

Water Integrity to close financing gaps in Africa

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In 2015, the combination of the adoption of the SDGs and the Paris agreement on climate change gave a positive impulse to building transformative capacities around the globe. Only few years later, the World Economic Forum's Global Risks Report 2019 wonders if the world is sleepwalking into a crisis. In Africa competition to gain control of land, water and mineral resources is increasingly fierce and rent-seeking by political figures, global corporations, endowment funds continues under conditions of impunity.

In Africa, a reputation of high risks and poor sector performance across the board is associated with poor governance and lack of strong and accountable institutions causes a considerable investment gap. Closing that gap could be fast as soon as there are sufficient positive indications of improving sector performance.

OECD principles for water governance and the Water Integrity Global Outlook with various concepts, lessons learned and integrity tools form a good initial basis to design strategies and projects to improve sector performance and gain trust. Evidence of emerging good governance and integrity practices to can help build trust and engagement among different stakeholders and make the African water sector more attractive for investors and help to close the investment gap.

The global water and climate challenge and sustainable development prospects

The year 2015 saw the adoption of the 2030 Agenda for Sustainable Development and several other multi-lateral agreements were signed including the Paris Agreement on Climate change ⁽¹⁾. 17 Sustainable Development Goals (SDGs) ⁽²⁾ committed all countries – poor, rich and middle-income – to promote prosperity while protecting the planet, thereby recognising that ending poverty must go hand-in-hand with strategies that build economic growth and address a range of social needs including education, health, social protection, and job opportunities, while tackling climate change and environmental protection. The combination of the SDGs and the Paris agreement on climate change gave a positive impulse to building transformative capacities around the globe. So how are we doing?

Only few years later, the World Economic Forum's Global Risks Report 2019 ⁽³⁾ wonders if the world is sleepwalking into a crisis. The report provides an overview of the

evolving risk landscape in terms of likelihood as well as impact, with water related risks (water supply, climate change, extreme weather events, natural disasters, failure of climate-change mitigation and adaptation) converging to the highest risk categories from 2013 onwards. Global risks are intensifying but the collective political will to tackle them appears to be lacking. Countries' reactions to expend energies on consolidating national control has gained ground, thereby weakening the collective responses to the emerging global challenges. Another concern is that governments lack capacity and financial resources to act and contain the rising risks. This is explained by pointing at widened divergences between public versus private capital ownership, with public wealth tending to be negative or close to zero in nearly all rich or emerging countries. More than 45% of low income countries are stated to be at high risk of debt distress.

This authoritative risk report is one of many that point at the poor state of health of our globe's eco-system. And indeed, during the past half a century, there have been increasingly loud wake-up calls from scientists, starting with that of the Club of Rome ⁽⁴⁾ s key message

(1) <https://www.un.org/sustainabledevelopment/>

(2) <https://www.un.org/sustainabledevelopment/development-agenda>

(3) World Economic Forum (2019), "The Global Risks Report 2019", 14th Edition, pp. 8-11, and Figure IV, <http://wef.ch/risks2019>

(4) MEADOWS D. *et al.* (1972), "Limits to Growth", Universe Books, <https://www.clubofrome.org/report/the-limits-to-growth/>

in 1972 that with current trends the global eco-system probably could not support present rates of economic and population growth much beyond the year 2100. Civil society groups and NGOs have alerted politicians and helped to create environmental awareness with local successes, unfortunately with little or no influence on these global trends.

The series of meetings of the Conference of Parties (COP) on Climate change have so far not had any significant impact in terms of reducing greenhouse gas emissions, pointing at a certain inertia. Whatever may be the reasons, it diminishes trust in governments and institutions and weakens their capacity to apply the rule of law. Under these circumstances competition to gain control of land, water and mineral resources is increasingly fierce and rent-seeking by political figures, global corporations, endowment funds continues under conditions of impunity. To break this vicious cycle is matter of governance⁽⁵⁾ (see also text box below) that needs to be broken in different ways in different places.

“Managing water wisely is as paramount to our common future as it is difficult to achieve. Different visions, values and interests compete for shaping water governance. But one fact is clear: The global Water crisis that destroys sources of water and waterways, and leaves a large portion of the world without access to safe drinking water, that destroys lives and livelihoods all over the world and that continues to create ecological disasters at an epic and escalating scale is a crisis of our own doing. It is a crisis of governance: man made, with ignorance, greed and corruption at its core. But the worst of them all is corruption”⁽⁶⁾.

