



U.S. Department of State
2201 C Street NW
Washington, DC 20520

Submitted by e-mail: WPAct2005@state.gov

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Food & Water Watch Comment on Department of State Report to Congress, Senator Paul Simon – Water for the Poor Act of 2005

In order to implement the Water for the Poor Act, Food & Water Watch is encouraging Congress to increase the funds available in the Development Assistance Account for FY08 by \$500 million. In order to fulfill the intent of the act, these funds must be additional appropriations, earmarked for water and sanitation.

Our comment on the Department of State report is split into themes that are of priority to our mission on water. We submitted comments as part of a group lead by CARE in 2006, prior to the commission of the report.

Affordability and Cost Recovery

Your report emphasizes the need to “provide affordable and equitable access.” We could not agree more with this guiding principle and encourage the Department of State to make this a strong policy directive in the implementation of all water investments undertaken with U.S. funds.

Our research has shown that full cost recovery puts the price of water out of reach for the poor. This has particularly happened preparation for or as a result of privatization of water utilities. Most utilities in developing countries, as in the United States, do not fully recover cost, but subsidize provision. Subsidies enable utilities to provide water access to the entire community, not just those who can afford the full cost of delivery. Cost recovery, as proposed in the report, would encourage continued marginalization of poor households, particularly of women and children. U.S. funds must first and foremost promote access, not full cost recovery.

As identified by the report, the lowest cost option for extending service to the poor in urban areas is extending existing networks. To reach the poor external funds are crucial. Such funds should assist countries in providing operational subsidies that target the needs of the unserved poor. In particular, the United States should provide subsidies for free or low cost initial connections. It is furthermore crucial that U.S. funds are used to support rate structures that prioritize the needs of the poor.

Those without piped water access often purchase their water from water vendors. When cost recovery policies drive up the price of water their costs multiply. Those relying on vended water are often the poorest households. The United States should support provision of water that is affordable, in particular to those living on less than \$2/day. Blueprint cost recovery policies undermine the spirit of the Water for the Poor Act.

Your report further states that results will be measured by the number of people with improved access to safe water and adequate sanitation. However, if cost recovery policies overrule the affordability principles, the United States runs the risk of measuring the number of people reached by systems that are unaffordable to them. Results measurements must take affordability into account.

Prioritizing the Neediest

The Water for the Poor Act states that U.S. funding must prioritize countries in most need. Your report lists the distribution of U.S. funds to different regions of the world. Sub-Saharan Africa receives 14 percent of U.S. funds. The report further states that while most regions are on track on reaching the Millennium Development Goals, Sub-Saharan - Africa is not. More than 300 million people in Sub-Saharan Africa lack access to safe water. Sub-Saharan Africa is the clearly the continent in most



need – both in terms of per capita access and in reaching the Millennium Development Goals. U.S. foreign assistance, under the priorities set by the Water for the Poor Act, must step up our responsibility to Sub-Saharan Africa. The United States must make funding for Sub-Saharan African water projects a priority in order to reach the Millennium Development Goals – and move towards universal access on the continent.

Multilateral Banks

Your report points out the importance of multilateral development banks in financing water infrastructure. The World Bank alone contributes more than 60 percent of the multilateral bank financing for water. The United States provides significant contributions to these institutions. But the World Bank's projects do not sufficiently prioritize the needs of the poor, and the failure rate of water projects, according to the World Bank's own assessment, is miserable. The United States must enforce the spirit of the Water for the Poor Act, not just in bilateral funding, but in our contribution to multilateral institutions. U.S. executive directors in the multilateral banks must take steps to ensure that affordable and equitable access is a priority in all loans.

Focus on Infrastructure Provision

U.S. policy is currently focused on policy, law, institutions, and operational strategies. The Water for the Poor Act necessitates a move to prioritize direct infrastructure investments, whether through U.S. government departments or delegated projects carried out by civil society organizations. Policy and institution building alone will not fulfill the mission of the Water for the Poor Act or deliver affordable and equitable access. With the Water for the Poor Act, the United States must step up and take a more active role in funding water infrastructure.

Partnerships

Investments in water infrastructure are a public responsibility and funds should be invested in broad public interest, while prioritizing those in most need. The report states that it is crucial to ensure public participation in decision-making and establish policies that ensure the needs of the poor. The report further states that “Utilities should [operate in a] transparent manner with full public participation; public-private partnerships should be supported and be done in full consultation with the public.”

Public-private participation in developing countries has been an expensive experiment that has delayed water delivery to the poor by a decade, as public funding disappeared in the expectation that the private sector would deliver. Civil society groups, along with World Bank¹, have called for the end of policies which are conditioned on private sector involvement in management of water. In future projects the United States should refrain from supporting projects that move management responsibility to private interest and instead support projects that, as the report states, have full public participation and are done in full consultation with the public.

South Africa is a good example of a successful national program. South Africa reformed its water law after the first democratic elections in 1994. The new framework legislation consists of the Water Services Act (Act 108 of 1997) and the National Water Act (Act 36 of 1998). This legislation protects the constitutional right to water and, as such, realizes *the need to combine increased access with affordability* to ensure that access building is sustained for all households. South Africa's experience has proved that increased access combined with affordability brings opportunities to communities across the board.

Kind regards,

Wenonah Hauter
Executive Director, Food & Water Watch

¹ The World Bank has retired previous privatization guidelines with “*prescriptive passages on specific policy areas such as privatization, financial sector reform, and public sector reform.*” According to the World Bank review “*the lessons of the 1990s show that generalized policy prescriptions and blueprints are inappropriate.*” Review of World Bank Conditionality: Issue Note, World Bank, January 24, 2005, p14, 16.