# World Chronicle

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**Water, Economics and the Environment**

More than one billion people living on the earth today have no access to safe drinking water, and many more lack even the most basic sanitation. The UN's Millennium Development Goals are challenging policy-makers to improve on this catastrophic situation.

But who will pay for safe water and sanitation services – and what should be the role of the private sector? What are the economic and environmental implications of doing nothing? What solutions to the water crisis are advocated by the World Bank?

These are some of the issues discussed in this episode of World Chronicle with Jamal Saghir, Director of the Energy and Water Department at the World Bank.

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**ANNOUNCER:** From the United Nations in New York, an unedited interview programme on global issues. This is **World Chronicle.** And here is the host of today's **World Chronicle.**

**WILLIAMS**: Hello, I'm Mary Alice Williams. Nothing is more fundamental to life than water. Yet more than one billion people on earth today have no access to safe water for drinking – and many more are denied proper sanitation. What policies – what investments – are needed to meet the world's demand for a safe, reliable and sustainable supply of water? Will good water management help poor countries prosper? These are just some of the questions we'll be exploring today with the Director of Energy and Water at the World Bank, Jamal Saghir. Welcome to World Chronicle, thank you for being with us. Some people would argue that historically, societies who've managed their water supplies, who built their drainage systems and delivered clean water, are the ones that have prospered. How much truth is there in that?

**SAGHIR**: I think your statement is absolutely true. What we have seen during history, even from earlier days - is that those countries, those civilizations that were able to build infrastructure were able to manage these infrastructures, were able to put some drainage system in, were able to create growth, and relative prosperity followed. We have seen this in the Ottoman Empire, we have seen it in the beautiful city of Carthage in Tunisia where you have a whole drainage system - you have a whole sanitation system which is the basic foundation of the city's development of Tunis, for instance. So I think it is important. We have seen it also in the eighteenth century, we've seen it in the nineteenth century and now we are seeing it with developing countries as they grow. When we see it in China…one of the fundamental developments of China is the sound management of the water resources, for instance.

**WILLIAMS:** But many countries have not been able to do that. Joining us in the studio for this interview are Thalf Deen of Inter Press Service – IPS, and…Robert Lamb, of the Earth Report. Robert…

**LAMB:** Well the counterpoint of that is surely also, great civilizations collapsed when they didn't manage their water properly. Mesopotamia for example; you still got the salt pens. Is there a lesson there for contemporary culture?

**SAGHIR:** No, I think management… when you talk about management – I was about to say it's how you are going to manage this scarce resource. First of all, you have to accept the fact that water is a scare resource; it's not an unlimited resource. Therefore, management

of this resource through different methods - for agriculture, for irrigation, for potable water and for industrial use is an important issue. During the Mesopotamia period, we didn't have this dilemma - how much water would have to go for irrigation versus potable water. Right now, if we look at developing countries, eighty percent of the water is used for agriculture and irrigation, fifteen percent for drinking water and the rest for industrial water. So when we talk about a water crisis…it is a water crisis in terms of the dilemma. How much you will move from irrigation to drinking water? And as civilization develops, the stress of the population coming into the cities will need more water in the cities because developing countries…especially developing countries…how are we going to manage? Where is the water coming from? If we move it from the farmers we're going to have problems at the rural site. Therefore we will have a problem of water for food, if we move it from the hydropower, we will have an electricity problem…therefore the water for energy problem. So what we have to look at with the water issue is the fundamental relationship between water for food, water for power, water for irrigation and water for life - because it's an important aspect of the health and education. If right now we put in a school a latrine and we also put in potable water, more girls will go to school in many developing countries. And with this, we now have the evidence…that it's just as important to have books in school as it is to have a toilet and water so that people can go.

**LAMB:** Well if it's so important…excuse me – if it's so important why is the World Bank only investing sixteen percent of its outgoings in water if it's that important?

**SAGHIR:** First of all, if you look at the Bank it's one of the biggest financiers in water supply and sanitation. This year we will do around one point five billion dollars of investments. We will go for two billion next year – but the needs are enormous. If you're asking me how much is needed, you're absolutely right. We need to go from fifteen billion dollars for water supply and sanitation per year to thirty billion dollars per year, if we have to reach the Millennium Development Goals by two thousand fifteen. If we include the broader water agenda - agriculture, hydropower… we have to go from forty billion dollars a year to eighty billion dollars a year. That's a lot of money. Yes, we need to scale up – all of us - the World Bank, the international financial institution, the bi-lateral and the countries themselves.

