

EAP Task Force

**Joint Meeting of the EU Water Initiative's EECCA
Working Group and the EAP Task Force Environmental Finance
and Water Networks**

29 March –1 April 2005, Chisinau, Moldova

**OUTLINE PAPER: MEETING THE MDG DRINKING WATER AND
SANITATION TARGET IN THE EECCA REGION:
A GOAL WITHIN REACH ?**

Participants are invited to take note of the document and to provide their comments on its content. In particular delegates are invited to provide their views on the key messages contained in the document and highlight any country examples of institutional and legal reforms that they would wish the EAP Task Force Secretariat to include in the document when it will be developed into its full length.

ACTION REQUIRED: For information and discussion.

I - Objective of discussion

In September 2000, an unprecedented gathering of world leaders adopted the Millennium Declaration at the United Nations Millennium Summit, from which emerged the Millennium Development Goals (“MDGs”) and related targets, i.e. a number of quantitative objectives to be reached by 2015 in poverty, health, education, gender equality, environment and international co-operation¹. All of these areas of focus are actually directly or indirectly impacted by the prevailing status of the Water Supply and Sanitation (“WSS”) sector². As nearly five years have elapsed since the Millennium Declaration, time has now come for an assessment of progress made to-date towards the reaching of the MDGs, of which the crucial Drinking Water and Sanitation MDG Target.

In this context, the EAP Task Force was asked to undertake (i) work on progress made towards the achievement of the Drinking Water and Sanitation MDG target (the so-called MDG “Target 10”) in the EECCA region, and (ii) a review of existing studies made on the cost of achieving Target 10, with a view to informing Ministers at the “Almaty + 5” Conference and initiating a discussion on this issue.

This outline paper provides a synopsis of a more comprehensive and detailed background paper, the purpose of which is to summarise the EAP Task Force study’s findings and formulate some recommendations related to the monitoring of progress towards MDG Target 10. This background paper will be supporting the Ministers’ discussion on the WSS MDG during the second preparatory meeting next June in London.

II – Key issues

2.1) Monitoring progress towards Target 10: description of the current system

The official definition of the Drinking Water and Sanitation MDG target, one of the three targets within the seventh MDG focusing on environmental sustainability, is as follows:

“Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation”.

Two indicators were designed to monitor progress towards this target and are used by the Joint Monitoring Programme (“JMP”), the official mechanism within the United Nations for monitoring international goals on access to drinking-water and sanitation:

- Indicator 30: Proportion of population with sustainable access to improved water source, urban and rural;
- Indicator 31: Proportion of population with access to improved sanitation, urban and rural.

In both cases, water sources and sanitation are deemed as “improved” if the underlying technology itself belongs to the list of technologies defined as “improved” technologies. For instance, a household connection or a simple pit latrine both being considered as “improved” technologies, their users will be assumed as having sustainable access to improved water sources and sanitation respectively.

Progress towards the reaching of MDG Target 10 is thus measured by the increase in the proportion of population using an “improved technology”, this proportion being itself mainly determined on the basis of

¹ www.un.org/millenniumgoals/

² This will be clearly evidenced in the background paper

national household surveys conducted by international organisations³. Data so collected is reviewed and assessed by JMP.

2.2) Impact of the system's weaknesses on the reporting of progress in the EECCA region

The current monitoring system raises a number of key issues, ranging from the interpretation of Target 10 to the monitoring method itself:

- *No official definitions exist for “sustainable access”, “safe drinking water”, “basic sanitation”* providing room for various interpretations;
- *“Improved technologies” do not necessarily provide access to safe water and basic sanitation*; the safety and reliability of water sources, the adequacy of sanitation facilities from a user's point of view are being overlooked by the monitoring system. For instance, a household connection, classified as an “improved technology”, can be subject to intermittence and poor water quality;
- *The low frequency at which household surveys are conducted, their lack of harmonisation* make comparison difficult from one survey to the other. Due to the *absence of questions related to quality, reliability or affordability of water supply and sanitation services*, a true picture of the WSS sector cannot be gathered;
- *The inadequacy of the regression line method* to make backward and forward projections in the EECCA context, where very few data points are available: 7 out of 12 EECCA countries only have one data point resulting from a survey conducted between 1990 and 2002 to feed the regression line method;
- *The lack of (i) clear national and – in the case of large countries - even sub-national/regional targets and (ii) intermediary targets* increases the difficulty of effectively monitoring progress towards Target 10.

