

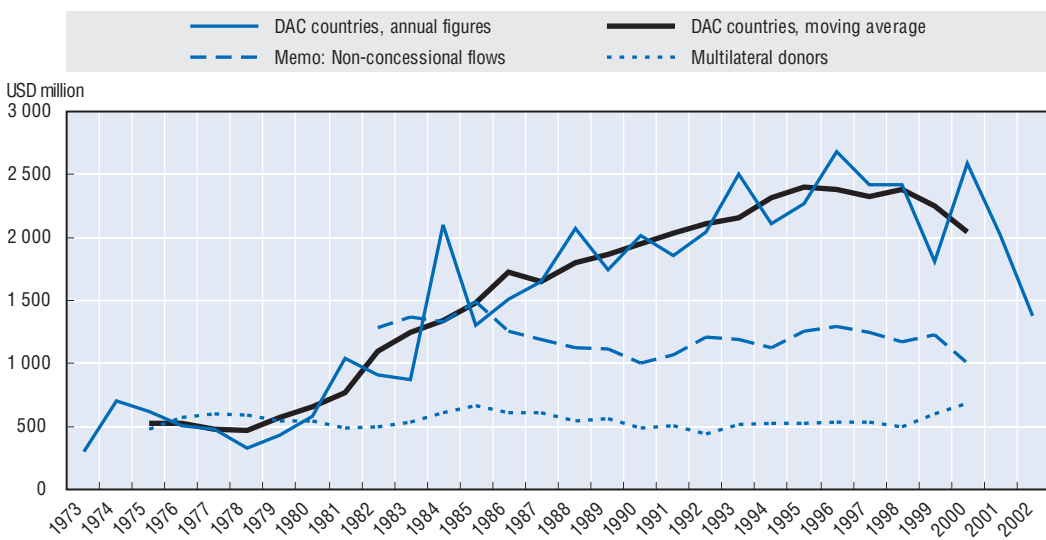
## Special Focus on Aid for Water Supply and Sanitation

Figure 2.14 illustrates the evolution of bilateral and multilateral aid to water supply and sanitation<sup>1</sup> in developing countries since 1973. DAC members' bilateral aid for the water sector increased for two decades at an annual average rate of 9%. A downward trend is observed since the middle of the 1990s. This reflects cuts in ODA in general – the share of aid for water supply and sanitation in total ODA remained relatively stable in the 1990s. However, in 2001-02 the trend in ODA reversed whereas aid for water continued to decline. The share of aid for water in DAC countries' bilateral sector-allocable ODA<sup>2</sup> dropped from 9% in 1999-2000 to 6% in 2001-02 due to substantial decreases in commitments by the majority of donors.<sup>3</sup> In real terms, bilateral commitments were at their lowest level in 2002 since 1985.

Yet clean water and basic sanitation have been at the top of the international development agenda since the adoption of the Millennium Development Goals. The investments required to reach the MDG Target 10 have been estimated, starting with the unit cost of boreholes, standpipes and pit latrines, multiplying these by the number of new connections to be provided up until 2015 and allowing for variations in unit costs between regions. Strategies for financing the investments have been discussed in several international conferences. These have resulted in a common agreement that financing access to water and sanitation requires fundamentally different strategies in different countries. Work is ongoing to transform the general principles into guidelines that would be relevant at the country level. Systems to monitor the progress towards the targets are being put in place. In view of all these efforts, the decline in aid for water seems paradoxical.

Figure 2.14. Trends in aid to water supply and sanitation, 1973-2002

5-year moving averages, constant 2002 prices



Some explanations for the trend in recent years were put forth at the “Water for the Poorest” seminar, organised during the Stockholm World Water Week in August 2004. First, water supply and sanitation had not been incorporated in poverty reduction strategies (PRSPs) and could therefore not attract financing through this mechanism. The lack of viable projects was another problem. Water projects were generally considered as risky and programme managers in donor agencies, accountable for their portfolios, were seen as reluctant to take too many risks. 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 poor communities where the needs were greatest, but rather to areas where the criteria for donor success were in place.

