

# Human Development Report 2006

Human Development Report Office  
OCCASIONAL PAPER

## Development Assistance for Water and Sanitation

Development Initiatives

2006/3

**Human Development Report 2006**  
**Water for Human Development**  
**Development Assistance for Water and Sanitation**



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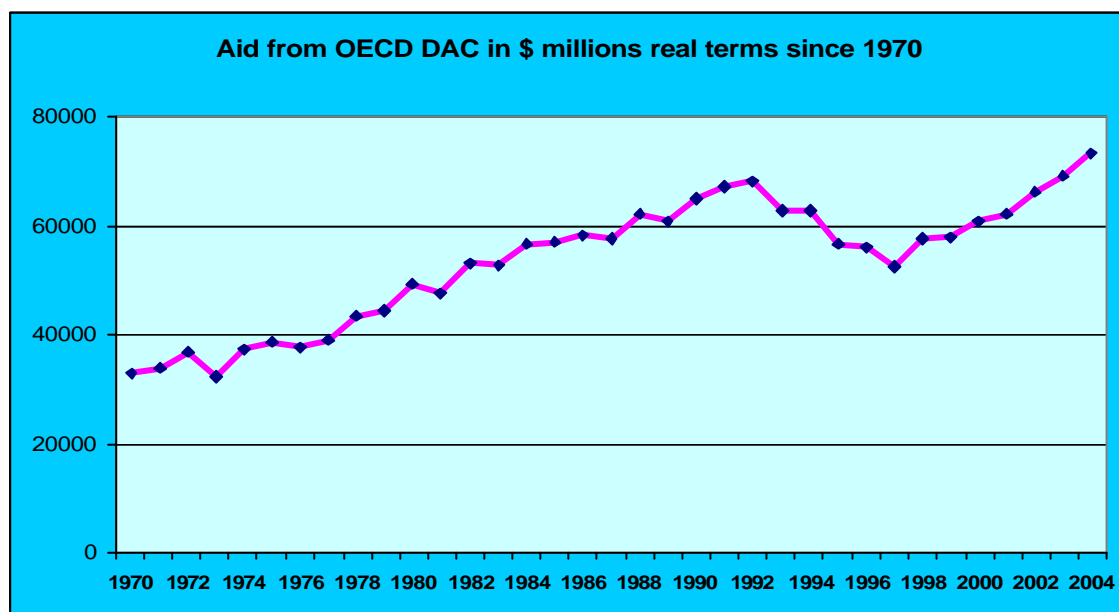
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## Trends in Development Assistance for Water and Sanitation

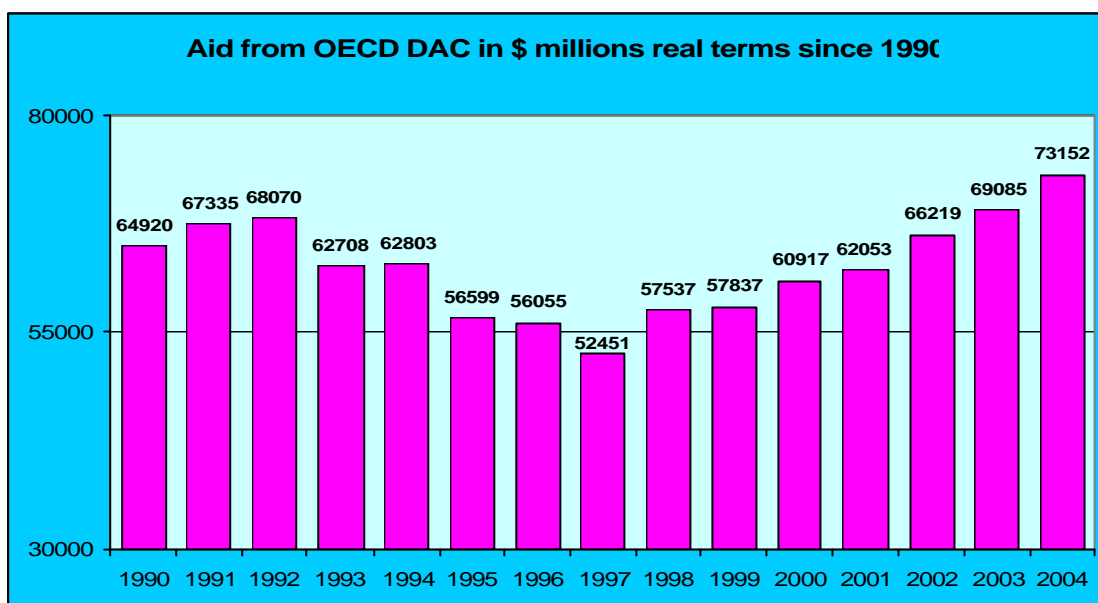
### **1 The trend in overall aid volume**

- a) When assessing the priority that donors attach to water and sanitation, it is necessary not only to look at what has happened to water and sanitation spending in volume terms, but also how the sector has fared within the wider context of the trend in global aid as a share of total ODA. This means looking first at the overall picture on aid flows.
- b) Following a gradual rise in real terms over the 1970s and 1980s to reach a high watermark of \$62.4 billions in 1992, a sharp decline in overseas aid disbursements occurred over the following 5 years. By 1997, global aid had fallen back to \$48.5 billions – in real terms (2003 prices) the fall in aid was from \$68089 millions to \$52451 millions, a decline of 22%.

**Fig 1**



- c) Since 1997 global aid has risen in real terms each year to reach \$79.5 billions in 2004 or \$73.152 in real terms (2003 prices). This is a real terms rise of 40% compared to 1997. Overall, the cuts of the early 1990's have more than been made up – and aid now stands at its highest level ever in current prices and in real terms – though aid as a % of GNI remains far below previous levels and very far short of the UN 0.7% target.



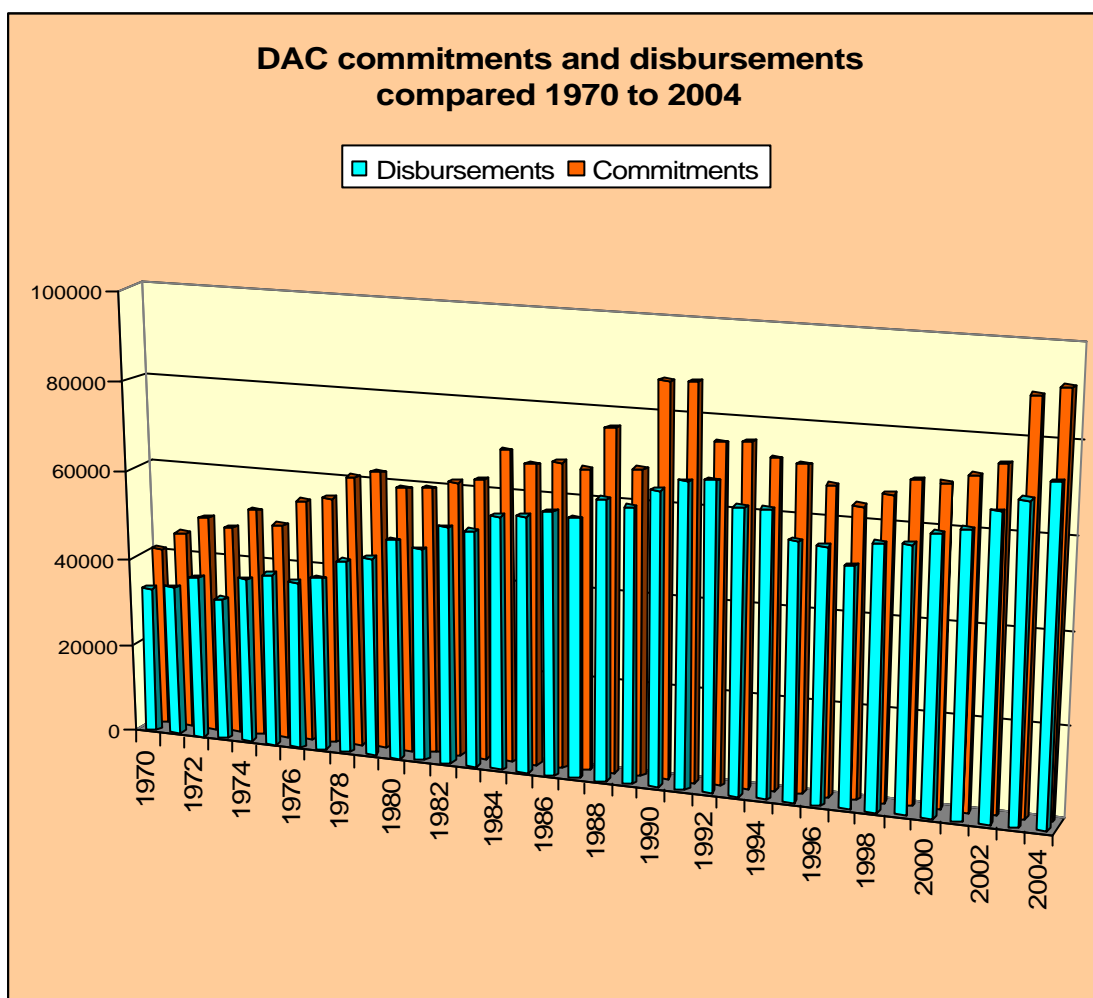
**Fig 2**

- d) Looking ahead, aid is projected by the OECD DAC to rise to \$97 billions in 2006 and almost \$128 billions by 2010. Even allowing for donors not living up to stated commitments, it still seems probable that real terms increases are likely over the medium term – though how much of the projected rises will actually be available for spending in-country on poverty priorities such as water and sanitation remains a major question.
- e) Before going on to look at the data for water and sanitation, it is necessary to explain a point about the statistics. The OECD DAC which tracks official aid has two main systems: the DAC database which tracks aid disbursements (or actual spending) and the Creditor Reporting System (CRS) which tracks aid commitments by donors.

Normally the statistics quoted on overall aid flows are those from the DAC database. The figures above use this data. However this database does not provide a detailed breakdown of the figures by sector.

To look in detail at how overall aid is allocated to different sectors, it is necessary to use the CRS. But a difficulty arises because there is always a significant difference between the overall totals reported for disbursements (on the DAC database) and the same figures on the CRS for commitments. The difference is that the CRS figures are about 20% higher than DAC data for disbursements - reflecting the fact that commitments by donors do not translate into disbursements in the same year (or sometimes at all).<sup>1</sup>

<sup>1</sup> The whole value of aid commitments are reported in the year the commitment is made – not spread across the period over which the money is actually spent.



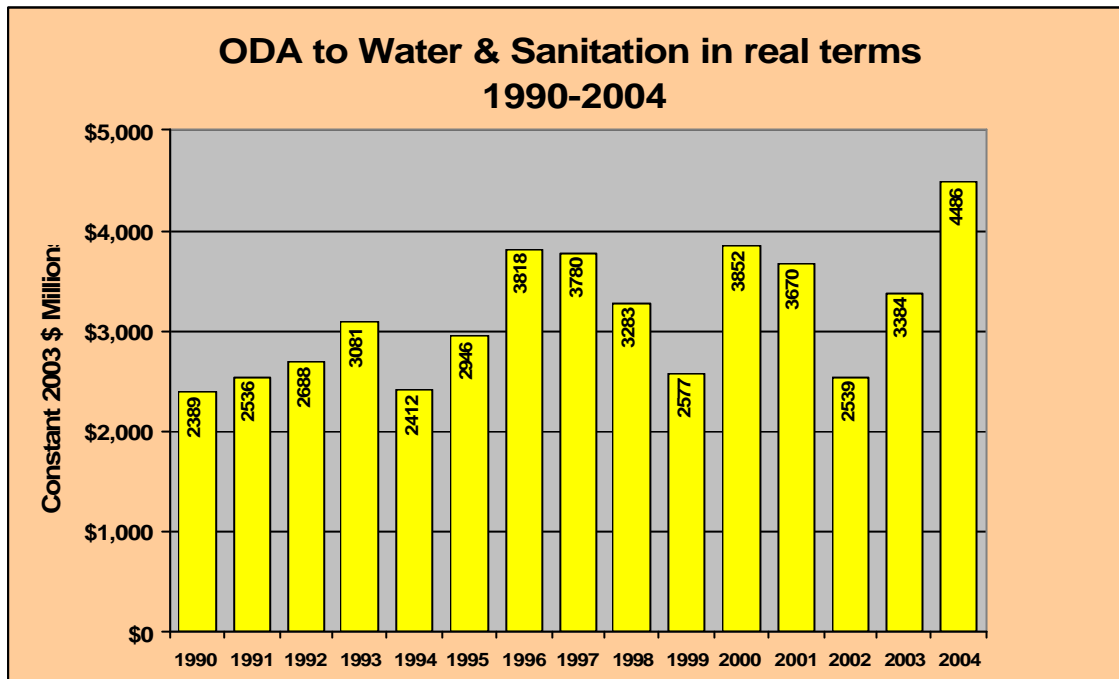
**Fig 3**

In most of the rest of this report the data used is from the CRS – so that analysis can be done at sectoral level – so it is important not to take the figures quoted and then compare them with overall aid disbursement figures. Figures for overall aid in the following graphs will therefore be higher than figures in earlier graphs – for example \$73.2 billions for disbursements in 2004 compared to \$91.3 billions for commitments – almost a 20% difference.

