

Measuring Aid to Water Supply and Sanitation



This note contains statistics on Official Development Assistance (ODA) for water supply and sanitation. It presents the key findings of the publication "CRS Aid activities in support of water supply and sanitation, 2001-2006" (OECD/WWC 2008).

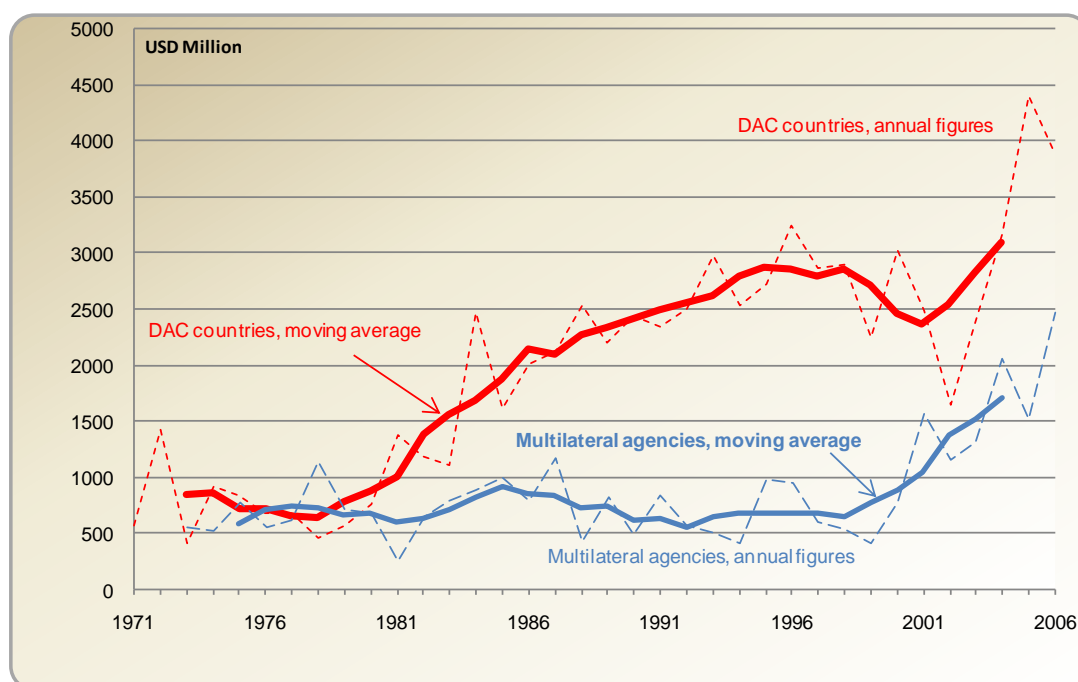
Trends in aid for water supply and sanitation

Aid for water supply and sanitation has risen since 2001 after a temporary decline in the second part of the 1990s. In 2005-2006, DAC members' bilateral annual aid commitments to the water supply and sanitation sector rose to **USD 5 billion**, double the 2001-2002 figure in real terms. Taking into account multilateral agencies' outflows, the total was **USD 6.2 billion**. Over the period 2002-2006, bilateral aid to water increased at an average annual rate of 24%. Multilateral aid also rose swiftly over the period 2002-2006 (21% annually).

The share of aid to water supply and sanitation in total aid (sector-allocable aid) is an indication of the extent to which donors' aid programmes focus on water issues. For DAC countries, the share has regularly increased over the period 2001-2006, rising from 6% in 2001-2002 to 9% in 2005-2006 (Table 1). This illustrates renewed emphasis on the water sector in members' aid programmes.

Chart 1. Trends in aid to water supply and sanitation

1971-2006, commitments, 5-year moving averages and annual figures, constant 2006 prices



As regards their development co-operation policies in the water supply and sanitation sector, twelve members refer to specific policy documents to guide their interventions in the water sector, while a number of other donors do not have a specific co-operation policy for water. Some consider that the implementation of the principles of harmonisation and alignment of the Paris Declaration is not compatible with specific donor strategies or investment targets in the water sector.

Main donors

Japan is the largest donor to this sector, accounting for 26% of total aid in the period 2005-06 (see Table 1). It is followed by the United States (15%) and the EC (12%). The EC is now the largest multilateral donor to the water supply and sanitation sector.

