

Reaching the MDGs for water and sanitation: Where are we?

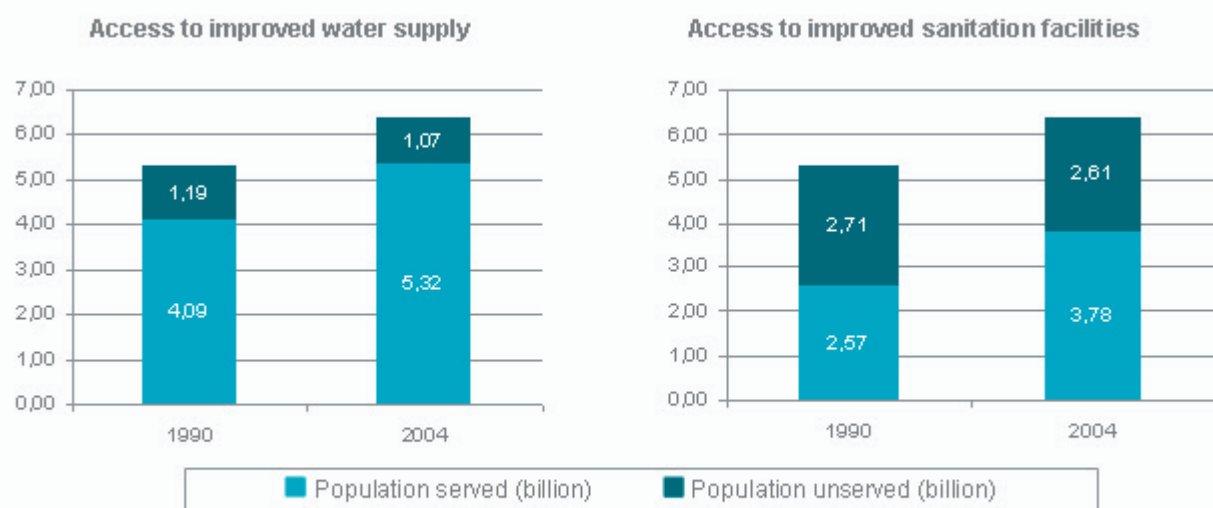
The percentage of people with access to an improved water supply has risen from 78% in 1990 to 83% in 2004. These figures indicate that the world, as a whole, is on track to meet the 2015 target to halve the proportion of the population without access to improved drinking water sources, excepting sub-Saharan Africa.

On the other hand, the 2015 sanitation target to halve the proportion of those lacking access to improved sanitation will be harder to reach. The percentage of people having access to improved sanitation facilities has risen from 49% in 1990 to 59% in 2004. Though progress has been impressive in sub-Saharan Africa, high rates of population growth and little priority given to water and sanitation remain major obstacles. It is anticipated that the target will be missed by half a billion people unless a substantial effort is made to release financing for this unglamorous sector.

The General Assembly of the United Nations has declared 2008 the International Year of Sanitation and has requested that the Department of Economic and Social Affairs (UN DESA) serve as the focal point throughout the year for “develop[ing], in a timely manner, relevant proposals on possible activities on all levels, including possible sources of funding.”



Progress in access to water and sanitation facilities from 1990 to 2004



Source : Joint Monitoring Programme, 2007

Financing the Achievement of the MDGs for Water Supply & Sanitation

More funds are needed

The Camdessus Panel and the subsequent Gurria Task Force convened by the World Water Council and the Global Water Partnership both reported on the need to double all sources of finance (public funds, user fees, private funds and ODA) and proposed ways to raise funds for the water sector.

To achieve the MDG on water supply and sanitation, costs are estimated between 9 and 30 billion USD per year (WWC, 2006). Innovative financing mechanisms are required to bring the necessary financing to those places where it is most needed.

Donors tend to be responsive

Since the publication of Camdessus Panel and the Gurria task Force reports and their recommendations, presented during the 3rd and the 4th World Water Fora, donors have been responsive to the call for increasing ODA to the sector. ODA commitments have risen from USD 2.8 billion in 2000 to USD 4.5 billion in 2005.



