

The African Development Bank Group



Statement by

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*Honourable Ministers,
Distinguished Guests,
Ladies and Gentlemen,*

On behalf of Dr. Donald Kaberuka, President of the African Development Bank Group (AfDB) and on my own behalf I wish to welcome you all to this International Forum on African Perspectives, jointly organized by the African Development Bank Group and the OECD Development Center. It gives me great honor to acknowledge the presence of so many distinguished personalities who have kindly accepted our invitation to attend this Forum. Dr Donald Kaberuka wishes me to convey to you sincere apologies for his inability to attend this important forum due to prior commitments.

This Forum - focusing on Access to Drinking Water and Sanitation - is particularly important and opportune not only by assessing Africa's progress towards a key target in the MDGs but also by examining the important contributions that development partners can make to enhance progress to an agenda that is clearly at the centre of the development strategy in Africa today. In my brief presentation, I will wish to focus on the contributions that development partners can make.

*Your Excellencies,
Ladies and Gentlemen,*

The African Economic Outlook Report before us makes it clear that for most of Africa the MDG target on safe water supply and adequate sanitation cannot be met. Except in North Africa and a few countries in sub-Saharan Africa such as Mauritius, Rwanda and Uganda, progress remains inadequate. For the majority of African countries, low access to safe water supply and adequate sanitation are the root causes of many diseases and a contributory factor to the high infant and maternal mortality rates.

Supplying clean water and improving sanitation can, therefore, have multiple benefits that contribute to the achievement of the MDGs, including the immediate impact on improving the health and productivity of the general population, thereby contributing

to poverty reduction; improving the health of women and reducing child morbidity and mortality; and lessening the household chores of women and particularly girls, thereby promoting gender equality by allocating more time to education.

Let me highlight a few specific examples to illustrate the overwhelming positive impact of access to basic water and sanitation. In Ghana, it is estimated that access to safe drinking water would reduce the risk of diarrhea by 70 percent. Similarly, in Uganda improved sanitation would cut the risk of infant mortality by 40 percent. Thus, if Africa is to enhance progress towards the MDGs , the prioritization and financing of water and sanitation infrastructure must be scaled up.

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Needless to say, Africa's progress towards the key MDG targets for drinking water and sanitation of 78 percent and 69 percent , respectively by 2015 depends to a large extent on the degree with which resources, both internal and external, in the continent are scaled up and their quality improved. While it needs to be stressed that more private-sector involvement and increased domestic resources, resulting from growth and gains in tax efficiency, as well as reallocations in expenditure priorities will provide a significant amount of resources, it is also clear that official development assistance will need to be scaled up significantly. As we all know, in the last decade the distribution of aid resources to water and sanitation infrastructure has largely been inadequate. The case for reversing the trend now in allocation is strongly supported by the positive socioeconomic and political development in the continent.

Certainly, the challenges of financing the rehabilitation and development of water and sanitation are prohibitive for either the public or the private sector acting alone. Partnerships to facilitate private-sector participation, a redefined role for the public sector, local community participation, regional and continental organisations and international donor involvement are all requisite ingredients. In the past, the provision of water and sanitation infrastructure in Africa has largely been the preserve of government. Given the central role assigned to water and sanitation in development and the availability of private capital flows that can benefit the sector, we need to rethink the development of water and sanitation infrastructure.

With respect to ODA, while the mobilisation of increased resources is possibly the most pressing challenge for donors, we need to rethink how to use ODA to leverage private and other public resources more efficiently. Of equal importance must also be the realisation of the fact that returns to investment in water and sanitation are realised over the medium to long term or otherwise in terms of social as opposed to economic returns. Thus, the terms of lending for water and sanitation infrastructural projects must be soft enough to be compatible with debt sustainability. There is also the need for a greater involvement of the private sector in the provision of water and sanitation infrastructure.

In the need to scale up ODA to water and sanitation, Africa has to look beyond tradition OECD Development Assistance Committee (DAC) countries that had hitherto provided the bulk (approximately 95 per cent) of Official Development Assistance (ODA) to developing countries, for the resource requirements for water and sanitation. *Emerging Donors* including non-DAC OECD members and non-OECD countries such as China, Estonia, India, Israel and Kuwait have more recently been seen as playing an increasingly important role in development financing of developing countries. Part of this increasing role of emerging donors is due to the sustained economic growth of China and India which are now seen as important global players and which have been involved in Africa for some time now. These donors need to be impressed upon by Africa to view water and sanitation infrastructure as key for their development efforts.

Indeed, there is ample room for the emerging donors to be more involved, both as bilateral donors and in the multilateral system, given the current good performance of China and India. There is however a perception that the funds from emerging donors may be more fungible than those from other donors. It is therefore desirable that emerging donors coordinate their ODA with other donors so that Africa can take advantage of the full benefits of these funds.

The issue of attracting private investors to the water and sanitation sector in Africa must remain paramount. In this regard, the successful reforms that have swept through the continent in the last decade have opened new up new opportunities for financing

this infrastructure by the private sector. There are several cases in Africa where water and sanitation infrastructure project generates revenue, through charging of user fees, which makes private sector participation attractive. The added advantage of this participation is to tap into efficiency of project implementation and sound management of infrastructure facilities by the private sector. However, we must remain cognisant of the dangers of such partnership. There is need to negotiate private-public partnership in a manner that promotes better risk and equitable profit sharing. It would be unfair to the public sector if the private sector was to use the partnership to transfer all project risks to the public sector.

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The African Development Bank Group recognizes the challenge involving improving water and sanitation infrastructure in Africa and attaches great importance to the promotion of this infrastructure in RMCs. Towards this end the Bank has embarked on new initiatives to boost its support and presence in its RMCs in the water and sanitation sector. Let me highlight some of the major ways that the Bank is assisting RMCs in the water and sanitation sector.

In 2002, the Bank conceived the Rural Water and Sanitation Initiative as one of its responses to the challenge of the MDGs, to accelerate access to water supply and sanitation services in rural Africa to reach 80 percent by 2015 and extend water supply and sanitation services to 277 million and 295 million people respectively. The Bank is committed to financing 30 percent of the needs and is encouraging other stakeholders to contribute. Also, since 2006 the Bank has been hosting the African Water Facility (AWF) aimed at addressing the funding gap. The amounts so far committed for the AWF is about Euro 60 million from Canada, France, Denmark, Norway, Sweden, Austria and the EU. The Bank itself has committed about Euro 1.8 million to cover permanent staff, management, and other administrative costs.

Certainly, these contributions remain modest with significant unfinished business and quite rightly so, the Bank is increasingly being called upon to do more. The Bank will

continue to play the important role in coordinating emerging donors' projects in Africa so as to ensure best practices, prevent duplication of efforts and maximize synergies across donors. Moreover, the Bank will invite emerging countries to have a greater role in its operations through greater technical assistance and participation.

I thank you for your kind attention.