The bulk of Japanese aid related to ODA loans for infrastructure projects in China, Costa Rica, India, Indonesia and Malaysia. On their own, these projects represented one quarter of total DAC members' aid for water. Reconstruction projects in Iraq by the United States also made up a significant proportion of the total.

The donors that extend the highest proportions of their aid to the water sector are the AfDF and Japan (20%), the AsDF (16%), IDA and Denmark (11%), Finland and the Netherlands (10%).

Chart 2. Aid to water supply and sanitation by top donors

2005-06 annual average commitments, USD million, constant 2006 prices

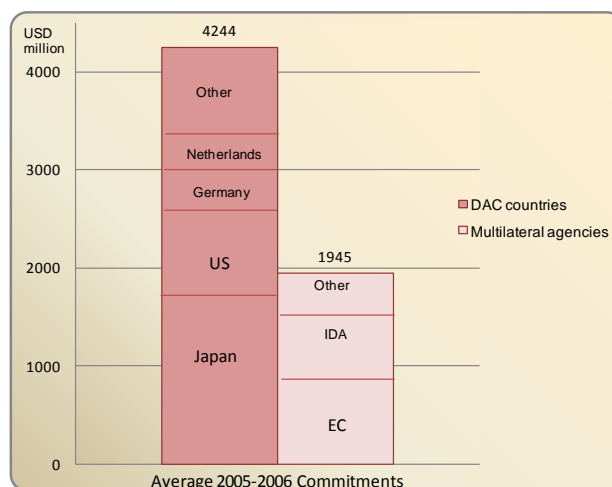


Table 1. Aid to water supply and sanitation by bilateral donor and multilateral agency

2001-06, annual average commitments and shares in total sector-allocable aid, constant 2006 prices

	Commitments, USD million			% of Donor Total			% All donors		
	2001-2002	2003-2004	2005-2006	2001-2002	2003-2004	2005-2006	2001-2002	2003-2004	2005-2006
Australia	27	33	6	3	3	1	1	1	0
Austria	15	22	19	6	10	7	0	1	0
Belgium	44	23	63	5	3	8	1	1	1
Canada	31	108	32	3	6	2	1	2	1
Denmark	37	166	123	5	17	11	1	4	2
Finland	22	11	44	7	3	10	1	0	1
France	208	192	186	6	5	4	6	4	3
Germany	392	416	453	10	10	9	11	10	7
Greece	1	2	1	1	1	1	0	0	0
Ireland	16	22	17	7	7	5	0	0	0
Italy	38	35	63	7	6	9	1	1	1
Japan	497	823	1626	6	11	20	14	19	26
Luxembourg	15	14	12	13	12	9	0	0	0
Netherlands	179	142	334	8	8	10	5	3	5
New Zealand	2	2	4	2	2	2	0	0	0
Norway	60	25	39	4	2	2	2	1	1
Portugal	1	1	2	1	1	1	0	0	0
Spain	73	79	58	6	7	4	2	2	1
Sweden	58	54	97	6	5	5	2	1	2
Switzerland	31	35	50	5	5	7	1	1	1
United Kingdom	122	63	112	4	2	3	3	1	2
United States	303	566	903	4	4	5	9	13	15
Total DAC countries	2173	2835	4244	6	7	9	61	65	69
AfDF	142	168	264	12	12	21	4	4	4
AsDF	203	156	197	13	9	16	6	4	3
EC	227	412	730	4	6	8	6	9	12
IDA	772	780	709	12	9	11	22	18	11
IDB Sp.Fund	0	0	23	0	0	5	0	0	0.4
UNICEF	32	19	23	7	4	4	1	0.4	0.4
Total Multilateral	1376	1536	1945	8	8	9	39	35	31
Total	3548	4370	6189	6	7	9	100	100	100

Notes:

- DAC members' figures refer to their bilateral aid. In addition to undertaking bilateral aid activities in the water sector, DAC members also contribute to multilateral agencies active in the field of water. In order to provide the most complete picture possible of the total ODA effort the donor makes in respect of the water sector, data on DAC members' imputed multilateral aid for water can be compiled. These imputed multilateral contributions are not included in the above table to avoid double-counting with the multilateral agencies' outflows, but are available in the full publication, and will be separately provided at www.oecd.org/dac/stats/crs/water.
- The United Kingdom commissioned a study to assess total DFID spending in the water sector, including water-related components of other projects. This suggested a higher level of bilateral spending, £ 128.8 million (approximately USD 238 million) in financial year 2005-2006. (See full publication).

