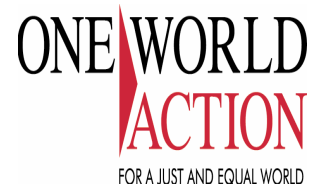




WaterAid/Jon Spaul

Hitting the targets

Recommendations to the G8 for delivery of the Millennium Development Goals on water and sanitation



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Hitting the Targets

Recommendations to the G8 for delivery of the Millennium Development Goals on water and sanitation¹

1. Summary

1.1 Access to water and sanitation is a right, a basic need for survival, a requirement for reducing poverty, and, a driver of growth. Much of the suffering from a lack of access to water and sanitation is borne by the poor, those who live in degraded environments, and overwhelmingly by women and girls. Provision of these basic necessities makes possible the achievement of many other Millennium Development Goals such as those on completing primary schooling, girls' education, under-five mortality, maternal mortality and improvement in slum dwellers' lives. The G8, through President Jacques Chirac, are therefore correct to prioritise water and water financing on their agenda.

1.2 We believe that financing the Millennium Development Goals for water and sanitation is affordable and achievable, particularly if new investments are well targeted at providing services to the poor and presently unserved. Getting the finance to halve the proportions of people unserved with water or with sanitation by 2015 will require action on two levels:

Sector specific

- Prioritise water and sanitation within developing countries' spending plans
- Double aid and other spending on water and sanitation
- Provide sustainable services and target the poor through involving users in planning and financing
- Support the strengthening of public institutions in the water and sanitation sector
- Open dialogue between governments and their citizens on solutions to the deficiencies of water and sanitation service provision

Wider development agenda

- Reverse the decline in aid to Africa
- Overhaul the process for debt relief (HIPC) and cancel the debts of all sub-Saharan African countries within HIPC
- Build government capacity at all levels to monitor and drive progress

1.3 We therefore call upon the Heads of State of the G8 to show leadership on these issues. Their continuing concern could be represented by a Task Force overseeing both increases in the resources going into the water and sanitation sector from development aid and debt relief, and also, an open discourse on how other sources of financing for water and sanitation for the poor can be found.

2. Background

- 2.1 Access to water and sanitation is a right². It underpins good health and consequent ability to attend school or to make a living. Presently a child is dying every 15 seconds of a water-related disease while 40 billion working hours are lost to water-hauling in Africa alone³. Surveys by the Tanzanian Government have found children 12% more likely to attend school if they live within 15 minutes of a drinking water source than if they live over one hour from such a source⁴. A school sanitation programme in Bangladesh increased the enrolment of girls by 11%⁵. Getting water and sanitation services to the poor is therefore an indispensable strategy for poverty reduction with the potential to function as a driver of growth⁶.**
- 2.2 The importance of the water and sanitation sector has been recognised in the UN mandated international goals to halve by 2015 the proportions of people without access to safe water and sanitation. These targets require 2.2bn people (384,000 per day) to be served with sanitation and 1.5bn (280,000 per day) with water⁷. (For comparison, during the 1990s 224,000 people each day received water and 205,000 sanitation.)**
- 2.3 The G8 Summit, through the leadership of French President Jacques Chirac, has included financing of water and sanitation on its agenda, in recognition of water's new-found importance in the development debate. Two proposals will be presented to the Heads of State during the Summit on the issue of financing water and sanitation to reach the Millennium Development Goals:**
- the report⁸ of the Global Panel on Financing Water Infrastructure led by former IMF Managing Director Michel Camdessus**
 - a proposal from the European Commission for a €1 billion EU Water Fund**
- 2.4 Both these proposals require serious consideration. However, what they presently both lack is any wider consultation, particularly with water and sanitation stakeholders from developing countries, and with government and civil society water stakeholders in Europe and North America. There are however opportunities for such consultation – through the Multi-Stakeholder Forum being developed under the EU Water Initiative and through the participatory structures established by the World Bank and the UN Commission for Sustainable Development.**
- 2.5 On the EU Water Fund in particular there has been very little information. Key issues for the Fund are whether its proposed administrative structure will really be lean and flexible and not another centralised bureaucracy adding to an already crowded and uncoordinated sector, whether its €1bn is really new money and how the Fund will be topped up, and, how the EU**

will focus the Fund on the poorest countries and on sanitation and hygiene programmes.