**DEEN:** Mr. Saghir, one of the more controversial issues relating to water is privatization. Now is privatization part of the World Bank's structural adjustment policies? And

do you condition privatization as part of a loan that is given for water and sanitation in developing countries?

**SAGHIR:** Let me answer this question first of all in a very simple way. If we look at the private capital coming from the workers sector, it's less than ten percent of the total private investment going into the infrastructure sector. If we look at how much money that has been put into privatization in the last ten years in the water sector, it is less than five percent of the total private flow. So the whole discussion of privatization in the water section is overstated. Ninety percent of the water sectors in developing countries are run by public utility including this country – that's number one. Now about privatization…you are right, there was a whole debate about private versus public - we all came to the conclusion at the end of the day it doesn't matter who delivers the service - as long as you can deliver efficient, affordable, quality, low cost service to the poor. If the public sector can do it, I have no problem. If the private sector can do it, we have no problem. We have cases of very good public utilities - in Tunisia; one of the best utilities – in Singapore - very good public utilities. We have cases if catastrophic public utilities, we have good cases of public water – private sector water in Casablanca, in Rabat and in Côte d'Ivoire, so the question is not the form of model, it's who can deliver urgent services. From the Banks perspective, when we look at our loans, there are no pre-conditions to give a loan related to privatization of this or that.

**WILLIAMS:** Would you consider some pre-conditions? The World Bank was involved in a number of failed water privatization projects in the nineteen nineties. How have you re-evaluated your strategy to address that?

**SAGHIR:** The World Bank works across the spectrum of the public and private sector. We work with public utilities, we work with private utilities, and we work with what the client wants. But what is very important is that we can not give a credit or a grant or a loan to public utilities, if this public utility is not financially sound. So we work with some public utility to help make them sound and financially viable so that they can operate. What we have seen in many, many countries is that the problems come from inefficiencies of the public utilities. So the private sector is not substituting for efficient public sector. When we go to developing countries what we see is people buying water from private vendors, is this privatization? No.

**LAMB:** But isn't it the job of the World Bank to make conditions fine for the private sector to come in like Suez, to come in and invest in….You cut and run didn't you…after a few

riots in Bolivia? You meant to create conditions where the private sector can invest. You didn't stick to your principles.

**SAGHIR:** The World Bank works on developing or enabling environments for investments. Investments are important for growth, it's important for productivity. I think this is very important and you have all the evidence from developed and developing countries. And the water sector in particular…I think first of all when you talk about some of those privatizations, yes, there are some privatizations but there are some good private sector involvements. But I think the debate has moved on. I think if you look now at…

**LAMB:** **…**But I think you are scared of the green ngos…

**SAGHIR:** …You don't see a lot of…

**LAMB:** I think you are scared of the green ngos aren't you? They're anti-dams, they're anti-privatization and things like that…

**SAGHIR:** We work closely with the ngos, I have round tables with ngos, we discuss with them, and we actually share information with them. I think with the major hydropower project, I think we will have a discussion on this. We are not scared, and we just want to award this one million dollar project in Nam Theun in Laos. It's a fifteen million dollar guarantee for a major sponsor. So I don't think it's a question of scaring and not scaring, I think we have a responsibility in the development of the water sector around the world. How can we do it together with all parties? Working with stakeholders is very important, that's just an important lesson from us.

**DEEN:** Tell me, since water is considered a basic human right, do you think that poorer countries should pay for water?

**SAGHIR:** Water is a human right…

**DEEN:** …Basic human right…

**SAGHIR:** …As a water source. Somebody somewhere will have to pay for this water that will come from the source to the consumer. Who will have to pay? There are three sources of financing; the taxpayer, the Government or the donors. Somebody will have to pay for this water to be moved from here to there. Somebody has to pay for the pipe, so yes, water is a free human right as a resource but you have to pay for the service of the water.

