

EFFECTIVELY INVESTING IN WATER AND SANITATION IN ACP COUNTRIES

- NGO RESPONSE ON THE ESTABLISHMENT OF AN EU WATER FACILITY -

In response to the widely recognized need for additional investments in the Water and Sanitation Sector, the European Commission has recently presented a new proposal for the establishment of an EU Water Facility.¹ The proposed Facility aims to provide technical assistance for the development of resource management policies and projects, as well as to co-finance investments in the water sector of countries in Africa, the Caribbean and the Pacific region (ACP). The Facility builds on an earlier proposal to establish an EU Water Fund, which was presented in May 2003, but was rejected after heavy critique from Member States, ACP governments and both ACP and EU Civil Society. The present statement outlines the opinion of a wide group of Civil Society Organisations both from Europe as from ACP countries.

NGOs welcome additional funding being made available to addressing the problem of water and sanitation in developing countries (including the ACP). However, Civil Society Organisations believe the Water Facility should be dedicated to facilitating the expansion and upgrading of public-run drinking water and sanitation infrastructure, which supplies an overwhelming majority of those with access to water today (both in developing countries and in Europe). We agree with the European Parliament's September 2003 resolution which insisted "on the need for local public authorities to be given support in their efforts towards establishing an innovative, participatory, democratic system of public water management that is efficient, transparent and regulated and that respects the objectives of sustainable development in order to meet the population's needs."

Civil Society Organisations call upon the European Commission and the EU Member States to include the following in the establishment of a EU-ACP Water Facility:

- (1) A decision to establish a one billion Facility cannot be taken unless a detailed proposal on the modalities of the facility is proposed. These should at least address the safeguards against non-sustainable investments, such as community and local actors participation in decision-making and design, and should stipulate the need for balancing institution building and (management) skills strengthening with infrastructure investments.**
- (2) The proposal should explicitly recognise that water is a basic human right², and should address HOW the Facility supports the fulfilment of this right, i.e. it should include a pro-poor component.**

¹ Press release from the European Commission IP/04/120 Brussels, 28 January 2004: 'Delivering water and sanitation to the poor in ACP countries - Commission proposes EUR 1 billion to boost current efforts'.
http://europa.eu.int/rapid/start/cgi/questen.ksh?p_action.gettxt=qt&doc=IP/04/120|0|RAPID&lq=EN&display.

² When referring to a basic human right, we refer to the International Covenant on Economic, Social and Cultural Rights Art. 11.1. "The States Parties to the present Covenant recognize the right of everyone to an adequate standard of living for himself and his family, including adequate

- (3) The EU Water Facility should address the lack of management capacity. This should be addressed alongside infrastructure developments. In order to assure that such 'software' components are taken better into account, the EU should dedicate all, or at least a major part, of the Facility's funds to strengthening public skills, management capacities, and institution building.**
- (4) The proposal should clearly exclude that Facility funds are used for subsidies for private foreign investments in the water sector; public funds, which are earmarked for official development aid, should under no means duplicate or replace the existing financial instruments on this behalf, like export credit agencies.**
- (5) The creation of a EU Water Facility with EDF money can only be decided on the basis of and after the conclusion of the outcome of the Mid Term Review process, which has not been concluded yet,**
- (6) The facility cannot be established without proper participation (important for the ownership of the facility) of relevant ACP and EU non-state actors,**

Civil Society Organisations express their concern about the strong emphasis of the proposal on supporting the expansion of private sector water management and regret that until now the European Commission has not responded on their offer to engage in a constructive dialogue and hope this will change in the near future.

Background

The Water Facility is related to the African Water Initiative (AWI) and fits into the EU Water Initiative (EUWI) that was launched during the WSSD in Johannesburg, in September 2002. During this summit the EU pledged to re-channel over 1,4 billion euro from various EU development aid funds into public-private partnerships for water delivery in Africa and the former Soviet Union (Newly Independent States). Later on Latin America has also been added as a potential recipient of funds.

The importance that was attached to the Fund by Commission was shown early 2003 by the fact that Romano Prodi, president of the Commission personally called upon the member states to endorse the initiative. In an open letter to the prime ministers of the EU member states he explained that he felt that urgent action was necessary, as 'Africa and especially sub-Saharan Africa, where 40% of people have no access to water, cannot be left to face alone the myriad challenges posed by long-term, water management'.³ Prodi and the Commission made haste with the establishment of the Fund, as they hoped to reach an agreement with the member states and the ACP before the annual G-8 Summit, to be held in Evian from 1 to 3 June. They argued that the

food, clothing and housing, and to the continuous improvement of living conditions. The States Parties will take appropriate steps to ensure the realization of this right, recognizing to this effect the essential importance of international co-operation based on free consent."

