



# Global Environment Facility

## ADDRESSING GLOBAL WATER RESOURCE ISSUES IN THE TWENTY FIRST CENTURY

By

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Minister Ligetvari, Distinguished Delegates, Ladies and Gentlemen:

Good morning: It is my pleasure to extend a warm welcome to all of you to the GEF's First Biennial International Waters Conference.

Our meeting here represents a first in the short history of the Global Environment Facility. Country officials from many GEF International Waters projects are here to exchange experiences and interact with GEF agencies and other partners.

We meet only a stone's throw from the historic Danube River. We are indebted to you, Minister Ligetvari, for the Government of Hungary's generosity in hosting this conference -- and it is quite appropriate, Mr. Minister, that this first biennial meeting be held here in Budapest, since GEF support for the Danube River Basin dates back to its earliest days in 1992.

More countries are involved with GEF international waters projects under implementation and preparation than in any other focal area, with 133 recipient and 13 non-recipient countries, such as Germany and Austria in the Danube, collaborating to address transboundary water issues.

GEF has been a partner throughout the process, as the 13 Danube basin nations have conducted analyses, built their capacity, focused on defined transboundary priorities, and agreed on strategic actions that each country will undertake. We are

pleased that your countries are ready to enter the investment phase of this important initiative.

All around us, life support systems are under severe stress. It is fashionable to say that we are experiencing a global water crisis. But, as every one in this room knows, the situation in reality is much more complex than that. The global water crisis is just one symptom of a larger crisis affecting our land resources, our water resources, and our planet's fragile ecosystems—a crisis of fragmented institutions, inadequate policies and legal systems, and insufficient funding for necessary water supply and pollution reduction investments.

I would like to share some thoughts today about these linked crises. As we look ahead, we see the road is still long and the challenges greater than ever before. There is a need for a new sense of urgency in our actions—a new focus for achieving on-the-ground results to reverse the downward spiral degradation of our land and water resources and their ecosystems. There is a need to step up efforts to generate revenues and attract private sector investments for more efficient and equitable urban water, sanitation, and irrigation services. Unless action replaces rhetoric, our children and grandchildren face an uncertain future.

When we look at global environmental problems in the last two or three decades and extrapolate them into the 21<sup>st</sup> century, the outlook by any measure is alarming. Despite some progress, our earth still faces a wide variety of threats: We have experienced fifteen of the warmest years of this century in the last two decades.

Projections of sea level rise over the next several decades point to economic havoc for coastal areas. Deforestation of watersheds has increased the vulnerability of the poor to floods and droughts. Indeed, for the first time ever last year, among the tens of millions of refugees, the International Red Cross reported more environmental refugees than those related to wars.

Superimposed on the fluctuating climatic picture is the suffering of people living in drylands. Over a billion people who live in drylands are subject to desertification, many of them in Africa. Globally, at least 20% of irrigated land suffers reduced yields from water logging and salinity as a result of improper water management. Two and one half billion people are projected to be without access to freshwater in 2025 and almost two out of three people are projected to be without access to sanitation facilities. Almost 60 percent of coral reefs are estimated to be degraded, and nearly all the world's fishery resources are fully or overly exploited. Inventories show that the biodiversity of our freshwater ecosystems—our lakes and rivers-- has suffered more than any other type of ecosystem on our planet as a result of human influence.

These trends are not new, they are merely getting worse because of inaction. We heard about them in Stockholm in 1972 as well as in Rio in 1992, At the dawn of the new millennium, the international community as a whole needs to look at ways to re-energize the pursuit of sustainable development and protection of our global commons, including our transboundary water systems. This will require a shift in fundamental values, strong political will, and leadership from both the South and the North.

Experience tells us that no technological, investment, or demonstration project in itself will be sustainable without the necessary policy, institutional, and legal reforms. Land tenure reforms, improved pricing policies, transparent water rights and allocation systems, economic incentives, improved legal and regulatory frameworks for pollution reduction and for privatization and basin management institutions are all necessary pieces of the reform puzzle. The challenge in dealing with the complex nexus of global environment, development, and water resources is to reform these policies, reduce damaging subsidies, and bring environmental considerations into the mainstream of economic and community decisionmaking. GEF can assist in creating this enabling environment for reforms and can help with incremental cost finance to build capacity to effectively implement the necessary reforms.

The Operational Strategy approved by the GEF Council provides countries the opportunity to take a comprehensive approach in overcoming the sectoral and organizational fragmentation that is at the root of many cross-border as well as national water problems. Developing integrated solutions depends on an effective diagnosis of the linkages among land and water activities in the basin and the involvement of environmental specialists in identifying urgent ecosystem priorities. In this way, countries may focus on a few top priorities and gain confidence from collaborating with their neighbors. Such an approach requires a shift in thinking to understand cross-sectoral linkages within basins, to transfer this understanding to different ministry officials and stakeholders, and to recognize that almost every decision about land use also represents a decision about water use.