**DEEN** Who pays for most of it? Is it the donor…

**SAGHIR:** If you look at the cost recovery now, how much is covered? The water sector is on the lowest sector that is covering its cost. Thirty percent of the cost of the water sector in developing countries is being covered, which means seventy percent is being

subsidized - from where? From government budgets, from donors, from shifting money instead of going to health and education to subsidize inefficient public utilities…that's what's happening. Somebody has to pay for the service.

**WILLIAMS:** What I'm hearing you say is that you will… the World Bank will invest in successful water projects if they're not successful, they'll withdraw. How do you get governments to get interested in – never mind build an infrastructure - for decent sanitation and water management?

**SAGHIR:** Our history in the water sector in the World Bank goes from the creation of the World Bank. The first two loans the World Bank has done, was one on water, one on electricity. One of the loans that I recently looked at in ninety sixty two was for the Tokyo water utility. One of the conditions was the restructuring of the sector, insuring that there is tariff - which is covering cost and ensuring it is corporatized. If I were to look now thirty or forty years down the road, what we have done was a Tokyo [???] it's one of the best in the world. So, what I want to say here is that we work with our clients on the long term. We are working right now with the public utility of Vietnam, we're working with the public utility of China, we're working with the public utility in North Africa, we work to make them viable and we provide capacity building. I think one very important issue is that it's important to invest in people and not only on putting pipes down. Capacity building is parallel to fundamental investment for the sustainability of the investment. Because once we have put our money in, we have to operate and maintain. What we have seen in the past…too many investments are given money by donors, are built, then after five years, and they start to collapse because there are no operational methods. That's how we work with our clients on the long-term basis. We don't walk away – the World Bank is a partner in many countries actually. We are stake holders and in most of the countries - we work with them on programmes that last ten and fifteen years. If I look at most of the Sub-Saharan countries, we have loans that go as far back as the early seventies or eighties…since independence in some places. We help them – I think sometimes we have to help them move on to the second generation. If you look now at what is happening – most people who are either in the big cities or in the rural areas…but as urbanization is happening we have a whole new phenomenon which is called "small town" that's being developed. A "small town" in India is two to three million people. What do you do? These are the cities that are a step in before you go to the big cities. They need to have their own utilities, they need to have a sound sanitation system. My concern, is that the water decade in the eighties focused too much on putting pipes down, not so much as having water run through them. The challenge we have before us and for the future is to ensure that we have water in

the pipes – not only the hardware. How? By working on the software which we have been doing with this sound reform - the last element is sanitation. We never talk enough about hygiene and sanitation waste water. This is important to keep in mind as we discuss water.

**DEEN:** Tell me…

**WILLIAMS:** This is World Chronicle and we're talking about water, economics and the environment with Jamal Saghir of the World Bank. Let's take a look at this video.

**VIDEO BEGINS:**

**NARRATION:** Africa has a long way to go to meet the Millennium Development Goals. Its sprawling cities cannot keep the pace with rapid population growth: as a result more than seventy percent of urban areas across Africa are completely excluded from the public service network of drinking water, liquid waste drainage and household refuse collection. Rufisque near Dakar was given its name – Rio Fresco or "fresh water river" by Portuguese sailors over 500 years ago. But the name belies the place. Waste water is routinely thrown into the street and the beach is used as a public toilet and rubbish dump.

Some part of the township however, has now undergone a sanitation transformation. Working with a local ngo to create their own system, the people of Rufisque have solved their own problems. In the fisherman's community of Jocul, the number of households with their own latrine has gone up from thirty to eight percent

In this little corner of West Africa, they have surpassed the UN target of reducing those without sanitation by fifty percent, over ten years ahead of schedule.

**MALICK GAYE:**

**Enda RUP**

**(local ngo):** There is much change…there is almost no more dysentery diarrhea etc. To implement the millennium development goal, you need to have diverse types of solutions including in majority, the local one because these are more able to reach people.

**NARRATION:** Townships like Rufisque have very little urban planning and official refuse collection lorries can't reach most areas as they simply can't fit down the narrow lanes. But locals here have come up with the perfect low-tech solution:

**MALLICK GAYE:** We use horse and cart as basic technology rather than high technologies because here we have very narrow streets over the area about 15000 inhabitants, it is huge and it's only horse and carts which can move around here.

**NARRATION:** The system was kick-started by a grant from the Canadian Development Agency CIDA, which was used to create a revolving fund to give small loans to people wanting to build their own latrines.