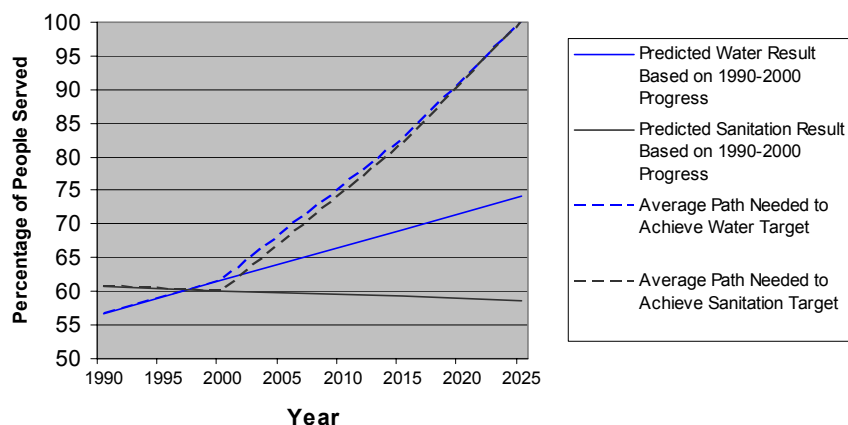
- 2.6 In the interest therefore of good governance, wide participation and transparency in decision-making - key aspects of water sector reform required of developing countries - we urge the G8 Summiteers to implement their decisions this year with full consultation and partnership with water sector stakeholders both South and North.

We ask the G8 to:

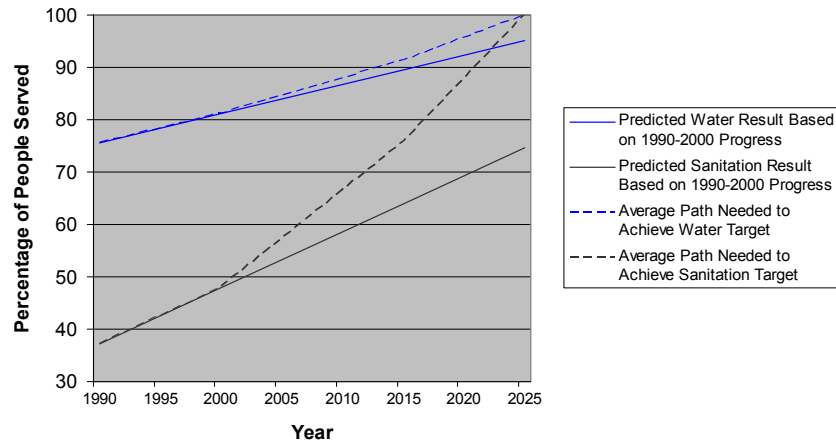
1. Support wider consultation and participation in decision-making on the EU Water Fund and proposals of the Global Panel on Financing Water Infrastructure in 2003.
2. Use the EU Water Initiative Multi-Stakeholder Forum as the mechanism for decision-making on the EU Water Fund proposals and the World Bank or the UN Commission on Sustainable Development for participatory decision-making on proposals of the Global Panel on Financing Water Infrastructure.

3. Present position

3.1 The crucial perspective on water and sanitation is that of the people who are presently unserved. Their numbers are not reducing at the required rate. The chart below⁹ shows the position in Africa – dotted lines are the increases in access needed to secure the Millennium Goals while the solid lines represent where we are likely to end up based on progress actually achieved recently.



3.2 However, most of the unserved populations live in Asia where the picture is better – though not sufficient - as the next chart¹⁰ shows.



