



THE INTERNATIONAL WATER ACADEMY

AID FOR WATER SUPPLY AND SANITATION

**A report prepared by the Secretariat of the Development Assistance Committee (DAC) of
the OECD at the request of The International Water Academy**

TIWA Seminar “Water for the Poorest”

The World Water Week in Stockholm

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Development Assistance Committee – Comité d'aide au développement

Aid for water supply and sanitation

August 2004

The views expressed in this paper are those of the DAC Secretariat and not necessarily those of the DAC members.

This paper updates the statistical overview of Official Development Assistance (ODA) in the water sector published by the Secretariat of the Development Assistance Committee¹ (DAC) of the OECD in March 2003². It has been prepared at the request of The International Water Academy (TIWA) for a seminar on **Official Development Assistance (ODA) for Water and Sanitation** to be held during the Stockholm World Water Week in August 2004.

Section I presents the latest available data on aid to water supply and sanitation and makes some brief comments on donors' commitments in 2002.³ Section II presents data on ODA disbursements in the water sector over the recent years and, by comparing commitments and disbursements, addresses the question as to how commitments are being implemented. Section III elaborates on the recipient breakdown of aid for water supply and sanitation and provides background material for the Stockholm seminar that will discuss how current aid flows in the water sector address the needs of the poorest.

¹ The members of the DAC are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Italy, Ireland, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the Commission of the European Communities.

² *Creditor Reporting System (CRS) Aid Activities in the Water Sector 1997-2002.*

³ Much of the analysis in the last year's report remains valid and is not repeated here. Readers not familiar with the report are invited to obtain a copy on the DAC website (<http://www.oecd.org/dataoecd/27/22/2955840.pdf>).

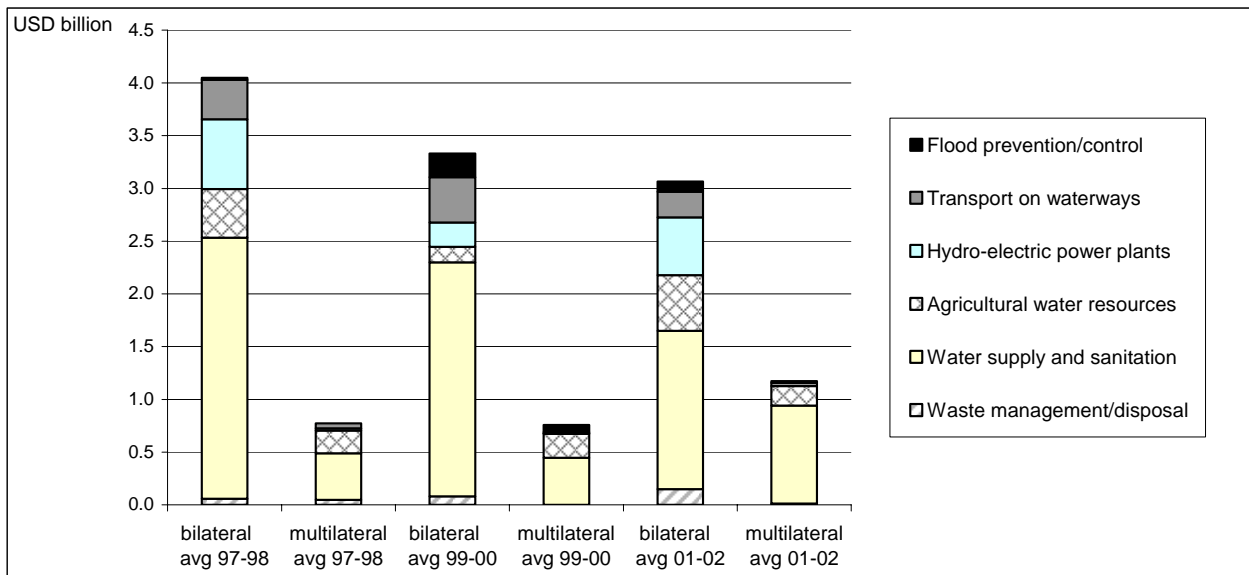
Recalling the context

Definition:

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 definition excludes dams and reservoirs primarily for irrigation and hydropower and activities related to river transport (classed under aid to agriculture, energy and transport respectively).

- This report is about aid to water supply and sanitation i.e. activities that directly contribute to the water-related MDGs (to halve, by 2015, the number of people without access to safe water and basic sanitation). Statistics on aid for water including irrigation, hydropower or transport on waterways are available and can be incorporated in analyses of aid for water if necessary.⁴ Chart 1 below shows the scale of these activities in comparison with aid to water supply and sanitation.
- Solid waste management is not covered by the water-related MDGs and should therefore be excluded from the analysis of aid to water supply and sanitation in this context. This can be done but is an unnecessary complication since solid waste management represents a very small share of total aid to water and sanitation (see Chart 1).

Chart 1. Bilateral and multilateral ODA to water-related activities, 1997-2002
2-year average commitments (constant 2002 prices)



⁴ Data are available in the International Development Statistics online database (see <http://www.oecd.org/dac/stats/idsonline>). Query dataset 1 of CRS online.

Statistical methods:

The DAC data relate to activities that have water supply and sanitation as their **main purpose** (see Box 1). This implies some approximation as the data fail to capture aid to the water sector extended within multisector programmes (e.g. integrated rural or urban development or general environmental conservation). Aid to the water sector delivered through non-governmental organisations may also be excluded, since this is not always sector coded in as much detail as project and programme aid.

Data on the purpose of aid are collected on **commitments** on a calendar year basis. Donors report the face value of the activity at the date a grant or loan agreement is signed with the recipient. Total commitments per year comprise new undertakings entered into in the year in question (regardless of when disbursements are expected) and additions to agreements made in earlier years. (Cancellations and reductions of earlier years' agreements are not taken into account.) Data on the amounts disbursed each year are collected to monitor the implementation of activities.

In data analysis **average data** are used to even out the lumpiness of commitments and thereby to increase the statistical significance of the analysis. Average commitments per year are usually calculated over two or three years. Moving averages give a clearer view of the underlying trends. Analyses of trends in aid over longer periods are based on **constant \$** so as to take account of inflation and exchange rate variations.⁵

Data coverage:

The data cover both bilateral and multilateral aid to water supply and sanitation. For DAC countries, data on total aid commitments to the water sector are available from 1973 on. Detailed analysis is possible for the 1990s. (The CRS Aid Activity database is estimated to cover 85-90% of DAC countries' bilateral ODA for the water sector in 1990-95. From 1996 on the data are close to complete.) Disbursement data are available only for the most recent years. Data for the multilateral organisations cover commitments by the World Bank, the regional development banks, the International Fund for Agricultural Development, the European Commission and UNICEF. As the UNDP and a number of other UN organisations do have a mandate to work on water and sanitation, the data underestimate total multilateral aid in the sector. (N.B. Only data on core budget allocations are missing. Extra-budgetary resources are reported as bilateral aid.)

Box 1. Reporting on the purpose of aid in DAC statistics

In DAC statistics (and in most members' internal reporting systems) each activity can be assigned **only one purpose code**. This is to avoid double-counting when summing up activities in different ways. For activities cutting across several sectors, either a multi-sector code or the code corresponding to the largest component of the activity is used.

