

# EUROPEAN PARLIAMENT

1999



2004

---

*Session document*

FINAL  
**A5-0273/2003**

22 July 2003

## **REPORT**

on the Commission communication on water management in developing countries and priorities for EU development cooperation  
(COM(2002) 132 – C5-0335/2002 – 2002/2179(COS))

Committee on Development and Cooperation

Rapporteur: Paul A.A.J.G. Lannoye



## CONTENTS

	<b>Page</b>
PROCEDURAL PAGE .....	4
MOTION FOR A RESOLUTION.....	5
EXPLANATORY STATEMENT .....	11

## PROCEDURAL PAGE

By letter of 12 March 2002, the Commission forwarded to Parliament a communication on water management in developing countries and priorities for EU development cooperation (COM(2002) 132 – 2002/2179(COS)).

At the sitting of 2 September 2002 the President of Parliament announced that he had referred the communication to the Committee on Development and Cooperation as the committee responsible and the Committee on the Environment, Public Health and Consumer Policy for its opinion (C5-0335/2002).

The Committee on Development and Cooperation had appointed Paul A.A.J.G. Lannoye rapporteur at its meeting of 20 June 2002.

The committee considered the Commission communication and the draft report at its meetings of 20 May, 12 June and 8 and 9 July 2003.

At the last meeting it adopted the motion for a resolution unanimously.

The following were present for the vote: Joaquim Miranda, chairman; Margrietus J. van den Berg, vice-chairman; Anders Wijkman, vice-chairman; Paul A.A.J.G. Lannoye, rapporteur; Jean-Pierre Bebear, Yasmine Boudjenah, John Bowis, John Alexander Corrie, Nirj Deva, Colette Flesch, Michael Gahler (for Jürgen Zimmerling), Bashir Khanbhai (for Luigi Cesaro), Glenys Kinnock, Karsten Knolle, Wolfgang Kreissl-Dörfler, Mario Mantovani (for Vitaliano Gemelli), Miguel Angel Martínez Martínez, Hans Modrow, Luisa Morgantini, Didier Rod, Ulla Margrethe Sandbæk, Francisca Sauquillo Pérez del Arco, Agnes Schierhuber (for Fernando Fernández Martín) and Maj Britt Theorin.

The Committee on the Environment, Public Health and Consumer Policy decided on 9 September 2002 not to deliver an opinion.

The report was tabled on 22 July 2003.

## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

**on the Commission communication on water management in developing countries and priorities for EU development cooperation (COM (2002) 132 – C5-0335/2002 – 2002/2179(COS))**

*The European Parliament,*

- having regard to the Commission communication (COM (2002) 132 – C5-0335/2002),
  - having regard to the Commission working document on the establishment of an EU water fund (COM(2003) 211),
  - having regard to Articles 177-181 of the EU Treaty,
  - having regard to Agenda 21, approved in Rio de Janeiro in 1992, in particular paragraph 18 thereof,
  - having regard to the outcome of the 2<sup>nd</sup> World Water Forum, held in The Hague on 17-22 March 2000,
  - having regard to the Bonn International Fresh Water Conference (2001),
  - having regard to the political declaration adopted at the World Summit on Sustainable Development, held in Johannesburg from 26 August to 4 September 2002,
  - having regard to the European Commission development cooperation guidelines for the development and management of water resources,
  - having regard to the political declaration of the P7 Summit, held in Brussels from 7 to 9 June 2000,
  - having regard to the study carried out in May 2000 by the Stockholm International Water Institute (SIWI) on behalf of the European Parliament,
  - having regard to Rule 47(1) of its Rules of Procedure,
  - having regard to the report of the Committee on Development and Cooperation (A5-0273/2003),
- A. whereas out of 6 billion people, 1.7 billion have no access to drinking water and more than 3 billion no access to sanitation,
- B. whereas nearly 30 000 people die each day of illnesses linked to a lack of drinking water or sanitation and whereas women and children and vulnerable populations in general are bearing the brunt of the negative impacts of the lack of action on water and sanitation;
- C. whereas access to water is essential for life, health, food, well-being and development and