## 2 Trend in the volume of aid given to water and sanitation

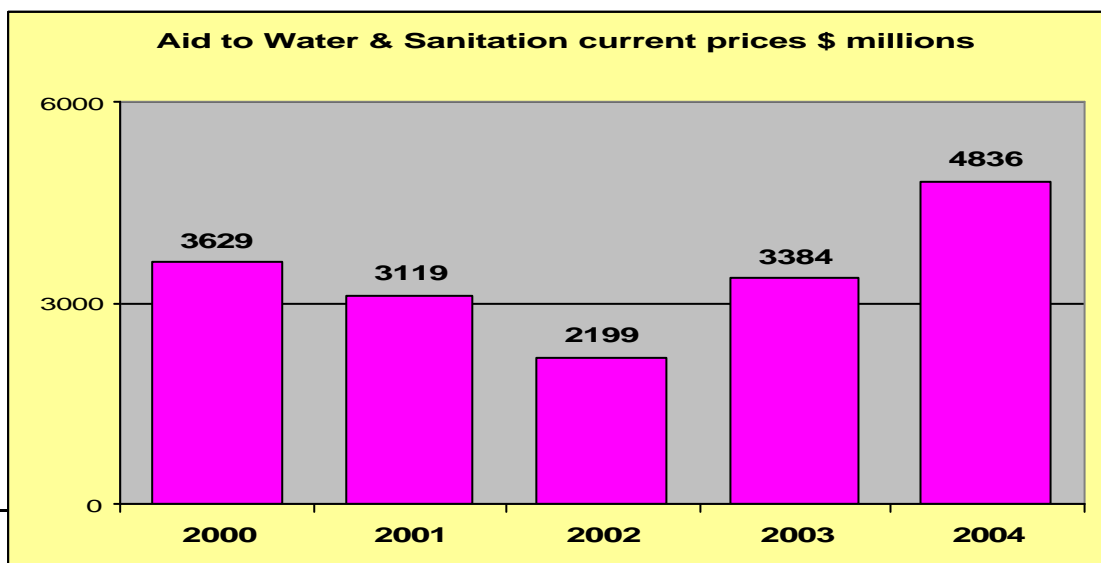
- a) Total aid (bilateral and multilateral) from DAC countries to water and sanitation in constant prices grew from \$2.39 billion in 1990 to \$4.48 billion in 2004 – an 87% increase in real terms.<sup>2</sup>

Fig 4



- b) But this headline figure needs to be treated cautiously – because it may give a somewhat misleading impression. Firstly because the figures for 2004 include an exceptionally large allocation to Iraq. Secondly because it needs to be seen in the context of what has happened to aid in general.

Fig 5

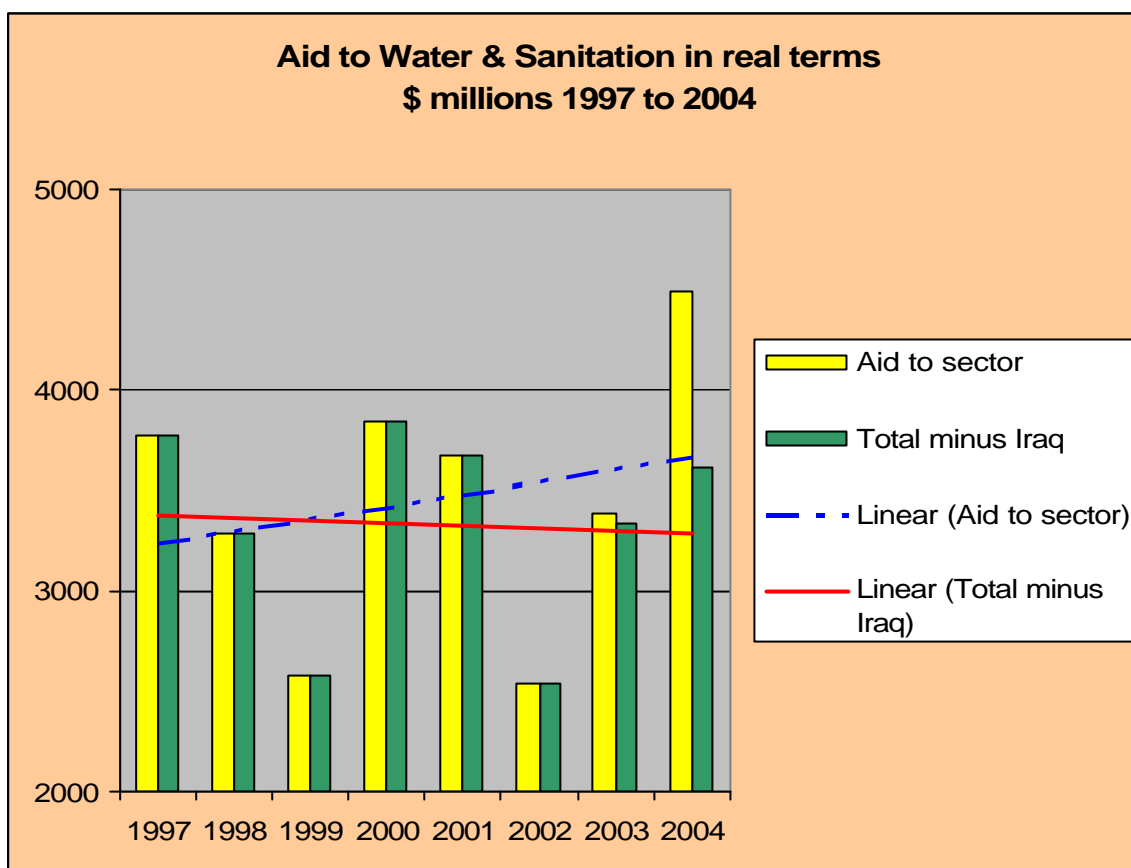


### 3 *The Iraq Factor*

- a) The figures for total water and sanitation in 2004 (from bilateral and multilateral sources), show an increase of more than \$1.45 billions in current prices – a 30% rise in cash terms. When compared with spending over the last 15 years (at 2003 prices) this represents a \$1.1 billion increase over 2003 – a rise of almost a quarter.
- b) But a substantial proportion of this increase was aid to Iraq. This middle income country received almost \$872 millions for water and sanitation in 2004. \$865 millions of this total came from the USA, whose own aid to water jumped by almost \$830 millions from \$106 millions in 2003 to just under \$936 millions in 2004.
- c) The steep rise in aid to Iraq means that this one country took 18.4% of global spending on the sector in 2004.<sup>3</sup> In 2003 Iraq received \$47.4 millions in aid to the sector and in the 3 years 2000 to 2002 it received an average of less than \$1 million a year for water and sanitation – so there is a strong case for discounting the overall 2004 figure by perhaps \$800 millions.
- d) If aid to Iraq is included in the sector total, then the linear trend in commitments since 1997 is rising, but if spending on Iraq in 2003 and 2004 are treated as unusual and therefore excluded, then the real terms trend in volume spending over the period is downwards. The modest rise from 2003 to 2004 would still leave spending lower than it was in 1997, 2000 and 2001. See graph below – red trend line excludes Iraq, blue broken line includes Iraq.

**Fig 6**

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- e) If Iraq is included in the 2004 aid figure, water and sanitation spending shows an 88% rise since 1990 and a 19% increase since 1997. But if Iraq is excluded, water and sanitation spending shows a rise of 54% since 1990 but a fall of 3% since 1997.

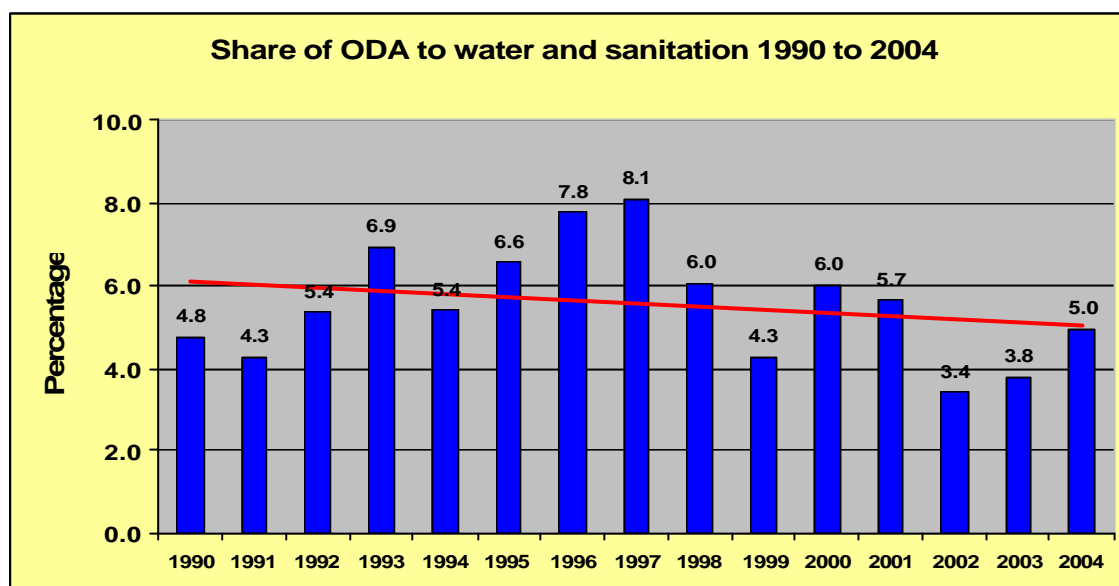
#### **4 Water and Sanitation is receiving a smaller share of available aid.**

- a) To look at the political priority being allocated to water and sanitation in the wider context of aid flows, one can look at the share of spending the sector receives of total aid.
- b) Current estimates suggest that 1.1 billion people lack access to safe water and 2.6 billion are without water and sanitation. UN estimates say that \$7 billion will be required for the water MDGs in 2006 alone.
- c) Despite this obvious need and strong statements at a series of international meetings about the central role of water and sanitation in reducing poverty and achieving the MDGs, total water and sanitation commitments as a share of ODA are almost exactly the same in real terms as they were in 1990 – just under 5%. The trend over the 15 year period is on a downward path.<sup>4</sup>
- d) This trend has been carefully documented by the DAC, which has explained how since 1997, aid to Water and Sanitation has failed to keep pace with the overall rise in ODA. The percentage allocated to the sector has fallen from 8.1% in 1997 to 4.96% in 2004.
- d) The DAC describes why some donors have shied away from investing in water and sanitation. The sector has often been described as too 'risky' raising issues of accountable financing. Furthermore, water and sanitation was not incorporated into



Poverty Reduction Strategy Papers, further restricting financing mechanisms to the sector. Increased aid is also dependent on governance reforms which have led many donors to invest in more developed countries where they are guaranteed a greater chance of success<sup>5</sup>.

**Fig 7**

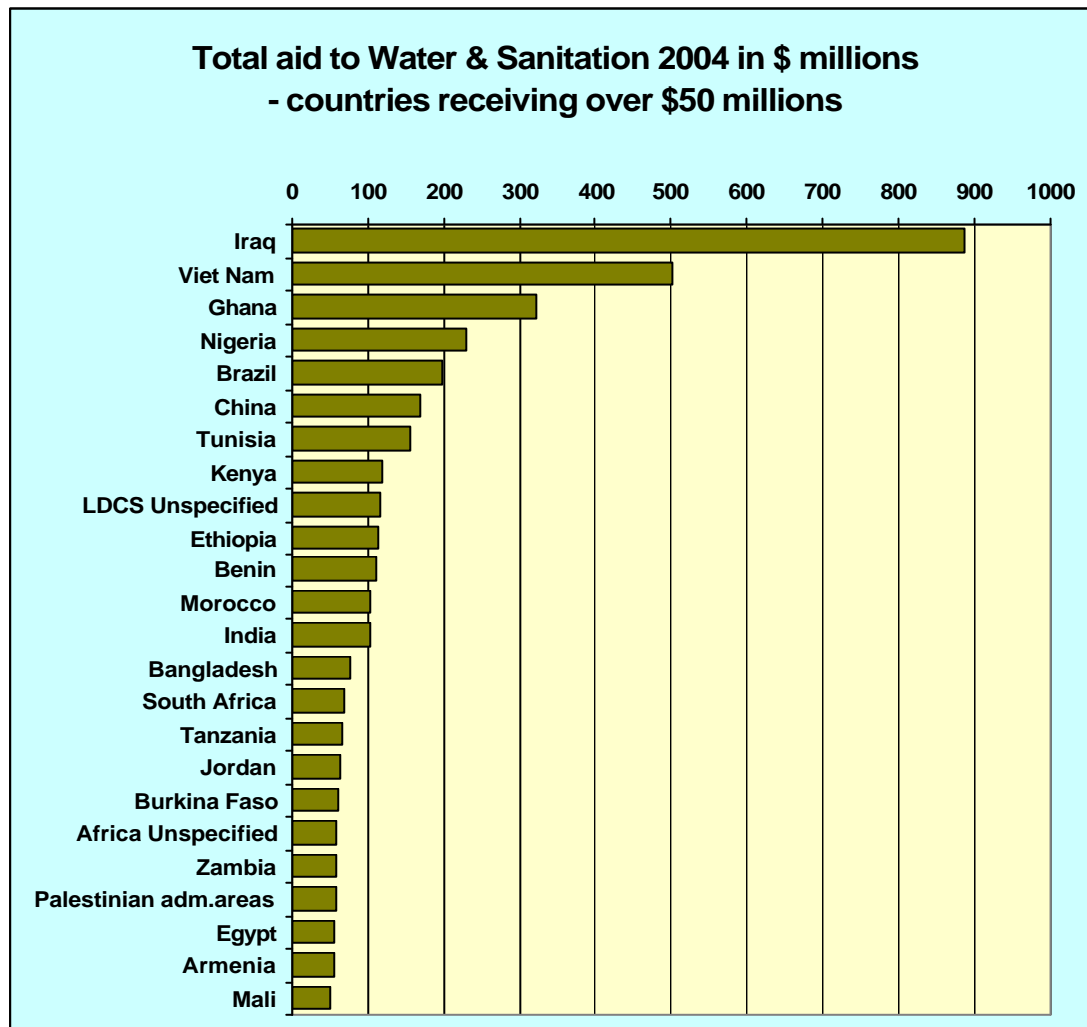


<sup>5</sup> DAC 2004 Report.