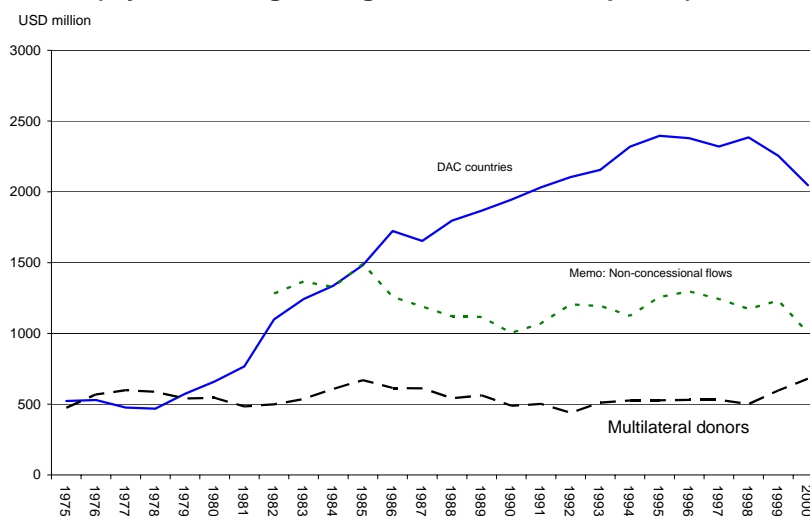
The method of assigning a single purpose code is usually taken to imply that DAC statistics underestimate aid allocated for a specific purpose. This is true if members generally use multisector codes for multisector projects. On the other hand, overestimation can occur in cases where the normal practice is to select the code of the largest component of the activity. In general, the method is not likely to bias analyses of trends and orders of magnitude. To improve the accuracy of data on the sectoral breakdown of aid, some members have decided to report aid activities at the component level.

⁵ An explanation of how data reported in current \$ are converted to constant \$ is given in the CRS User's Guide (see <http://www.oecd.org/dac/stats/crs/crsguide>).

I Recent trends in aid for water supply and sanitation – Update

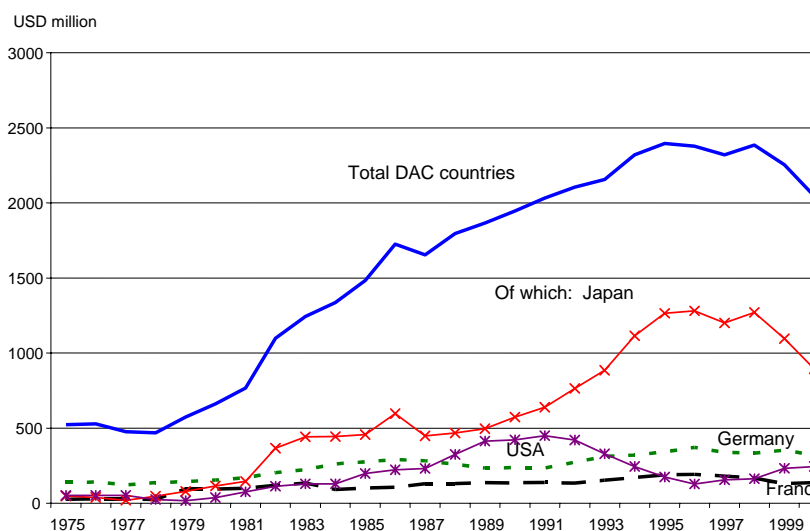
Chart 2.a below illustrates the evolution of bilateral and multilateral aid to water supply and sanitation in developing countries since 1973. The amounts are expressed in 5-year moving averages centered on the year shown. (For example, the figure shown for 2000 is the average value for years 1998-2002 inclusive.) Data on non-concessional financing of water projects by the IBRD and the regional development banks are included for reference.⁶ Chart 2.b on bilateral aid shows that Japan, by far the largest donor over the years, sets the trend. Commitments by France and Germany have been relatively stable or slowly increasing over the years, whereas those of the United States peaked at the beginning of the 1990s.

Chart 2.a Trends in aid to water supply and sanitation, 1973-2002
(5-year moving averages, constant 2002 prices)



Source: DAC statistics, CRS.

Chart 2.b Trends in major bilateral donors' aid to water supply and sanitation, 1973-2002
(5-year moving averages, constant 2002 prices)



Source: DAC statistics, CRS.

⁶ Multilateral non-concessional flows are part of official development finance.

**Chart 2.c Trends in bilateral grants and loans for water supply and sanitation, 1973-2002
(5-year moving averages, constant 2002 prices)**

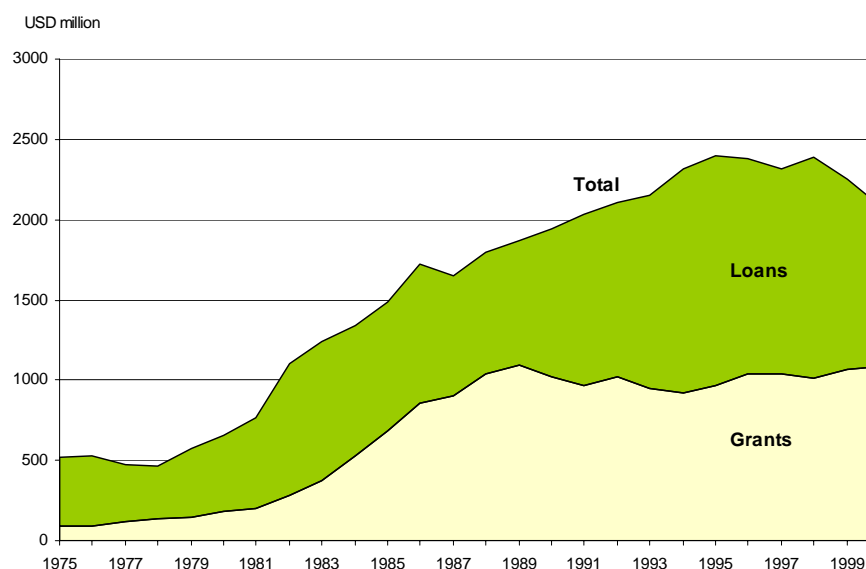


Chart 2.c shows another breakdown of bilateral aid. The increase in ODA to water supply and sanitation since the beginning of the 1990s is essentially due to increased lending. The average grant element⁷ of ODA loans in the water sector for bilateral and multilateral donors combined has been 70%, which also is the average for all sectors. The data for 1990-2002 show slight fluctuations from one year to another but no clear trends. As the share of loans in total ODA for water supply and sanitation is larger than in other sectors, the average grant element of total ODA for water (82%) is inferior to that of all sectors combined (88%)⁸.

Table 1 presents annual average commitments for water supply and sanitation by individual donors. There is a drastic decrease in commitments between 1999-2000 and 2001-02. While in value terms this is mainly due to Japan⁹, the table shows that there were substantial decreases for the majority of donors. In real terms, bilateral commitments were in 2002 at their lowest level since 1985.