water can therefore not be considered simply as a good,

- D. whereas the United Nations Committee on Economic, Social and Cultural Rights has enshrined access to water as a human right and the 145 countries that have ratified the International Covenant on Economic, Social and Cultural Rights have an obligation to ensure that everyone has access to water, equitably and without discrimination,
- E. whereas there is a risk that the increasing scarcity of resources and economic and territorial water-related issues could cause armed conflicts in certain regions of the world, thereby compromising sustainable development, peace and cooperation,
- F. whereas irrigation for intensive farming and a predominantly export-driven economy accounts for almost 75% of the world's consumption of fresh water,
- G. whereas women's uses of water are often overlooked and cannot be compartmentalised, as women use water for subsistence gardens and bricklaying activities and irrigation water is also used for domestic purposes and livestock,
- H. whereas the building of large dams, industrial pollution and deforestation are some of the causes of the depletion of ground water and the growing scarcity of safe water,
- I. whereas the current form of producing electricity wastes great amounts of water by evaporation and leads to competition between electricity production and irrigation,
- J. whereas the shortage of drinking water has worsened in developing countries as a result of the structural adjustment programmes imposed by donors, which have weakened public services by inducing under-investment in this sector and excessive debt in developing countries,
- K. whereas donors choose to resolve the water issue by encouraging the large-scale involvement of the private sector, which operates at international level through public-private partnership programmes that marginalise public service,
- L. whereas the liberalisation of basic public services, including the water sector, is one of the conditions for receiving loans that the World Bank and the IMF impose on the southern countries,
- M. whereas the European Commission is calling for water supply in the southern countries, including 14 of the least developed countries, to be liberalised and privatised as part of the GATS negotiations,
- N. whereas the privatisation of water services usually leads to an increase in prices and denies the poor in the LDCs access to water; whereas the private sector is indispensable in creating viable, efficient water management systems in developing countries owing to its technical expertise and knowledge of cost management practices,
- O. whereas the privatisation of water, when it leads to the setting-up of large-scale projects based on costly technology instead of smaller projects making use of local materials, can have negative effects on the local population; whereas needs and conditions for water

provision in developing countries differ greatly, and whereas there is therefore a need for a great variety of services to be offered,

- P. whereas the private sector's aims are not necessarily compatible with providing a public service and purely commercial management of the resource can easily impede the socio-economic development of communities living in areas where the provision of this service is considered unprofitable,
- Q. whereas multinational companies have no qualms about withdrawing from contracts in the event of insufficient profits, as in the case of Suez in Buenos Aires and Manila in 2002, which abandoned these cities to their fate, and yet those same companies are prepared to sue the public authorities for breach of contract if the situation is reversed; whereas small-scale water operators have the advantage of being more customer-driven and are prone to apply innovative technologies and marketing methods;
- R. whereas the national and local public authorities have an important regulatory role to play in ensuring access to water for all, but especially the poorest sections of the population,
- S. whereas rational water management not only requires the involvement of local populations - women in particular - at national, regional and local level, but also an appropriate pricing system which allows everyone to have access to the water required to cover essential needs and ensures efficient use of water by giving users responsibility,

### **The European Water Fund**

- T. noting the Commission initiative on the establishment of a European Water Fund to fund water supply and purification in the ACP states,
- U. regretting that this initiative was taken without consulting the ACP countries, undermining the spirit of partnership of the Cotonou Agreement, which is based on the principles of dialogue, reinforcing capacity and assumption of responsibility for development policies by the ACP countries,
- V. stressing that the one-billion-euro fund which will be established to launch this initiative comes from the EDF reserve and not from additional resources,
- W. whereas achievement of the fund's objectives is accompanied by conditions, including that of good governance,
- X. whereas the creation of the European Water Fund is motivated by the failure of the public sector in developing countries to provide sufficient amounts of safe water to all citizens;
- Y. whereas the establishment of an executive agency for the European Water Fund may undermine reinforcement of the ACP countries' capacity and their assumption of responsibility for development policies,
- 1. Reaffirms that access to drinking water in a sufficient quantity and of a sufficient quality is a basic human right and considers that national governments have a duty to carry out this obligation; reasonable access to water means at least 20 litres per person per day from

a clean source within a radius of 1 km (Global Water Supply and Sanitation Assessment Report 2000; WHO/UNICEF);

