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It gives me great pleasure to address the Commission on Sustainable Development for the first time in my capacity as Under-Secretary General for Economic and Social Affairs. I would like to begin by congratulating you, Mr. Chairperson, and the other members of the Bureau, on your hard work in preparation for this session, and look forward to the debates and the renewed commitment to the objectives of sustainable development in the weeks to come.

The Commission has played a catalytic role in promoting sustainable development since its creation in 1993, the year following the United Nations Conference on Environment and Development in Rio de Janeiro. The World Summit on Sustainable Development, held in Johannesburg in 2002, has given a renewed impetus to the Commission's work.

This session of the Commission marks the start of the multi-year programme of work agreed at its 11th session, addressing progress that the international community has made in implementing commitments, with a focus on water, sanitation, and human settlements. This session also inaugurates the new working format for the Commission's two-year cycle, and will focus on assessing what has been achieved, where progress has been inadequate, what lessons can be learned, and what are the major challenges ahead. Recalling the report of the 11th session of the Commission, the discussions at this session should lead to an "improved understanding of priority concerns" in the thematic cluster and "facilitate an effective policy discussion in the course of the policy year".

I note the keen interest in the work of the Commission, with high levels of participation from capitals, the significant representation of United Nations entities and the large numbers of major groups participating in your work. I would also like to thank the UN Regional Commissions for their effective preparations for this session of the Commission through the organization of regional implementation meetings.

Let me turn now to a consideration of the three themes before us, and present the Secretary-General's reports on water, sanitation, and human settlements. These reports indicate that there has been **progress** towards meeting internationally agreed goals and targets in several areas.

- Over the past decade, roughly one billion people – almost one-sixth of the world's population – has gained access to improved drinking water and sanitation. Progress has been impressive in East and South Asia, where the majority of the world's poor people live, but disappointing in much of Sub-Saharan Africa.

- Thanks in part to improved access to safe water and sanitation, deaths from diarrhoeal diseases have declined by 60% over the past two decades; even so, almost 2 million people, mostly children, still die annually from this cause.
- Slum upgrading – including provision of low-cost housing and infrastructure – has taken place in a number of countries, with Brazil, Philippines, and South Africa deserving special mention.
- While less easily measured, there has been some progress towards more efficient management of scarce water resources, for instance, through strengthened water user associations and improved allocation mechanisms.

Nevertheless, meeting the goals and targets set out in Agenda 21, the Millennium Development Goals, and the Johannesburg Plan of Implementation remains **a major challenge**.

- More than one-third of the world's population still lacks access to improved sanitation, and one-sixth lacks access to improved drinking water sources.
- To achieve the 2015 targets of halving the proportion of people without access, another 2 billion people will need access to sanitation and 1.6 billion access to safe drinking water.
- With rapid urbanization of the developing world, by 2020 an additional half billion people could join the ranks of the 900 million currently estimated to be living in slums. Clearly, even meeting the target of improving the lives of 100 million slum dwellers would represent very modest progress. The international community needs to be more ambitious in this regard.

A number of **serious deficits** need to be redressed as the international community responds to these challenges.

First, there has been underinvestment in rural sanitation – relative to water supply and relative to urban areas. The rural-urban sanitation access gap is almost twice what it is for water supply, and rural sanitation coverage is 30 percentage points lower than rural water supply coverage.

Second, within the sanitation area, too little attention has been given to shaping hygienic behavior, for instance, through education and awareness raising, relative to infrastructure investment. Hygiene education in schools can be particularly effective, notably when supported by on-site sanitation facilities that accommodate the needs of female students.

Third, underinvestment in wastewater treatment is commonplace, partly due to high capital costs and difficulties of cost recovery. Ninety percent of wastewater in developing countries goes untreated into local rivers and streams. Untreated municipal sewage and wastewater is often used for small-scale irrigation, despite the human health risks.

Fourth, water quality is a serious and growing problem, even in the case of supposedly “improved” sources. Meanwhile, water quality monitoring networks are grossly inadequate and poorly maintained.

Fifth, few countries have put in place the elements of a process for integrated water resources management, designed to address the multiple dimensions of water management in a manner that is at once efficient, equitable and environmentally sustainable. Only a handful of countries will meet the 2005 target for developing integrated management systems, which can serve as mechanisms by which the alternative uses of water are jointly evaluated, thus taking into account the interests of the different parties but also the priorities that society should assign to the use of this scarce resource.

Finally, in the case of informal urban settlements, only limited progress has been made in regularizing land titles, which holds back investment both in housing improvements and in water, sanitation and other infrastructure.