The share of aid for water supply and sanitation in DAC countries' total bilateral sector allocable ODA¹⁰ dropped from 9% in 1999-2000 to 6% in 2001-02. Relatively, largest donors of aid to water supply and sanitation in 2001-02 were Germany, Italy, France, the Netherlands, Finland and Ireland. Multilateral aid to water supply and sanitation rose from 6% to 8% of sector allocable ODA thanks to the World Bank but also the African and Asian Development Funds.

The right-hand column of Table 1 shows the share each donor's commitments represent in total aid to water supply and sanitation. In 2001-02 the World Bank was the largest donor, followed by Japan, Germany and the United States.

⁷ The grant element reflects the financial terms of a transaction: interest rate, maturity (interval to final repayment) and grace period (interval to first repayment of capital). It is a measure of the concessionality (softness) of a loan.

⁸ For grants, the grant element is 100% by definition. The more loans are used to finance aid in a particular sector, the lower the average grant element for this sector.

⁹ Data for 2003 (not yet complete) indicate a recovery in commitments by Japan (more than USD 900 million).

¹⁰ About 65-70% of DAC members' bilateral ODA is sector allocable. Contributions not susceptible to allocation by sector (e.g. balance-of-payments support, actions relating to debt, emergency assistance, internal transactions in the donor country) are excluded from the denominator to better reflect the sectoral focus of donors' programmes.

**Table 1. Aid to water supply and sanitation in 1999-2002 by donor:
Annual average commitment and share in total sector-allocable aid**

	USD million		% of Donor Total		% All donors	
	1999-2000	2001-2002	1999-2000	2001-2002	1999-2000	2001-2002
Australia	48	16	6	3	2	1
Austria	35	10	13	6	1	0
Belgium	11	30	4	5	0	1
Canada	31	20	5	3	1	1
Denmark	99	24	15	5	3	1
Finland	13	16	9	7	0	1
France	175	141	11	8	6	5
Germany	314	273	11	10	10	10
Greece	0.4	1	1	1	0	0
Ireland	6	11	7	7	0	0
Italy	35	25	11	10	1	1
Japan	1300	499	13	6	41	18
Luxembourg	8	9	13	13	0	0
Netherlands	54	120	5	8	2	4
New Zealand	1	1	2	2	0	0
Norway	26	36	4	4	1	1
Portugal	7	1	5	1	0	0
Spain	68	45	10	6	2	2
Sweden	27	39	5	6	1	1
Switzerland	27	24	6	5	1	1
United Kingdom	131	86	5	4	4	3
United States	154	267	2	4	5	10
Total DAC countries	2569	1692	9	6	81	63
AfDF	34	106	6	12	1	4
AsDF	44	153	4	13	1	6
EC	228	150	5	3	7	6
IDA	208	582	4	10	7	21
IDB Sp F	47	0	16	0	2	0
UNICEF	31	24	11	8	1	1
Total Multilateral	592	1014	6	8	19	37
Total	3161	2706	8	6	100	100

Note: For the United Nations, due to the lack of reporting from other agencies, only UNICEF data are reflected in table 1.

Descriptive information on commitments in 2001-02

Aid to water supply and sanitation continues to be concentrated in a relatively few recipient countries. Half of the total bilateral and multilateral commitments in 2001-02 were allocated to just ten recipient countries (see Table 2.a). Tables 2.b and 2.c show two other rankings of the top ten recipients of aid in the water sector: (b) on a per capita basis, and (c) relative to the share of aid for water in total bilateral or multilateral aid to a recipient.

In examining the targeting of aid for water with the help of these tables, it should be recalled that allocations to small island states often originate from only one or two donors: Aid to St.Helena consisted of just a few water supply, sewage and waste disposal projects by the United Kingdom. France allocated funds for drinking water supply in St.Vincent & Grenadines, Australia for waste management in Tonga, and IDA and the EC for water supply and waste management in the Comoros. Seven donors made allocations for water projects in Cape Verde and 14 in Burkina Faso or Senegal.

Tables 2.a through 2.c may not give a full picture of the concentration of multilateral aid in the water sector. The data for the European Commission presently cover the European Development Fund projects (i.e. its aid to ACP countries) and lending by the European Investment Bank. Activities financed through the Commission budget in Europe, Middle East, Asia and Latin America can be included in analysis from 2003 onwards. Furthermore, no data are available for the UNDP (core funding)¹¹. Its new project management system should permit reporting from 2004 onwards.

Table 2.a Aid to water supply and sanitation: Top 10 recipients
Average commitments 2001-02

USD million		USD million		USD million	
Top 10 bilateral		Top 10 multilateral		Top 10 total	
China	206	India	225	India	305
Palestinian adm. areas	142	Viet Nam	149	Viet Nam	233
Viet Nam	80	Senegal	77	China	206
India	79	Yemen	65	Palestinian adm. areas	143
Jordan	70	Nepal	60	Nepal	112
Egypt	66	Burkina Faso	53	Senegal	99
Nepal	52	Ethiopia	42	Yemen	78
Morocco	47	Tanzania	38	Jordan	72
Bangladesh	34	Niger	24	Egypt	68
Turkey	31	Guinea	23	Burkina Faso	65
Total	808	Total	756	Total	1381
% of total aid for water	50%	% of total aid for water	82%	% of total aid for water	53%

Table 2.b Aid to water supply and sanitation: Top 10 recipients
Average commitments per capita 2001-02

USD per capita		USD per capita		USD per capita	
Top 10 bilateral		Top 10 multilateral		Top 10 total	
Palestinian Admin Areas	46	Cook Islands	50	Cook Islands	51
St.Helena	38	Dominica	26	Palestinian Admin. Areas	46
St.Vincent & Grenadines	32	Comoros	11	St. Helena	38
Tonga	20	Senegal	8	St. Vincent & Grenadines	32
Cape Verde	14	Mauritius	5	Dominica	28
Jordan	14	Burkina Faso	5	Tonga	20
St.Lucia	12	St.Lucia	4	St. Lucia	17
Djibouti	11	Yemen	4	Cape Verde	16
Montserrat	11	FYROM-Macedonia	3	Jordan	14
Timor-Leste	9	Guinea	3	Comoros	11

¹¹ Extra-budgetary funds are recorded as bilateral aid.