Putting water integrity and climate governance upfront

Many political leaders, captains of industry, executives of international finance institutions, UN organisations and large NGOs appear genuine when expressing concerns about society, rising inequalities and the environment, but stay quiet about the fact that many of their peers are routinely abusing entrusted or acquired power, knowledge and wealth. This entails different classic forms of corruption with extensions to new areas such a distortion of scientific facts, breach of principles of fair representation and false claims about the green credentials of consumer products, and distorting planning and implementation of national adaptation programmes of action and investment portfolios⁽⁷⁾.

(5) Transparency International (2008), “Global Corruption Report 2008 – Corruption in the Water Sector”, Cambridge University Press, pp. xix-xx.

(6) Extract from the foreword by Nobel Peace Prize Laureate and Kenyan environmental activist Hon. Prof. Wangari Maathai († 25 Sept 2011), “Global Corruption Report 2008”.

(7) Transparency International (2011), “Global Corruption Report: Climate Change”, pp. xxvii-xxx and pp. 284-287, www.transparency.org/whatwedo/publication/global_corruption_report_climate_change

The above combination of water and climate governance challenges points at the need to assess and address integrity issues more systematically. In Africa doing so might open up excellent opportunities for sustainable development, even under conditions of climate change.

Africa’s Water Sector Institutions

The African Minister’s Council on Water (AMCOW) was established in 2002 to provide political leadership, policy direction, and advocacy in 1) water management; 2) provision of water, sanitation and hygiene services for sustainable social, economic and environmental development and 3) maintenance of Africa’s ecosystems. It brings together the line ministers of water for all 55 African States. Its organs and structures serve as the African Union’s working group on Water and Sanitation. As such it is formally recognized as Africa’s leading water and sanitation sector policy institution and platform for inter-country dialogue and cooperation.

While its mandate seems strong enough, AMCOW has been struggling to meet expectations. Few member countries have been paying their contributions, and AMCOW has largely been kept afloat with the help of external financial and technical partners, partially indirectly through the African Water Facility managed by the African Development Bank. Direct donor support has been provided or pledged by USAID, Norway, and the Gates Foundation. Sida has indicated that it intends to provide project funding of US\$ million, mainly to strengthen AMCOW’s Executive secretariat.

In 2018, AMCOW launched its strategy 2018-2030⁽⁸⁾ to align with the timeline for achievement of Sustainable Development Goals (SDGs). This period also includes the decade for Action on Water for Sustainable Development from 2018 to 2028.

AMCOW is involved in many regional policy processes thereby ensuring legitimacy and coordination to work done by various types of stakeholders. It cooperates with strategic partners in the region such as African Development Bank, the Global Water Partnership, the African Network of Basin Organizations, and the African Water Association, as well as academic and civil society networks.

Financing for Africa’s water sector

Financing adaptation to climate change means to a large extent investing in water infrastructure, water security and governance. A draft regional report prepared the Regional Process Commission coordinated by AMCOW⁽⁹⁾ was delivered as an input to the proceedings of the 8th World Water Forum in Brasilia March 2018, and provided interesting insights in the challenges faced. Africa generally lags behind on climate change adaptation, with a huge

(8) <http://www.amcow-online.org>

(9) Regional Process commission for AMCOW (2018), “Rising to the challenge-Africa Regional Synthesis Report For The Eighth World Water Forum-Pre-forum draft”, Unpublished.

and widening gap in terms of investments for this purpose. The gap is estimated to be in the range of U\$ 6 -14 billion per year. Other challenges are providing reliable access to safe drinking water and safely managed sanitation for all, and ensuring the combination of water, food and energy security (the WEF nexus) whilst safeguarding the sustainability and productivity of land and water resources. Incorporation the nexus approach in water resources development planning and infrastructure projects design is needed for more efficient use of water as well financial resources. Rapid urbanization is piling pressure on water resources and systems that are already underperforming. Cities and their hinterland have high economic potential but face huge challenges with high population growth and poverty. They need a huge increase of investment in water and economic infrastructure.

Against this background the financing gap is causing serious concern. For example the capital investment requirement to meet the SDG 6 targets 1 and 2 alone, was reported by GWP⁽¹⁰⁾ and World Bank to be 3.8 times the total financial commitment to the sector in 2016. In a report of the Infrastructure Consortium for Africa (ICA⁽¹¹⁾), the annual infrastructure financing gap was estimated to be in the range of \$ 53-\$93 for the period 2012-17. The water sector was a source of concern with an 81-84% shortfall in terms of its annual financing requirement. It was also reported that public and private stakeholders indicated lack of bankable projects as the main reason for Africa's infrastructure investment deficit. Countries with sound institutional arrangements are reportedly attracting increased flows of public and private sector finance for renewable energy generation, ports and maritime activities and mobile telephony, but not for water. This is largely caused by a reputation of high risks and poor sector performance across sub-sectors which is associated with poor governance and lack of strong and accountable institutions.

