

Sunday, June 01, 2003

To: Heads of State of G8

Financing Water Infrastructure

As the G8 Summit in Evian approaches, we write to you on the subject of the financing of the Millennium Development Goals (MDGs) for water, and the recommendations of the Panel on Financing Water Infrastructure presented to the Kyoto 3rd World Water Forum. Chaired by Michel Camdessus, the Panel consisted of high-level personalities representing the key parties involved in financing investment in global water including heads and senior officials from the key agencies. It was initiated and sponsored by the Global Water Partnership, the World Water Council and the 3rd World Water Forum. The Panel report "Financing Water for All" has been widely noted and discussed, and a number of its proposals are already being considered and adopted.

The achievement of the water MDGs is widely recognized as key to the attainment of other goals. While world attention understandably focuses on reducing deficits in household water and sanitation, meeting the other MDGs for poverty, hunger, health, and environmental protection will call for financing irrigation, water resource management, and wastewater treatment.

MDG attainment in water depends on the initiation of real change, primarily in governance arrangements. First the **priority** accorded to water must change. Since water management is local, **decentralization** is needed to ensure that decision-making capability and financial means are as close as possible to the areas of need. There will need to be **change in international financial lending and assistance arrangements**, and municipalities and rural communities will require major **institutional, technical and managerial assistance**. The Panel's judgment was that no other way exists to achieve these goals.

World Water Council
Les Docks de la Joliette, Atrium 10.3
10, Place de la Joliette
13002 Marseille
France

Tel: +33 (4) 91 99 41 00
Fax: +33 (4) 91 99 41 01
E-mail: worldwatercouncil.org
Website: www.worldwatercouncil.org

Global Water Partnership
Hantverkargatan 5
SE-112 21 Stockholm
Sweden

Tel: +46-8 56251900
Fax: +46-8 56251901
E-mail: gwp@gwpforum.org
Website: www.gwpforum.org

As major IFI shareholders, the G8 countries can facilitate this change by three measures:

- ✓ helping to find ways to make financial resources available at sub-sovereign levels,
- ✓ encouraging the regional development banks in cooperation with the World Bank and the IFC, to lead this strategy,
- ✓ encouraging the use of the great potential of guarantee instruments.

Most measures necessary to the attainment of water security are in the purview of developing countries. From the Panel's many recommendations to developing countries, we draw five to your attention on the need to:

- ✓ create a water policy and report publicly on how Millennium Development Goals will be achieved,
- ✓ decentralize - and create an enabling environment for all actors, especially community development groups,
- ✓ establish transparent and strong regulatory frameworks against corruption and toward more efficient, public management or better public-private partnership,
- ✓ facilitate a sustainable cost recovery tariff policy, with measures to ensure affordability for the poor,
- ✓ develop local financial markets, *inter alia* to facilitate issuance of municipal bonds.

As a donor country, you can backstop these changes and signal your readiness to do so.

The Evian Summit can make a major impact on the achievement of water security for all. We call on the leaders to signal their collective and individual preparedness to underwrite that:

- ✓ essential change in the *governance* of the water sector, especially related to decentralization of financial powers will be assisted by a major effort at capacity building,
- ✓ a positive impetus will be given to change in policies and operating practices of the Multilateral Financial Institutions such as the World Bank, regional development banks, and the institutions of the European Union where needed to increase their support for water,
- ✓ financial flows to the water sector need to double, as an initial target.

Finally, innovative measures may be needed so that progress can be monitored in a way that will focus world attention on these needs, and on progress in deploying measures to meet them.

We are pleased to note that some steps are being made to take forward the report recommendations, in particular by the European Union with the proposed European Water Fund and we hope this initiative will be supported at the G8 meeting.

We commend the report to your attention, and appeal to you to take whatever measures are necessary in our common aim of Financing Water for All.

With great respect,

Mahmoud Abu Zeid
President, World Water Council

Margaret Catley-Carlson
Chair, Global Water Partnership