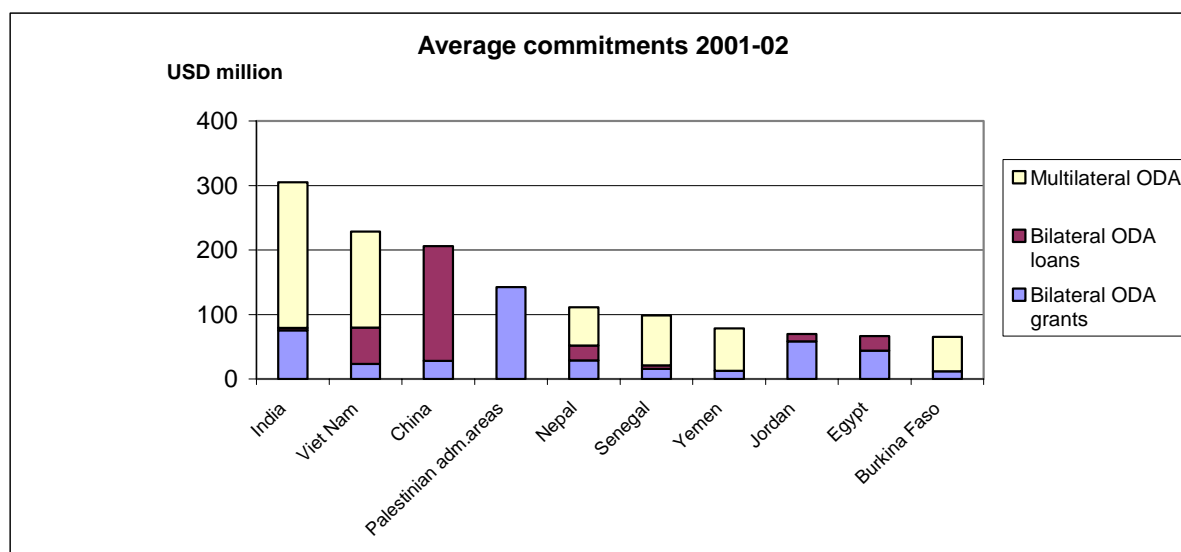
Table 2.c Aid to water supply and sanitation: Top 10 recipients
Share in total commitments to recipient 2001-02

Top 10 bilateral	% of total aid to recipient	Top 10 multilateral	% of total aid to recipient	Top 10 total	% of total aid to recipient
St.Vincent & Grenadines	65	Cook Islands	95	St. Vincent & Grenadines	42
Palestinian adm. areas	32	Uzbekistan	79	Palestinian adm. areas	31
St.Lucia	23	Mauritius	74	Comoros	30
Djibouti	20	Comoros	56	Cook Islands	30
Lebanon	20	Senegal	55	Nepal	27
Nepal	18	Yemen	45	Mauritius	25
Kazakhstan	18	Nepal	45	Yemen	24
Jordan	18	Dominica	29	Senegal	22
Tonga	17	India	22	Lebanon	19
Algeria	14	Burkina Faso	20	Kazakhstan	18

Chart 3 shows the breakdown of aid to water supply and sanitation in the top 10 recipient countries by type of financing.

- In **India**, the focus was on water sector restructuring through loans from IDA and grants from the United Kingdom and the Netherlands. Germany and UNICEF supported water supply and sanitation.
- Aid to **Viet Nam** was quite diversified. Large amounts were allocated to urban wastewater treatment but projects covered also river development, groundwater development and water supply in provincial towns and rural areas.
- Allocations to **China** were for sewage and wastewater treatment. Japan, France, Denmark, Germany and Austria were the main donors. A large share of aid was extended in the form of loans or mixed credits (ODA grants or loans extended in association with export credits. It should be noted that mixed credits do not as a rule finance poverty-focused projects.).
- The United States was the major donor in the water sector for **Palestinian administered areas**. (Data for the European Commission are missing.)
- In **Nepal**, Japan extended funds for improvement of water supply facilities in Kathmandu, Sweden, Norway and the Asian Development Fund in Melamchi, and Finland in rural areas.
- **Senegal** was the first recipient of aid to the water sector in Africa. The focus was on water supply. Belgium started projects in villages, Germany in medium-sized towns and Dakar. Multilateral donors (AfDF, IDA and EC) allocated funds for water supply and sanitation of Dakar.

Chart 3. Main recipients aid to water supply and sanitation in 2001-02
Breakdown by type of flow



II How are commitments being followed up?

Commitment data in DAC statistics relate to project agreements and not to pledges (see Box 2). They can be used to assess whether political commitments, such as the MDGs, translate into action. Statistics in section I constitute one element in the analysis of how donors prioritise actions in support of the water related MDGs. But commitments may be cancelled or decreased; unexpected delays in execution of aid activities are also common. Disbursement data are required, therefore, to examine the contribution of these actions in achieving the goals and to better describe aid flows from a recipient's point of view.

This section supplements the analysis of ODA commitments in the water sector with estimates on actual expenditure. Disbursement data are available only for the bilateral donors.

Box 2. Commitments versus disbursements

Commitments measure donors' intentions and thereby permit monitoring the targeting of resources to specific purposes and recipient countries. Commitments fluctuate as aid policies change, reflecting donors' responses to political upheavals or international recommendations in the field of development co-operation. Disbursement data show the realisation of donors' intentions and the implementation of policies, allowing donors' actual performance to be assessed.

Definitions:

- A **commitment** is a firm written obligation by a government or official agency, backed by the appropriation or availability of the necessary funds, to provide resources of a specified amount under specified financial terms and conditions and for specified purposes for the benefit of the recipient country.
- A **disbursement** is the placement of resources at the disposal of a recipient country (or agency, or in the case of internal development-related expenditures, the outlay of funds by the official sector).

Status of reporting disbursements in the CRS Aid Activity database:

While disbursement data collection has been part of the CRS since its inception, DAC members have had difficulty providing the requested data for all aid activities. Loans have been well covered with the exception of a few members. In contrast, for grants reporting has been incomplete with the exception of a few members. It is only recently that the situation has started to change. Thanks to improved databases and data processing tools, it has become technically feasible for DAC members to report detailed accounting records on large numbers of individual activities. Twenty DAC countries reported disbursement data to the CRS for 2002, covering 90% of total bilateral ODA disbursements in that year.¹²

Table 3 below presents the disbursements of aid for water reported for years 1999-2002 in comparison with average commitments since 1992. Only disbursement data for 2002 are sufficiently complete for an analysis at the total DAC level. They show that total bilateral ODA disbursements for water supply and sanitation were about USD 1.5 billion in 2002 which represents 3.7 % of DAC countries' gross bilateral ODA (reported to the CRS) that year. (The share of aid for water in total bilateral ODA commitments in 2002 was 2.8 %.) Data for Denmark and Italy are missing but in any case would not bring the total above USD 1.6 billion. Disbursement data for 1999-2001 are valid for individual donors only.¹³ (I.e. the total figures for 1999-2001 cannot be compared with that of 2002.)

¹² The coverage of CRS data is assessed each year by comparing aid activity data with the corresponding aggregate data reported in annual DAC statistics. [Cf. CRS User's Guide, section Aid Activity data quality indicators.]

¹³ As CRS disbursement data analyses are still in an experimental stage, DAC members were requested to verify the data in Table 3 and indicate if these greatly differed from statistics produced for their internal purposes. By the deadline of 30 June 2004 revisions had been received from the Netherlands, Norway, the United Kingdom and the United States. Germany commented that the data were of the right order of magnitude but that its internal statistics on aid for water included irrigation.