## 5 Geographical distribution of aid to water and sanitation

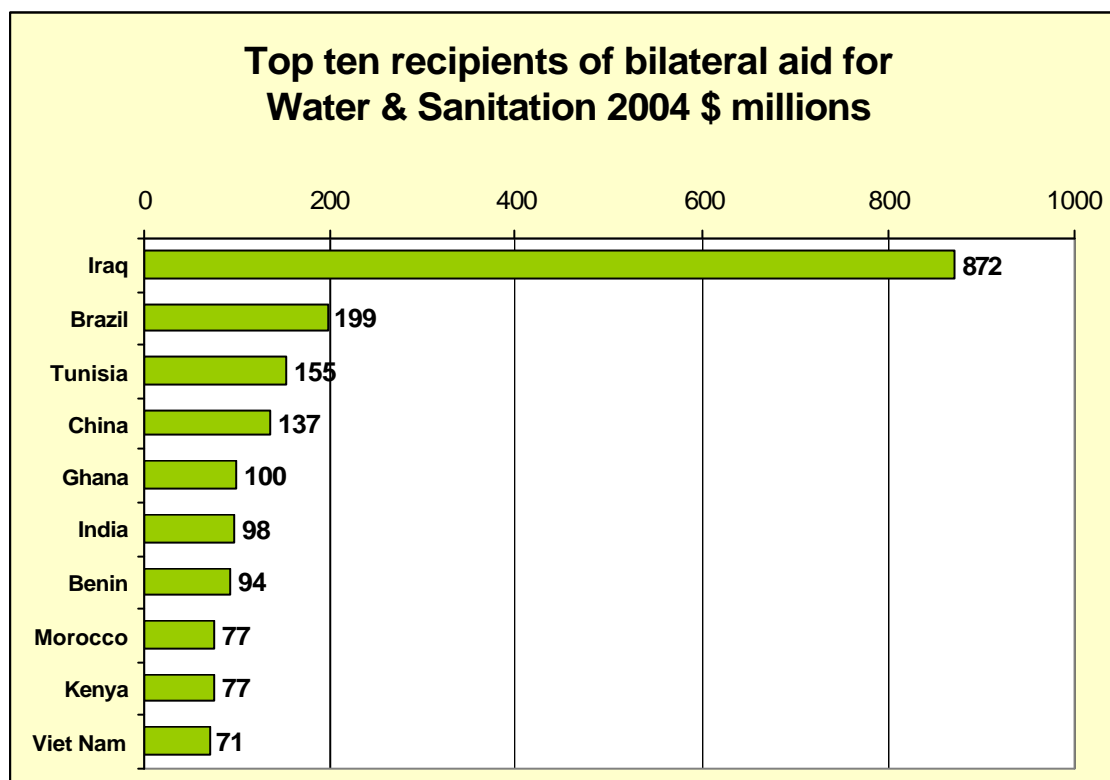
- a) Just over 20 countries received over \$50 million from bilateral donors and multilateral agencies in 2004. Together this accounted for almost three quarters of aid to the sector (73.28%).
- b) Almost 140 other countries on the DAC list of aid recipients shared the remaining quarter of aid to the sector.

**Fig 8**



## 6 *Bilateral aid to water and sanitation*

**Fig 9**



### 6.1 *Bilateral water and sanitation commitments by country in recent years.*

The top ten recipients of bilateral aid to water and sanitation in 2004 are shown above.

As the chart opposite shows, these countries received 62% of bilateral aid for the sector in 2004.

Four of these countries including the top 3 recipients who shared 40% of aid to the sector are middle income countries.

Brazil, an upper middle income country, was 24<sup>th</sup> on the list of recipients in 2003 and over the previous 3 years was well below 50<sup>th</sup>.

Country	\$ 2004	% of total	cumulative %	Status
Iraq	872	29	29	LMIC
Brazil	199	7	35	UMIC
Tunisia	155	5	40	LMIC
China	137	5	45	LIC
Ghana	100	3	48	LIC
India	98	3	51	LIC
Benin	94	3	55	LDC
Morocco	77	3	57	LMIC
Kenya	77	3	60	LIC
Viet Nam	71	2	62	LIC

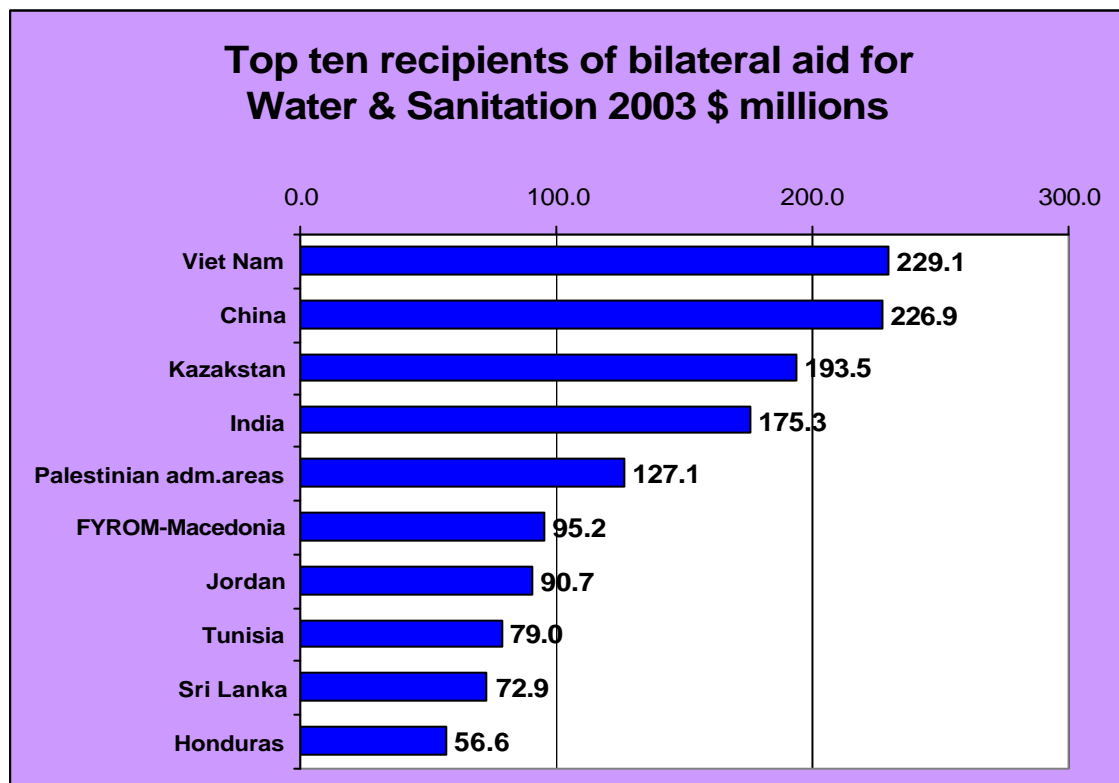
Tunisia has featured in the top 30 recipients since 2000 receiving an average of almost \$67 millions per year. Morocco, another lower middle income country geographically

close to Europe, has been in the top 10 for 4 of the last 5 years receiving an average of \$70 millions a year.

China has been in the top ten recipients each year since 2000 and Vietnam has been on the list in 4 out of 5 years.

The picture for 2003 is not distorted by Iraq, but even so the top ten countries received over 60% of total spending. Kazakhstan, Macedonia, Jordan, Tunisia and Palestine – 5 of the top 10 - are all lower middle income countries.

**Fig 10**



## 7 Top recipients of multilateral aid

Fig 11

Looking at the top recipients of multilateral aid for 2004, South Africa was the only lower middle income country in top ten recipients – who together shared around 70% of support.

In 2003, again the top 10 recipients shared around 70 of multilateral funding – making multilateral support somewhat more concentrated at the top than bilateral aid (of which around 60% went to the top ten in 2003 and 2004).

Two lower middle income countries, Mauritius and again South Africa, appeared on the list.

Comparing the multilateral and bilateral priorities for 2004, 3 countries are in both top ten lists – Ghana, Kenya and Vietnam. In 2003 only India and Sri Lanka are on both lists. Overall the bilateral priorities seem more weighted to countries which for a variety of reasons are political priorities. However, an alternative explanation could be that funding projects in countries most in need had been constrained as aid was conditional on governance reforms.<sup>6</sup>

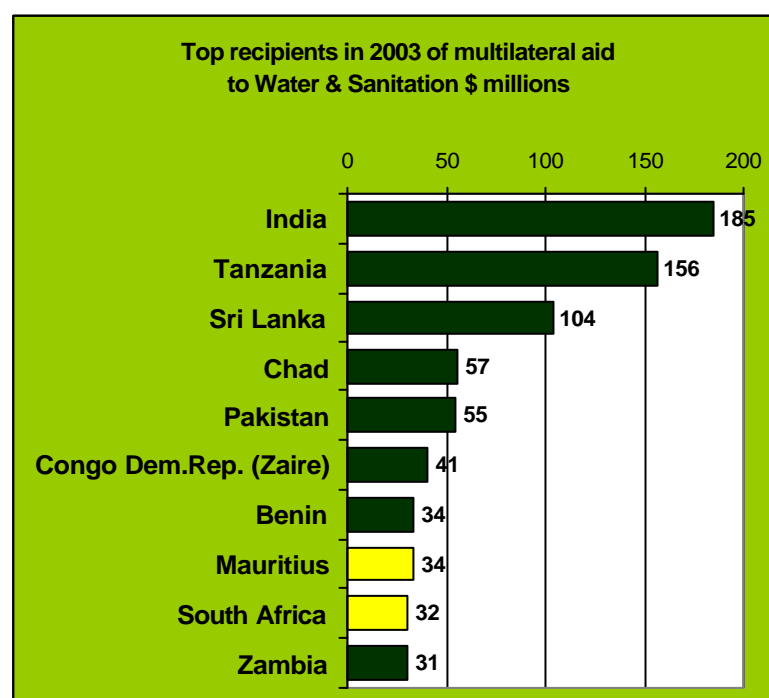
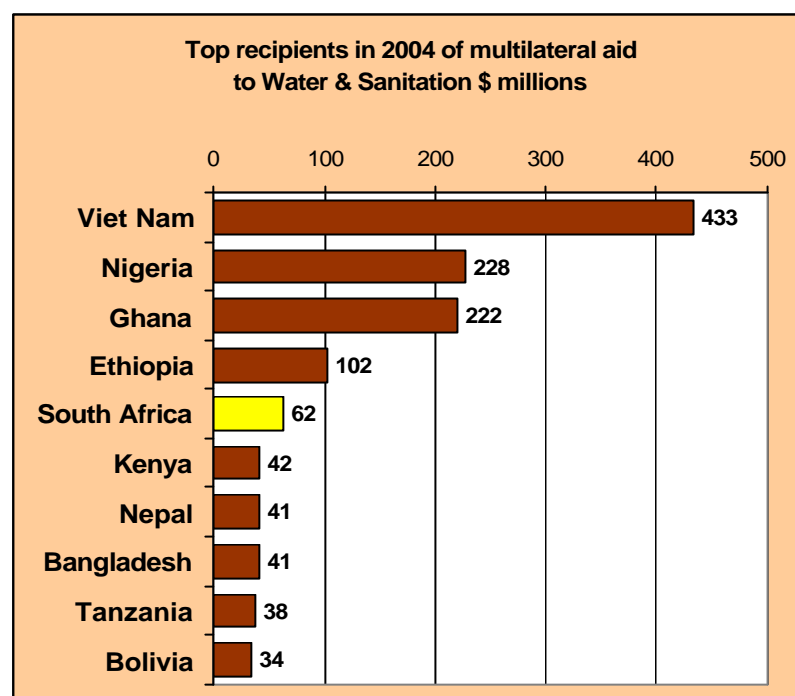