2. Points out that on several occasions, including at Mar del Plata (1997) and Rio (1992), the declarations adopted at the end of UN conferences have established the universal right of access to drinking water in sufficient quantity and of adequate quality for basic needs and welcomes the inclusion of this right in the International Covenant on Economic, Social and Cultural Rights;
3. Emphasises that distribution of water should be looked upon as essentially a public service and hence organised so as to guarantee affordable access for all;
4. Notes that the most disadvantaged inhabitants of developing countries continue to face a shortage of drinking water despite the efforts undertaken so far by the international community, that the solutions focusing on the privatisation of drinking water supply put forward by donors have failed, that this has meant there has been no improvement in access to drinking water and no decline in illnesses related to lack of water;
5. Considers that the public-private partnership (PPP) system, whereby the public authorities retain the ownership of the infrastructure and conclude a management contract with the private sector – securing access for all and ensuring publicly transparent pricing – should not be viewed as a panacea, but as one among several ways of providing improved access to water;
6. Notes that several studies show that the privatisation of water services following the ‘full cost recovery’ principle has led to an increase in charges, preventing the poorest communities in developing countries from having access to drinking water;
7. Stresses the need for a pricing system which allows everyone access to the water required to cover essential needs and ensures efficient use of water by giving users responsibility;
8. Considers that a serious assessment of the privatisation of water services in developing countries, including the social, economic and environmental impact, is essential; and calls for this to be carried out urgently, in order that the findings can be taken fully into account in the negotiations on the GATS agreement;
9. Considers that technology choices have a different impact on women and men and that implementation of gender perspectives has proven to be successful at community level but is still difficult on a large scale;
10. Considers that several management models exist, ranging from the local cooperative to the national or municipal agency and not discounting a combination of public-private management, and considers therefore that it is the responsibility of the authorities in the countries concerned to adopt a policy able to satisfy the population’s needs;
11. Considers that a revision of Articles VI and XXI of the GATS agreement is needed in order to protect the right of each developing country to decide freely on its method of water supply, according to the collective national or regional interests of the population concerned;



12. Encourages the Commission and the Member States to call on the World Bank and the IMF to end their policy of making the privatisation of water management and supply services a condition of grants and loans and to accept the national right to decide freely on its method of water supply, whether this is private, public or a mixture of both;
13. Invites the Commission and Member States to adopt a water-management aid policy based on the principle of universal, equitable and non-discriminatory access to safe water;
14. Requires gender impact assessment for all water projects to ensure equal distribution of responsibilities and benefits among men and women, including distribution of work, paid opportunities and capacity building;
15. Insists 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; stresses in this context the need for development of local capacities for the establishment and maintenance of the water supply system, and for a sustainable approach by the population to the scarce resource water;
16. Considers that it is up to the public authorities in the developing countries to define the legal framework for regulating the work of private operators, and that it is within this framework that the private sector can play an important role;
17. Requires gender impact assessment for all water projects to ensure equal distribution of responsibilities and benefits among men and women, including distribution of work, paid opportunities and capacity building;
18. Emphasises the need to implement new techniques and the use of renewable energies for production of electricity, irrigation, water abstraction, rainwater collection and waste water recycling that are appropriate to local conditions and based on local expertise;
19. Calls on the Commission and Member States to put an end to the exporting of pesticides to the developing world that are banned within the EU, since these pesticides pollute the environment and contaminate ground water, thereby endangering public health;
20. Emphasises the importance of setting up joint water-management bodies in countries bordering the same basin, in order to create or strengthen a sense of solidarity that will help to ease tensions and resolve conflicts;

### **The European Water Fund**

21. Recognises the need to mobilise substantial funds in order to meet the basic needs of the vast majority of the populations, notably African ones, who suffer from a shortage of drinking water and a lack of purification services;
22. Takes the view that the establishment of a European Water Fund is a good initiative in principle and that the fund must make it its main objective to support the water policy of the beneficiary countries, which must be based on democratic management and equitable distribution;

