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CSD NGO Consortium

Quantity and Quality of Public Finance

CSD-13: Financing water and sanitation

Water and sanitation are a fundamental building block for poverty reduction, community empowerment and sustainable development. Access to water is a top priority for poor communities, and often one of the first development projects in a community. A water project that is demand led, has integrated sanitation and hygiene promotion, considers environmental impacts, and involves community mobilisation and female empowerment will lead to improvements in health, girls' attendance at schools and improved status and income for women. It will also be the start of a process whereby communities feel empowered to begin development initiatives in other important areas such as food security and livelihoods.

The vast majority of extra money needed to meet the Millennium Development Goals (MDGs) will have to come from public finance. We cannot avoid this reality. Governments will pay for the price for not investing in water and sanitation (WSS) through lost working days, decreased productivity, environmental degradation and failure to reduce poverty and human suffering. Private finance is mostly not interested in investing in the water sector and cannot be relied upon for capital costs. Public finance is also cheaper than private finance.

We need to mobilise more public money and we need to spend it better. These two aspects of finance need to be central to discussions at CSD-13.

Spending More

Why more?

Currently, aid to the water sector is declining. Based on current trends the

world is on track to meet the MDG water target and off track for meeting the sanitation target. In Africa, the picture worsens: the water target will not be met until 2050 and the sanitation target will be met in 2100 at the earliest. This scenario is not inevitable, but at the moment, it looks likely.

In Africa, sanitation gets only one-eighth of current water investment even though more than twice as many people lack access to basic sanitation as those that lack access to clean water. The WHO has recently estimated that the costs of meeting the MDG sanitation target will require 84% of the total additional resources required to achieve both the MDG water and sanitation targets.¹

We believe that donors and developing countries should double spending from US\$14 billion to US\$30 billion per year in order to meet the MDG water and sanitation targets, with special priority given to Africa and to sanitation.

Debt

Increasing aid for water and sanitation, however, will not amount to much when studies show that in the highly indebted countries, most aid is used to service debt, leaving only about 10% of total aid inflows available for MDG-related expenditures. Poor countries would be able to increase domestic spending on basic water and sanitation services if their onerous debt burdens were lifted.

¹ WHO, 'Evaluation of the costs and benefits of water and sanitation improvements at a global level' Executive Summary (2004), found at http://www.who.int/water_sanitation_health/wsh0404/summary/en/.

Creditors should cancel all unpayable debts of the world's poorest countries in full, by fair and transparent means. PRSs

Donors are using the excuse that water and sanitation are not prioritised in poverty reduction strategies (PRSs) to justify decisions not to allocate more resources to the sector. Donors are therefore penalising poor people because their governments have not listened to them. In fact, there is no conflict between supporting country-defined strategies and supporting prioritisation of WSS in aid spending. WSS targets are global targets to which all governments have signed up. Therefore, even where governments fail to prioritise them in their PRSs, there remains a need for donors to ensure support for the WSS sector.

We support the recommendation of the UN Millennium Project that in 2005 developing countries and donors should develop MDG-based PRSs.

Sector coordination

Donor and developing country governments urgently need to take a sector-wide approach to the water and sanitation sector, and begin to build or strengthen overall sector co-ordination. In this way, the actors in the sector can become strong advocates for increasing the sector's share of national and donor resources at country level and better reflect MDG priorities in the PRSs.

It is also only through improved co-ordination that the increased resources which the water and sanitation sector needs will be spent wisely and effectively. This coordination requires harmonization of donor operating guidelines and reporting structures, sector investment plans for reaching the MDG targets which are clear and universally known to all sector stakeholders, and regular and transparent monitoring of the sector's performance against targets on reaching the poor and sustainability of services.

Developed and developing country governments urgently need to support the strengthening of the water sector through sector wide approaches

(SWAps). Specifically, 50% of African countries should establish SWAps by 2008.

Community and household financing

Mobilising cash and non-cash contributions from rural and urban communities and households can play a crucial role for investment in, and maintenance of, water services needed to meet MDG targets. Small-scale enterprises already provide up to half of all water services and household remittances, although generally less significant in the poorest countries, can be a higher and more stable flow of finance than aid. However, as stated in the World Summit on Sustainable Development's Johannesburg Plan of Implementation, cost recovery practices must not exclude the poor from gaining access to services. Increased understanding of the benefits of water and sanitation will increase a sense of ownership and control and thus increase public willingness to pay for operation and maintenance. Transparent and targeted subsidies will be necessary to support poor people's access to WSS. This also means that current subsidies benefiting only those who can most afford to pay need to be restructured.

Spending It Better

Targeting

Aid needs to be better targeted: at present less than 40% of funds go to the 30 countries where nearly 90% of the people without access to safe water live. The countries doing the best out of official development assistance to water and sanitation (the vast majority of whom are not low income or least developed) receive on average US\$446 of aid per un-served person, whilst the countries in most need receive only US\$16². Within countries there also needs to be more accurate targeting of un-served populations rather than simply improving service levels for those who already have access.

We call on donors to give 70% of water and sanitation ODA to least developed and low-income countries by 2008.

² Figures taken from the OECD Development Assistance Committee (DAC) over a 4-year period.

Disbursement/decentralisation

Water sector funds need to be made available quicker. At present it takes 8 years on average for aid funds to be disbursed. And some national governments are devolving responsibility for water services to local governments but without increasing the resources available.

We call on donors to disburse their aid more effectively, matching the requirements of the MDGs, and on national governments to ensure that responsibility for delivery of water services is accompanied by allocation of the necessary resources.

IWRM plans

Protecting ecosystems is fundamental to water security and human livelihoods. The WSSD commitment for IWRM plans in all countries by 2005 recognises that ecosystems are central to providing long-term water supplies and sanitation for human settlements. Past experiences of deforestation, over abstraction and wetland drainage have led to environmental collapse and failure of supply for human needs (e.g. Azraq basin in Jordan). In order to make sensible integrated water management decisions, it is vitally important that the functions provided by ecosystems, as well as the cost of their destruction, are valued.

Donors should recognise that wise water management based on the integration of human and ecosystem needs is the only way to achieve poverty reduction, and that assistance for IWRM plans in all countries must be urgently provided.

Scaling up appropriate solutions and community-led approaches

Water supply and sanitation is not always effectively provided through large engineered projects. Small-scale local solutions such as rainwater harvesting and compost toilets are often appropriate in rural areas. Finance must be made specifically available to replicate such successful initiatives.

Successful community management approaches, though enshrined in many national water policies, need better support for scaling up from both developed and developing countries. Support also needs to be given to local civil society organisations to advocate for the prioritisation of access to water and sanitation and delivery of integrated water resource management plans at national and regional decision-making forums, and to inform and involve people in management decisions.

People need to be at the heart of water projects so that they are not passive beneficiaries but rather agents for change in their own development.

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