These are made with narrow pipes that are locally produced and can be laid much shallower in the ice-free African climate, making the whole system much cheaper to create.

The revolving fund also supports a micro-credit scheme for local business to profit from the refuse.

When Rufisque's rubbish reaches the local dump, it's sorted and where possible, recycled or composted.

This has spawned a host of new entrepreneurs, running market gardens to feed the local population. They also use waste-water from the treatment plant to grow their crops.

**VIDEO ENDS:**

**FARMER:** The water that I'm using for irrigation comes from the sanitation pond made by Enda. The water comes through the pond nearby and once it's here, it's harmless and we use it for irrigation.

**WILLIAMS:** Good local solution to a local problem but you can run into the opposite problem of how do you keep the technical advice and the investments continuing in places where it hasn't worked?

**SAGHIR:** I think first of all we have to learn the good lesson and the bad lesson. One of the advantages of the World Bank as a knowledge bank, is that we are able to bring the experience from Latin America and China and to put at the disposal of our borrower, the different experience. I think one of the main lessons that we have learned is that you can not do investment without doing policy reform; they have to go hand and hand. You can not do these two without capacity building and hands-on-training for the people, so they can do reform and implement what we're talking about. It's not just sending people to the West or to the North it's training on the job. I think that is an important lesson we have learned as well.

**DEEN:** Mr. Saghir, there are some who predict that future wars in the Middle East will be over water and not over oil; which reminds me. I was in Kuwait a couple of years ago, and one of the Kuwaitis told me that every time they dig for water, they strike oil [laughter]. Is this conceivable?

**SAGHIR**: First, let's come to the bigger question. I think water should not be perceived as a reason for war but a reason for peace. I have been a manager for the water sector for the Middle East and North Africa region – one of the most difficult and one where scarcity of the water resources is more important. I think water is a source of peace and we can work on it if you have to work on the allocation between the country and between the

resources…we have seen it in many places. Right now, if we look for instance at the tremendous effort - and a very impressive effort it is - on the Nile basin between all of the countries: Ethiopia, Sudan, Egypt, Burundi, all of the Blue and White Nile, to look at the resources and say how can we share with equity so that we can all benefit – the upstream, the downstream… this is very impressive. And this is a sign of peace when you see twenty leaders sitting together and saying let's share these resources; we have seen this in this country with Canada, and when we look at the resources and how they are shared. We have seen how in the United States the development of the United States actually, in the eighteen century, nineteen century… when we look at some of the development of hydropower between the different states and how it was done, it was also a source of development for peace. So those who predict that water could be a source of war - I think are negative people in my view.

**LAMB:** People have quoted Boutros Boutros-Ghali many times on that when he was the Deputy Foreign Minister of Egypt. But I think it is less the case of nations going to war - you know, I've just come back from Kenya, East Africa, and everyday there was some killing going on, fighting over water. Small scale community versus community people building enormous destruction of watersheds - you fly over East Africa and you'd think that these forests are in good nick. And you fly over them – and there are huge charcoal things…and they're growing marijuana and stuff in the middle. The watersheds are destroyed and of course, the population is booming in that particular area. I just don't think that people get the idea of the dimensions of this problem.

**SAGHIR**: I think first of all, if we look at the region and the stress – I can tell you which ones they are. Definitely, the Middle East is one of the regions where water scarcity is a major problem. If you look at countries like Yemen or a city like Sana'a, if Sana'a doesn't put the water management in order – and we come back to the same management. Sana'a in twenty years will not have any potable water for the people - which means, you will have to move all the people or you will have to bring water from Aden, which will cost a fortune by desalination. So yes, there are some areas…when we look at Palestine, the West Bank or look at Israel, look at Jordan…these are seriously under stress. Is there a solution? Yes. How? By discussing with your neighbours…by also desalination. If we look at the cost of desalination right now, take the water of the sea…

**WILLIAMS:** Enormous!

**SAGHIR:** It has been reduced to about fifty cents per cubic meter. It went from three dollars to fifty cents - it's the energy cost which is the important issue. I think as the technology – getting back to the technology issue – will develop, this will lower to about thirty five cents.

And then for those places which are closer to the sea this should be a part of the solution. Waste water treatment – eighty percent of the waste water in the Middle East is thrown in the sea without treatment, where in landlocked countries this water is reused for agriculture…for a specific crop. So if we take this water and use it for specific crops, yes – we can do it.