23. Reaffirms that access to water for all without discrimination is a right, and therefore takes the view that appropriate measures must be taken to ensure that insolvent people are not deprived of such access;
24. Takes the view that the fund must contribute to helping the ACP countries to put in place measures clearly regulating management and control of the water sector, as well as to forcing the development of local capacities for the establishment and maintenance of water supply systems;
25. Proposes that the management of the fund should be based on the EU-ACP partnership, including national and regional organisations made up of the ACP governments, representatives of the local private sector and users;
26. Calls on the ACP countries to hold national and regional consultations involving representatives of civil society and local private players with a view to devising appropriate strategies to meet the socio-economic needs of the population;
27. Calls on the Commission and the ACP countries to present a joint proposal concerning the specific implementing mechanisms for this fund – infrastructure types, management bodies and financing systems;
28. Takes the view that the success of the fund depends on participation by its beneficiaries, who must be involved in the processes of design, implementation, monitoring and assessment, as well as in the management and control of the European fund;
29. Calls for the ACP countries' debt to be cancelled and the money thus released to be used to fund basic water supply and purification infrastructures;
30. Calls for a feasibility study of an international system along the lines of the levy on consumption of mineral water in Europe and the ACP countries (between half and one eurocent on every bottle produced);
31. Calls for a study of the impact of the water policy pursued to date with a view to learning lessons from it and defining an appropriate policy for each specific situation;
32. Takes the view that water policy should encompass economic viability, social solidarity, environmental responsibility and rational use in order not to compromise the needs of future generations;
33. Instructs its President to forward this resolution to the Council, the Commission, the ACP countries, the World Bank and the specialised agencies of the United Nations Organisation.

# EXPLANATORY STATEMENT

## 1. Current situation

Water is a commodity that is becoming increasingly scarce and people living in the southern countries are hit by severe shortages. Intensive farming, large dams, industrial pollution and deforestation are some of the developments that have led to this resource becoming rarer, endangering peace and cooperation. As well as compromising sustainable development, water shortage generates tension and conflicts in most developing countries. The Jordan Basin 'water war', with Israel alone, which covers less than 25% of the basin area, using 75% of the resources, is the bloodiest example.

Out of 6 billion people, 1.4 billion, 1.7 even (WHO figures) do not have access to drinking water. According to World Water Vision (The Hague, March 2000), more than 3 billion people (one in two) have no access to sanitation (see annex).

## 2. Water policy from Rio to Johannesburg: a lost decade

Over the last decade, several international conferences have made it their mission to provide safe drinking water for all. The Dublin and Rio Conferences came up with the following principles on the sustainable management of water resources:

- drinking water, a limited and fragile resource, is recognised as essential to life, development and the environment;
- the development and management of water resources must be based on an approach that fully involves consumers, planners and political decision-makers;
- women play a crucial role in the supply, management and maintenance of water resources.

World Water Decade (1981-1991) concluded with an international commitment to provide safe drinking water for all by 2000.

### A disastrous state of affairs

In spite of the international declarations, international, regional and national programmes and the World Bank and IMF 'subsidies', the number of people without drinking water has not fallen. In 1992, this number was put at 1.2 billion. Today, the WHO estimates that 1.7 billion people do not have safe water.

The experts agree: 2.4 billion people barely have access to sanitation. The consequences are very serious. The number of people who die each day from diseases linked to a lack of safe drinking water and of sanitation is put at 30 000. Malaria, cholera, dysentery, schistosomiasis, infectious hepatitis and diarrhoeal diseases cause the death of 3.4 million people every year.

According to the WHO, diarrhoea alone affects 4 billion people, resulting in 2.2 million deaths. The victims are usually children under five. Based on these figures, one child dies every 15 seconds.

Poverty is directly at the root of the lack of drinking water and sanitation. In the age of free trade, the gap between rich and poor and between the developed and developing countries continues to widen.

The UNCTAD annual report for 2002, entitled 'Escaping the poverty trap', states that the number of people in the developing countries living in extreme poverty has more than doubled, increasing from 138 million in the 1960s to 307 million in the 1990s.

The developing world's affliction by impoverishment in general and water shortage in particular can be put down to a number of reasons:

- **intensive and production-driven farming**, which uses almost 70% of the world's fresh water, 40% of which is lost during irrigation;
- **a continued extrovert economy** in the southern countries that favour export crops over food crops, undermining the growth of the local economy and setting back improvements in the well-being of the population;
- **the conditions on aid** imposed on developing countries for World Bank and IMF loans, such as liberalising and dismantling public services, including the water sector, deregulation and transferring the running of 'public services' to the private sector. These conditions have led to greater external debt and therefore to increased poverty in developing countries. The public finances available go towards repaying the debt rather than towards sustainable development, access to drinking water, energy, health or education;
- **the privatisation of water services**, meaning a rise in prices. This situation has sparked violent reactions in several developing countries such as in Cochabamba, Bolivia, where the farming community and the town's inhabitants have been fighting privatisation for more than two years. In 15 towns in the Argentinean region of Santa Fe, an ad hoc referendum on rescinding the concession contract was organised;
- **water privatisation in Bolivia**

In 1999, the Bolivian Government awarded a 40-year concession to the multinational Aguas del Tunari to provide drinking water, irrigation and energy for the Cochabamba Central Valley.