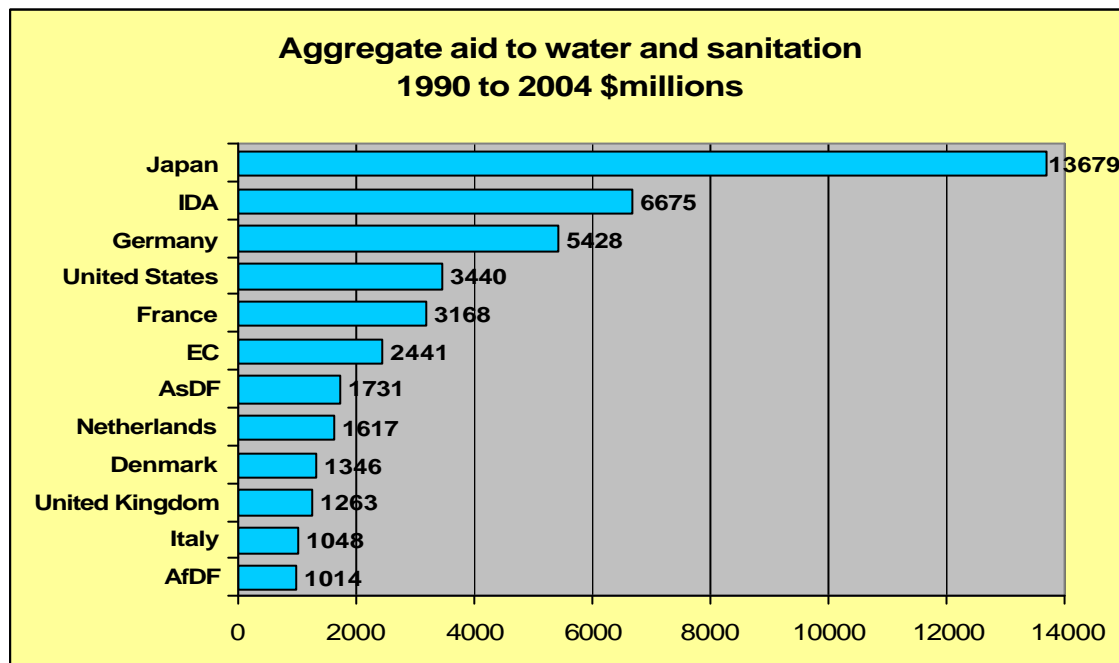
Fig 12

<sup>6</sup> DAC Report 2004

## 8 Volume and share of aid from bilateral donors to water and sanitation: *Japan easily the largest donor*

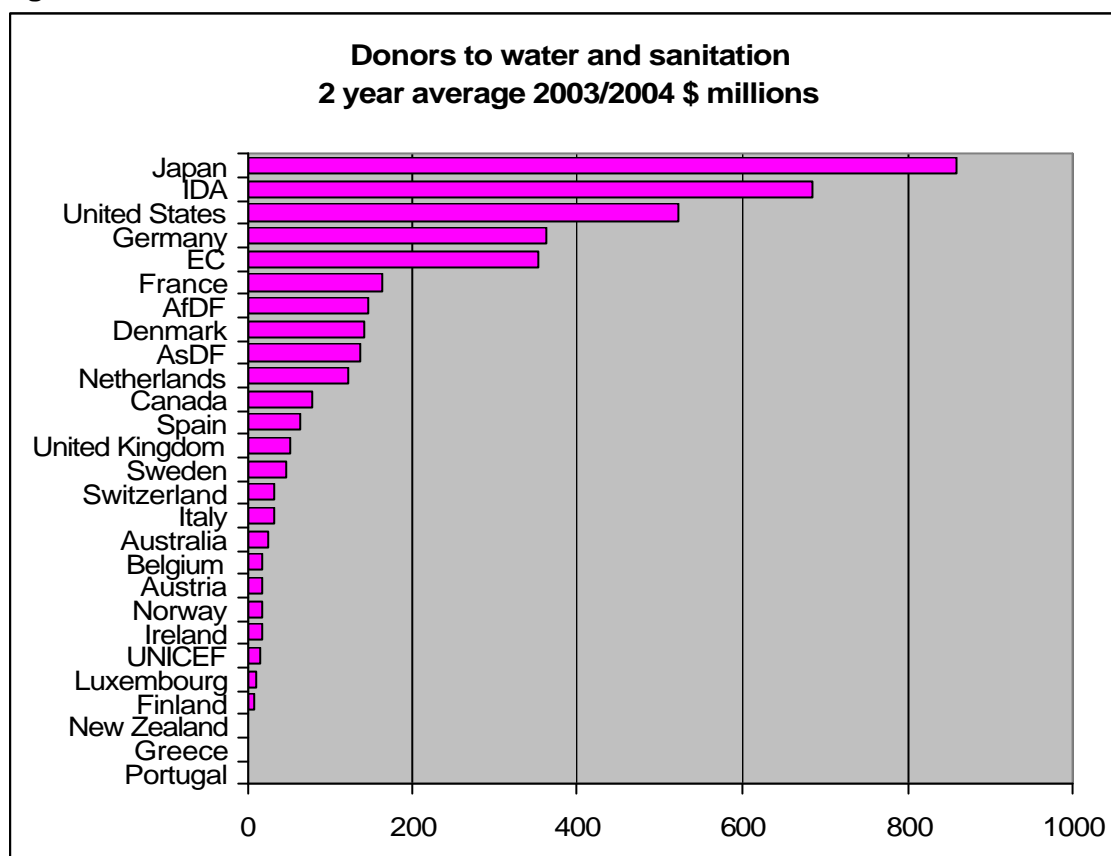
- a) Over the last 15 years, Japan has easily been the largest donor to water and sanitation providing almost \$13.7 billions, twice as much as the next largest donor IDA at \$6.7 billions. Japan has provided over \$1 billion a year in 6 of the last 15 years, only providing less than \$500 millions in 2 of these years. IDA has provided an average of \$445 millions a year for the sector since 1990. Germany is the third largest donor at \$5.43 billions, with annual funding ranging from over \$200 millions to almost \$560 millions. Nine other donors have provided over \$1 billion in aid to the sector.

**Fig 13**



- b) Because of the distortions of 2004, the graph below uses a two year average to present an overall view of support for the sector, covering all the significant bilateral and multilateral donors. On the chart for 2003/2004, the USA has overtaken Germany because of the unusually high spending in 2004. Denmark's position in both charts is notable because of the high share (7.8% over 2001 to 2004) of Danish aid going to the sector.

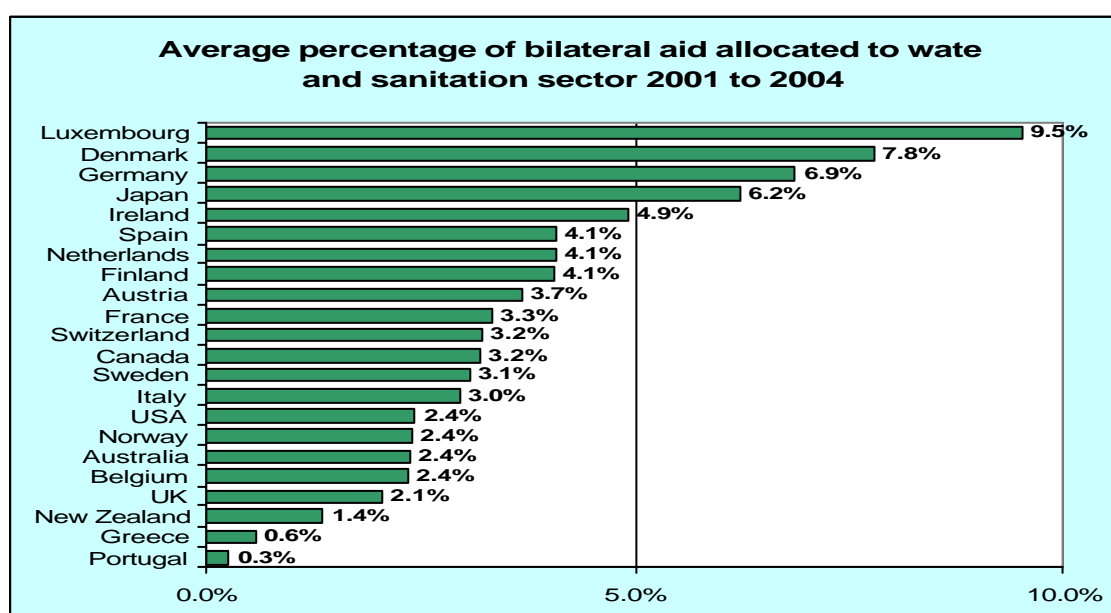
**Fig 14**



## 9 How different donors prioritise aid to water and sanitation within their programmes

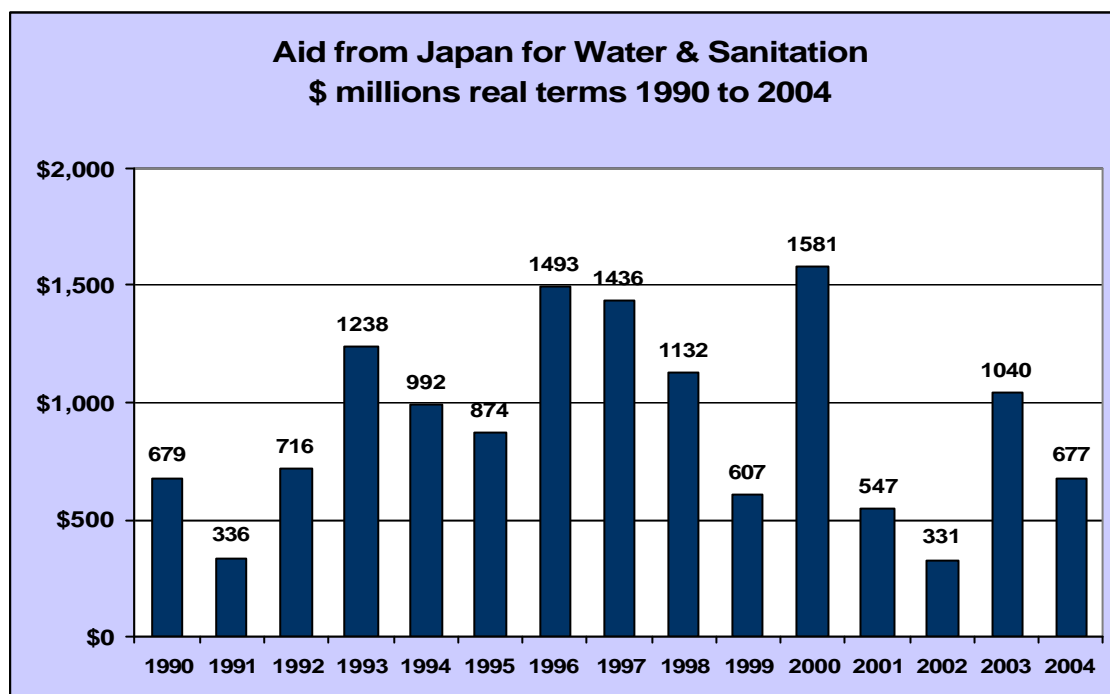
- a) Looking at the priority that each bilateral donor gives to water and sanitation, Luxembourg, Denmark, Germany and Japan stand out, giving over 5% of aid to the sector.

**Fig 15**



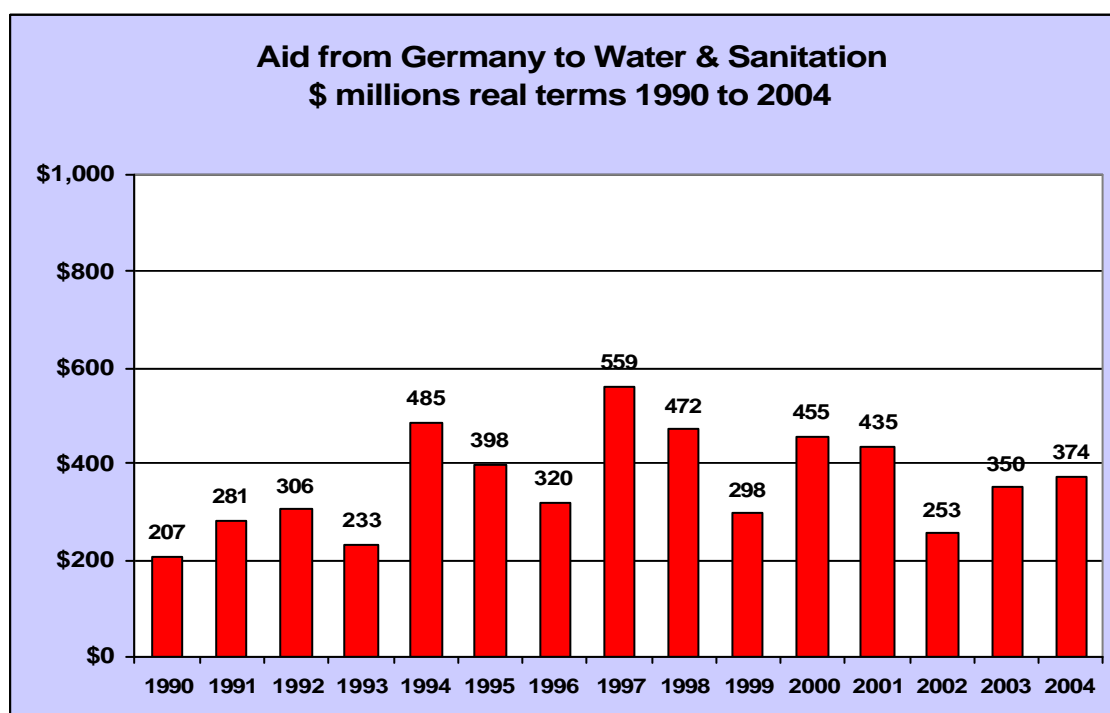
- b) Since Japan is the DAC's second largest bilateral donor and it provides a high share of its aid to the sector, it is not surprising that it is by far the most important donor to water and sanitation, providing over \$13.5 billion to the sector, twice the amount provided by IDA, the next largest donor (see multilateral section below).

**Fig 16**



- c) In addition to Japan, Germany is the other G7 donor providing over 5% of its aid to water and sanitation since 2000.