**DEEN:** Why is it a problem in the Middle East? Is it that they don't invest in water management?

**SAGHIR:** I think not. If we look at the question of water in the Middle East as the part of the history of the conflicts between the countries…first of all…it depends. If you look at the Maghrib countries it was an issue, there was a lot of investment. If you look right now at Morocco and Tunisia, they are an example in water resources; they way they have managed their resources, the way they have access. If we look at a country like Algeria, a huge investment over the years but still water is not developed properly – inefficiency of the investment. If we look at countries like Egypt, every single drop is used in Egypt and I think that is a huge investment. When we come to the Middle East, Jordan…Lebanon for instances, is a country without service for the next ten, twenty years…because of service. Some of the fresh water is going into the sea – why? We can talk about that.

**WILLIAMS:** Is it inefficiency? Is it lack of education? Is it…

**SAGHIR:** I think it is inefficiency about what to do with the water and how to use it properly. Therefore, the management of the resource is extremely important; to educate the farmer that you cannot just keep the water running in an open drain continuously, which is not the proper way. The technique of irrigation has to be much better. A lot of inefficiencies of the water resources is the irrigation sector. Fifty percent of water is lost between the time it is pumped to the time it reaches the crops. Sixty percent of the water is lost between the time it is produced and the time it reaches the consumer in most of the developing countries. It should be around twenty percent by the way. That's what it should be. Here in New York, about twenty, eighteen percent. Inefficiencies.

**DEEN:** With the increase in industrialization what do you predict? Because most of the water is being used for agriculture right now. So as more and more countries become industrialized, there is going to be less demand for water?

**SAGHIR:** As countries become more industrialized, you will use less water for more crops, that's what we have seen more and more. Instead of having your banana produced in some of the countries that don't have water, you have to import this banana to where there are countries that have an excess of water. So I think it's the way your agriculture policy will

happen. I think as we gone on to the next few years, definitely we will see more stress increasing, but I think it is manageable.

**LAMB:** One thing I wanted to ask is…in the paper, you advocate more investment in infrastructure which really means dams. Without really naming it, you say that there is political pressure on banks to stop lending money to build more dams but they seem to be the solution you're advocating.

**SAGHIR:** Let me give you a couple of figures that would end the simple debate here. In developing countries, in Europe and the United States…Australia, eighty percent of the hydropower production has been used – in Norway, a hundred percent. In developing countries if we look on average, it's less than thirty percent. In Africa it's less than five percent. So first of all, we have all this water flowing and not captures – it's very important that we create reservoirs. My first priority is not a question of building dams, it's that you have to capture scarce resource to a reservoir and then you have to allocate it to irrigation to potable water. So yes, investments are needed and I think if we capture all of this water in all of the countries in Africa, then you can have a very good source of trade between the countries with water sources, and that's what we see happening with Kenya and Mozambique and other places.

**WILLIAMS**: In the meantime, three and a half million children die each year from water borne diseases. What's the single most important thing that can be done to prevent that?

**SAGHIR:** Water quality as well as water management and water quantity are definitely the important issues. The water quality - I think you are absolutely right – how do we ensure that the water is safe to drink? I think when we look at what's happening – unfortunately in most of the developing countries – most of the standards are not applied. Chlorination is not happening very often…why? Because the utility is not managed properly, because they don't have enough funds to buy chlorine to be able to chlorinate the water. When you buy water from the private tanks that are on the streets in most of these countries, we don't know where they got this water from because there is no regulation. I come to my point, we need to organize and manage the resource so we can ensure the quality of the water delivered is of proper quality. Regulation is needed as part of the reform. I'm not talking about police, I'm not talking about stringent environmental procedures, but the minimum of what is acceptable for anyone regulating it.

**WILLIAMS:** Alright, thank you very much for being with us. Our guest has been Jamal Saghir, Director of Energy and Water at the World Bank. He was interviewed by Thalif Deen of

Inter Press Service and Robert Lambof Earth Report. I'm Mary Alice Williams inviting you to be with us for the next edition of **World Chronicle**.

**ANNOUNCER:** Electronic transcripts of this programme may be obtained free of charge by contacting World Chronicle at the address on your screen:

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