The contract's four main features were as follows:

- any drinking water system within the concession area, even if it had been built by local actors such as a water cooperative, passed into the consortium's hands without any compensation being given;

- the money needed for carrying out the project, a sum of USD 311 million, was to be repaid by raising water tariffs;
- the consortium's monopoly of the sector is guaranteed by the fact that the local communities are unable to obtain drinking water from any other source.

Originally put at 35%, the actual increase in tariffs was 400%. Following action by the urban and rural population, the government was forced to yield and the consortium abandoned the project.

### **3. EU water policy**

In the context of their development policy, the Commission and the Council use as sole basis the principles defined by the World Bank in its 1993 report 'Water Resources Management'. The approach advocated here is only partly valid in that:

- the main problem affecting water policy on a global scale and in most local situations is the shortfall between supply and demand;
- priority is given to the 'French' water management model, based on Public Private Partnership (PPP). PPP is generally considered one of the most progressive forms of water privatisation. The public authorities invest in infrastructure and set the general framework best suited to aid the work of the private sector, which is responsible for managing water conveyance and supply, maintenance and sewage treatment;
- the principle of recovering the total cost (with, as a general rule, a return on the investment of about a third of the price) determines the price of water for domestic use;
- the financing of access to water must be guaranteed by its consumption, even though this principle is not applied coherently to the usage of water in agriculture or industry, including the energy sector;
- the involvement of citizens and the advancement of women are barely mentioned.

Although in line with these principles, the Commission communication does not mention the privatisation of water and does not make reference to or question the conditions imposed by the World Bank on Third World countries seeking loans. This will come as a surprise to no one: are the private firms that benefit most from this system not French (Suez, Vivendi, Saur Bouygues) and German (RWE) after all?

### **4. The Johannesburg Summit: third-rate proposals**

The decisions taken in Johannesburg are simply a continuation of the same policies pursued since the nineties, as dictated by the IMF, the World Bank and the WTO. The 'main new development' of Johannesburg was a renewed commitment to the objectives of the 2000 Millennium Summit and the Monterrey Conference of March 2002. The pledge was no longer

to eradicate poverty as quickly as possible, but to cut by half the number of people without access to safe drinking water and sanitation by 2015. This objective was welcomed as significant progress and a sign of great global ambition.

By setting a goal of this kind, the leaders of the richest and most powerful countries in the world have shown that they are quite content for world poverty to continue: to put a number on the objective to be reached, they took as reference figures 1.3 billion poor (the most deprived, that is those 'living' on less than \$1 a day) and 1.2 billion without drinking water. They accept the fact, therefore, that there will still be 650 million poor in 2015.

They did not however take into account the 1.4 billion poor 'living' on less than \$2 daily. Indeed, according to the UN, there are 2.7 billion living in poverty worldwide (1.3 billion of whom have under 1\$ a day). There will still be 1.4 billion poor living on less than 2\$. If these two figures are added together, there will be 2.05 billion poor in 2015.

Finally, they gave no thought to the rise in world population. If we consider that in the next 15 years, 1.2 billion people will be born (80 million a year) in Asia, Latin America and Africa and that 200 million of them will be 'rich', there will be another billion in poverty, bringing the total number of poor in 2015 to 3 billion. An ambitious objective?

## **5. Conclusions: water for all**

Access to water, an element essential to life and good health, is now enshrined as a basic human right. Following so much action by citizens, the United Nations Committee on Economic, Social and Cultural Rights has taken the step of including it in the general comments of the International Covenant on Economic, Social and Cultural Rights. The 145 countries that ratified this covenant are now committed to gradually ensuring universal, fair and non-discriminatory access to safe drinking water. It is an important first step towards a change in water policy. In the light of this new situation, the EU must centre its policy on the following priorities:

### **a) Changes to production methods and consumption, in the North and South alike, based on:**

- **sustainable water management** that encourages environmental farming based predominantly on local resources, green technology and regional cooperatives;
- **new irrigation systems** to replace those currently in use, which are largely responsible for hydrological imbalances (losses through evapotranspiration). New methods of irrigation and water abstraction and the use of recycled sewage would lead to more environmentally friendly farming.