In the EECCA region, the combination of (i) traditionally high connection rates inherited from Soviet times, (ii) poor reliability and quality of water supply and sanitation services, which remain an issue in many countries and (iii) insufficient data available to properly extrapolate trends, leads to a particularly distorted picture of the status of the WSS sector as provided by the official UN MDG progress monitoring system:

- in its 2004 global progress report⁴, the UN assesses progress made towards Target 10 on a regional basis: in the EECCA region, Target 10 is deemed as already met in the urban water supply sector. The situation in the rural water supply and urban sanitation areas is characterized by a high access with “limited change” (progress at a rate so far insufficient to meet Target 10). The only area where “no significant change” is registered is the rural sanitation sector.
- JMP provides national coverage estimates for the years 1990 and 2002⁵ in its 2004 “Mid-Term Assessment of Progress” report⁶ derived from the regression line method. In most countries, the situation in the WSS sector is presented *ad minimum* as unchanged between 1990 and 2002, and in two of them even in progress (water supply sector in Azerbaijan and the Russian Federation). In other words, no deterioration of WSS services is reported between 1990 and 2002, whereas studies and reports conducted - on behalf of International Financial Institutions and donor agencies - by reputable consultants in the WSS sector usually point to a further deterioration of the sector since 1990, which implies that the challenge of achieving the MDG Target is now bigger than ever⁷.

³ in average every three to five years

⁴ UN 2004 “Millennium Development Goals: Progress Report”

⁵ These estimates will be provided in the background paper

⁶ JMP 2004 “Meeting the MDG drinking water and sanitation target – a Mid-Term Assessment of Progress”

⁷ the background paper will provide for a description of the current status in the WSS sector

Moreover, quite a large number of 1990 coverage estimates are missing in JMP's 2004 report: it is the case for three countries in the water supply sector and six countries in the sanitation sector, i.e 25% and 50% of EECCA countries respectively. 1990 being the baseline year for MDG Target 10, i.e. the year from which progress is supposed to be measured, the absence of 1990 coverage estimates makes it impossible to quantify the level of coverage estimates targeted in 2015.

Hence it appears that progress towards the reaching of Target 10 in the region as reported by the UN is overly optimistic. A proper assessment of progress in the region cannot be derived from the UN monitoring system as it stands at present, which implies that:

- for the time being, donors and International Financing Institutions should not base their fund allocation strategies in the EECCA WSS sector on official UN MDG progress reports;
- the feasibility of assessing (i) the amount of funds necessary to reach Target 10, let alone (ii) the amount of external financing that should be raised for that purpose, already a daunting challenge in itself, becomes more than doubtful.

2.3) Attempts to estimate the amount of financing needed to reach Target 10 in the EECCA region: different methods, different results

Only two precedents exist when it comes to assessing the cost of reaching Target 10 in the EECCA region:

- a study undertaken in May 2004 by the consultancy firm COWI at the request of the Danish Ministry of Environment⁸ based on information from various sources (official statistics, relevant international databases, reports and studies from major international organisations combined with COWI's own data base and Environmental Financing Strategies); and
- the World Bank "Meeting the Environment Millennium Development Goal in Europe and Central Asia" report dated June 2003, which covers ECA countries (a geographical zone which comprises the EECCA region) and includes a detailed "MDG costing exercise" for Kazakhstan, Moldova and Ukraine.

While COWI uses the FEASIBLE tool⁹ to provide an estimate of the amount of the "MDG cost" and then of financing needed to reach Target 10 in the EECCA region, based on an inventory type of approach and a number of built-in cost functions, the World Bank assumes a combination of various "per capita" cost estimates (for instance, the per capita cost of digging a well), adapted to the characteristics of each of the three countries covered by the study.

It is interesting to try and compare the MDG cost estimates published in both studies. For comparability purposes, operations and maintenance costs have been deducted from the WB MDG cost estimate, as they are not taken into account by COWI in this aggregate:

MDG Cost Estimates	COWI 2002-2015 (in million €)			World Bank 2000-2015 (in million 1995 US\$)		
	WS	S.	Total	WS	S.	Total
	Kazakhstan	565	481	1.046	539	166
Moldova	54	93	147	112	48	160
Ukraine	871	402	1.273	2.179	776	2.955

⁸ COWI 2004 "Financial needs of achieving the Millennium Development Goals for water and sanitation in the EECCA region"

⁹ FEASIBLE is a computerised decision support tool, the development of which was funded by Denmark and carried out by COWI with the assistance of OECD, and the purpose of which is to help address financial issues related to the achievement of environmental goals

The difference of two years in the period covered and in the currencies used cannot explain such a wide discrepancy in the country estimates, both in terms of absolute values and split between cost categories (Water Supply versus Sanitation).

COWI MDG cost estimate for the whole EECCA region amounts to € 14.6 billion for the period 2002-2015 (this is a central estimate out of a wide range of values from € 7 billion to € 21 billion). Adding to this MDG cost estimate (i) operations and maintenance costs and (ii) the cost of maintaining WSS services at their current level¹⁰ over the period 2000-2020 leads to a “Total cost estimate” of € 138 billion, on which is based the subsequent calculation of the amount of financing needed to reach Target 10. In this respect, COWI’s conclusions as to the possibility of reaching MDG Target 10, i.e. closing the financing gap in the region by 2020 appear quite alarming¹¹.