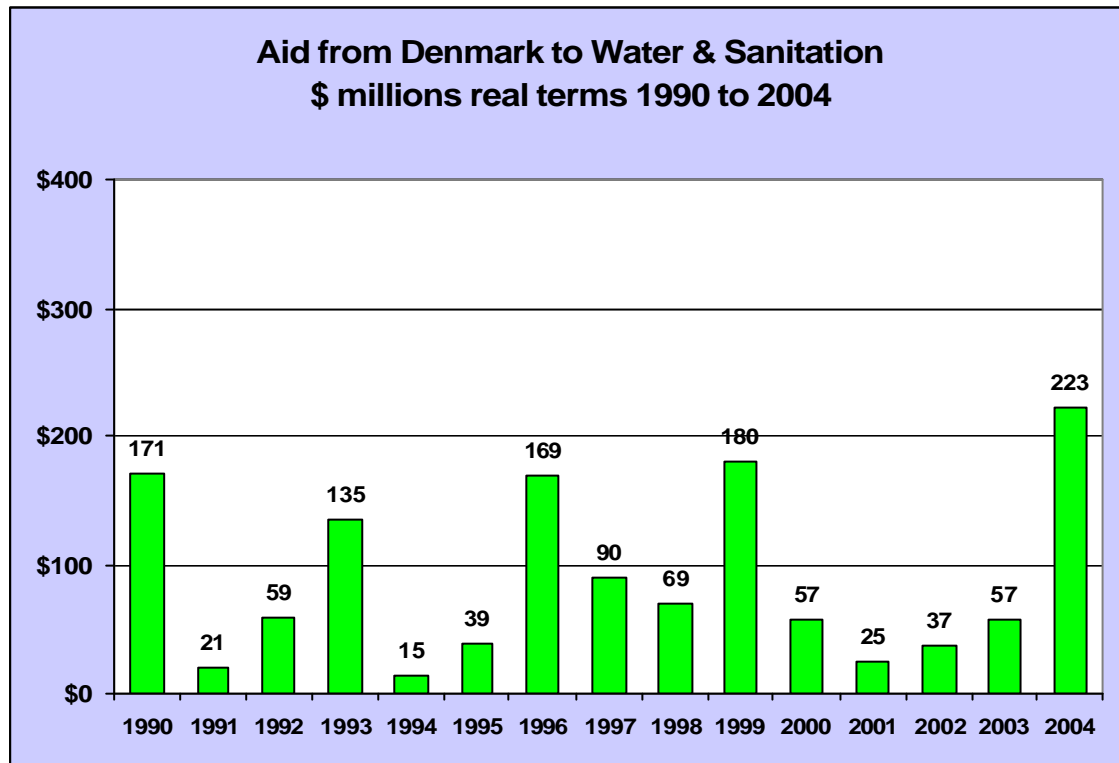
**Fig 17**





- d) Danish aid to the sector is quite variable year to year but averaged over 4 years Denmark gives the second highest priority to water and sanitation in the DAC at 7.8%. Over more than 3 decades Denmark has averaged 10.2% to water and sanitation.

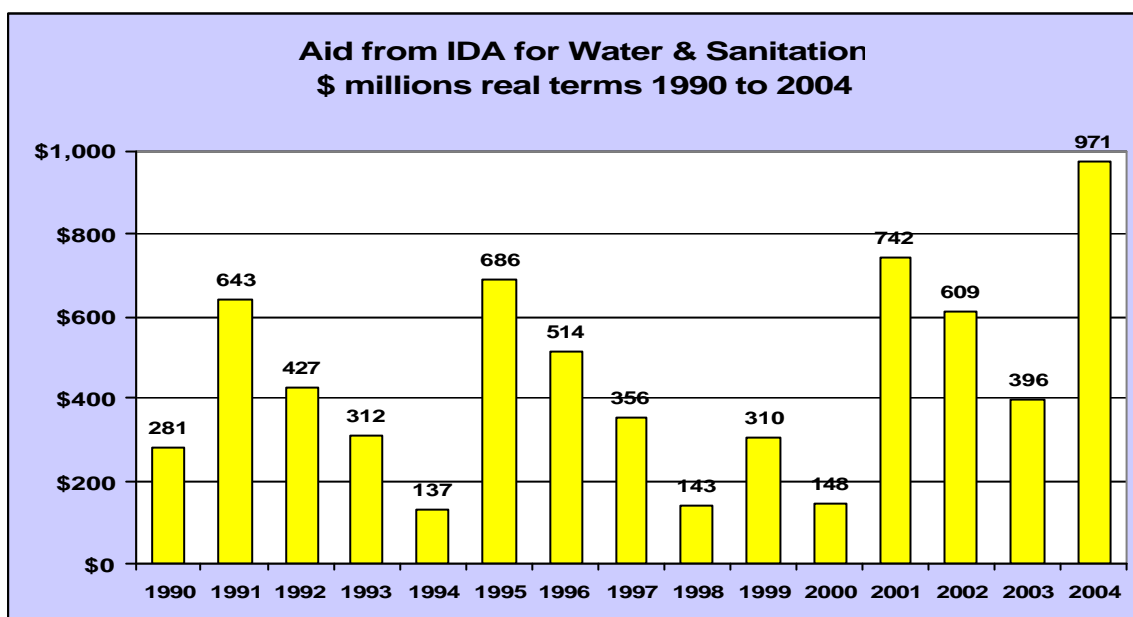
**Fig 18**



## 10 IDA and the EC – the most important multilateral donors to the sector

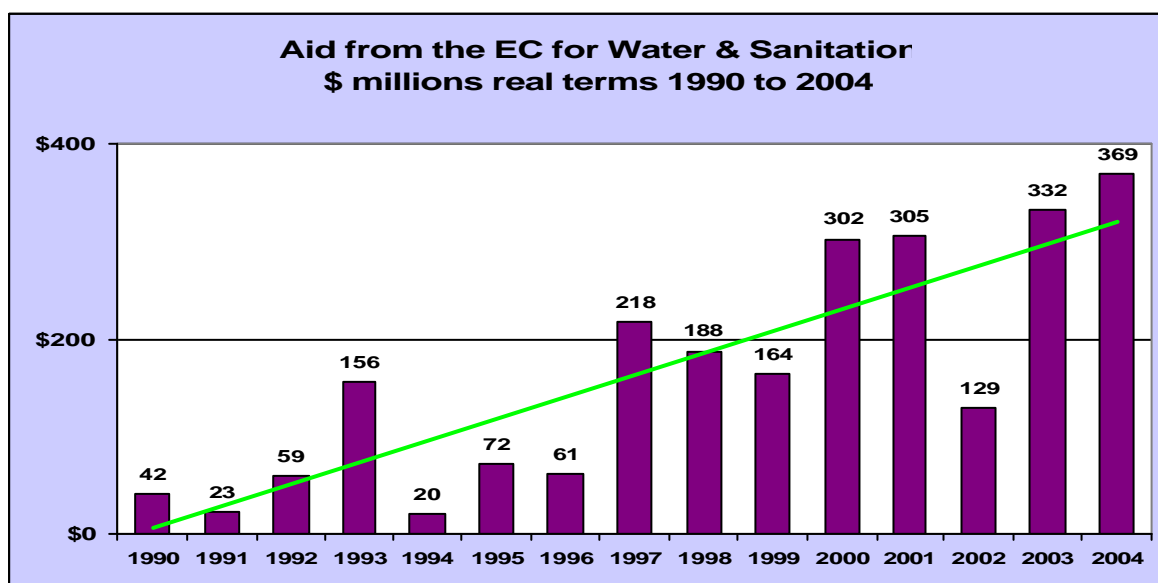
- a) IDA is by far the largest multilateral funder of water and sanitation providing \$6.6 billion since 1990. (Note that the scale on the graph for IDA is half that of Japan).

Fig 19



- b) The other large multilateral supporting the sector is the EC, whose trend is strongly upwards over the last 15 years. (Note though that the scale is smaller than the IDA graph).

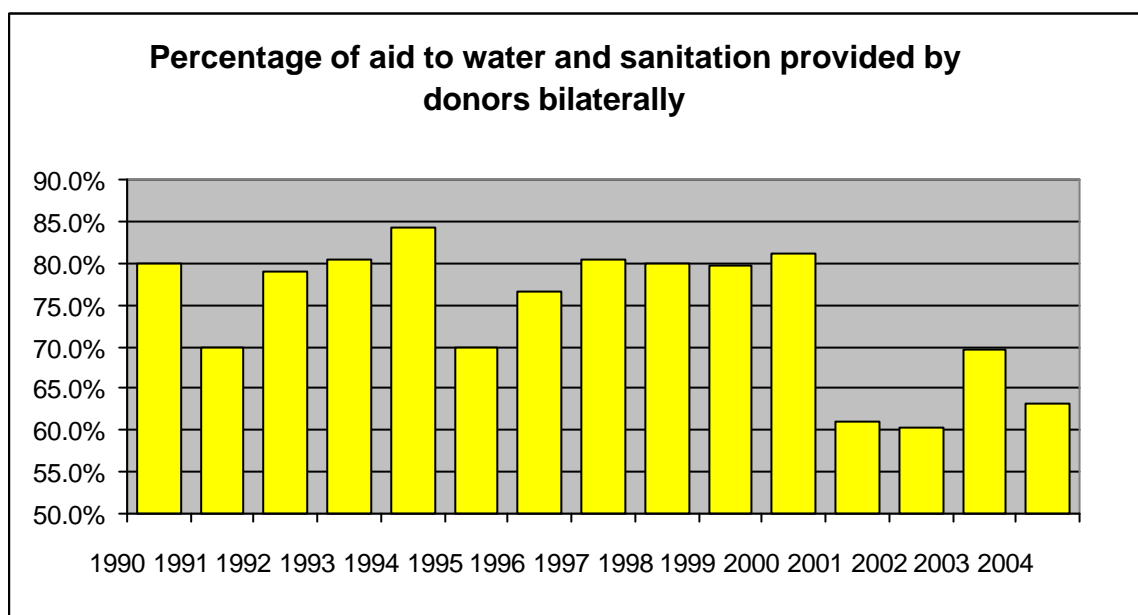
Fig 20



## 11 Efforts of multilateral agencies and regional development banks compared to bilateral funding

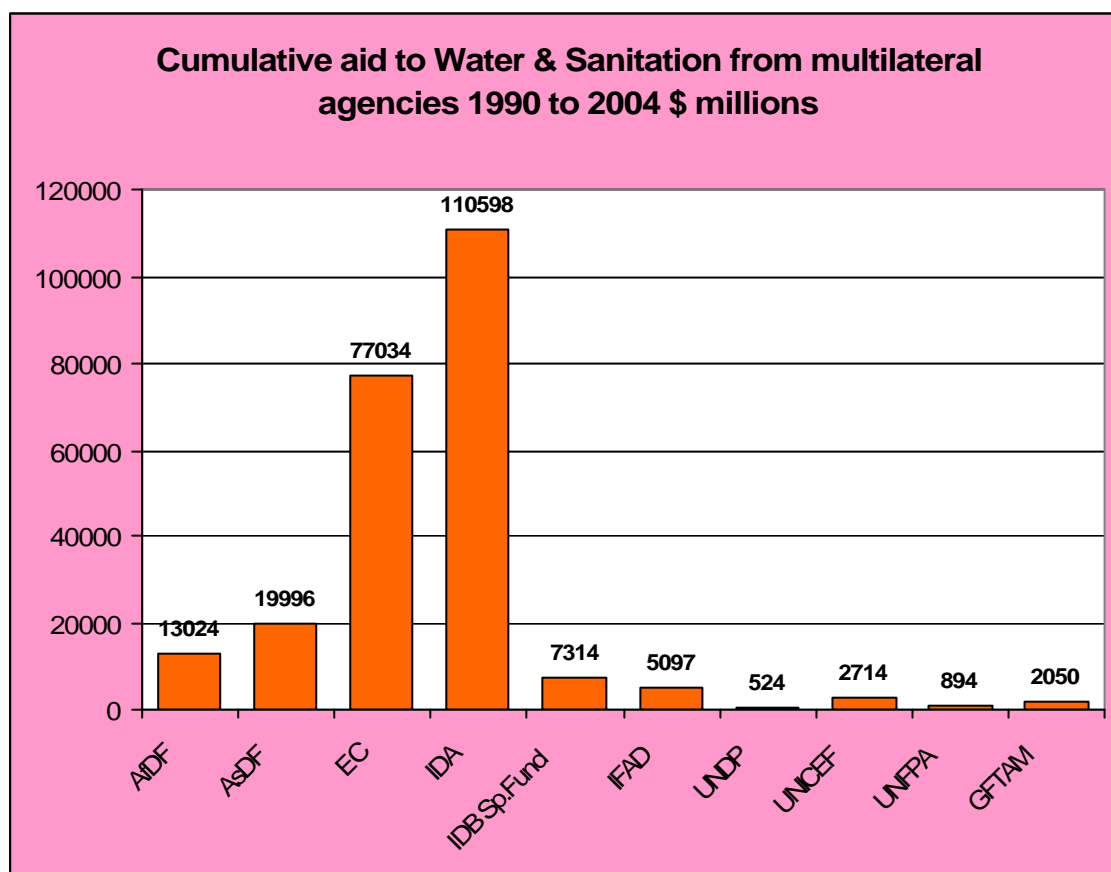
- a) Over the last 4 years 2000 to 2004, around two thirds of aid for water and sanitation has been provided bilaterally and one third by multilateral agencies. In 2004 the bilateral share was 63.2%.
- b) Over the previous decade the bilateral share averaged just under four fifths (78.4%). This represents a significant fall in the bilateral proportion.