We must also avoid the trap of offering 'virtual water' - importing crops in the context of free trade that require a large quantity of water – and reducing the amount of water needed for local production. Farming that requires less water can ultimately mean greater dependency on the large food companies in terms of food crops.

## **b) The creation of participatory and representative institutions**

- **community management:** the best water managers are ordinary citizens and local communities. Water and water services (supply and sewage treatment) must remain or return to the public and community domain, under tight democratic control. In order to achieve this, the EU can help the countries of Asia, Africa and Latin America to draw up plans (locally, across a continent or region or according to basin) for developing water services and to form 'local' (regional, national or continental) businesses in the style of cooperatives or mutual societies, to guarantee the provision of water services on a suitable economic and financial basis.
- **creation of regional organisations** that are widely representative and responsible for improving water policy coordination among the countries sharing a basin. Water must contribute to solidarity between communities, countries, societies, the sexes and generations as a means of enhancing rational and democratic water management at regional level.
- **international regulations:** clear regulatory frameworks at international level must be put in place in order to define a common and sustainable water policy. National parliaments will have a vital role to play in this respect.
- **new financial instruments:** the inefficiency and inadequacy of existing public and private financial instruments is recognised by all. It is also plain to see that leaving the markets to resolve the problem of access to drinking water and of sustainable farming for food is delusional behaviour.

The European Union development aid programme must therefore lend financial support to local communities and enable them to rebuild infrastructure, allowing the needy access to drinking water.

### **The establishment of a European Water Fund – COM(2003) 211 final**

The establishment of a European Water Fund for the ACP countries in general and the African countries in particular is in itself a good initiative. Of all the regions of the world, Africa is worst off as regards water supply and purification: more than one African in three (i.e. more than a hundred million people) has no access to water supply and purification infrastructures.

The problem is even more serious in sub-Saharan Africa, where only 60% of the population has access to clean water sources. The various programmes to privatise the public water supply services in the last few years have only made the crisis worse in most African countries. Privatisation has led to a rise in the cost of water supply and purification services, which has made access to water more difficult to obtain, especially for the poorest sections of the population. Price rises, water shortages and drought, water-borne disease, industrial pollution, etc. are all part of daily life for the people of Africa.

In the face of this level of distress, the responses offered by fund providers are not commensurate with needs. The report by the World Panel on Water Infrastructure Financing,

drawn up under the chairmanship of Michel Camdessus, former director of the IMF, stresses the need to mobilise an additional 100 billion dollars per annum in order to supply drinking water to the 1.1 billion people who are currently deprived of it in the developing countries. So the challenge to be met in this area is still enormous. By proposing to establish a special fund for water for the ACP countries, the Commission is seeking, as it says itself, to set in motion a catalyst which will attract major funding from a number of sources, including private investors.

The proposal is therefore built around three main ideas: a financial contribution of 1 billion euro, the establishment of an agency to manage the fund, and involvement of the private/public sectors and international financial institutions to carry out its objectives.

## **1. The EU's contribution**

The Commission proposes allocating 1 billion euro from the EDF reserve, provided for by the Cotonou Agreement. While the need to mobilise substantial funds to meet the needs of the ACP countries, particularly the African ones, in this area is broadly acknowledged by everyone, it must be said that this fund does not amount to the mobilisation of additional funding. Also, this unilateral decision presenting the ACP countries with a *fait accompli* undermines the spirit of partnership of the Cotonou Agreement, which is based on the principles of dialogue, reinforcing capacity and assumption of responsibility for development policies by the ACP countries.

One also wonders why the Country Strategy Papers, which are supposed to identify the main lines of intervention of the European fund, did not focus on water policy as an absolute priority. The chronic lack of resources for water distribution and purification infrastructures is one of the main reasons for the waves of privatisations or private-sector participation in the funding of the services concerned.

It is also important to stress that the use of this fund is subject to conditions such as compliance with the 'good governance' principle, which attracted major criticism when the Cotonou Agreement was concluded. Because of its fragmented and imprecise definitions, this concept was not included in the Essential Components of the agreement. The introduction of good governance as a condition of benefiting from the European Fund is likely to arouse conflict between the ACP countries and the EU.

Also, the Commission's decision to allocated one billion euro from the EDF's overall budget could create a dangerous precedent which would, if it became generalised, threaten the concept of the security and predictability of EDF resources for the ACP countries.