3.3 Overall as the World Health Organisation’s Global Water and Sanitation 2000 Assessment Report noted, the provision of water and sanitation is just about keeping pace with population growth but is making few inroads into the unserved population.

4. What is going on ?

4. A wide range of factors is relevant to explaining the position on water and sanitation. These include the following:

- 1. Lack of targeted resources – both from debt relief and aid**
- 2. Weak capacity to use current resources efficiently and effectively**
- 3. A one-size-fits-all approach to service provision that risks wasting limited resources on unsustainable services**

4.1 Lack of Targeted Resources

(a) Debt Relief

4.1.1 First, spending in developing countries is increasingly being directed by poverty reduction strategies (PRSPs) implemented through Medium Term Expenditure Frameworks (MTEFs). This overall approach is welcome in principle since it enables integration of strategies and expenditure towards focused goals and targets which have, in theory, been agreed by the governments and their peoples. Used to focus aid and loans, PRSPs and MTEFs can help reduce transaction costs in the provision and reporting on aid and loans. However PRSPs, although supposedly based on public assessments in which water and sanitation are consistently highlighted, do not in fact prioritise these issues¹¹. Public involvement in MTEFs has likewise been patchy¹².

4.1.2 In the one case, Uganda, where water and sanitation have been prioritised through the combined efforts of a government committed to poverty

reduction and a vigilant civil society, coverage has increased. Total investments in water and sanitation increased three-fold from 97/98 to 00/01. The share of the Government's own investments under its MTEF accounted for by water and sanitation grew five-fold from 0.5% (1997/98) to 2.4% (2000/01) of the Government's Budget (equivalent to 0.4% of GDP in 2000/01). This level of public spending was matched by donor contributions to the sector, which doubled in the same period.

- 4.1.3 This resulted in an increase in access of rural population from 44.1% in 1997/98 to 52.4% in 2000/01 and a slight increase in urban population access to water, equivalent to some 2.2 million people newly served overall. Total investment requirements for both rural and urban water supply, were estimated in 2000 at US\$1.453 billion to achieve Uganda's goal of universal access by 2015. Despite increased investments from debt relief and aid, a total financing gap of US\$126 million in the next five years still needs to be filled.¹³ At present, the investment plans are only half-funded. The conclusion is clear: current funding levels reduce the likelihood of Uganda achieving its water and sanitation targets.
- 4.1.4 Uganda's ability to spend is constrained by the shortcomings of the present debt relief arrangements. Despite Uganda's compliance with the Heavily Indebted Poor Countries (HIPC) initiative, creditors have failed to write off debts totalling £322m. Coupled with the impact of falling prices for its principal export commodity, coffee, Uganda's debt is 219% of its annual export earnings, way above the 150% limit supposedly set under HIPC¹⁴.
- 4.1.5 The example of Uganda highlights the need to rethink debt relief arrangements. Even where a country has been successful at getting debt relief and using this relief to work towards poverty reduction targets for its people, the fact remains that the investments required are enormous. Governments like Uganda's will need total debt cancellation, not just debt relief.

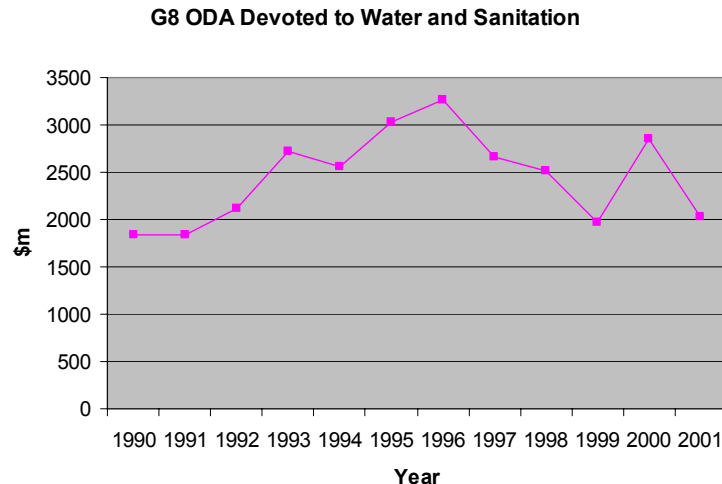
We ask the G8 to:

- 1. Work for the cancellation of all bilateral and multilateral debts of all highly indebted poor countries which have shown they can channel extra resources into delivery of the Millennium Development Goals**
- 2. Provide assistance to national governments and civil society groups to prioritise water and sanitation in Poverty Reduction Strategies and Medium Term Expenditure Frameworks**

4.1 Lack of Targeted Resources

(b) Aid

4.1.6 Aid commitments, like debt relief under PRSPs, have not emphasised the water and sanitation sector. Aid to the sector has basically been declining since 1996 as shown in the chart¹⁵ below and presently accounts for about 5% of all aid.



This table excludes Russia which does not report any spending to the OECD.

4.1.7 The actual amount of total spending (developing countries' own spending, aid, private and community investment etc.) required is the subject of much debate. Estimates have varied from no change¹⁶ on present spending levels of some \$14bn per year to more than doubling this to \$30bn¹⁷. In countries where total investment requirements have been calculated, as in Uganda above or in Nepal¹⁸, the picture is unambiguous: annual funding gaps exist that prevent achievement of targets for water and sanitation.

4.1.8 Therefore, while it is a rough rule of thumb, doubling resources – as President Chirac advocated in talking at the New Year of his ambitions for the G8 summit – would certainly give a useful impetus to delivery of the water and sanitation goals.

4.1.9 Coincidentally this would mean that 10% of aid was accounted for by water and sanitation mirroring its position as one of the ten millennium goals which revolve around service provision.

4.1.10 In addition to increasing aid, the quality of aid also needs to improve alongside that of spending overall in the sector. Current spending is not targeted effectively: in Africa only one eighth¹⁹ of spending is on sanitation even though there are twice as many people without sanitation as water;

spending in rural areas is one third of that in cities despite the rural population being six times greater; and, spending in Malawi²⁰ if targeted at the unserved would serve the population in seven months rather than the 32 years it will take using the present, non-needs focused approach.

- 4.1.11** Recent research has also shown the level of instability in aid spending, which undermines capacity to plan particularly in least developed countries that are substantially dependent on aid for their water and sanitation investments. This research, carried out for the EU Water Initiative, indicates the urgent necessity for aid donors to co-ordinate through sector-wide approaches and integrated water management plans linked to national poverty reduction strategies. Better targeting of aid towards the least developed countries must also be addressed.²¹
- 4.1.12** Some donors have argued that since water and sanitation are not prioritised in poverty reduction strategies, they should not be prioritised in aid budgets. This reasoning is wrong. It penalises poor people who have consistently prioritised water and sanitation in poverty assessments, for the failure of governments to reflect this demand in their poverty reduction strategies. This is the equivalent of an ill-thought economic sanction impoverishing the people instead of penalising government leaders for their failures.

We ask the G8 to:

- 1. Reverse the decline in the share of aid directed to water and sanitation by doubling this from 5% to 10% to reflect the sector's importance within the Millennium Development Goals**
- 2. Improve the quality of aid to water and sanitation through better targeting, co-ordination and assistance to governments and sector stakeholders to adopt integrated water management plans linked to poverty reduction strategies**

4.2 Weak capacity to use resources efficiently and effectively

(a) Managing the sector

- 4.2.1** Water and sanitation can often suffer through responsibility within the sector being divided between several different Ministries – of water, public works, health, agriculture etc. This makes it difficult both for the sector to articulate its needs and demands clearly and also to integrate management of water as a resource for domestic, agricultural, industrial and environmental uses.