Table 3. Aid to water supply and sanitation by donor 1992-2002 (constant 2002 prices)

Aid for water	COMMITMENTS					DISBURSEMENTS				
	avg 1992-93	avg 1994-95	avg 1996-97	avg 1998-99	avg 2000-01	2002	1999	2000	2001	2002
Australia	20.3	13.9	17.5	22.6	49.5	6.8	6.6	17.3	17.5	18.4
Austria	10.4	10.6	23.2	44.0	17.0	13.2	30.4	43.2	29.4	5.8
Belgium	2.7	7.8	9.8	12.0	14.9	41.0	9.0	14.5	19.4	10.2
Canada	21.7	15.1	25.8	20.9	22.6	28.4	7.5	14.4	12.5	14.5
Denmark	78.5	21.8	105.2	100.8	33.0	30.1	..	32.4	56.1	..
Finland	24.4	14.8	17.5	11.0	12.9	21.1	11.7	13.6	14.5	13.8
France	147.2	210.8	260.6	158.3	127.7	187.7	109.5	107.2	86.3	100.9
Germany	222.6	364.3	362.6	317.7	367.5	208.9	230.4	216.3	286.5	225.4
Greece	..	..	..	..	..	0.9	..	..	..	0.9
Ireland	..	..	..	..	8.2	13.4	..	7.5	8.7	12.8
Italy	101.3	15.7	40.3	16.4	36.9	41.8	..	..	..	..
Japan	923.1	879.1	1382.4	821.3	1004.7	314.0	571.3	671.2	668.6	780.2
Luxembourg	..	..	..	..	10.2	8.6	..	..	..	..
Netherlands	105.1	75.2	89.0	87.1	89.2	124.2	..	..	113.6	49.3
New Zealand	..	0.2	..	..	..	1.5	..	..	..	0.9
Norway	9.3	26.2	10.3	37.1	34.1	25.8	33.1	26.9	21.3	27.3
Portugal	..	..	..	0.8	7.2	0.4	0.1	0.0	1.2	0.4
Spain	39.1	16.7	17.8	42.5	68.4	44.4	37.4	41.6	41.9	51.3
Sweden	36.3	34.5	25.4	40.8	40.9	24.7	28.2	31.2	59.9	37.2
Switzerland	17.8	11.6	19.7	26.3	28.4	26.1	..	..	..	24.1
United Kingdom	122.0	32.0	66.9	98.9	135.3	67.2	46.1	44.8	57.0	47.6
United States	124.1	51.3	192.4	212.3	286.4	199.1	..	..	..	123.1
EC	..	..	..	..	231.9	95.1	..	..	..	..
Total	2006.1	1801.5	2666.5	2070.8	2627.0	1524.6	1121.3	1282.2	1494.6	1544.0

For some donors, commitments and disbursements of aid for water are of the same order of magnitude. For others, commitments far exceed disbursements i.e. the rate of execution of projects seems to be low. Data for individual donors in Table 3 require careful interpretation, though. As there is always some lag between commitments and disbursements, disbursement data for several years are required to analyse project implementation. Table 4 presents data for France, Germany and Japan which account for over a half of total bilateral aid for water and for which the longest data series are available.

For example, commitments in the water sector in 1990 by France, Germany and Japan amounted to USD 904 million. Of this amount, USD 7 million was disbursed during the same year, USD 30 million in 1991, USD 82 million in 1992 etc. At the end of 2002, disbursements had amounted to USD 812 million which represents 90% of the original commitments.

Table 4 seems to indicate that water projects committed in 1990-91 have been completed (but not fully disbursed), whereas projects committed after 1992 are still ongoing. The peak in disbursements occurs 4-5 years after the original commitment, but project implementation in the water sector takes on the average at least 8 years.¹⁴

¹⁴

Ideally, comparisons of commitment and disbursement data should be done in the currency in which aid was extended. This introduces, however, major technical complications to data analysis. Loans would have to be analysed one by one as donors extend ODA loans in various currencies. All data for countries of the euro zone would have to be converted backwards in time. Tests done with data on a few projects suggest that a part of the undisbursed amount for commitments in 1990-01 could be explained by the conversion of the data in dollars. It remains to be confirmed whether this is a general phenomenon.

Table 4. Aid to water supply and sanitation by France, Germany and Japan: Disbursements for activities committed since 1990 (millions of USD)

Year of original commitment	Amount committed	Amount disbursed per year													Total disbursed end 2002	Total disbursed as % of total committed
		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002		
1990	904	7	30	82	96	167	195	112	60	35	10	6	10	1	812	90%
1991	742		13	139	92	81	105	95	26	30	5	1	0	0	587	79%
1992	1141			108	137	138	123	84	88	53	64	65	33	48	940	82%
1993	1837				59	141	161	185	176	88	81	60	29	40	1021	56%
1994	1971					24	89	281	190	155	100	92	52	52	1035	52%
1995	1892						85	254	203	140	150	135	78	46	1092	58%
1996	2479							26	203	171	187	206	176	210	1179	48%
1997	2293								50	175	148	146	123	103	744	32%
1998	1692									33	176	250	214	163	835	49%
1999	1141										40	103	122	89	354	31%
2000	2305											23	144	177	345	15%
2001	977												44	153	197	20%
2002	718													22	22	3%
Total disbursements in 2002:														1104		

Charts 4 and 5 illustrate the disbursement pattern. In Chart 4 cumulative disbursement data are compared with the original commitments. The rate of execution of water projects committed by France, Germany and Japan in 1990-91 was 85%. Disbursement data for the next coming years will indicate whether this is a "normal" or "exceptional" rate of execution of water projects. (See also footnote 14.) Chart 5 shows the annual disbursements and the trend line, but there are of course variations between donors and types of flows. The period of disbursements of ODA loans in the water sector is somewhat shorter for France than for Germany and Japan. As regards grants, disbursements by France and Germany take as long as for loans, whereas Japanese grants are disbursed within 3 years.¹⁵

The slow pace of disbursements is not specific to the three large donors. Data for Canada, Finland, and the United Kingdom (not shown) suggest that only 10-20% of the total commitment is usually disbursed during the first two years; after five years cumulative disbursements represent slightly over 50% of the original commitment. Swedish projects seem to follow a different pattern (up to 30% disbursed during the first year and 80% after five years). In all cases disbursements continue for 8-9 years and a part of the original commitment remains undisbursed.

It is difficult to compare commitments and disbursements, and the presently available data do not really permit making general statements about project implementation. There is one clear message, however. In the water sector there is a several years' lag between the commitments and disbursements. Chart 6 further illustrates this point by showing that almost half of disbursements in the water sector in 2002 related to projects committed prior to 1998. It could therefore be expected that disbursements of aid for water will increase in the next few years to reflect the large commitments made by donors in the middle of 1990s. Similarly, in 4-5 years from now disbursements are likely to decrease to follow the cuts in aid for water in recent years.

¹⁵

For Japan, it looks as if grant disbursements follow the 3-year budgetary cycle.