Main recipients

The main recipient regions over the whole period 2001-2006 were Asia (55%) and Africa (32%). Least Developed Countries (LDCs) received one quarter of total aid for water supply and sanitation (WSS), and Other Low Income Countries (OLICs) a further quarter. Loans represented 40% of total water aid to LDCs, and 75% of the total to OLICs.

Chart 3. Distribution of aid to WSS by region, average 2001-06

Commitments, constant 2006 prices

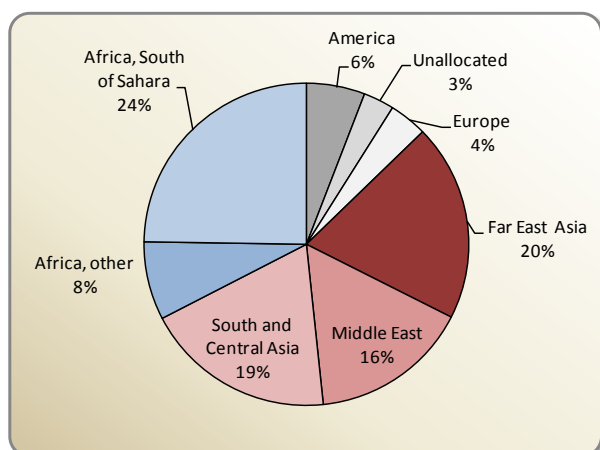
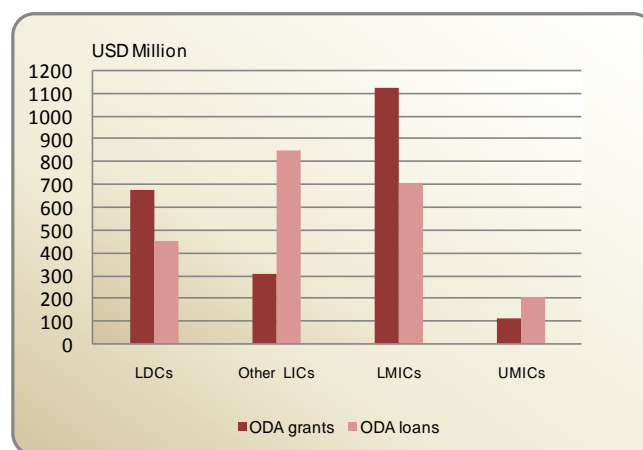


Chart 4. Distribution of aid to WSS by income group, average 2001-06

Commitments, constant 2006 prices



In addition to ODA loans by Japan and reconstruction projects by the United States, DAC members' largest activities were undertaken in **Egypt** (*Water sector programme*) and **India** (*State partnership in Rajasthan*) by the EC; **Bangladesh** (*water supply project in Chittagong* by Japan; *Water supply, sanitation and hygiene* by the Netherlands; *Sanitation, hygiene education and water supply* by the United Kingdom); **Morocco** (German loan for a water sector programme); and **Viet Nam** (Danish sector budget support).

Table 2. Main recipients and donors of aid to the water supply and sanitation sector

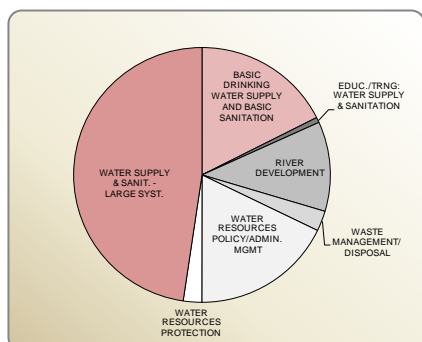
2005-06 average commitments in millions of USD, constant 2006 prices

USD million, average 2005/2006	Japan	United States	EC	IDA	Germany	Other donors	Total donors	% of water aid to all recipients
Iraq	2	744	0	0	0	2	748	12%
India	401	16	47	130	3	25	624	10%
China	369	0	0	3	6	11	389	6%
Malaysia	350	0	0	0	0	0	350	6%
Viet Nam	27	0	0	119	8	186	339	5%
Indonesia	115	0	0	72	2	40	229	4%
Bangladesh	53	0	0	2	0	151	206	3%
Nigeria	2	0	0	164	0	2	168	3%
Morocco	19	0	27	0	49	49	144	2%
Jordan	12	53	0	0	44	0	109	2%
Other recipients	277	89	656	219	340	1303	2884	47%
Total amount	1626	903	730	709	453	1770	6189	100%
% of water aid from all donors	26%	15%	12%	11%	7%	29%	100%	