- 4.2.2** This position has been perpetuated in part by over-dependence on project funds from donors, which in recent years have been on the decline. This has removed the need for any institutional capacity to develop policy, to plan, to monitor and gather information on the state of infrastructure, water resources and service performance. It has also weakened government capacity to provide and supervise services. This weak capacity results in inefficient and ineffective use of limited resources. It has also made water and sanitation services deeply vulnerable to corruption and clientilism, with the effect of keeping the poor excluded from services.
- 4.2.3** This is particularly perverse since there is increasing evidence that a consultative and participatory approach to planning and reviews in the sector are essential for better sector governance²² and to making services benefit the poor.²³ Key stakeholders include users who need to be involved in decisions over what services must provide. This will require amongst other things, support for strengthening user groups and civil society networks in the sector to work constructively with governments over policy, operational planning and implementation issues.
- 4.2.4** Water stakeholders therefore agree that meeting the Millennium Development Goals in water and sanitation in developing countries will require the implementation of a policy and institutional reform agenda. The recommendations on capacity building which all Governments signed up to in the WSSD Johannesburg Plan of Implementation and at the 2001 International Freshwater Conference in Bonn need to be implemented. These emphasise strengthening local governments and municipal water utilities who now carry the main responsibility for delivering water and sanitation goals.²⁴

(b) Financing the sector

- 4.2.5** As experiences in Uganda show²⁵, the transition from centralised to decentralised service provision is a costly undertaking requiring stable and predictable financing not only of capital expenditure (for development and rehabilitation), but more importantly of recurrent expenditure.
- 4.2.6** We have already highlighted two sources for these investments: savings from servicing debt through debt cancellation and increased aid. Here, we would like to highlight two other investment sources: cost recovery and household and community-level investments. The Johannesburg Plan of Implementation (26, b) states cost recovery practices must not exclude the poor from gaining access to services. The designs of tariff structures and of systems for cross-subsidies between users as well as direct subsidies to those unable to afford water and sanitation services are important and must be done sensitively with wide consultation.

- 4.2.7** Community and household-level investments for water supply and sanitation are widely accepted, not just by water and sanitation professionals, but by the public as well – in large part due to difficulties in gaining access to facilities and services run by governments. Affordable and flexible credit to the poor have been shown in India²⁶, Bangladesh²⁷ and Pakistan²⁸ to facilitate poor people’s investment in improving their water supply and sanitation situation.
- 4.2.8** National and local governments as well as water and sanitation utilities in developing countries need support to learn from the practices of other developing and developed countries in designing tariff systems for water and sanitation services, as well as financing mechanisms for promoting household and community-level investments in improved water supply and sanitation services.
- 4.2.9** Technical assistance and cooperation from developed countries to enable this learning, helps to build capacity in developing countries to generate and manage the resources for recurrent expenditure in water supply and sanitation service delivery.
- 4.2.10** There are other recurrent expenditures that are necessary for the improved management and governance of the water and sanitation sector. Four in particular should be highlighted:
- expenditure related to the monitoring of information and performance
 - expenditure related to the establishment and operation of regulatory mechanisms for the sector
 - expenditure related to co-ordinating the range of government departments responsible for water supply and sanitation, and
 - expenditure related to establishing consultative forums that involve other stakeholders in the sector, especially user groups and representatives of poor people excluded from services.
- 4.2.11** The third and fourth of these were discussed above. The lack of data and of performance management capacity more generally is a key constraint on Governments’ ability to drive provision of water and sanitation.²⁹ In a number of African countries, monitoring systems – both of the water resource situation as well as of water supply and sanitation coverage - have deteriorated over the years of declining investment in the sector.³⁰ Within the MDG and PRSP processes these issues are starting to be addressed³¹ underscoring the need for water and sanitation to be at the heart of those arrangements.
- 4.2.12** Monitoring of individual programmes will also help identify the most cost-effective means of meeting the MDGs. This will in turn enable any unnecessary expenditure to be stripped out of the calculation of the MDG financing requirements (as in the example of Malawi – above at para.4.1.10)

4.2.13 Governments also need to be able to establish effective mechanisms for regulating the water sector including relevant pricing policies to ensure that everyone's right of access to water is safeguarded, setting standards and benchmarks for providers and enforcing guidelines.

