer countries of the developing world however. The Bretton Woods institutions should lift the cap on government staffing levels, which incapacitates much of local government. There is a need to beef up the human power necessary not just to deliver services, or contract services, where this is a viable option, but also to supervise contractors and enforce standards particularly on small local entrepreneurs. We support the panel in seeking recognition for these entrepreneurs. Recognition is the first step to tapping this resource and curbing its excesses.

Finally, proposals relating to community initiatives and NGOs, where much investment (from households) go un-recognised and under-valued require support. The role of civil society groups will increase as improvements to water governance are promoted and pushed through. This is an enormous challenge for civil society groups and service-oriented NGOs, and they should be supported in these roles, particularly in developing countries where governments do not welcome their attention or involvement. There is much to gain from joining forces with civil society groups that are active in protecting the environment and people's movements active in lobbying and campaigning for better services for the urban and rural poor. Networks of people's organisations in Africa, Asia, Latin America and the Caribbean need to actively find ways of linking up to build a global people's

movement for sustainable, affordable water for all.

Lessons for WaterAid

The World Panel on Financing Water Infrastructure, chaired by IMF former Managing Director Michel Camdessus has wrapped up its work for the year. After seven expert panel meetings around the world's major cities, its report now has been unveiled, and its chair invited to present its findings, not just at the 3rd World Water Forum in Kyoto in March, but also at the G8 Summit in June.

For its findings to be effective for people and communities both for rural and urban, in the poor countries of the world, the importance of effective use of public finances, both external aid and government's own resources, the choice of affordable and sustainable technologies and participation of poor people in decisions that affect their lives and well being will be paramount.

It will be important that in following up progress on the millennium goals, the "watchtower" that is suggested as a monitoring body should be representative of all the stakeholders especially those who can best represent the interests of poor people in developing countries.

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