³ Letter by Romano Prodi to Heads of State and Government of EU Member States, Brussels, 03-04-2003 D (2003) 1168.

http://europa.eu.int/comm/commissioners/prodi/pdf/water_letter_en.pdf.

announcement of such an initiative would 'give it a high profile and could lead to similar initiatives by other participants'.⁴

The Commission's proposal was welcomed by many as an important initiative to take concrete measures to face the increasing water crisis. However, at the same time it was felt that the tabled proposal did not meet the expectations that a number of Civil Society Organisations, both ACP and EU, had with the establishment of a Fund that would effectively deal with the intricate problems of water and sanitation management in development countries. In an article in the European Voice⁵ and during a consultation with ACP and EU ministers (May 16th), Civil Society Organisations voiced their critique on the Commission proposals. After ACP ministers expressed their doubts with some of the details of the proposals, EU member states requested the Commission during an informal meeting of Ministers of Development to present a new proposal. On the 19-20th of May, Development Council concludes: 'Firmly convinced that water is central to sustainable development, health and well-being, peace and security and the fight against poverty, the Council incites the Commission to propose specific modalities to be discussed by the relevant EU Council Bodies and by the ACP-EC Council of Ministers.'⁶

Civil Society concerns

Like in the original Water Fund proposal, the new Communication relies strongly on the Camdessus Panel report and its controversial recommendations for using development aid to facilitate investments by the private water industry. The Communication simply assumes that the role of the private water industry needs to be expanded, but provides no evidence of the merits of this assumption. The record of the private water industry in developing countries in the last years has not systematically been assessed, despite high-profile failures and malpractices. Furthermore, there are important studies seriously questioning the private sector participation as a priority option. For example the World Bank's own evaluation department (OED) published in September 2003 a review of the bank's assistance to water supply and sanitation⁷, and comes to the conclusion, that on an average, public utilities equalize the private ones in efficiency and are better concerning environmental sustainability. Another result is the observation, that "a large proportion of projects in the sample, particularly those in urban areas, have been ineffective in implementing pro poor policies that foster access to services."⁸ Instead of referring to this latest discussion, the proposal repeatedly emphasises the important role that the Commission sees for European water service providers, which gives the impression that the Water Facility may turn into a new form of tied aid in support of these corporations.

NGOs believe the Water Facility should be dedicated to facilitating the expansion and upgrading of public-run drinking water and sanitation infrastructure, which supplies an overwhelming majority

⁴ Ibidem.

⁵ 'Prodi under pressure over water aid', European Voice, 15-21 May 2003.

⁶ Conclusions of the 2509th Council meeting of general affairs and external relations 9379/03 (Presse 138)

<http://ue.eu.int/Newsroom/makeFrame.asp?MAX=1&BID=71&DID=75857&LANG=1&File=/pressData/en/gena/75857.pdf&Picture=0>, page 24.

⁷ OED, Sept.2003: Efficient, Sustainable Service for All? Report Nr. 26443

⁸ OED 2003, p.19

of those with access to water today (both in developing countries and in Europe). We agree with the European Parliament's September 2003 resolution which insisted "on the need for local public authorities to be given support in their efforts towards establishing an innovative, participatory, democratic system of public water management that is efficient, transparent and regulated and that respects the objectives of sustainable development in order to meet the population's needs." Rather than subsidising privatisation of water management in developing countries, we suggest that funds from the EU Water Facility should strengthen public sector in order to improve water provision, without private sector or with the private sector as a partner, assisting the transition to effective public management delivering affordable water to all.

The Panel on Financing Water Infrastructure recognised the present limitations on private finance in the poorest countries as set out above. So, while recommending reforms to change these prospects for the longer term, the Panel stressed the need now to develop community self-help options. In particular the Panel recommended that "Civil society roles in water provision need to be supported, and their capacity to perform more effectively needs enhancing".⁹ The Panel suggested that, subject to a feasibility study, "Decentralised Funds for the Development of Local Initiatives" could be created in each of the regional development banks to be drawn on by local groups – NGOs, associations and community representatives – to build capacity through training, hiring advice, creating partnerships and attracting funding.¹⁰

The Panel stressed¹¹ the need for building the administrative capacity of water managers at Government, municipal and community levels, and envisaged that this training of public managers within public utilities would complement similar training of managers in the public authorities regulating the utilities.