Chart 4. Aid to water supply and sanitation by France, Germany and Japan – projects committed in 1990-91: Cumulative disbursements (millions of USD)

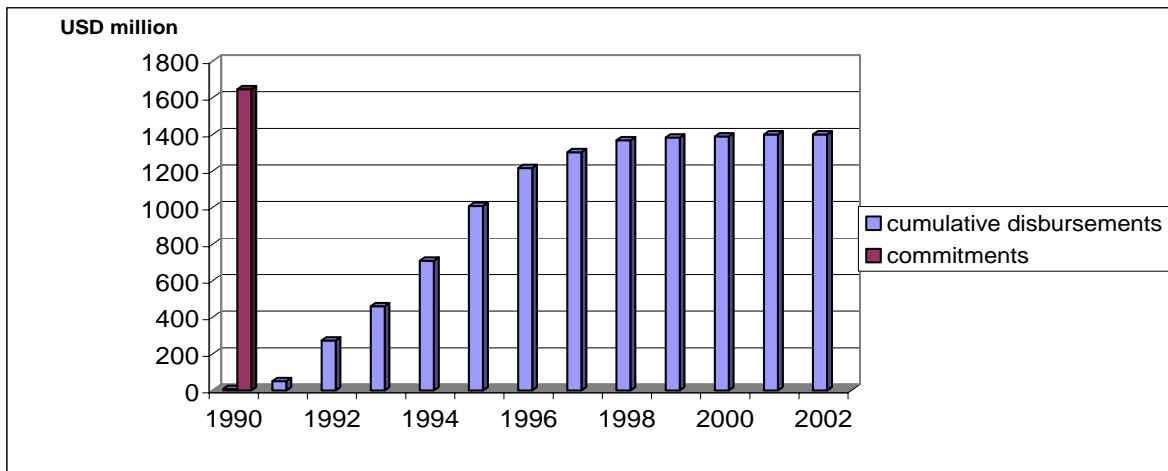


Chart 5. Aid to water supply and sanitation by France, Germany and Japan – projects committed in 1990-91: Disbursement pattern (millions of USD)

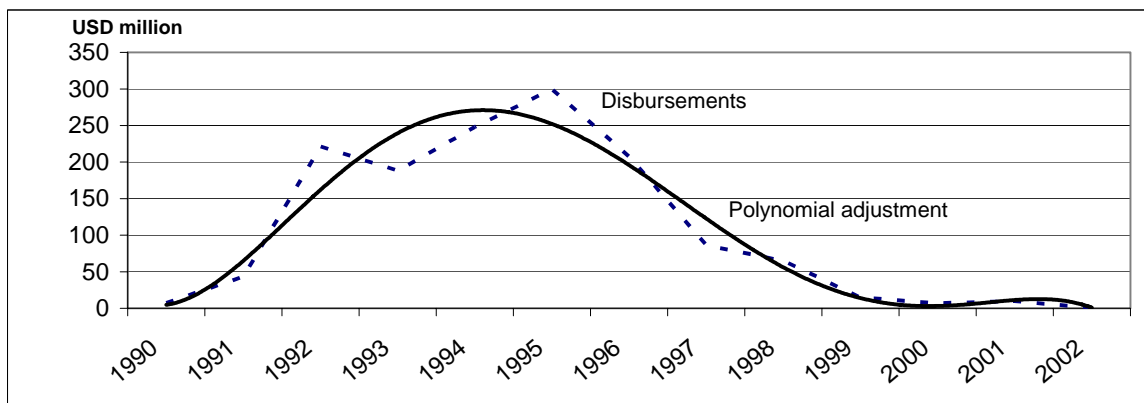
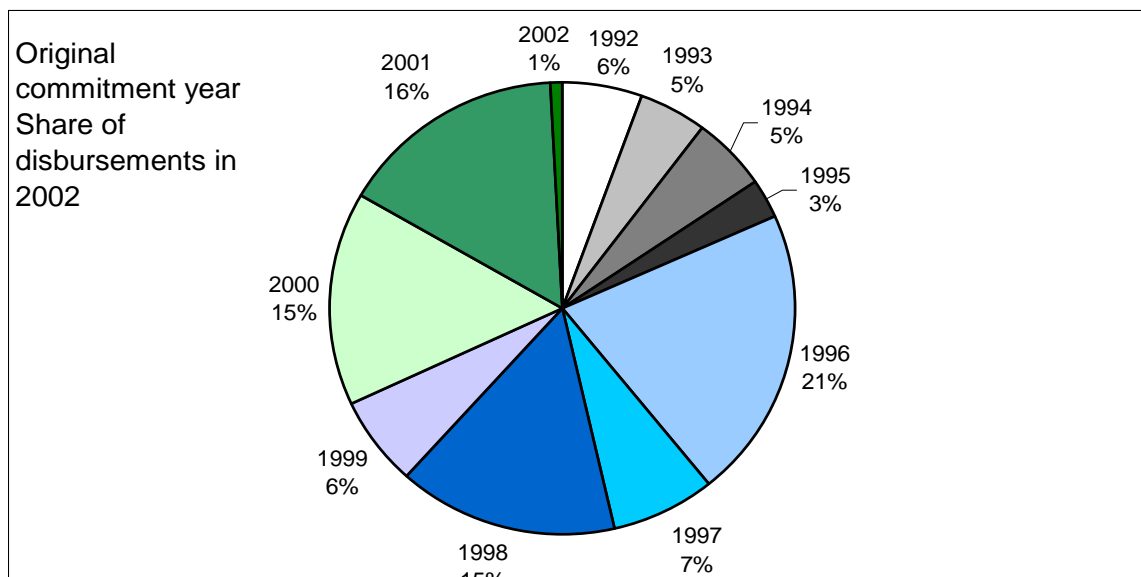