Main sub-sectors

Chart 5. Sub-sectoral breakdown of DAC members' aid to water supply and sanitation

Commitments in 2005-2006, constant 2006 prices



Projects for “large systems” are predominant and accounted for almost half of DAC members’ total contributions to the water supply and sanitation sector in 2005-06.

River development activities include contributions for dam repair, basin management (e.g. Mekong River Commission, Nile Basin Initiative, and other river basins such as the Niger and Senegal in Western Africa and the Kura in Central Asia). In total, regional basin management activities accounted for about USD 25 million per year in 2005-2006 for Africa (of which USD 15 million for Sub-Saharan Africa) and USD 12 million for Asia.

Half of ODA for large systems was in the form of loans, and loans also represented 80% of the financing of river development. By contrast, DAC members relied almost exclusively on ODA grants to finance basic drinking water supply and sanitation. Grants were also predominant in the sub-sectors of water resources policy and administrative management, water resources protection and education and training.

Allocation of ODA and degree of access to WSS facilities by recipient countries

The region most in need of improved access to water supply and sanitation, Sub-Saharan Africa, received 24% of total aid, although this share decreased in recent years (from 27% in 2001-2004 to 22% in 2005-2006). The next most needy region, South and Central Asia, received 19% of total aid for water over the period.

A significant portion of aid is allocated to countries in difficult situations. Afghanistan, Chad, Laos, Madagascar, Mali, Mozambique, Niger and Zambia all suffer from poor access to water supply (less than 60%) and to sanitation (less than 55%) and received at least on average USD 2.5 per capita over 2005-2006.

However, numerous countries with low levels of access to water supply and/or sanitation received very little during the same period (e.g. Angola, Central African Republic, Republic of Congo, Somalia, Togo received less than USD 0.5 per capita) while the countries with higher levels of access received more (e.g. Albania, Costa Rica, Iraq, Jordan, Lebanon and Malaysia all received at least USD 13 per capita).

Charts 6 and 7. Aid to water supply and sanitation per capita in relation to the degree of access to facilities by recipient countries

Chart 6. Water Supply

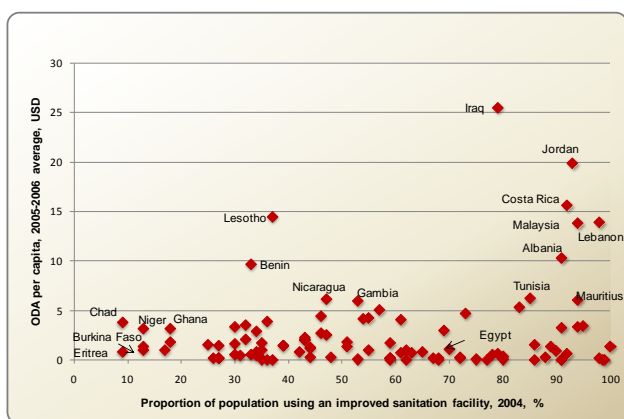
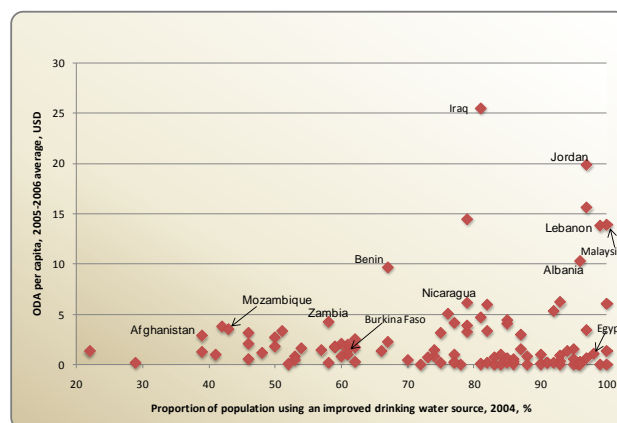


Chart 7. Sanitation



Annex – Technical note

Monitoring flows to the water supply and sanitation sector

DAC statistics - CRS Aid Activity database

DAC and CRS data are the unique source for official, standard and comparable statistics on Official Development Assistance (ODA).

