

Donors and development NGOs

Water makes a critical contribution to all aspects of personal welfare and economic life. However, global water resources are coming under increasing pressure from growing human demands and climate change. Protecting water resources, optimizing the use of water across personal and socio-economic activities, and ensuring an equitable distribution of benefits from water-intensive activities needs to be set at the centre of development policy, particularly in those regions of the world most vulnerable to climate change impacts.

Much water stress will arise in countries that are already among the poorest in the world and struggle from a limited resource base with complex problems of land degradation, extremes of climate and increasing frequency of drought. Failure to begin to deal strategically with water security and use will jeopardize the future sustainability of water resources and is likely to reduce the economic and social welfare of these countries well below attainable levels.

Water challenges differ between the major regions of the world, and between different countries. Problems are especially acute in Sub-Saharan Africa, which has a continuing major deficit in both water supply and sanitation, particularly the latter. It faces a huge unsatisfied demand for electricity, yet only 3% of its renewable water resources are exploited for hydropower. Food security for a growing population will require the better management of water for both irrigated and rain-fed agriculture. Alternate droughts and floods exact a high social and economic toll on these countries. Such problems arise in other regions, in varying degrees.

Climate change is expected to have a considerable impact on the availability of water. The main effects will be felt through an increasing variability of water supplies and growing extremes of climate. The frequency and impact of water-related disasters is likely to increase, including a greater incidence of floods and droughts. These pose major impediments to achieving human security and sustainable socio-economic development. Water shortages also contribute to conflicts of varying intensity and scale. Although these may appear localized, they have wider effects, such as displacement, mass migration, disruption of livelihoods, social breakdown and health risks, all of which leave their mark on the global community.

Most countries lack the human, economic and institutional capacities to develop and manage their water resources on a sustainable basis. This is where the grant finance and expertise of donor agencies and NGOs can have a key impact. There are many promising initiatives to deal with water challenges at local and community levels, where external support can make a difference. NGOs have a particular contribution to make in piloting innovative approaches to water resource management at local levels and promoting coordination between the many stakeholders who need to be involved.

Water resources management and the supply of water services must be better funded than at present. Investment in water infrastructure is a driver of growth and a key to poverty reduction. Financing will be needed not just for investments in infrastructure, but for essential items of governance such as data collection, analysis and dissemination, regulation, and capacity development. Such items (*public goods*) cannot normally be funded from commercial sources.

Adequately funded water governance is essential for reducing future uncertainty and managing risks in a sector that is having to contemplate extreme events that are outside the range of variability described by past experience. Although specialized climate funds are becoming available for climate change adaptation and mitigation projects, much of the adjustment required in water infrastructure will have to come from other, conventional, sources – including water users themselves.



Raising commercial finance for water has become more difficult due to the global financial situation since 2007 which has discouraged new private interest in water infrastructure projects and adversely affected the supply of risk capital and loan financing. Some innovative deals, developed with technical assistance and risk-sharing from donor agencies, are stalled. Although there are no 'silver bullets' for financing water, there are methods of using existing sources in unconventional ways. Donors and NGOs, with access to grants and other forms of 'soft' finance, may be the critical elements in project financing structures, typically combining public, private, commercial, and not-for-profit components, each with different appetites for risk and reward. For large and complex projects it is becoming common to blend different types of finance (commercial loans, concessionary loans and grants, and equity) to achieve an acceptable overall mix.

A major role for donors and NGOs will remain that of championing water before national governments and the international development community. Despite clear benefits to the development of individual countries' economies and health from increased access to sanitation and drinking water, many countries allocate insufficient resources to meet the Millennium Development Goal target for these purposes. Compared to other sectors, sanitation and drinking water receive a low priority for both official development assistance (ODA) and domestic budgets. Official and NGO donor agencies can lead by example through maintaining their own financial commitments to water, and ensuring they are targeted to countries and communities most in need.