We ask the G8 to:

- 1. Support institutional capacity building in the water and sanitation sector:**
 - **enable exchange of learning on sector reform processes**
 - **support research into financing mechanisms and tariff setting**
 - **finance the rebuilding of developing countries' water and sanitation monitoring systems**
 - **make participation and transparency a condition of assistance**

- 2. Support the strengthening of local user groups and civil society networks in the sector**

4.3 One size fits all

4.3.1 Much water distribution is already undertaken by the informal private sector – and the poor pay up to 100 times more for their water in this way than those connected to piped networks.

4.3.2 The extent to which this or other private sector participation can develop into the means of meeting the water and sanitation goals depends on individual circumstances. Research³² has found varying results with both public and private provision. We believe that Governments cannot relinquish the overall responsibility for ensuring that everyone, including the poor, has access to water services. The key however is not *who* is the provider but *how* they approach the work.

4.3.3 That in turn is largely governed not only by the framework within which they operate – regulation of large scale utilities' water pricing, enforcement of contracts with local small scale enterprises, stability of exchange rates and other aspects of local capital markets – but also by their own capacity to engage with users in local communities to design genuinely participative solutions. As Michel Camdessus noted in his Foreword to the recent report on Financing the Sector “the future of water is linked to a more participatory form of managing society”. That report also acknowledged that in rural areas in particular many projects would be too small for private finance and in such cases other arrangements such as microfinance for

community groups should be put in place. Big multinational companies such as Thames have also stated that they do not wish to see private sector involvement enforced through for example the GATS negotiations³³.

- 4.3.4 Nonetheless in recent years donors have pursued and aggressively promoted a single model of reforming services in developing countries, often in the face of widespread public opposition as well as government resistance. The one-size-fits-all mentality disregards the specific contexts – the relative strengths and more often, weaknesses of the domestic private sector in these countries, the capacity of governments to regulate and enforce standards, the strength or weakness of judicial processes that people may use to seek redress against abuses of the private sector, the strength or weakness of capital markets and banking systems that can support private sector growth in these countries, to name a few.
- 4.3.5 Where policies of private sector participation are being pursued inflexibly, research shows that multiple problems are created, not least in further weakening government capacity.³⁴ There is a real opportunity to be had from growing the local private sector's ability to attract domestic capital and provide services. But there is a great range and complexity in the relationships which exist locally between private sector water operators, the municipality and the community. The first priority therefore should be to improve the standard and nature of contractual relationships between municipalities and the local private sector covering agreed performance criteria, monitoring and the imposition of sanctions where performance falls below agreed standards.

We ask the G8 to:

- 1. Stop the blind pursuit of multinational private sector participation as the only solution to the problems of the water and sanitation sector in developing countries.**
- 2. Stop making PSP in water services a condition of bilateral aid and multi-lateral loans – achievement of the MDGs should be the only condition.**
- 3. Support the opening of dialogue between governments and citizens on the ways forward to improving water and sanitation service provision.**

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- ¹ This briefing paper was prepared by members of the UK Water Network, comprising mainly non-governmental organisations working on water issues in developing countries and advocating better government and donor policies to increase sustainable access to water and sanitation. The network can be contacted via Jennean Alkadiri at WaterAid on +44 (0)20 7793 4500.
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- ⁷ Figures from WHO, UNICEF and WSSCC Global Water and Sanitation Assessment 2000 Report.
- ⁸ This report focused on financing not just for water and sanitation, but for all water infrastructure (irrigation, hydroelectricity etc.) to achieve water security by 2025. It was unveiled at the 3rd World Water Forum in Kyoto, amidst trenchant criticism from civil society stakeholders and lukewarm reception from some donor governments.
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