



SYNTHESIS

Increasing investment in the water sector is a precondition for achieving the Millennium Development Goals (MDGs). Among the various sources of available funding, official development assistance (ODA) plays an important role, in particular in leveraging other financial flows. Its importance is recognised clearly by donor countries, which have made a commitment in the last few years to increase the amount of ODA they give and improve its effectiveness. ODA in the water sector should benefit from this increase, as many reports have recommended ¹.



This study presents the evolution of ODA commitments in the water sector over the period 1990-2004, using data from the OECD Development Assistance Committee (DAC) databases ².



Large variations exist in ODA commitments for water ³ from one year to the next. They increased slightly, from 2.6 to 3.4 billion dollars ⁴, between 1990 and 2002. This rise does not necessarily mean that there was an increase in the proportion of people being helped, taking into account the large population increase in the recipient countries. Furthermore, since 1998, ODA for water has increased at a slower rate than has total ODA.



Approximately 70% of ODA for water is allocated on water supply and sanitation. The share allocated to resource management represents approximately one quarter of ODA for water. The share allocated to education and training remains very small. Yet this type of investment enables the absorption capacity and effectiveness of the aid to be improved.



«ODA for large water infrastructures», which the DAC does not include in «ODA for water», halved between 1990 and 2002, from 3 billion to 1.5 billion dollars. Since 1993, it has been lower than «ODA for water».



Seventy percent of ODA for water comes from only 5 donors (Japan, IDA, Germany, the United States and France). Bilateral ODA accounts for around 75% of ODA for water, but since 1998, there has been a sharp drop in bilateral loans, partially compensated for by an increase in multilateral aid. The majority of ODA for water is distributed in the form of loans, but the share given in the form of grants is increasing. In 1993, grants accounted for 40% of ODA for water, whereas since 2000 they have accounted for nearly 50%.



¹ - In particular, see "Health, Dignity, and Development: What will it take?" Stockholm International Water Institute, and United Nations Millennium Project, 2005, and also "Financing Water Infrastructure" (Camdessus Report), 2003.

² - See: www.oecd.org/dac/stats/idsonline

³ - The term 'ODA for water' refers to water supply and sanitation, resource management and a few other headings (training in water supply, etc.), but does not include the large infrastructures associated with water, such as dams and irrigation.

⁴ - Five-year average, in 2003 constant dollars.

The 20 countries receiving most ODA for water are mainly in the Middle East and North Africa, in addition to some heavily populated countries and countries experiencing strong economic growth, including India and China.



When compared with the population of the recipient countries, the situation is different. ODA commitments for water amounted on average to 0.62 US dollars per capita per year over the period 1990-2004, with a range extending from a few cents to several tens of dollars per capita per year. Countries receiving the most ODA per capita often have small populations. Many countries in Sub-Saharan Africa, North Africa and the Middle East feature among the 20 countries with more than a million inhabitants receiving the most aid per capita. Conversely, large countries like India and China only receive small amounts.



The income of recipient countries does not determine the amount of ODA for water allocated to them. But it does influence the split between aid given in the form of grants and in the form of loans, with the poorest countries receiving on average a higher proportion of grants (from 13% among the Upper Middle Income Countries to 64% among the Least Developed Countries).



The amount of ODA for water received per capita seems to be determined by three principal factors:

- The demographic weight of the country: ODA is essentially a relationship between donor and recipient, so the number of projects is not proportional to the population of the country. The more heavily populated a country is, the less ODA for water it tends to receive per capita.
- The economic and political stability of the country: A minimum level of political and economic stability is necessary in the recipient country for it to obtain and absorb ODA for water, because projects in this sector are often conceived and implemented over a long period.
- Its geostrategic visibility: The priorities of donor countries are based partly on the geostrategic importance of the recipient country and the geographical and historic ties between donors and recipients.