The Synthesis Report 2018 on progress towards SDG 6⁽¹²⁾ confirms that Africa is lagging behind. It also offers a set of solutions as a framework for enabling and progress on all aspects of SDG 6 including the issues of governance and eliminating inequalities, a new financial paradigm, capacity development, smart technologies to improve management and service delivery, and multi-stakeholder partnerships to unlock potential.

Towards closing investment and capacity gaps

The combination of population growth, urbanisation, and climate change exacerbates the pressure on governments

to ensure water, food security and employment. This explains a drive towards large water infrastructure for energy, industry, irrigation, as well as environmental protection for resilience to climate related disasters. However, large infrastructure programmes and projects are also associated with different types of "big" corruption including land and water capture that are prevalent in most African countries.

On the other hand, Africa has a young and rapidly growing population, ample water, land and mineral resources, growing economies as well as increased self-consciousness about its geo-political importance. Its attractiveness for investors, including those with a long term vision is increasing. It is attracting more private investments in industry, agriculture, as well as services. Closing the investment gap concerning the water sector, as considerable as it is can be fast as soon as there are sufficient positive indications that the performance of the sector is improving.

To close the financing gap, it is also necessary to improve the productivity of existing financial resources, while increasing innovative sources of financing, such as commercial and mixed financing, particularly from the private sector and from development partners.

But for now, with failing systems being the rule rather than the exception, the performance of investments in water infrastructure, services and strengthening institutional and professional capacities is poor in many African countries. This is associated with poor governance, lack of transparency, accountability, as well as weak or inappropriate legal and regulatory provisions, conditions that are conducive to corruption. This problem is rarely admitted publicly by African government officials and politicians, but it is gradually coming to the surface.

For example, in his address during the final plenary and closing session of the African Water Week on 2 November 2018 in Libreville, the Water Minister from Sierra Leone said about the African water sector: "We won't achieve if not stopping corruption"⁽¹³⁾. During a previous session on financing, AfDB's Director of Water Development and Sanitation Dr. Wambui Gichuri was less explicit but none the less very clear when she said that "Africa should become more pro-active to ensure that water would get a high profile to accelerate progress to achievement of SDG6 and other related targets, but to be successful it needs to improve sustainability which requires significant changes" and that "The sector needs to address issues that are causing its poor sector performance before the private sector can come in".

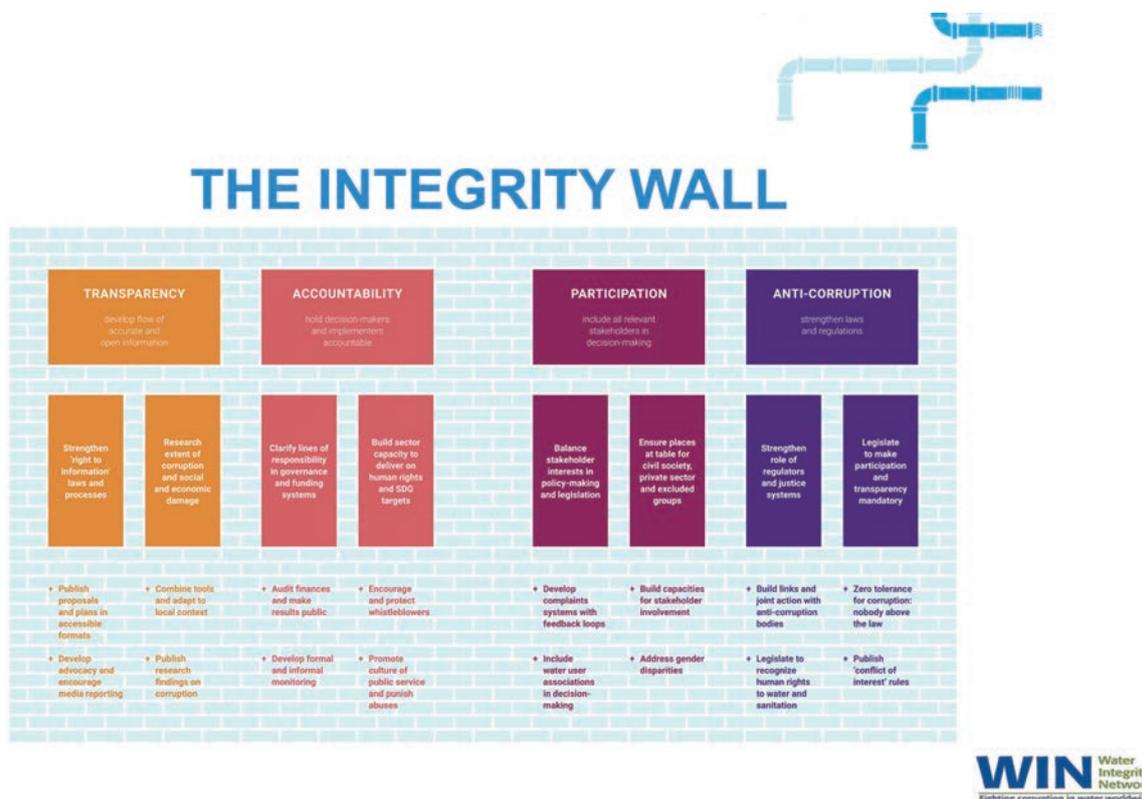
The Water Integrity Global Outlook (WIGO) 2016 provides guidance and suggests approaches and tools on how corruption in the water sector needs to be reduced or eliminated to ensure that the UN's Sustainable Development Goal of "Availability and sustainable management of water and sanitation for all" will be achievable. It argues that fulfilling global water

