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Aid flow

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The downward trend in aid to water supply and sanitation has been reversed. Or has it?

Three years ago, before the 3rd World Water Forum in Kyoto, we wrote that while the Millennium Development Goal of halving the population without access to safe drinking water by 2015 was feasible, it would be a tall order, particularly against a background in which bilateral development aid from OECD countries had stabilised or fallen. Have matters improved as we move closer to the deadline? There are some encouraging signs, but probably not where it matters most.

Some of the difficulties with water aid have been outlined before, notably at a seminar called “Water for the Poorest”, held during the Stockholm World Water Week in August 2004. For a start, water supply and sanitation had not been incorporated in the UN’s poverty reduction strategies, and could therefore not attract financing through this mechanism. Another problem was a lack of viable projects, mainly because water projects were generally considered as risky, causing reluctance among programme managers in donor agencies, accountable for their portfolios. Furthermore, funding of projects in countries most in need had been constrained as aid was conditional on

governance reforms. Aid had been targeted, not to the poorest communities where the water needs were greatest, the Stockholm seminar heard, but rather to areas where the criteria for donor success were in place.

The latest data from the Development Assistance Committee (DAC) of the OECD tend to reflect this pattern. There is some positive news, insofar as these data show a sharp increase in the allocation of Official Development Assistance (ODA) to water supply and sanitation in 2004. DAC members’ bilateral ODA commitments to the water sector amounted to US\$3 billion that year. Multilateral donors’ commitments also increased, with a total of US\$1.8 billion in 2004, reversing the downward trend since the middle of the 1990s (see graph).

A closer look at the trend in aid to the water sector shows that allocations are in fact set by a handful of large donors and are targeted at a relatively small number of countries. As much as three quarters of total bilateral aid to water supply and sanitation in 2000-04 was extended by Japan, Germany, the United States, France and the Netherlands (see table). More than half of those allocations were directed to

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Asia. The share of recipients in Sub-Saharan Africa was just 15%, a modest increase at best over the last few years.

An even closer look at the trend reveals that much of the 2004 increase in aid is largely explained by the US programme of reconstruction in Iraq. In 2003 Japan reported large new commitments to China, Vietnam, FYROM (Macedonia) and Kazakhstan.

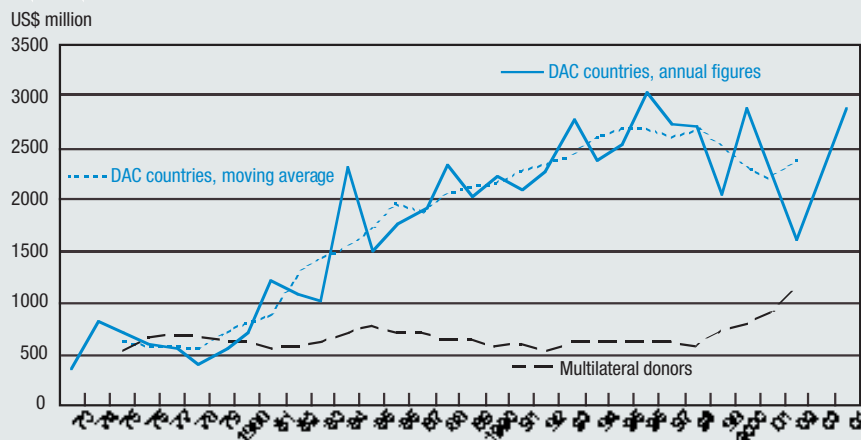
Nor is there any sign that donors have been stepping up their efforts for water compared with other sectors. In fact, the share of aid to water supply and sanitation in DAC members' total sector-allocable ODA dropped from 9% in 1999-2000 to 6% in 2001-02, where it remained in 2003-04.

Still, every drop counts and, in fairness, DAC members' bilateral ODA disbursements to water supply and sanitation have increased slightly, from US\$1.9 billion in 2003 to US\$2.2 billion in 2004. On the other hand, over a half of these amounts relate to projects committed before 2000. The main recipients include many of the countries listed in the table, as well as Egypt, Turkey and the Philippines. There, large infrastructure projects started in the second half of the 1990s are still ongoing. They have not received any notable new commitments since then.

But there is a final note which policymakers must take seriously. In the water sector, most aid is used to finance investments in infrastructure. Projects are large and on average take at least eight years to implement. That is a long lead time, particularly as the deadline for the MDG on water has been set for nine years from now. Any strategy and possible reorientation of aid to water supply and sanitation to reach the Millennium Development Goal on water must take this urgency into account. ■

Watering development

Trends in ODA to water supply and sanitation, 1973-2004: 5-year moving averages (except where marked annual), constant 2003 prices



Note: Non-concessional flows
Source: OECD DAC, *Creditor Reporting System on Aid Activities*

Main donors and recipients of bilateral ODA to water supply and sanitation, 2000-04, annual average commitments in US\$ millions, constant 2003 prices

	Japan	Germany	US	France	Netherlands	Other DAC donors	Total DAC countries
China	222	5	1	6	4	37	275
Iraq	0	1	170	-	0	10	181
Vietnam	52	10	0	17	7	30	117
Palestinian adm. areas	2	23	72	5	1	9	113
India	39	8	2	3	18	32	102
Jordan	6	24	45	-	0	12	87
Malaysia	80	-	-	-	-	1	81
Morocco	24	26	2	16	0	7	75
Peru	55	11	0	-	1	6	74
Tunisia	28	12	-	26	-	1	68
Other recipients	326	254	52	100	93	420	1245
Total	835	375	344	173	124	567	2417

Source: OECD DAC, *Creditor Reporting System on Aid Activities*

References

- Benn, Julia (2003), "Water aid and development: Improving the flow", in the *OECD Observer* No. 236, March 2003, available at www.oecdobserver.org.
- Visit www.oecd.org/dac.

Note: The statistics of the Development Assistance Committee (DAC) of the OECD, whose members account for some 90% of global

bilateral aid, are available in the International Development Statistics online database (www.oecd.org/dac/stats/idsonline). They provide for detailed analyses of aid for water by donor and by recipient. Advice on statistical methods and terminology and practical guidance for searching the data can be found in the User's Guide (www.oecd.org/dac/stats/crs/guide). The views expressed in this paper do not necessarily reflect those of the DAC members.