Chart 6. Disbursements in the water sector by France, Germany and Japan in 2002

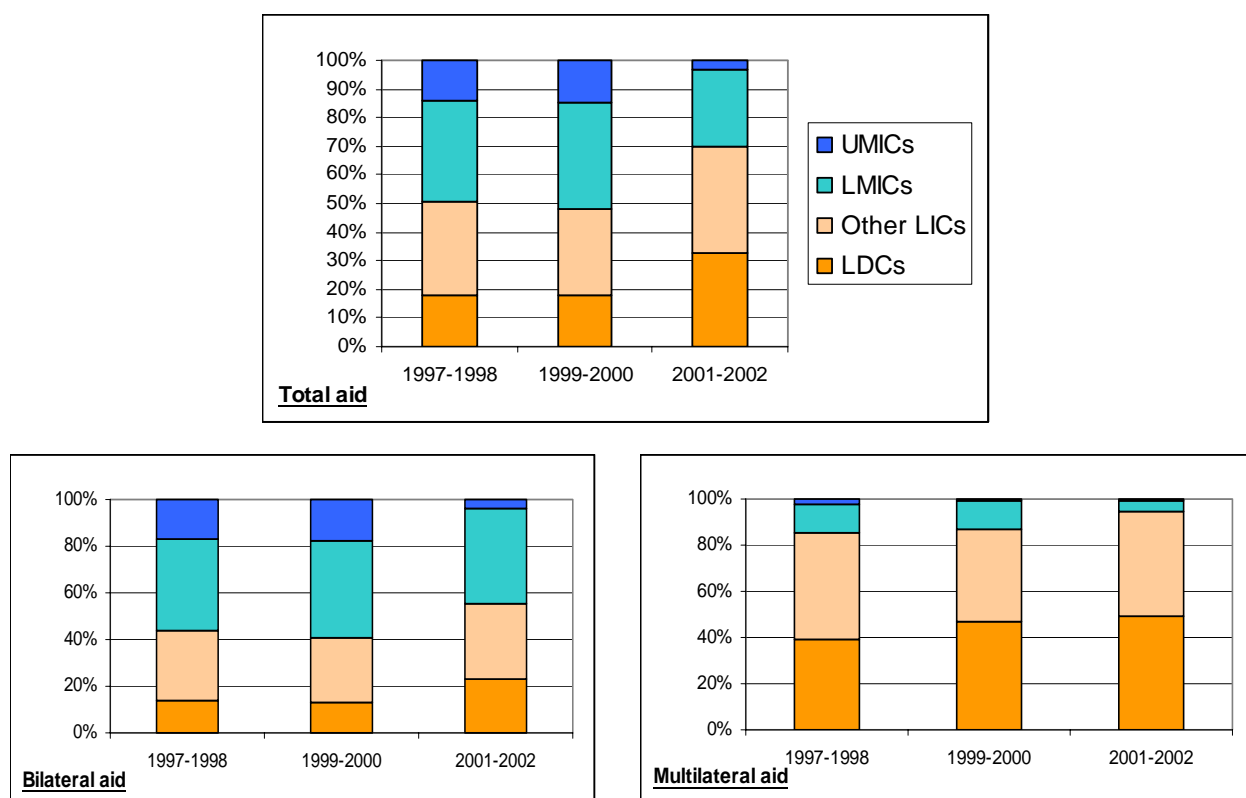


III Does aid to water supply and sanitation reach the poorest?

The above analysis of aid to water supply and sanitation is based on donors' reporting to the CRS Aid Activity database. As the CRS is first and foremost a financial information system, project descriptions are succinct and seldom specify the target group or the geographical target area. This section discusses whether the data nevertheless permit some analysis of the poverty focus of donors' aid programmes.¹⁶ The water-related MDGs aim at providing safe drinking water and basic sanitation for the poorest, but is aid to water supply and sanitation targeted to the poorest?

Chart 7 shows aid to water by income group. In the water sector, the share of aid to Least Developed Countries (LDCs) and other Low Income Countries (other LICs) in total aid has increased over the period 1997-2002 from 50% to 70%, indicating that aid has become more poverty-focused. The share of aid to Upper Middle Income Countries (UMICs) decreased from 14% to 3%. In 2001-2002, bilateral donors shared their aid to water between LDCs and other LICs on one side, and Lower Middle Income Countries (LMICs) on the other; multilateral donors concentrated on LDCs and other LICs with 94% of their total aid to water dedicated to these income groups. The chart excludes non country-specific aid, regional and world programmes. Those accounted for 2-3% of total aid to water, and consisted of regional basin management (Mekong river) and regional water supply and sanitation programmes, as well as contributions to the Global Water Partnership.

Chart 7. ODA to water supply and sanitation by income group, 1997-2002



¹⁶ Qualitative CRS data items include the policy markers but the "direct assistance to poor people" marker was recently abolished as the gaps in reporting made the data of little use.

Chart 8 highlights the share of grants and loans in total aid to water by income groups. In 2000-2002, half of aid to water for LDCs and LMICs was in the form of loans mostly extended by multilateral donors for LDCs and bilateral donors for LMICs. In the case of other LICs, the share of loans is even larger, 76%, with 42% from bilateral donors. Aid to UMICs is essentially in the form of loans from bilateral donors. These comments may be complemented by the analysis of the grant element, which reflects the financial terms of a loan, and is a measure of its softness (see footnote 7). In 2001-2002, the average grant element of loans was higher for low income countries than for middle income countries, as follows: **80%** for LDCs, **76%** for other LICs, **70%** for LMICs and **56%** for UMICs. Multilateral donors' loans to low income countries had an average grant element of 80%. Bilateral donors applied more favorable terms on loans to low income countries than to middle income countries.

Chart 8. ODA to water supply and sanitation by income group and by type, commitments 1997-2002

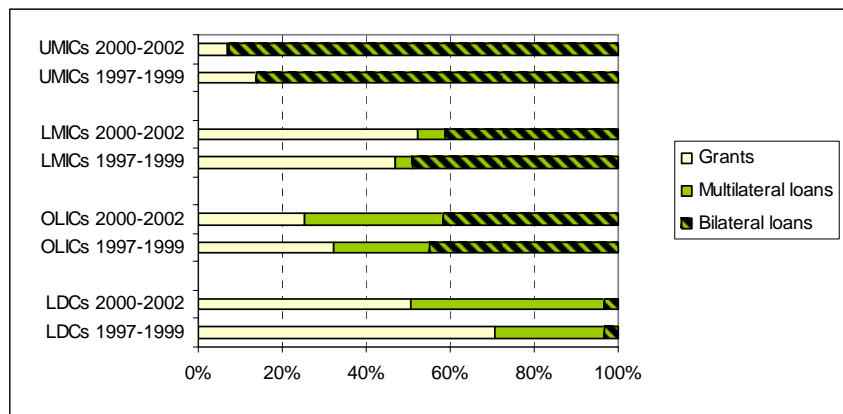
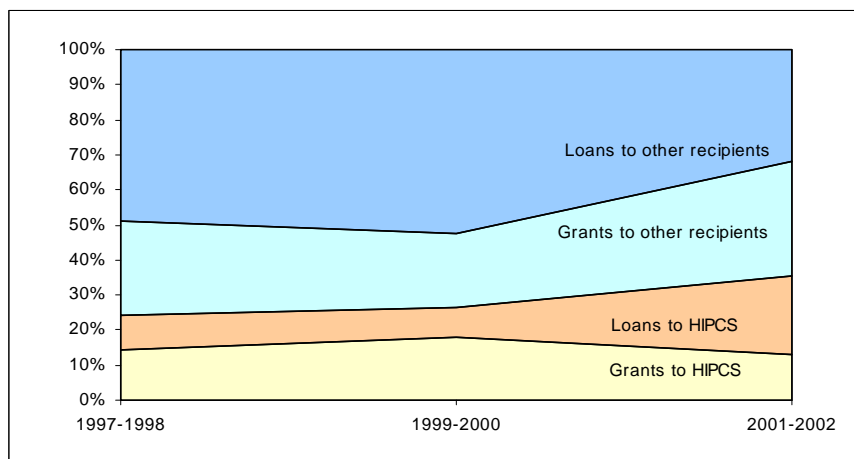


Chart 9 illustrates that the share of aid for water and sanitation to Heavily Indebted Poor Countries (HIPC) in total aid for water reached 30% in 2001-2002. More than half of this amount was extended in the form of loans.

Chart 9. ODA to water supply and sanitation in HIPC countries as a share of total, commitments 1997-2002



The regional distribution of aid to water supply and sanitation is presented in chart 10. Between 1997-1999 and 2000-2002, the share of aid to Africa slightly declined and came to 27% while the share to Middle East and South and Central Asia increased from 21% to 28%. An analysis of the sub-sectoral breakdown of aid to water and sanitation shows that in America, Far East Asia and North Africa, approximately 80% of aid to this sector were used within “large system” projects, whereas 2 to 12% were for “small systems” projects. In Sub-Saharan Africa and South and Central Asia, only 45% went to large systems, and 27% and 23% respectively to small systems.