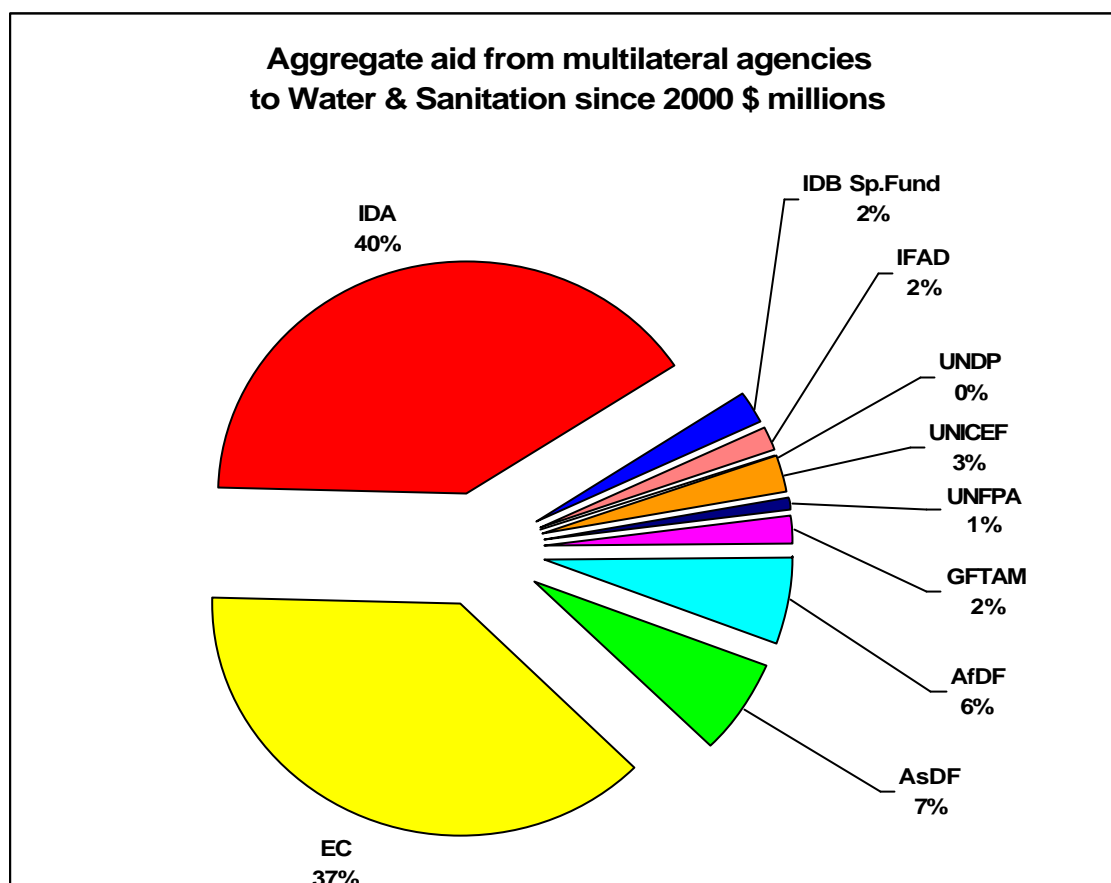
**Fig 21**



- c) Looking in detail at which multilateral agencies are providing assistance to the sector, IDA and the EC stand out, providing funding each year on a scale comparable with the larger bilateral donors.
- d) Together these two have provided over three quarters of multilateral support over the last 5 years (40% from IDA and 37% from the EC). Over 15 years IDA support has been worth \$11 billions and EC support \$7.7 billions.

**Fig 22**



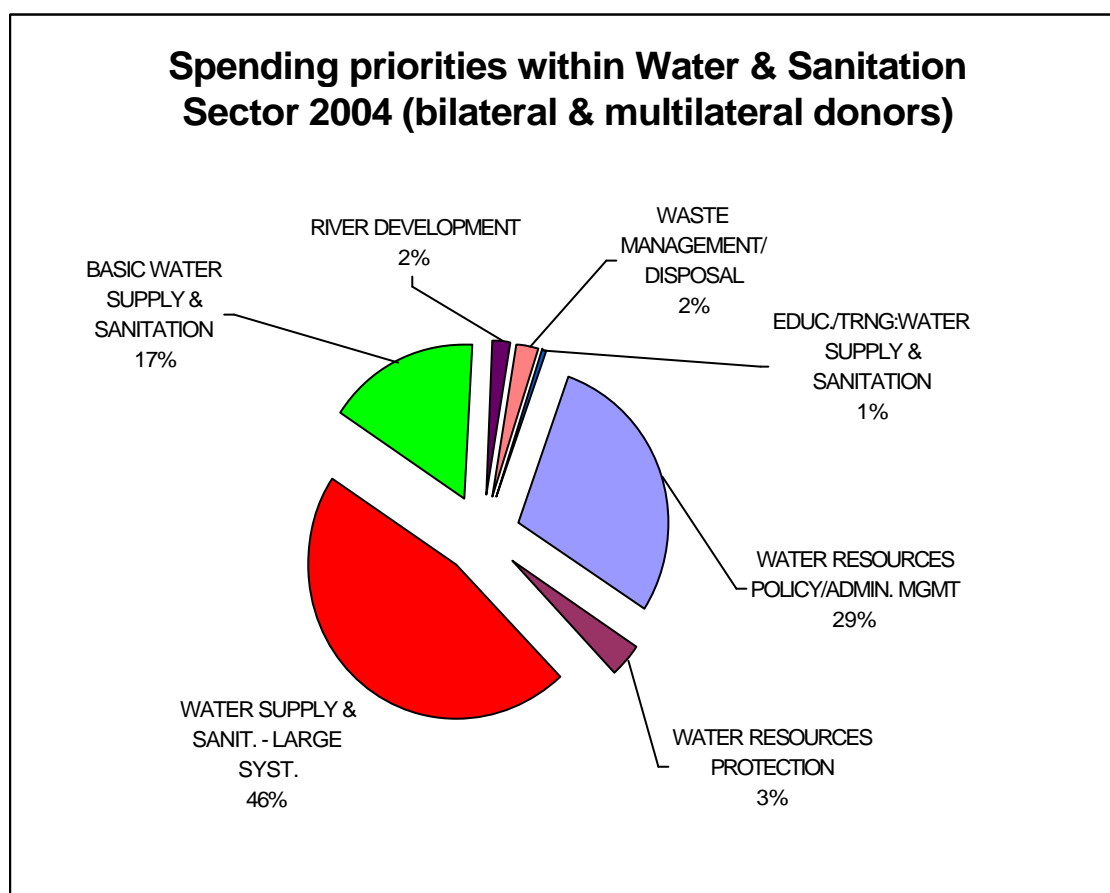


**Fig 23**

## 12 Priorities for spending within water and sanitation sector

- a) Large scale water and sanitation systems<sup>7</sup> received not far short of half of spending on the sector from all donors (bilateral and multilateral) in 2004. Reflecting a donor focus on water governance and management, water resources policy, administration and management was the next largest investment taking 29% of spending.
- b) Aid to basic water supply and sanitation – categories most closely associated with direct benefits to poorer people, especially in rural areas – received 17%.
- c) River development, waste management, water resources protection and education and training together shared less than 10% of spending.

**Fig 24**

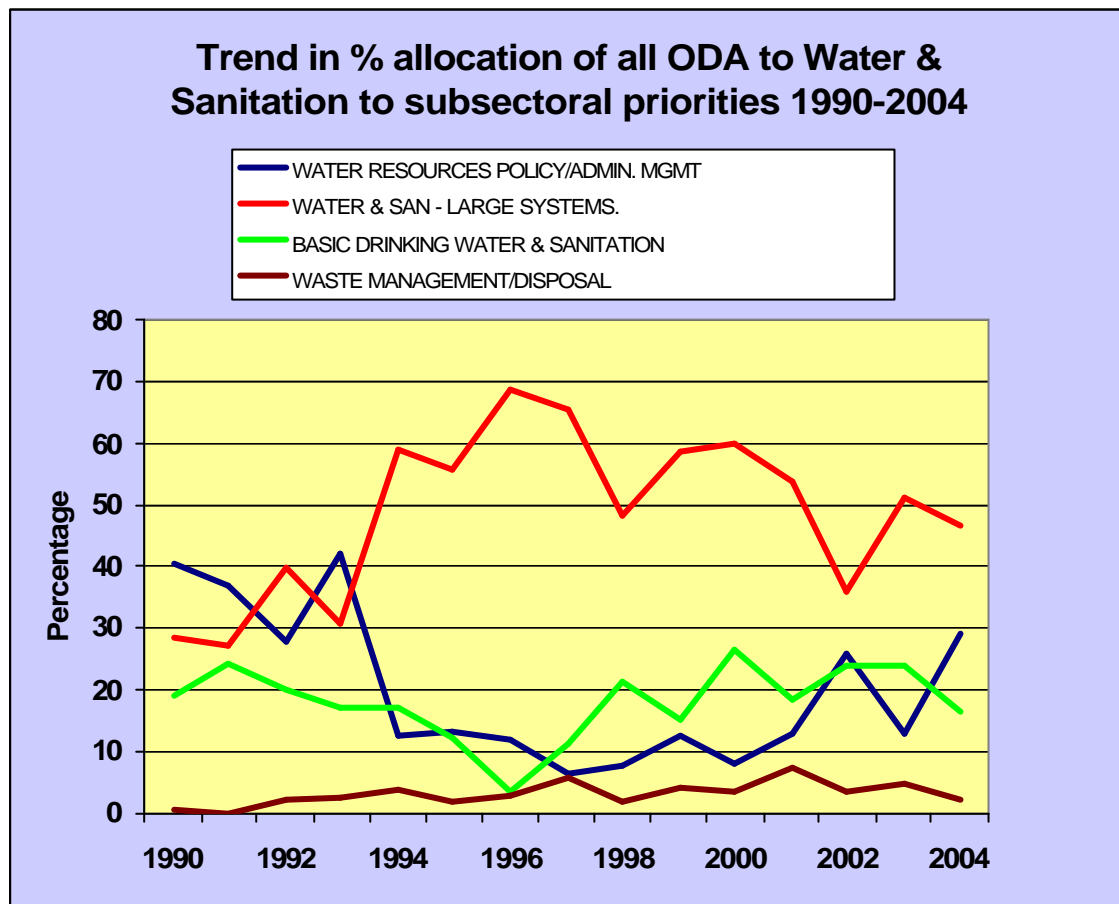


<sup>7</sup> The majority of aid to water and sanitation is for large scale, urban projects in middle income countries (DAC Report 2004)

### 13 How spending priorities have changed since 1990

- a) Over the last 15 years, spending on large scale systems has risen from 28% to over 46% whereas water resources policy, administration and management has almost been a mirror image, declining from over 40% to 29% over the period.
- b) Waste management and disposal remains a low priority averaging under 5% of spending. Aid to basic water and sanitation only accounted for 16.5% of spending in 2004, but it has averaged between a fifth and one quarter of spending since 2000 – with the 15 year trend being very slightly upwards.

Fig 25



Looking at the average spending over the last 5 years (to avoid single year distortion in a sector where spending fluctuates significantly year on year), bilateral donors allocate more than twice as much as multilateral agencies to basic water supply and sanitation. But they allocate 10% less to large systems (48% from bilaterals and 58% from multilaterals).

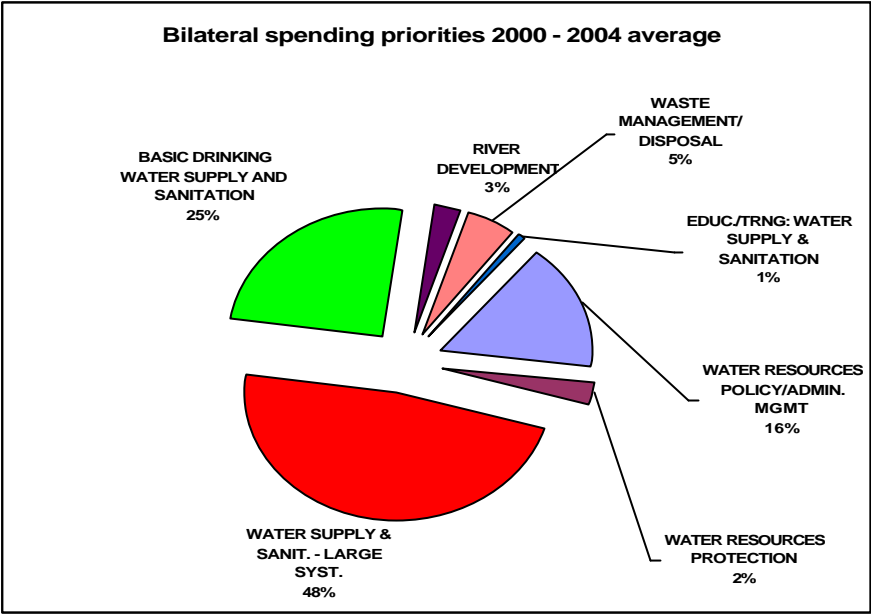


Fig 26

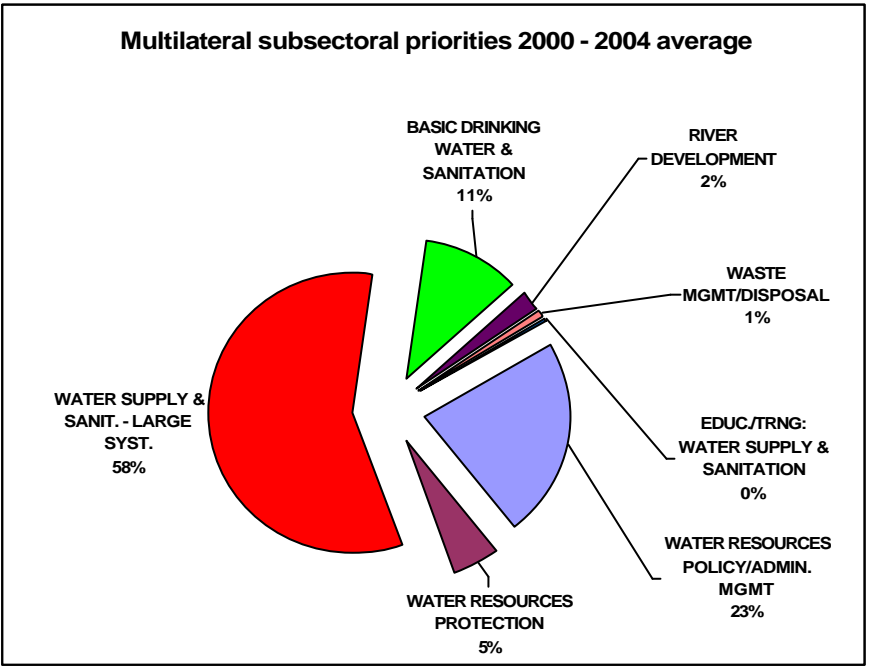


Fig 27



## 14 How does water and sanitation spending match need?

- a) A key issue on the distribution of aid is how allocations match need. Aid for Water and Sanitation does not appear to be targeted at all well on countries with the poorest

