

Water and Qualitative Growth

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No qualitative growth without a contribution from the water sector

A key objective of KfW Development Bank's involvement in the water sector is the improvement of the population's quality of life through the supply of adequate water and sanitation and sustainable measures to protect increasingly scarce global water resources. In this regard, the term "quality of life" is often used synonymously with the term "qualitative growth".

Unfair distribution and high costs

Almost 1 billion people do not have access to clean drinking water. 2.6 billion people live without adequate sanitation and 1.4 million children under 5 die every year as a consequence of inadequate water supply and sanitation. This is clearly unjust. Furthermore, inadequate water supply and sanitation lead to high social costs and economic inefficiencies: if people do not have adequate access to water, they have to spend a lot of time and money fetching it from far away. It is frequently women and children who are responsible for transporting water. In particular, this limits the ability of the poor to be meaningfully engaged otherwise. When drinking water quality and quantity and the provision of sanitation cannot be ensured, the resulting water-borne diseases lead to high social and economic costs. The avoidance of such costs through adequate investment is part of quali-

Qualitative growth describes a development process, which is aimed at sustainable economic, ecological and social progress. Qualitative growth means increasing macroeconomic prosperity, which can be expressed through an increase in distributive justice, an improvement in equal opportunities and social security, peaceful coexistence, or the preservation of natural resources.

tative growth as well as a prerequisite for quantitative growth.

Water and growth

Water is an important factor in numerous sectors of the economy including agriculture and forestry, fishing, energy and industry. 70 % of water resources throughout the world are used for agriculture. Along with energy, transport and communication, water is a *location-determining factor* for direct foreign investment and a tool for promoting industry and trade. Infrastructure plays a major role in the efficiency of the local economy and exploitation of its potential for development. Improved infrastructure is vital for economic growth, which – in turn – is a necessary condition (although inadequate on its own) for the creation of jobs and ultimately for qualitative growth.

The challenge of qualitative growth

Major trends in social and economic development, which can be clearly seen in many countries of the world, make it difficult to achieve the goal of qualitative growth:

- Amongst other things, rapidly increasing urbanisation leads to rising volumes of refuse and waste water with all the associated negative consequences for groundwater resources.
- In more and more regions of the world, water is a scarce resource – in North Africa, the Near East, and some African and Asian countries, for example.
- Increasing water consumption impedes the necessary regeneration of water stocks; water quality also deteriorates as a result. The treatment of drinking water is often associated with very high costs.
- Global climate change will intensify the situation in areas with a shortage of water.

Increasingly frequent extreme events – extreme droughts and floods – can have catastrophic consequences for the affected economies; such events are particularly detrimental to the lives of the poorest members of society, who often live in high-risk areas or who have the fewest resources for offsetting these burdens.

- In many regions and sectors (e.g. agricultural irrigation), water as a resource is used inefficiently and is being wasted.
- The overuse of water resources leads to the lowering of the water table and thus to the salinisation of aquifers near the coast.
- Water shortages lead to conflicts over use, which can have a negative impact on the social structure of a society, country or entire region.

Water sector solutions

Within the German Financial Cooperation, a comprehensive, integrated view of water resources is of central importance with regard to qualitative growth. In addition to the provision of drinking water and sanitation, the use of water for agricultural irrigation and in all other (industrial) production sectors must also be taken into account here. The protection of water resources is always a primary concern, since this ultimately also contributes to the preservation of natural resources and thus quality of life and qualitative growth.

There are various prerequisites for ensuring the efficient, sustainable and socially just use of water and the disposal of faecal matter. KfW Development Bank addresses these prerequisites directly in its promotion policy. Here, issues include project design, investment financing, advising partner regions on their sector policies and frequently the structural strengthening of relevant stakeholders in partner countries. This usually takes place in conjunction with other entities such as the German Agency for International Cooperation (GIZ), multilateral financial institutions and bilateral donors.

- *Technical and economic sustainability* is a

central topic in the design of KfW's water projects. A large number of advisory and promotion services are provided in this regard. Amongst other things, the aim is to ensure sustainable operations.

- *Corporate governance* is another topic: transparency and accountability towards users and government supervisory bodies are both part of resource protection.
- The principle of *cost-covering tariffs* is an important tool for managing water demand, especially in water-impooverished countries. A price for water, which covers costs controls consumption and limits water wastage. The price of water is an important topic in all of the countries where KfW promotes investments. Political resistance to tariff increases in partner countries is often strong, and a tariff policy, which completely covers costs is rarely achievable.
- Appropriate technology and *technology transfer* can make an important contribution to reducing water and energy consumption and alleviating the environmental burden.
- All projects of KfW are examined at an early stage with regard to their climate protection significance and so that they can be adapted in line with climate change considerations (*climate audit*). Numerous water programmes and projects also have climate-related objectives.
- *The development of structures for the financing of communal infrastructure* is becoming increasingly important. Access to water supply and sanitation is improved by means of water funds which focus on poverty (e.g. in Kenya and Zambia) and the strengthening of development banks and promotion of private investment in this sector.

Lack of data

The correlations between investment/reforms in the water sector and the desired qualitative growth are complex. Quantitative data, which could guide development policy is, however, scarce. This is currently the subject of international work.

On the international agenda

Water and green growth are on the international agendas of the Global Water Forum and the United Nations Environment Programme, amongst others.

Future challenges

The challenges placed upon the water sector and its contribution to qualitative growth have changed. In addition to the enduring requirement for improved access to an adequate water supply and sanitation, other topics have increased in significance, such as the following:

- Reduction of water consumption in food production and other industrial sectors
- Promotion and preservation of ecosystems and biodiversity
- Development of new sources of water through water recycling, the use of rainwater, seawater desalination etc.

Summary

The water sector has numerous facets, which make a comprehensive contribution to the preservation of natural resources and qualitative growth seem realistic. This requires framework conditions for a sustainable, forward-looking water policy. KfW Development Bank is partly responsible for the modelling of this policy.

Project Example: Water recycling in Jordan

The shortage of water is an ever-present problem in Jordan. Across the country, water is only provided a maximum of twice a week according to a published rationing scheme. The water supply is also inefficient – almost half of the water is lost as a result of leakages in the pipes – and requires a high amount of energy. A programme financed by KfW Development Bank is being launched in these areas to help save water and energy by improving the supply infrastructure.

Agriculture is responsible for most of the water consumption in Jordan. It already uses a good two thirds of the water, and yet the need for water still cannot be met. The water resource management programme finances the infrastructure required to transport more than ten million cubic metres of purified water per annum from the largest sewage plants in the north of Jordan to the Jordan Valley. The water can be used for agriculture there instead of the precious drinking water which was previously used for irrigation. Resources saved in this way can be used to improve the supply of perfectly hygienic drinking water to the population in Amman.

Further information

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