(10) Personal communication during Africa Water Week conference in Libreville, 2018.

(11) The Infrastructure Consortium for Africa Secretariat at AfDB (2018), "Infrastructure Financing Trends in Africa", https://www.icafrica.org/fileadmin/documents/Annual_Reports/IFT2017.pdf

(12) UN Water (2018), "Sustainable Development Goal 6-Synthesis Report 2018 on Water and Sanitation", United Nations Publications, pp. 178-181.

(13) Noted personally by the author of this article during the closing session.



requirements for different types of uses requires an effective, coordinated and urgent response and collective efforts in managing the increasingly scarce resource. Participative multi-stakeholder processes for better water governance can help build trust and engagement of different stakeholders at different scales of intervention. A combination of knowledge sharing, water governance assessments and dialogue at distinct levels might deliver the right mix of measures and messages. It makes the point that such efforts can help establish an environment in which principles of good water governance, technical developments and investments converge into improved sector performance. It provides an overview of lessons learned and recommends to put integrity principles and values to practice by building “integrity walls” appropriate to the context. WIGO 2016 provide many suggestions on how to tackle and manage specific integrity risks and issues. It has also proven to be a good resource for knowledge sharing and capacity building.

The OECD principles on water governance⁽¹⁴⁾ were delivered in 2015 by the OECD Water Governance Initiative, a multi stakeholder platform. It includes a cluster on trust and engagement dealing with 1) mainstreaming transparency and integrity; 2) promoting stakeholder engagement for informed and outcome oriented contributions to policy design and implementation; 3) encouraging governance frameworks that help manage trade-offs between water users, urban and rural areas, and generation; and 4) Promoting regular monitoring and evaluation of water policy and governance, sharing the results with the public

and adjust as needed. These principles and the related indicator framework and range of practices⁽¹⁵⁾ constitute a good tools for participatory assessment of water governance and action programme design.

Conclusion

Africa’s water sector is currently not sufficiently successful in attracting adequate levels of funding due to high risks, poor performance of water and sanitation operators and a long history of failing investments. This is not because of lack of funds but due to high risks and low performance. This problem is associated with lack of transparency and accountability, unethical behaviour and different types of corruption. To make the sector more attractive for both domestic and external, public and private investors, fundamental changes have to be made to improve the performance and make risks manageable. In many African countries improving water governance with particular focus on integrity should be part of the solution. Evidence of good or improving governance and integrity practice to can help build trust and engagement among different stakeholders and make the African water sector more attractive for investors.

The combination of the 1) OECD principles for water governance and the indicator framework for assessment and process monitoring, and 2) the WIGO 2016 with various concepts, lessons learned and integrity tools form a good initial basis to design strategies and undertake projects to meet the combined challenges of achieving water security and good water governance in Africa.

(14) <https://www.oecd.org/cfe/regional-policy/OECD-Principles-on-Water-Governance.pdf>

(15) <http://www.oecd.org/publications/implementing-the-oecd-principles-on-water-governance-9789264292659-en.htm>