A lack of political will at both international and national levels hampers progress, notably in a few key areas. **Misuse and overuse of irrigation water** is a prominent case in this regard. As two-thirds of extractive water use is for agriculture, small efficiency gains here could free up large volumes of water for other uses. In many developing countries, this problem is associated directly to subsidies to water use that encourage overuse and resultant soil damage. In the developed countries, on the other hand, agricultural subsidies contribute to heavy pesticide and fertilizer use, causing serious water pollution and health risks, while also distorting world markets with adverse effects on many developing countries.

In relation to municipal water supply, **tariff reform** with a view to fuller cost recovery and well-targeted subsidies for the poor has also been politically fraught, even though the rationale is compelling: not only to reduce water losses by providing resources for network maintenance, but to permit greater investment in network expansion. Such investment is essential to serve the as yet unserved, that is, primarily the poor who otherwise must depend on high-priced vendor-provided water or unsafe sources.

Many governments have also had a patchy record with **enforcement of laws and regulations to address worsening water pollution problems**. Incentive measures to encourage greater pollution reduction at source could lessen the scale of investment needed in municipal wastewater treatment.

With respect to human settlements, greater attention could be given to **forward planning** in order to be able to meet the increased demand for affordable urban housing that will accompany rapid urbanization. Elements should include strategic land acquisition and development ahead of real estate price escalation, and efficient public transport links from peri-urban communities to centers of economic activity.

The **affordability of basic amenities to the poor** – whether water, sanitation, or decent shelter – remains an overriding priority. Broad economic policy needs to focus on

pro-poor, employment-generating growth, which will go a long way towards making basic services affordable to the poor. In addressing the agenda before us, however, we should focus on ways of reducing the costs of providing water, sanitation, and housing to the poor, while not undermining the financial viability of the providers. In this regard, the suggestions gleaned from the reports include:

- ensuring the choice of low-cost technologies wherever possible, considering not just upfront but lifetime costs, not just internal but external costs; examples for drinking water supply include low-cost well-drilling methods, simple pump designs, and rainwater harvesting; examples for sanitation include ventilated improved pit latrines, pour-flush toilets with septic tanks and, where culturally acceptable, ecological sanitation which yields useful and marketable by-products;
- mobilizing private sector, NGO and community resources as far as possible to supplement public investment, as for example with condominal sewers and well-managed public sanitation facilities, including in slum communities;
- better targeting subsidies to reach the poorest and most vulnerable households and communities;
- for both sanitation and water, low-cost loans paid back in small installments could render access more affordable to the poor, since the upfront investment is often the biggest deterrent to access, not the monthly user fees;
- microcredit has an important and growing role to play in financing incremental home improvements by the poor, notably slum dwellers, including the addition of amenities like piped water and sanitation.

Stronger political will and more effective institutions, however crucial to progress, must be matched by **additional financial resources**. Let me just suggest some rough orders of magnitude, recognizing that estimates can vary widely depending on technology and other assumptions. Even with the lowest-cost solutions, financial requirements for supplying clean drinking water and sanitation should roughly double in order to meet the 2015 targets – i.e., \$33 billion rather than the \$16 billion currently invested. While urban water supply could well attract substantial additional financing, including from private sources, concerted effort will be needed to raise financing for rural water supply and, especially, for sanitation in both rural areas and urban informal settlements.

Adequate provision for municipal wastewater treatment could, with current technologies, require a tripling of investment over current levels, or roughly \$50 billion a year. Funding on this scale seems doubtful in the near term, reinforcing the need to develop and apply lower-cost treatment methods and to introduce stronger incentives for reduction of water pollution loads at source.

In the case of slum upgrading and construction of affordable housing, global estimates are few and far between. Let me offer here a very rough –and conservative–back-of-envelope calculation, making use of data on costs per unit upgraded for several projects in Latin America and adjusting for differences in per capita income between that region and the rest of the developing world. Based on a cost per housing unit upgraded of

between \$1,300 and \$1,950, and assuming an average of six persons per household, then halving the current slum population of 900 million would require between \$100 and \$150 billion of public investment. To this we should add the private investments in home improvement. This is also quite apart from the investments for providing housing and basic infrastructure to an anticipated half billion more low-income urban residents over the next 15 years.

Housing finance improvements, including extension of housing-related microcredit programmes, and development of capital markets (e.g., for municipal bonds) can facilitate more effective domestic resource mobilization for sustainable human settlements, but there is still a need for greater international resource commitments. In close consultation and cooperation with developing countries, donor governments, international financial institutions, the private sector, NGOs, and international civil society need to explore innovative sources and methods of finance.

No doubt, there will be much interesting discussion and exchange of ideas on new approaches to resource mobilization for water, sanitation and human settlements in the coming days. Perhaps even some exciting new partnerships will be forged. I look forward to joining you in two weeks of hard work and hard thinking on some of the most important sustainable development challenges facing the international community today.