## **2. Involvement of the private/public sectors**

Private-sector organisations such as the EIB, the African Development Bank, the World Bank, etc. are asked to put money into the fund. While the money is essential if the objectives set are to be realised, the financial engineering provided for by this initiative begs questions as to its main objective – supplying water and providing a purification system for the most disadvantaged groups.



It is clear that private-sector participation in the funding of the water supply and purification infrastructures raises its share in the capital of the water companies. However, the profile of African consumers, most of whom are poor, is incompatible with the interests of private investors, whose sole aim is to maximise their profits. The experience of the past three decades in providing funds for poor countries, even in the water sector, proves that privatisation often goes hand in hand with price rises, without the quality and supply of water services being improved. The subsidies and loans of multilateral financial institutions such as the EIB and the World Bank have not succeeded in preventing a worsening of the situation of the supposed 'beneficiary' countries.

Despite this proven failure, the recent Camdessus report on 'Financing Water for All' reaffirmed the priority status of funding the poor countries in the area of water through the financial markets, multilateral financial institutions and the private sector as part of a public-private partnership. Such a system has demonstrated what it is in reality, namely the way of privatising public goods and services that is 'safest' for the private sector. The Commission proposal falls within the same culture of financial engineering. The risk of seeing future funding benefiting private players, particularly the European water multinationals, is not lessened. With a large presence already in many African cities, and thanks to the support of the World Bank (conditionality principle), they 'provide' water-distribution or, more rarely, used water treatment, services.

### **3. Management of the fund**

The Commission proposes setting up an ACP country agency, separate from existing national and regional structures, without even consulting the governments of those countries first.

In many ways this proposal resembles the World Bank's 'Water and Sanitation Programme' model, which executes the Bank's projects, funded from a number of sources. The problem of such an agency is that it adds to the list of intermediaries, often making the implementation of projects inefficient. Apart from selection of projects, which is one of its natural tasks, it is also involved in their implementation and evaluation, sometimes supplanting the promoters of the projects themselves. The projects may then be turned aside from their original objectives or methodological approaches, particularly if the promoters and the executive agency have different development philosophies.

In the ACP countries there are usually several categories of operator in the water services: public (centralised State and decentralised local authorities), private, associations/NGOs and private individuals. Against this background a water fund must be able to base itself on the existing mechanisms, defining extremely clearly and precisely how each player can and must access the available funding. Instead of setting up a new executive agency, it would make sense to contribute to the reform of the existing mechanisms with a view to making them more operational, innovative and efficient.

### **4. Conclusion**

Access to water having been recognised recently as a basic human right, the task of distributing the available resources fairly calls for appropriate responses, whether at national, regional or international level. In order to increase the capacity of the ACP countries and guarantee the viability of projects, water policy in general and access to drinking water and

purification services in particular must be defined as a priority by the national authorities with the participation, through associations and civil-society movements, of the people concerned.

The European Commission must therefore make it its main objective to promote the implementation of a water policy that takes this requirement into account. In each country, participation of the beneficiaries in the process of designing, formulating, implementing and monitoring/evaluating the project is a sine qua non for the success of the initiative. At regional level, the fund must help to establish regional institutions to manage and fairly water distribute around transnational water sources.

It is also important to devise new categories of financial instrument, based on international solidarity: implementation of an international system along the lines of the levy on consumption of mineral water in Europe and the ACP countries (between half and one eurocent on every bottle produced).

Although it has already been repaid several times, the ACP countries' debt continues to be a development bottleneck. The European countries could take the initiative in cancelling this debt and using the money thus released to resource the European Water Fund.

## Annex

<b>Country</b>	<b>Population without access to safe water (%) 1990-1997</b>	<b>Population without access to sanitation (%) 1990-1997</b>
Argentina	29	32
Bangladesh	5	57
Bolivia	37	42
Brazil	24	30
Burkina Faso	58	63
China	33	76
Ethiopia	75	81
Haiti	63	75
India	19	71
Madagascar	74	60
Morocco	35	42
Nicaragua	38	65
Pakistan	21	44
Paraguay	40	59
Sudan	27	49
Peru	33	28
Sri Lanka	43	37
Togo	45	59
Turkey	51	20
Vietnam	57	79

*Source: UNDP, Human Development Report 1999, pp. 146-148*