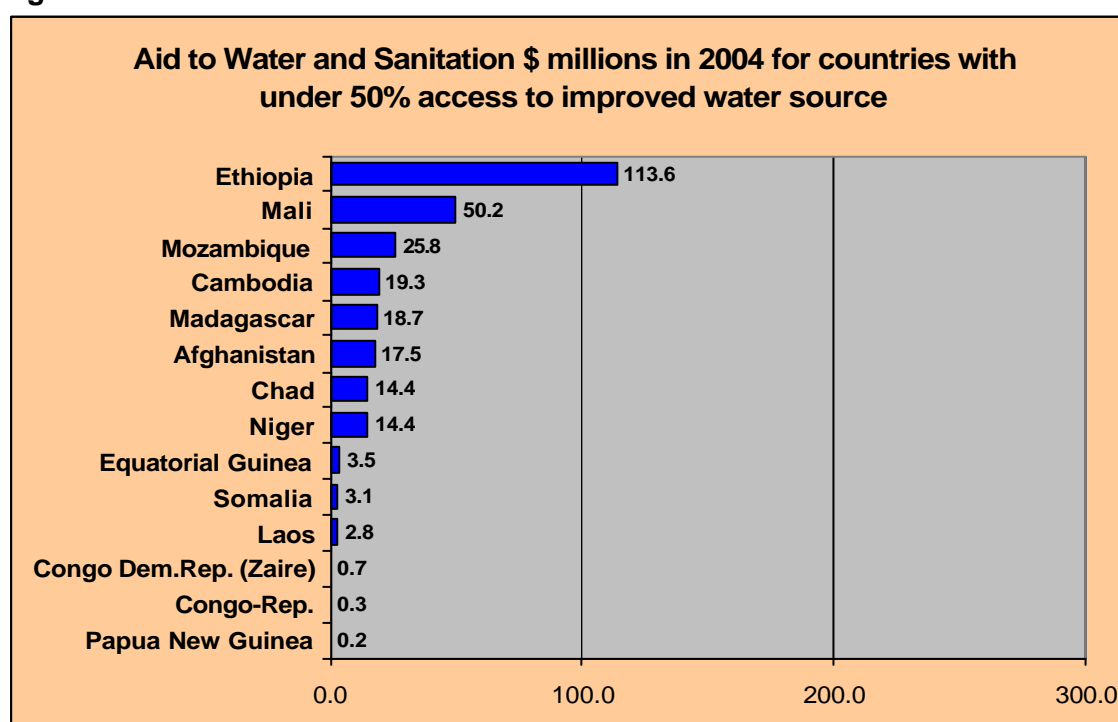
access  
levels to  
improved  
water  
sources.

- b) The 14 countries where less than 50% of the population have access to an improved water source received less than 6% of global aid to Water and Sanitation in 2004. By contrast Iraq, with 80%

<b>Countries where less than 50 % of Population have access to an improved water source</b>	<b>2002 Coverage %</b>	<b>2004 ODA to WSS</b>	<b>% of total to all countries</b>
Papua New Guinea	39	0.2	0.005
Congo-Rep.	46	0.3	0.007
Congo Dem.Rep. (Zaire)	46	0.7	0.014
Laos	24	2.8	0.058
Somalia	29	3.1	0.064
Equatorial Guinea	44	3.5	0.073
Niger	46	14.4	0.297
Chad	34	14.4	0.297
Afghanistan	13	17.5	0.361
Madagascar	45	18.7	0.387
Cambodia	34	19.3	0.400
Mozambique	42	25.8	0.534
Mali	48	50.2	1.038
Ethiopia	22	113.6	2.350
<b>Total</b>		<b>284.6</b>	<b>5.88</b>
Total of which from multilateral donors		161.0	
Total to all Countries		<b>4836.1</b>	

access received almost one fifth of spending and Brazil with 89% access received over 4% only a little less than total spending in Ethiopia, Mali, Mozambique and Afghanistan combined – none of which countries have half of their populations with access to improved water.

Fig 28



- c) Nineteen countries have less than 30% of their populations with access to improved sanitation. They received 6.77% of aid to water and sanitation in 2004 - \$327 million. Of this almost \$150 million or almost 46% was from multilateral agencies.

- d) The table over the page entitled **Contrast between largest recipients and poorest countries in terms of access to water and sanitation**, takes the top 5 recipients of bilateral support for the sector and the top 5 recipients of multilateral support, and contrasts these with the worst placed countries on access to water and sanitation.

<b>Countries with less than 30% of Population having access to improved Sanitation, 2002</b>	<b>Coverage</b>	<b>2004 ODA to WSS Current US \$ Million</b>	<b>% of all country total</b>
Ethiopia	6	113.6	2.35
Afghanistan	8	17.5	0.36
Chad	8	14.4	0.30
Eritrea	9	0.6	0.01
Congo-Rep.	9	0.3	0.01
Burkina Faso	12	61.3	1.27
Niger	12	14.4	0.30
Guinea	13	5.3	0.11
Cambodia	16	19.3	0.40
Comoros	23	5.2	0.11
Laos	24	2.8	0.06
Sao Tome & Principe	24	0.0	0.00
Somalia	24	3.1	0.06
Liberia	26	0.3	0.01
Nepal	27	42.9	0.89
Mozambique	27	25.8	0.53
Central African Rep.	27	0.0	0.00
Micronesia	28	0.0	0.00
Congo Dem.Rep. (Zaire)	29	0.7	0.01
<b>Total to above 19 countries</b>		<b>327.4</b>	<b>6.77</b>
<b>Total of which from multilaterals</b>		<b>149.8</b>	
<b>Total to all countries</b>		<b>4836.1</b>	

- e) Cells marked in red are those where an indicator of access to improved water or sanitation is below 50%. Aid to the water and sanitation sectors per capita for the sections of the population without access to adequate water and sanitation is shown in the two right hand columns.

## Contrast between largest recipients and poorest countries in terms of access to water and sanitation

Country	Population (Million), 2002	WSS ODA (2004) Current US \$ - (countries are sorted by this order)	Coverage - access to improved water, 2002	Coverage- access to improved sanitation, 2002	ODA per capita for population with no access to improved water supply	ODA per capita for population with no access to improved sanitation
Iraq	24.174	888	81	80	193	184
Viet Nam	80.424	504	73	41	23	11
Ghana	20.299	322	82	58	88	38
Nigeria	133.19	229	60	38	4	3
Brazil	174.486	199	89	75	10	5
China	1280.4	168	77	44	1	0
Tunisia	9.781	155	82	80	88	79
Eritrea	4.297	114	57	9	61	29
Ethiopia	67.218	114	22	6	2	2
South Africa	45.346	67	87	67	11	4
Burkina Faso	11.832	61	51	12	11	6
Mozambique	18.439	26	42	27	2	2
Cambodia	13.173	19	34	16	2	2
Madagascar	16.438	19	45	33	2	2
Chad	8.341	14	34	8	3	2
Niger	11.426	14	46	12	2	1
Guinea	7.745	5	51	13	1	1
Comoros	0.586	5	94	23	148	11
Equatorial Guinea	0.482	4	44	53	13	16
Laos	5.531	3	24	24	1	1
Congo, Rep.	3.657	0	46	9	0	0

### 15 Regional distribution of aid to water and sanitation

- a) There are striking differences in the way that bilateral donors and multilateral agencies distribute aid to the sector by region as the two graphs below show.
- Far East Asia takes one quarter of bilateral support but only 15% of multilateral aid
  - Sub Saharan Africa gets just 16% from bilaterals but 40% of multilateral support.
  - South and central Asia gets half the proportion of bilateral support (13%) that it gets from multilateral donors (26%).
  - The Middle East receives 18% of bilateral support but only 5% of multilateral aid

Fig 29

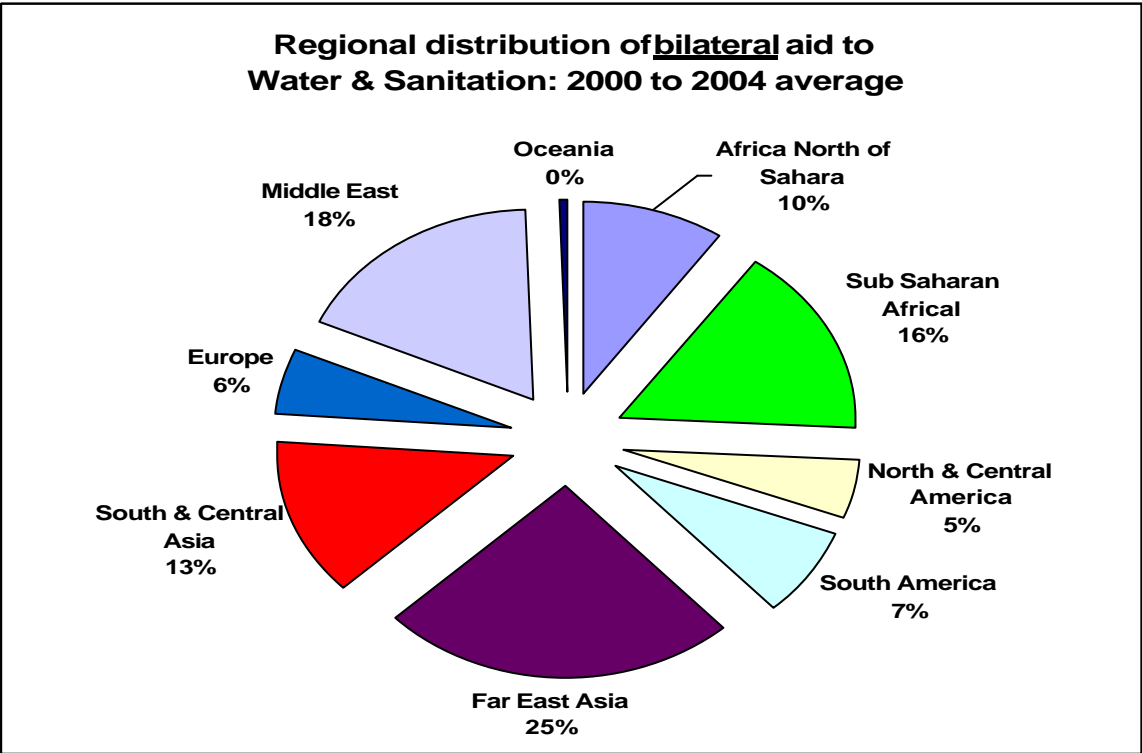
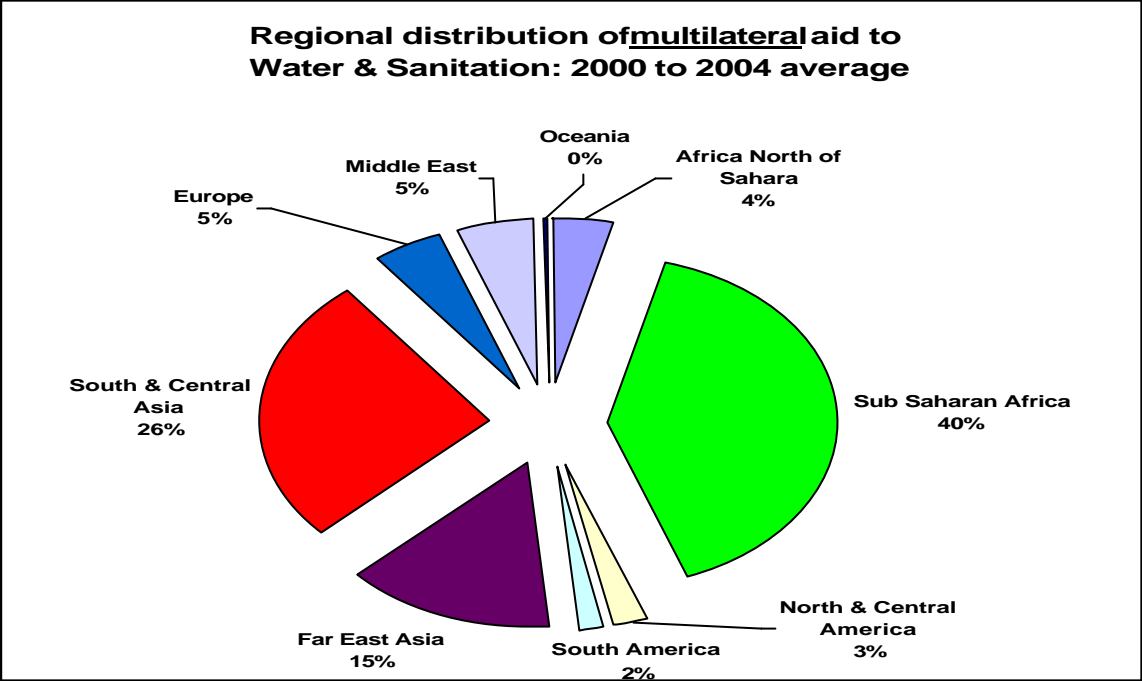
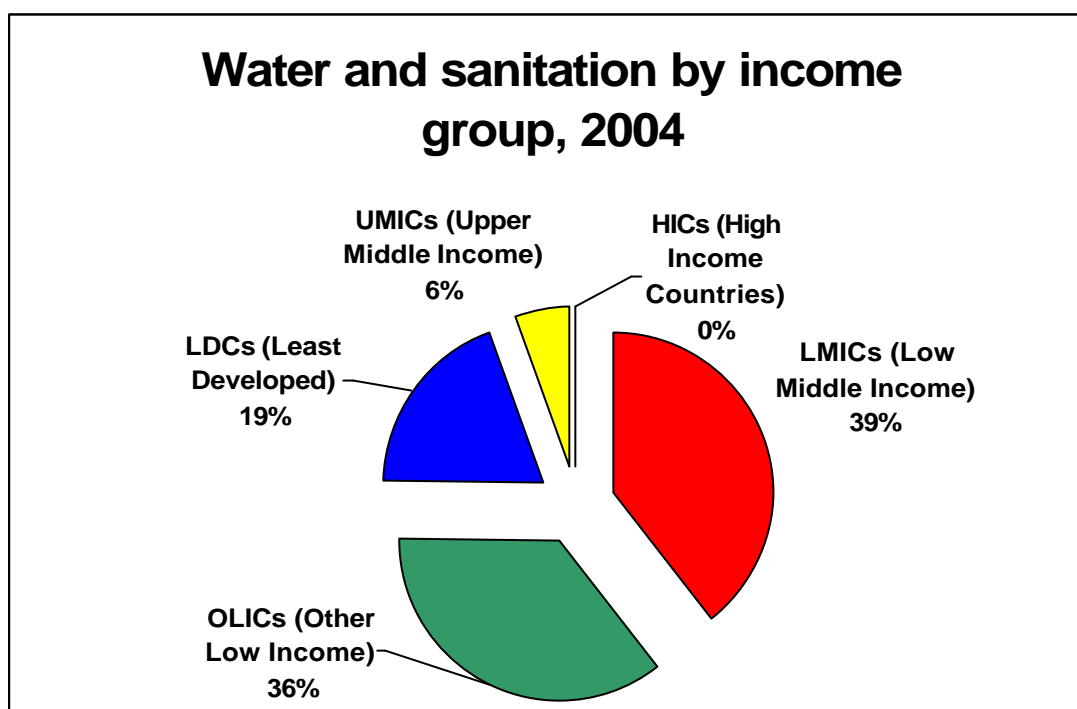