The OECD Development Assistance Committee (DAC) collects aid flows at activity level through the Creditor Reporting System (CRS) and expanded CRS (CRS++), and in the form of aggregates through the annual DAC Questionnaire. The data collection is based on a standard methodology and agreed definitions. Data can be used to analyse trends and compare the efforts of donors.

DAC definition of water supply and sanitation

The DAC defines aid to **water supply and sanitation** as including water resources policy, planning and programmes, water legislation and management, water resources development, water resources protection, water supply and use, sanitation (including solid waste management) and education and training in water supply and sanitation.

The water supply and sanitation sector is divided into the sub-sectors shown in Box 1. This classification does not distinguish between aid flows for water supply and aid flows for sanitation. Possibilities for introducing such a differentiation in future data collection are presented under the *Methodological challenges* below.

The definition of aid for water supply and sanitation excludes dams and reservoirs primarily for irrigation and hydropower and activities related to river transport which are coded elsewhere in the classification (aid to agriculture, energy and transport respectively). Statistics shown in this note are all based on the DAC “narrow” definition of water supply and sanitation. However, the *Donor profiles on aid to the water supply and sanitation sector* shown in the full publication include data based on a “wider” definition (see “*CRS Aid activities in support of water supply and sanitation, 2001-2006*”, OECD/WWC 2008).

DAC statistics classify humanitarian aid as a separate category (the main purpose being to save lives in an emergency context), and do not record the ultimate sector of destination of humanitarian interventions (water, health, education, etc.). Statistics shown in this note therefore do not take into account donors' expenditures on water supply and sanitation that occurred in the context of humanitarian aid.

Recording of loans in ODA statistics

While the bulk of ODA is extended in the form of grants, loans constitute a large share of ODA to certain sectors. About half ODA to water supply and sanitation in 2005-2006 was in the form of loans.

To qualify as ODA, a loan must be **concessional in character** and convey a **grant element of at least 25%**. Concessional in character means the interest rate of the loan must be below market interest rates. The grant element is expressed as the percentage by which the present value of the expected stream of repayments falls short of the repayments that would have been generated at a given reference rate of interest (in OECD DAC statistics 10%). Thus the grant element is nil for a loan carrying an interest rate of 10%; it is 100% for a grant; and it lies between these two for a loan at less than 10% interest. To qualify as ODA, a loan must convey a grant element of at least 25%.

If the loan satisfies the ODA criteria, the whole amount is recorded as ODA. The grant element is not used to discount the face value of a loan in DAC reporting. Repayments of the principal of ODA loans count as negative flows, and are deducted to arrive at net ODA, so that by the time a loan is repaid, the net flow over the period of the loan is zero. (Interest is recorded, but is not counted in the net flow statistics.)

For reference: definition of ODA

Official development assistance is defined as those flows to countries on the DAC List and to multilateral institutions for flows to ODA recipients which are:

- i. provided by official agencies, including state and local governments, or by their executive agencies; and
- ii. each transaction of which:
 - a) is administered with the promotion of the economic development and welfare of developing countries as its main objective; and
 - b) is concessional in character and conveys a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent)

Box 1. Aid to the water supply and sanitation sector: definition and sub-sectors

Water resources policy and administrative management (CRS purpose code 14010)

Water sector policy, planning and programmes; water legislation and management; institution capacity building and advice; water supply assessments and studies; groundwater, water quality and watershed studies; hydrogeology; excluding agricultural water resources (31140).

Water resources protection (CRS purpose code 14015)

Inland surface waters (rivers, lakes, etc.); conservation and rehabilitation of ground water; prevention of water contamination from agro-chemicals, industrial effluents.

Water supply and sanitation - large systems (CRS purpose code 14020)

Water desalination plants; intakes, storage, treatment, pumping stations, conveyance and distribution systems; sewerage; domestic and industrial waste water treatment plants.

Basic drinking water supply and basic sanitation (CRS purpose code 14030)

Water supply and sanitation through low-cost technologies such as handpumps, spring catchment, gravity-fed systems, rain water collection, storage tanks, small distribution systems; latrines, small-bore sewers, on-site disposal (septic tanks).