Experience on the ground – for example the Soozhal community sanitation project in India¹² and the way in which the Ugandan administration has grappled with the increase in water sector funding under the country's poverty Eradication Action Plan (part-funded by debt-relief)¹³ - suggests that these capacity-building initiatives would be a way for the EU Water Facility to add significant value. The use of the Facility in this way might be less glamorous but we note the Panel's comment¹⁴ that donors need to be less concerned with large capital projects to which a "flag" can be attached and more with the delivery of capacity-boosting training.

National and local governments as well as water and sanitation utilities in developing countries need support to learn –including technical assistance- from the practices of other developing and developed countries in designing tariff systems for water and sanitation services, as well as

⁹ Report of the World Panel on Financing Water Infrastructure. *Financing Water for All* (2003), p. 34

¹⁰ Idem

¹¹ Report of the World Panel on Financing Water Infrastructure *Financing Water For All* p20 March 2003

¹² Ramsh Sakhivel S and Fitzgerald R, *The Soozhal Initiative: a model for achieving total sanitation in low-income rural areas* WaterAid India September 2002

¹³ International Development Consultants *A Study of the Water Sector Conditional Grants* Forthcoming

¹⁴ Report of the Panel on Financing Water Infrastructure. *Financing Water for All*, p. 20

financing mechanisms for promoting household and community-level investments in improved water supply and sanitation services.

The modalities for the Facility should include eligibility criteria and indicate a set of guidelines that it will use in order to assess proposed projects. Especially, it should indicate which eligibility criteria will be used to ensure that projects financed by the Facility contribute to poverty alleviation, (gender) equity and sustainable development. As stated above and in view of the increased attention for the construction of large dams and other large-scale infrastructure, it is of crucial importance that it considers integrating key recommendations by the World Commission on Dams.

Although NGOs are not against cost recovery per se, the Facility should recognise that full cost recovery for water services is unlikely to happen in the rural, small town and peri-urban context. It is therefore unacceptable to use that have to be repaid in these instances.

The Commission should furthermore, consider strengthening existing EU-ACP institutions, such as the National and Regional Authorizing Officers. Avoiding the creation of a new Executive Agency (within or outside the Commission bureaucracy), reduce the Facility's transaction costs and so ensure that a greater proportion of the available money is spent on institutional strengthening and capacity building.

The one billion that the Commission is proposing to invest in water and sanitation in ACP countries through the Water Facility, is drawn from the 9TH EDF. At the establishment of the 9TH EDF, the EU member states reserved one billion euros to be spend after the Mid-Term Review (MTR) of the 9TH EDF that should take place in 2004. The idea behind this was that on the basis of performance criteria in the MTR, ACP countries could set different priorities, on the basis of which additional funds could be released.¹⁵

As partnership, with a special reference to non-state actors in the development process in ACP countries is enshrined in the Cotonou Agreement, the decision making process on a one billion Water Facility (a large hare of the 9TH EDF) requires a significant consultation process with relevant non-state actors. This should encompass a transparent procedure, with timely notifications and provision of the relevant documents, whilst the decision making process should be clearly communicated to all actors involved in the consultations.

Finally, and most important at the current moment in time, is fact that a decision around the spending of one billion of EDF money, which makes up a large share of the 9TH EDF, cannot be decided upon without having explicit agreement around the modalities of the Water Facility. Despite the fact that the Commission is steering a course of reaching a principle decision on

¹⁵ In the latest submission, the Commission proposes to use 500 million in the coming two years and that it will decide on the remaining 500 million after the conclusion of the Mid Term Review of the EDF.

releasing the one billion EDF euros, Civil Society is firm in their demand that this can only be the case after the modalities are decided upon and the above conditions are met.

March 2004, signed by

- Institute for agriculture and Trade Policy, Switzerland
- Action Aid International, Belgium
- African European Faith and Justice Network, Belgium
- Both ENDS, The Netherlands
- Brot für de Welt, Germany
- Consumers Information Network, Kenya
- Corporate Europe Observatory, The Netherlands
- EcoNews Africa, Kenya
- Eurostep, Belgium
- Coordination Southern Africa (KOSA), Bielefeld
- Initiative Kolibri, Germany
- MNC, Cameroon
- Novib Oxfam, Netherlands
- POLLEN, Belgium
- OIKOS, Portugal
- Public Services International, Belgium
- SOMO, The Netherlands
- World Ecology, Economy Development, Germany
- Women In Development Europe (WIDE), Belgium
- 11.11.11 - Coalition of the Flemish North-South Movement, Belgium