The approach also fosters dialogue among stakeholders and communities in a basin so that government, the private sector, and the public may work together to produce collective benefits for all that exceed the sum total of their individual expectations. This systematic thinking is essential for country officials to undertake so that they may become advocates for the policy, institutional, and legal reforms and investments necessary to meet the challenges. Many of you recognize these processes as the transboundary diagnostic analysis and formulation of strategic action programmes that you are undertaking in your projects.

At the Earth Summit, the world community adopted a way forward for reversing ecosystem degradation that has the potential to help us all move toward sustainable development. Through implementation of Agenda 21 and the three Rio conventions on climate change, biological diversity, and desertification, governments established means for addressing global environment issues that can help us learn to make the transition to sustainable development. With GEF support, an opportunity has been provided to governments, the private sector, NGOs, and communities to reverse the declining trend in our life support system by adopting integrated ecosystem management.

The GEF is a young organization that grew out of the Rio process. Our members are 166 developing and developed nations. Our governing Council balances the interests of all. The GEF, through UNDP, UNEP and the World Bank, helps in implementing the objectives of the biodiversity, climate change, and desertification conventions. It is the principal funder for international waters projects as is evident from your projects, and addresses protection of the ozone layer as well. In the short time of its existence, GEF

has cast forth a safety net to help protect the planet with more than 700 projects in 140 countries totaling more than \$3 billion in GEF grants and leveraging \$8 billion more from governments, international institutions, NGOs, and the private sector.

Our mission is that of acting as a catalyst—supporting local and regional sustainable development that simultaneously advances global environmental goals, one of which is to address transboundary water resource issues. GEF serves as a partner with your governments, with bilateral and multilateral organizations, and with NGOs as well as the private sector, pooling our resources with yours to add this global dimension to initiatives aimed at sustainable development.

As a catalyst, GEF can only succeed in partnership with others. While we rely on the UNDP, UNEP, and World Bank as our implementation partners, the real test will be the interest and response of the private sector, which must provide the water-related technology, know how, and much of the finance to improve the water environment. Increasingly, especially in the climate change focal area, governments are realizing opportunities associated with public-private partnerships. So it is no wonder that the GEF is stepping up its outreach to the business community to help facilitate investment commitments that meet urgent needs to go hand in hand with the emphasis on policy reforms. Just as the lack of proper pricing for energy results in wasted energy, lack of pricing for water services and sometimes no pricing at all is at the root of inefficiency, overuse, excessive pollution releases, and environmental degradation. Free water means wasted water. Free access to fish stocks by commercial fishing fleets means depletion of the fishery.

According to a Central Asian proverb, “In every drop of water, there is a grain of gold.” Humanity is only beginning to understand the truth of that statement, and investing accordingly. At the World Water Forum last March, I announced that the GEF is prepared to scale up its contribution to one half billion dollars the next five years for comprehensive solutions to the abuse of land and water resources as a defense against further ecosystem loss. GEF resources will catalyze public and private sector investments in activities that simultaneously yield national, regional, and global benefits. The GEF will promote public/private partnerships and facilitate enabling frameworks for private sector interventions. We hope to test the application of contingent grants, contingent loans, and partial risk guarantees to accelerate private sector decisions for investments related to the transboundary water systems. The increased confidence and stability that interventions like partial guarantees can create may induce the private sector to finance well-identified portions of strategic action programs that many of your projects are formulating.

Since 1992, 50 international waters projects have been approved representing almost one half billion dollars in GEF grant funding with a total project cost nearing one billion dollars. GEF and its implementing agencies stand ready to support your initiatives to undertake these necessary reforms and to help you build partnerships with the private sector to mobilize the necessary finance to prevent further ecosystem collapse. We stand ready to assist you as well with single country projects in our new Operational Program 12 on integrated ecosystem management. It facilitates intersectoral and participatory approaches on an ecosystem scale and supports strategic sequencing of country-specific



policy reforms, investments, and other interventions to secure the life support systems we all depend on for survival.

This first GEF biennial international waters meeting is of critical importance to the GEF as a learning institution. We need to listen to you closely as you exchange experiences about your GEF international waters projects. We invite you to share your experiences, good and bad, in addressing international waters so that the lessons may be incorporated into the design of GEF activities. This is your opportunity to provide feedback on how your projects are going and how you have been served by the GEF agencies. This meeting will contribute to our evolving role so that we can be more effective in providing support for conserving transboundary water ecosystems.

More than ever before, domestic policies and actions must go hand in hand with international policies and relations among sovereign states. Effectively addressing the linked considerations of land use, water use, ecosystems, and poverty reduction in a more comprehensive framework may help facilitate the transition to a new development paradigm that will allow improvement in welfare and living standards without destroying the water-related ecosystems that sustain our life on earth. Thank you.