River development (CRS purpose code 14040)

Integrated river basin projects; river flow control; dams and reservoirs [excluding dams primarily for irrigation (31140) and hydropower (23065) and activities related to river transport (21040)].

Waste management/disposal (CRS purpose code 14050)

Municipal and industrial solid waste management, including hazardous and toxic waste; collection, disposal and treatment; landfill areas; composting and reuse.

Education and training in water supply and sanitation (CRS purpose code 14081)

Note: To assist in distinguishing between “basic drinking water supply and basic sanitation” on the one hand and “water supply and sanitation – large systems” on the other, consider the number of people to be served and the per capita cost of provision of services.

- Large systems provide water and sanitation to a community through a network to which individual households are connected. Basic systems are generally shared between several households.
- Water supply and sanitation in urban areas usually necessitates a network installation. To classify such projects consider the per capita cost of services. The per capita cost of water supply and sanitation through large systems is several times higher than that of basic services.

Example of data collection at activity level

For most types of financial flows, the CRS database records the face value of the activity at the date a grant or loan agreement is signed with the recipient ("commitments"). Data on the amounts disbursed each year are available at the activity level ("disbursements"). Aid flows are measured on a calendar year basis.

Example: Japan committed a loan to Peru in 2000 to support a project to "Improve the sanitation in Lima marginal areas", with subsequent disbursements from 2004 onwards (current million Yen).

Original commitment

Year	Donor	Agency	Project number	Recipient	Sector code	Amount	Flow type	Currency
2000	Japan	JBIC	PE-P30	Peru	14030	22 029	Loan	Yen

Subsequent disbursements

Year	Annual disbursement	Cumulative disbursement	Remains to be disbursed
2004	1 071	1 071	20 958
2005	1 610	2 681	19 348
2006	2 181	4 862	17 166

Methodological challenges

Budget support not allocated to sectors

A number of donors try to increasingly channel their aid to developing countries through general budget support instead of undertaking specific projects in identified sectors. Donors' budget support, once integrated in developing countries' domestic budgets, will contribute to the development of the water sector, but this contribution is not specified and not taken into account in CRS/DAC statistics on aid for water.

General budget support contributions are not earmarked for any specific use but are accompanied by various understandings and agreements on the government's development strategy. This implies that an individual donor cannot control the extent to which its contribution focuses on a particular sector. Furthermore, the contributions are spent through the recipient government's own financial management system. Donors do not control the spending but monitor the implementation of the recipient's strategy as a whole on the basis of an agreed set of indicators.

The United Kingdom estimates its contribution to the water sector through general support based on the assumption that recipient governments spend the same proportion of their budget support on the water sector as the percentage of their total estimated spending on water (as set out in their PRSPs). This methodology was discussed within the *DAC Working Party on Statistics (WP-STAT)* but there was no consensus to use it in standard DAC statistical presentations. The discussion will continue but, in any case, such data would be considered as estimates, and would need to be presented separately from standard statistics on aid flows by sector (as for imputed multilateral contributions).

Separating aid to water supply from aid to sanitation

The UN have declared 2008 the *International Year of Sanitation* to highlight the specific challenges involved in the sanitation area. For UN Water and the EUWI African Working Group, it would be desirable to distinguish between aid flows for the purpose of water supply and those for sanitation only. The situation of countries vis-à-vis water supply or sanitation can vary a lot, with sanitation being a more acute problem than water supply in a number of developing countries.

The WP-STAT addressed this methodological issue at its meeting in June 2008, with UN-Water presenting a proposal for introducing separate purpose codes for “water supply” and “sanitation”. Members favoured having disaggregated data on water and sanitation in principle, but felt that, for practical reasons, the existing combined code should be retained. Indeed, the differentiation was not always possible for projects mixing both aspects. A revised proposal may be discussed at a later meeting.

In the meantime, to test the feasibility of introducing separate purpose codes, members were asked to try and allocate amounts of their largest projects over 2005-2006 against “water supply” and “sanitation” components. Members were able to allocate 42% of their total bilateral aid against the two components, and stated that a further 20% addressed both aspects but components could not be estimated. No information was provided for the remaining 38% of aid. Among the projects examined (62% of total aid), the allocation suggests that almost half of the amount examined goes to water supply aspects, and 21% to sanitation, whereas the remaining 32% address both aspects in unknown proportions.