Fig 30

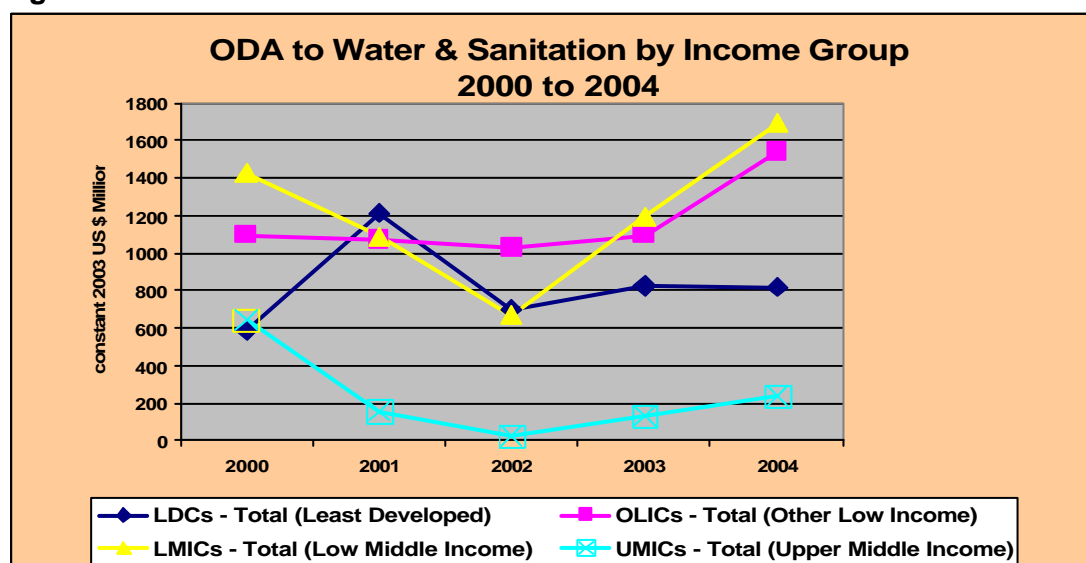
## 16 Water and Sanitation distribution by income group



**Fig 31**

Although Lower Middle Income Countries (LMICs) receive the largest single share of ODA to water and sanitation (39%). Least Developed Countries (LDCs) and Other Low Income Countries (OLICs) – which includes India and China – together take 55% of overall ODA to the sector. The recent trends in allocations to different income groups are shown in the graph below. The rise to UMICs in 2004 reflects allocations to Brazil – but note this does not include OOF to Brazil discussed below. In 2002 the four LMICs in the top 10 recipients shared \$170 millions, whereas in 2003 5 LMICs in the top 10 shared over \$580 millions and in 2004, Iraq, Tunisia and Morocco (all LMICs) shared £1.1 billions.

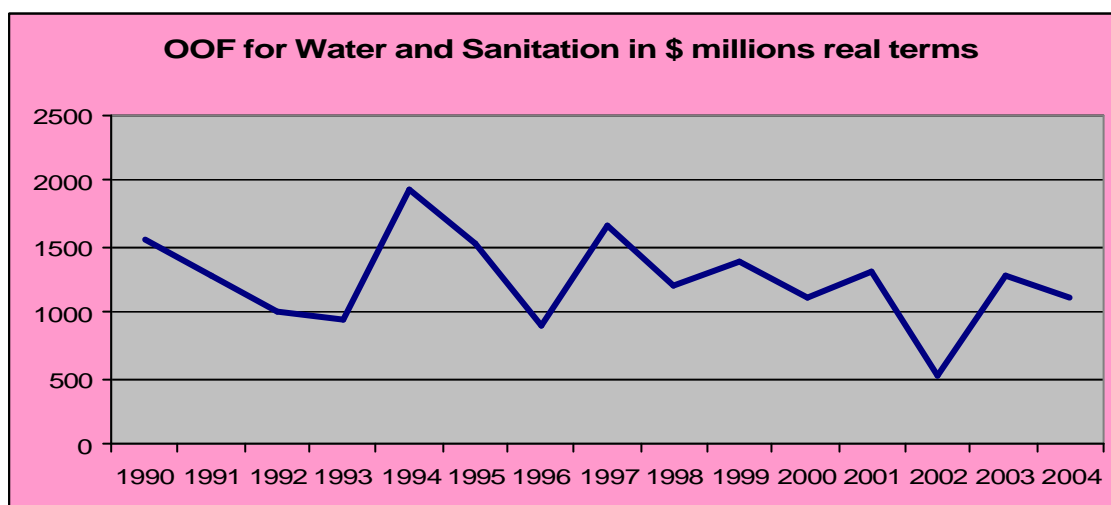
**Fig 32**



## 17 Other Official Flows for Water and Sanitation

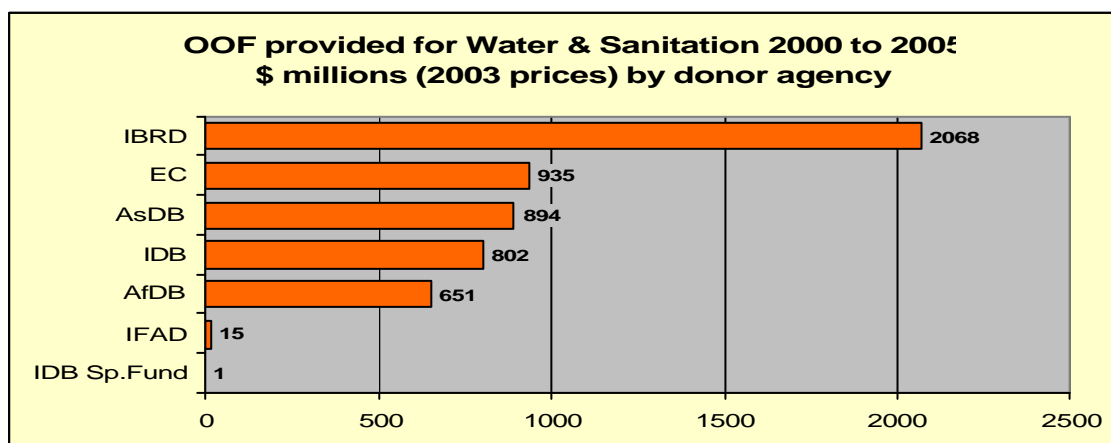
- a) In addition to aid spending (ODA), support for the Water and Sanitation sector is provided to countries on the DAC list of aid recipients in the form of Other Official Flows (OOF). OOF flows do not meet the criteria to be classified as ODA – either because their primary purpose is not developmental, or because they have a grant element of less than 25%. But they do nevertheless add significantly to the overall pool of resources available: in 2004 OOF for Water and Sanitation amounted to \$1213 in current prices (\$1115.6 millions in real terms 2003 prices compared with \$4486 in ODA).

**Fig 33**

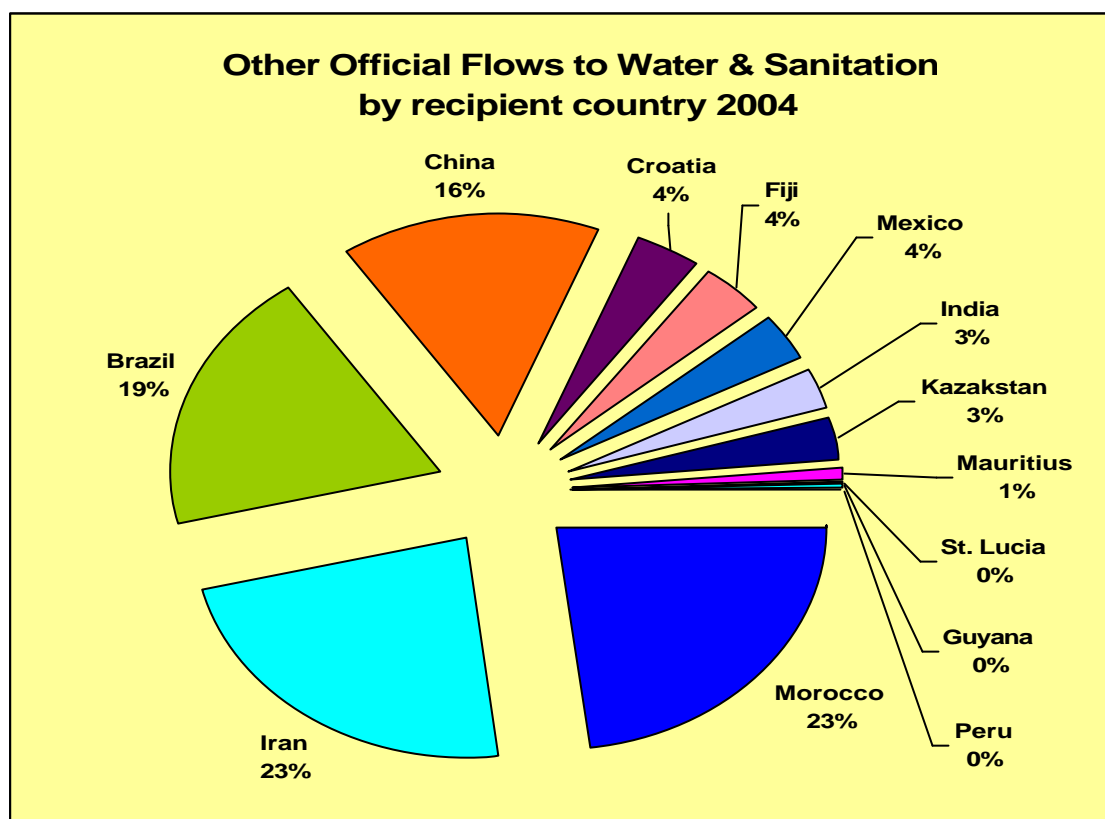


- b) Over the last 15 years OOF for the sector has averaged just over \$1250 millions at 2003 prices.
- c) The major providers of OOF over the last 5 years are shown below – the World Bank providing twice as much as the four other major agencies.

**Fig 34**



- d) The pie chart below shows the countries which received OOF for Water and Sanitation in 2004. Several of these countries were also on the list of major aid recipients for the sector in 2004: Brazil, Morocco, China and India. Only 17 transactions made up the entire portfolio of OOF financed projects in 2004.



**Fig 35**

- e) It is interesting to note that in the case for example of Brazil, one of the projects listed within the OOF category and worth almost \$92 millions, is categorised under basic drinking water supply and basic sanitation. The project, supported by IDB, is described as “Social Programme Water Sewerage Small Municipalities”.<sup>8</sup> The detailed project description states: “This program aims to improve water supply and basic sanitation services for low-income users in small urban communities. The three components are: (a) construction of potable water and basic sanitation systems; (b) business management; and (c) policy-development.”
- f) Several OOF financed programmes fall into the DAC CRS classification of Water Supply and Sanitation: Large Systems – an example is the Karnataka Urban Water Sector Improvement Project worth \$39.5 millions.<sup>9</sup> This project, due for completion March 2007, was to ensure the continuous, efficient and sustainable provision of water service for about 200 thousand residents in the cities of Gulbarga, Belgaum and Hubli-Dharward. The programme loan, disbursed to the Government of India, has a 20-year maturity period, with a grace period of five years.<sup>10</sup>

<sup>8</sup> CRS Transaction number 41037.

<sup>9</sup> CRS Transaction number 42038. For more information see <http://www.irc.nl/page/9325>

<sup>10</sup> <http://infochangeindia.org/archives1.jsp?secno=17&monthname=June&year=2004&detail=T>

#### Notes on data:

In the graphs we have chosen 1990 and 1997 as two key dates against which to measure trends for the following reasons:

1990 gives a 15 year perspective and because it predates the highpoint in aid reached in 1992, but it also because it predates the series of UN Summits during the 1990's which focused on poverty and development – and at which pledges on resources to different priorities were made.<sup>11</sup>

1997 because this is the year that the recovery in aid spending began. For donors it is the first year after the Shaping the 21st Century Strategy (which morphed into the MDGs) was agreed.

Other dates could have been taken as base years – and data can be prepared using other years as necessary.

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<sup>11</sup> Including UNCED 1992, Beijing 1995, Social Summit 1995.