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elcome to the 2003 edition of *Environment Matters*, dedicated this year to Water and the Environment on the occasion of the 5th World Parks Congress in Durban, South Africa. *Environment Matters* reviews the World Bank's environmental programs in developing countries and its global engagement. It brings together external and internal viewpoints on the challenges ahead.

During the past century, while the world's population tripled, the aggregate use of water has increased sixfold, with irrigation consuming over 70 percent of available water. These increases have come at high environmental costs: half of the world's wetlands disappeared over the last century, with some rivers now no longer reaching the sea, and 20 percent of freshwater fish now endangered or extinct.

If current trends continue, 4 billion people will live under conditions of severe water stress by 2025, particularly in Africa, the Middle East, and South Asia.



It is widely recognized that water is central to the issue of sustainability. Water was the single most important topic identified by decisionmakers at the 2002 World Summit on Sustainable Development (WSSD) in Johannesburg, South Africa. It was the focus of the Meeting of the G8 in Evian, France. Furthermore, the Third World Water Forum held in Kyoto, Japan, in 2003, consolidated a growing consensus on the hurdles to be overcome in order to deliver the Millennium Development Goals.


Financing the water sector will need an additional \$100 billion per year over the next 20 years—as established by the report of the World Panel on Financing Water Infrastructure, led by Michel Camdessus. Water financing will require a renewed implementation effort supported by a broad coalition of stakeholders. Water is a basic component underlying responsible economic growth and poverty reduction in poor and middle-income countries. Safe water and proper sanitation help improve human health; more effective water management helps boost growth and provides better protection against droughts and floods, thus reducing the vulnerability of poor people.

Success in meeting the Millennium Development Goals will require strategies that are adapted to the economic, political, and historical conditions of each country. If by 2015 we are to reduce by half the number of people living without access to clean and safe water, management of water resources and services will need to be dramatically improved, including efficient use of water, reduction of pollution, and development and sharing of resources among productive users in all segments of society. There is no one-size-fits-all approach in the water sector, and no one approach should be considered as universal. Fundamental changes in policies and institutions coupled with substantial increases in financing should pave the way for new implementation modalities through multi-stakeholder partnerships among the public sector, private sector, and civil society.

In response to these challenges, the World Bank's Board of Directors has recently endorsed a new Water Resources Strategy as well as a new Infrastructure Action Plan in response to strong client-country demand for infrastructure. The Water Resources Strategy represents a balanced approach that promotes both effective management of water resources and responsible infrastructure development. A key challenge will be to assist countries in developing appropriate stocks of well-performing hydraulic infrastructure. The new Infrastructure Action Plan encompasses innovative ways of financing infrastructure projects, and will apply new and existing instruments more effectively, including a spectrum of public-private partnerships, and project financing at regional, national, and sub-national levels.

A sustainable path to development starts and ends with political will and good governance. Decisive action by governments, civil society, and the private sector at the national, regional, and global levels is needed in the coming years to fulfill the commitments endorsed by the international community and steer the water sector away from business-as-usual and toward a path of more environmentally and socially responsible growth.


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