Data on the implementation of water projects suggest yet another explanation. In the water sector there is a lag of several years between commitments and disbursements, and project implementation takes on average at least eight years. But project preparation is lengthy too. Donors’ actions with regard to their political pledges (MDG Target 10) may become visible in the data on commitments of aid for water only a few years from now. Disbursements in the water sector may rise in the near term following large commitments made by donors in the middle of the 1990s, but in 4-5 years from now disbursements will probably decline as a result of cuts in commitments of aid for water in recent years.

The Millennium Project Task Force on Water and Sanitation has analysed ODA to water supply and sanitation and noted that it has heavily focused on the provision of urban infrastructure to middle-income countries. For many of them borrowing from the private sector is now a viable financing option. Similarly, some low-income countries, such as India, China and Indonesia, have relatively sizeable domestic resources for financing water and sanitation. The Task Force therefore considers that “countries most in need of aid for water” are those low-income countries where the majority of population lacks access and lives in absolute poverty. Sub-Saharan Africa requires substantial external finance as it is

Figure 2.15. **Main recipients’ aid to water supply and sanitation in 2001-02**

Breakdown by type of flow

Average annual commitments 2001-02

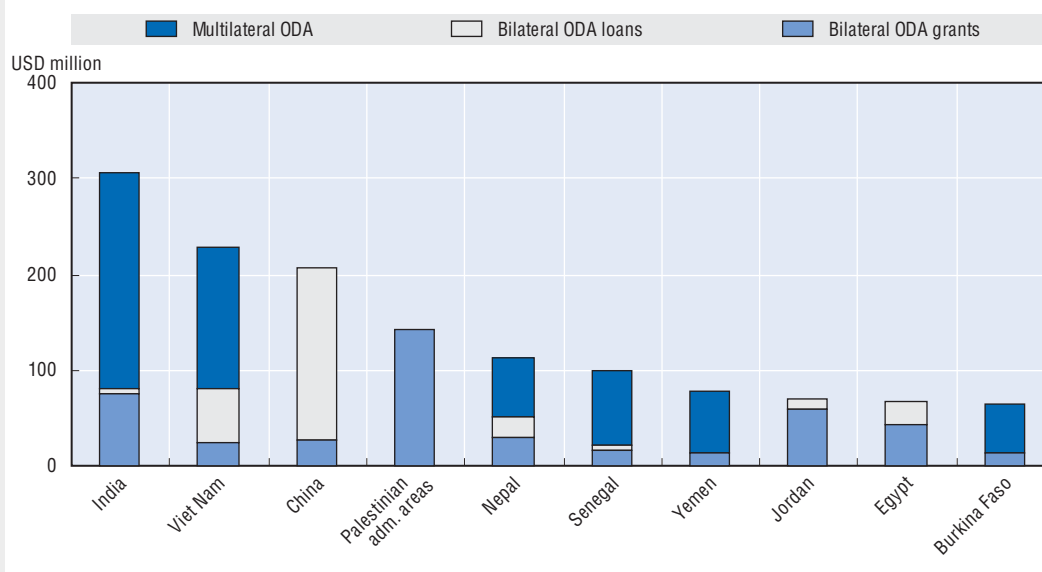
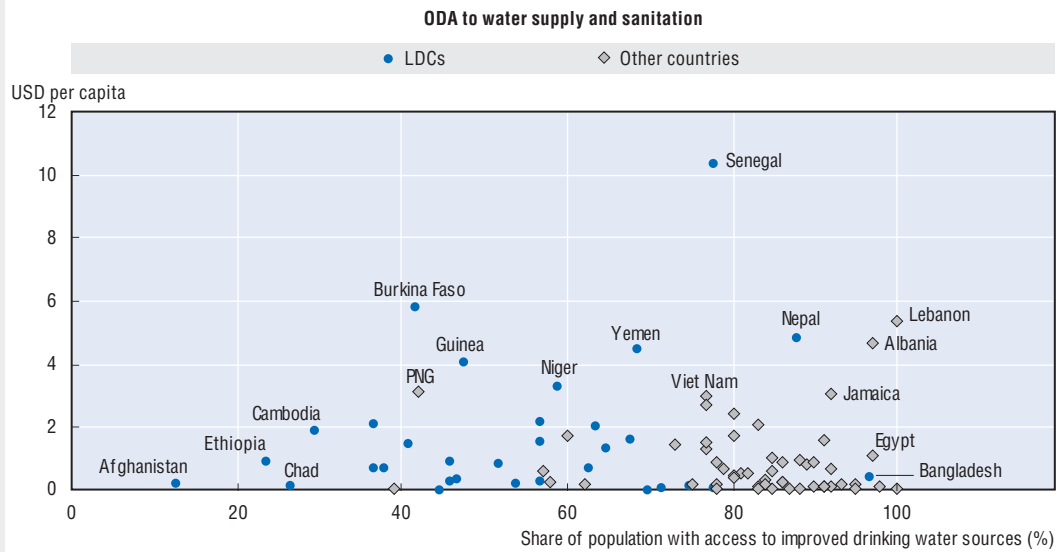