Chart 10. ODA to water supply and sanitation by region, commitments 1997-2002

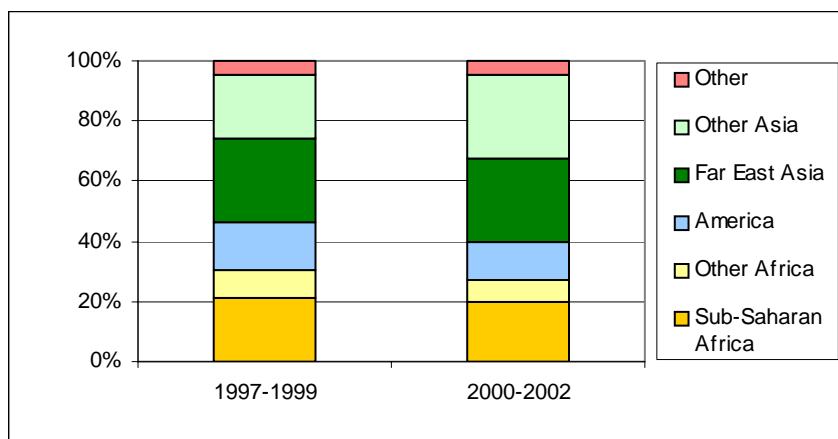


Chart 11, 12 and 12bis give a picture of how aid to water targets countries most in need as regards this sector. They compare aid to water allocated to recipients, and the value of the indicator “Share of population with access to improved drinking water sources”. As in last year’s OECD report on aid to water, it still seems that many countries where a large proportion of the population lacks access to safe water receive very little of the aid. Chart 11 shows that only 16% of total aid to the water sector in 2001-2002 went to countries where less than 60% of population has access to improved drinking water sources. Charts 12 and 12bis show that amounts of aid (totals and per capita) received by countries most in need are very small (Afghanistan, Chad, Cambodia).

Chart 11. ODA to water supply and sanitation by recipient – overview of targeting to countries most in need, commitments 2001-2002

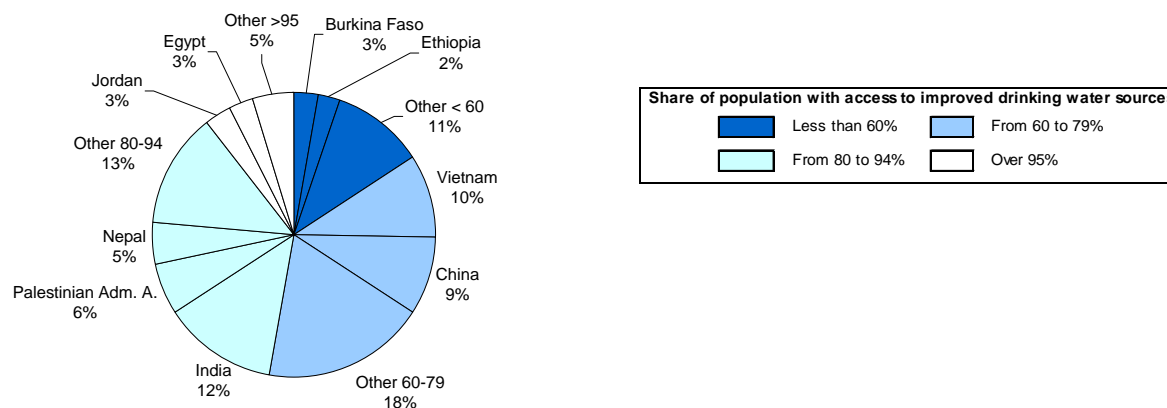


Chart 12. ODA to water supply and sanitation and access to water by recipient, total value commitments 2001-2002

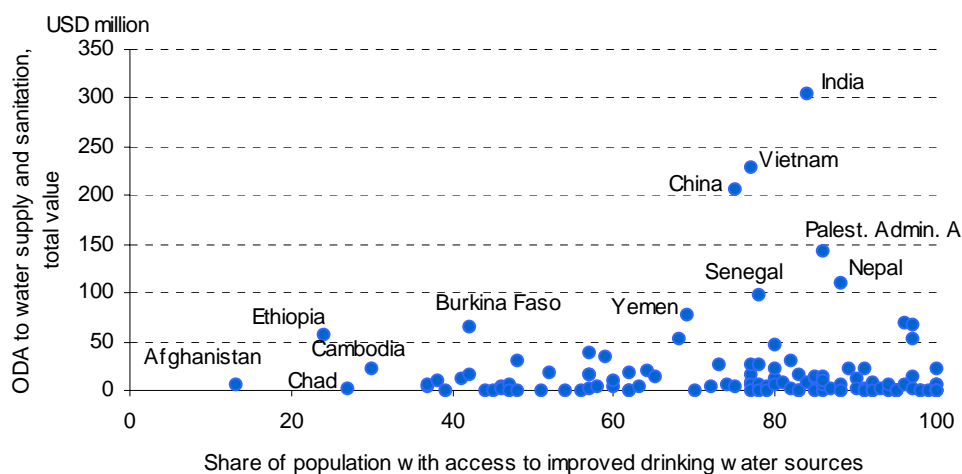
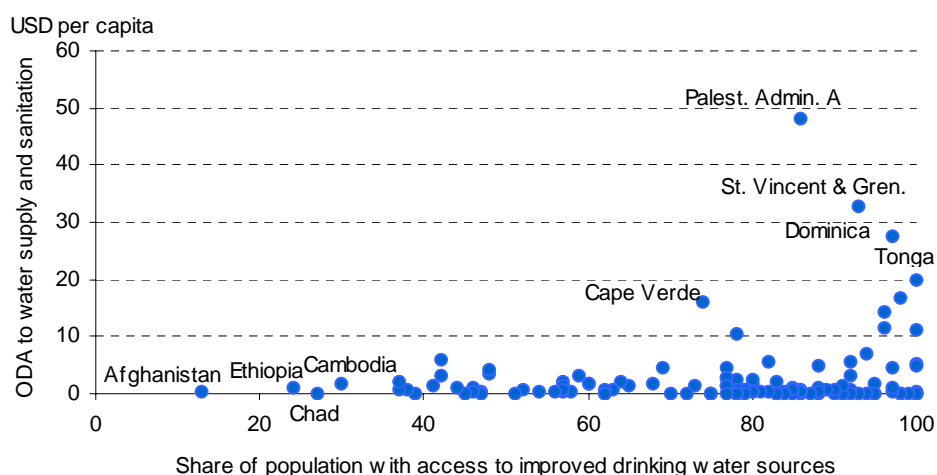


Chart 12bis. ODA to water supply and sanitation and access to water by recipient, per capita commitments 2001-2002



The above analysis does not entirely answer the question whether aid is directed to where it is most needed. Indeed, projects in relatively rich countries may be targeted to the poorest regions or groups while projects in poor countries may tend to benefit the better off. In an attempt to better identify poverty-focused activities, the DAC Working Party on Statistics revised in June 2004 the name of one water sub-sector: “Water supply and sanitation – small systems” to “Basic drinking water and basic sanitation”. This should allow more targeted data collection in future.