It should be noted, however, that MDG cost estimates for the whole EECCA region provided by COWI and the World Bank, although not directly comparable, are more of a similar order of magnitude than country estimates: the World Bank provides a global annual MDG cost estimate of US\$ 1.1 billion from 2000 to 2015 (presumably in 1995 US\$), without including much detail on the calculations however¹². Do both estimates point to a common order of magnitude or is this a mere coincidence? There is no obvious answer to this question as things stand at present.

2.4) MDG progress monitoring in need of urgent and significant improvement

The only available information on the feasibility of reaching Target 10 in the EECCA region, i.e. the COWI report, indicates that this goal will remain out of reach of the region over the next fifteen years, on the basis of “MDG costs” estimated at € 14.6 billion. This valuable indication, as interesting as it may be, remains however to be confirmed by additional studies. But new estimates, in order to be valid, suppose major changes in the current MDG progress monitoring system:

- a clear picture of the current level of access to adequate WSS services not only based on the type of technology used, but also taking into account quality and reliability criteria;
- the setting of the MDG target for 2015 on a country-by-country basis, which - unless it is possible to determine valid 1990 coverage estimates - might imply an adaptation of the definition of Target 10, as the proportion of population not having access to adequate WSS services should not be halved between now and 2015. This target expressed as 2015 coverage rates will then have to be translated into an investment and maintenance programme in each country to be completed from 2005 to 2015, with a couple of intermediary targets to be reached to ease the monitoring process;
- adequate means should therefore be mobilised to properly monitor and measure progress in the sector using clear definitions and indicators adapted to the specificities of the region, common to all. This means *inter alia* the building of sound and sustainable national statistical capacity and systems in each country.

Failing this, progress reports will remain disconnected from the reality on the ground, and donors misinformed on the magnitude of the needs of the WSS sector in the region. Already, the World Bank Country Assistance Strategies include some reporting on MDG achievements, and starting from this year, the World Bank IDA-allocations will be linked to progress made towards MDG targets¹³.

¹⁰ in its calculation of the “MDG cost”, COWI only incorporates the costs of improving WSS services from their current level to an adequate/basic level complying with the MDG requirements

¹¹ the main findings of the COWI study will be presented in the background paper

¹² 1995 US\$ 1.1 billion = 2004 US\$ 1.36 billion = € 1.09 billion ⇒ € 0.95 billion excl. O&M costs ⇒ € 13.4 billion over the period 2002-2015 – this remains however an approximative calculation

¹³ Country Assistance Strategy are prepared for active borrowers from the International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD). IDA, established in 1960, is the part of the World Bank Group that provides long-term interest-free loans and grants to the poorest of the developing countries. Seven EECCA countries are IDA borrowers: Armenia, Azerbaijan, Georgia, the Kyrgyz Republic, Moldova, Tajikistan and Uzbekistan.

Finally, for comparability purposes, it is important that any new attempt to estimate the cost of reaching Target 10 be based on an official definition of “MDG cost” that will clarify whether it should for instance include wastewater treatment costs¹⁴, operations and maintenance costs¹⁵, as well as the cost of maintaining the current level of water supply and sanitation services.

III - Relevant inputs

The following inputs have been used to develop the background report:

- COWI 2004 “Financial needs of achieving the Millennium Development Goals for water and sanitation in the EECCA region” commissioned by the Danish Ministry of Environment
- World Bank 2003 “Meeting the Environment Millennium Development Goal in Europe and Central Asia”
- JMP 2004 “Meeting the MDG drinking water and sanitation target – a Mid-Term Assessment of Progress”
- JMP 2000 “Global Water Supply and Sanitation Assessment 2000”
- UN 2004 “Millennium Development Goals: Progress Report”
- UN Task Force on Water and Sanitation 2005 “Health, dignity, and development: what will it take ?”
- UN 2003 “Indicators for Monitoring the Millennium Development Goals”
- Task Force on Water and Sanitation Interim Summary Report 2003 “Achieving the Millennium Development Goals for Water and Sanitation: what will it take?”
- WEHAB Working Group 2002 “A Framework for Action on Water and Sanitation”
- World Panel on Financing Water Infrastructure 2003 “Financing Water for All”
- Water Academy 2004 “The cost of meeting the Johannesburg targets for drinking water” by Henri Smets
- UNDP 2003 “Human Development Report 2003 – Millennium Development Goals: A compact among nations to end human poverty”

IV - Possible issues for discussion and next steps

Ministers could be invited to discuss the following issues during their consultations:

- in spite of the current difficulties to measure progress made towards the reaching of the WSS MDG Target, would ministers agree that the pace of progress - based on current trends - is unlikely to be sufficient to significantly improve the WSS sector status by 2015?
- what measures could be taken to improve the quality and quantity of information necessary to monitor progress towards Target 10?

¹⁴ these costs seem to have been taken into account by both COWI and the World Bank

¹⁵ only included by the World Bank in its MDG cost estimate calculation