Figure 2.16. **ODA to water supply and sanitation and access to water by recipient, per capita commitments 2001-02**



highly unlikely that the investment gap be filled by the private sector.<sup>4</sup> Improved mechanisms for domestic resource mobilisation, such as improved tariff schemes, are important but cannot alone raise sufficient funds. This implies that in some countries donors may also have to fund substantial shares of operating costs.

ODA for water is concentrated in relatively few recipient countries. Figure 2.15 illustrates the top ten recipients of aid to water supply and sanitation in 2001-02. Half of total commitments in 2001-02 to this sector were allocated to these countries. But this is an improvement on 1990-91, when the top ten recipients obtained 60% of aid allocations in the water sector. Another positive observation is that four of the top ten recipients in 2001-02 were LDCs (two in 1990-91).

Figure 2.16 addresses targeting aid for water to countries most in need.<sup>5</sup> ODA to water supply and sanitation per capita is plotted against the indicator on access to improved

“Focus on aid for water” pages on the DAC statistics website ([www.oecd.org/dac/stats](http://www.oecd.org/dac/stats)) make available the most frequently requested data on aid to water supply and sanitation in ready-made tables and figures. Two recent analytical reports on aid for water (March 2003, August 2004) prepared by the DAC Secretariat are also included. The International Development Statistics online database ([www.oecd.org/dac/idsonline](http://www.oecd.org/dac/idsonline)) allows users to create statistical presentations corresponding to their needs.

- The annual aggregate DAC statistics contain data on total aid for water supply and sanitation by donor.
- The CRS Aid Activity database provides for detailed analyses by recipient and by sub-sector, both at the level of individual projects and in table form.
- Advice on statistical methods and terminology and practical guidance for data search can be found in the User's Guide ([www.oecd.org/dac/stats/crs/guide](http://www.oecd.org/dac/stats/crs/guide)).

drinking water sources,<sup>6</sup> distinguishing between LDCs and other countries. Examined from this angle, six countries (Senegal, Burkina Faso, Nepal, Yemen, Guinea and Niger) of the top ten recipients could be considered as countries most in need. However, the figure does not demonstrate a strong focus on the countries most in need (few dots on the upper left) although the annual average per capita allocation to LDCs is higher than it is for other countries (USD 1.7 and USD 0.9, respectively).

The fall in total commitments to the water sector, the focus on urban infrastructure in middle-income countries, and the small share of aid going to countries suffering most from lack of clean water all suggest an urgent need to reorient priorities in aid to the water sector.

## Notes

1. 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).
2. About 65-70% of DAC members' bilateral ODA is sector allocable. Contributions not susceptible to allocation by sector (*e.g.* general budget 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.
3. Multilateral aid to water supply and sanitation rose from 6% to 8% of sector-allocable ODA.
4. The private sector can of course play an important role in the provision and operation of water and sanitation infrastructure.
5. Countries with a population less than 3 million have been excluded to improve its clarity.
6. "Water, percentage of population with access to improved drinking water sources, total" is used. Aid to water supply is not separately identifiable from aid to sanitation. In only a few cases (*e.g.* Bangladesh) does the rate of sanitation coverage diverge markedly from that for access to improved drinking water.