The **ACP-EU Water Facility** was created in 2004 to support water projects in Africa, the Caribbean and the Pacific through grant allocation totalling €500 million. Two Calls for Proposals each totalling €250 million in grants have been carried out. An initial analysis foresees that by 2010 about 10 million people will benefit from access to drinking water and approximately 5 million people will benefit from access to basic sanitation as a result of the 1st CfPs (96 proposals selected in 2005). As a result of the 2nd CfPs, it is expected that 10 million people will gain access to safe drinking water, 4 million to basic sanitation and 7 million will be educated in hygiene issues by 2012 (78 proposals selected in February 2007).

The **African Water Facility**, hosted by the African Development Bank, was also established in 2004 to “attract and make effective use of increased and appropriate investments needed to achieve national and regional water sector targets in Africa”, focusing on initiatives related to Information & Knowledge management, and Monitoring & Evaluation. The first project to be financed was approved in April 2006 (€165,000 to the Volta Basin Technical Committee). As of today, 12 projects have been approved for a total amount exceeding € 6 million, and 30 projects are in the pipeline.

In December 2006, the Asian Development Bank approved the establishment of the **Water Financing Partnership Facility** (WFPP) under its Water Financing Programme (2006-2010) to mobilize co-financing and investments from development partners. Initial contributions to the facility are targeted at USD 100 million by 2008, approximately 70% of which will be directed toward demonstration projects and 30% for quality support activities.

New private water funds

Even if the private sector is still reluctant to finance water projects due to the high-risk profile of the water sector and the lack of clear success factors, some promising initiatives exist. Funds dedicated to water have, for example, been created by private banks attempting to reach a balance between profitability and social responsibility.

In 2005 the Dutch bank and insurance company SNS REAAL set a water fund, **SNS REAAL Waterfonds**, to invest in projects that focus on stimulating sustainable development, entrepreneurship and innovation in the area of water management. It intends to invest USD 50 million by 2010 and aims at contributing to the Millennium Development Goals by closing the investment gap via private sector participation in the following sub-sectors: water supply, sanitation/wastewater, water resource management, irrigation and drainage, water power and water infrastructure.

The Nederlandse Waterschapsbank N.V. established the fund, **Stichting NWB Fonds**, on 22 December 2006 to finance international collaborative projects carried out by the Dutch water boards. Income from the fund will be used to make it easier for the various boards to deploy their expertise in setting up water management projects outside the Netherlands. The Nederlandse Waterschapsbank N.V. already provided €10 million and intends to reach €25 million. The first projects should begin in the first half of 2007.

The DHI Women's Water Fund was created by Prof. Torkil Jørnch Clausen of DHI after having been awarded the "King Hassan II Great World Water Prize" at the 4th World Water Forum in Mexico, 2006. The DHI **Women's Water Fund** seeks to support women from developing countries in advancing their career opportunities in the development and management of water resources. The Call for 2007 (applications before March 9) is open to women from developing countries in Africa, Asia or Latin America.

Financing the Achievement of the MDGs for Water Supply & Sanitation

Microfinance: An alternative to financing small-scale water projects?

Microfinance has proven to be an effective way of fighting poverty by allowing poor people to access lending, start an activity and earn a living. Microfinance is becoming part of financial systems. Mohammad Yunus, a Bangladeshi founder of the microfinance institution Grameen Bank, was awarded the 2006 Nobel Peace Prize «for advancing economic and social opportunities for the poor, especially women, through their pioneering micro-credit work.»

© Melanie FREY/epphoto
Mohammad Yunus
2006 Nobel Peace Prize Winner



According to Elizabeth Littlefield, Director of the World Bank's Consultative Group to Assist the Poor (CGAP), nearly \$2 billion are spent every year by donors, IFIs and investors in microfinance and, surprisingly, the World Bank Group

is the world's largest microfinance donor. But, microfinance is still marginal for water projects. Ways to link these two sectors should be further investigated in order to facilitate access to microfinance services for households, communities and small-scale water services providers, as under the WaterCredit Initiative (Water Partners International). By making small loans to communities and individuals who do not have access to traditional credit markets, WaterCredit helps finance the upfront cost of water and sanitation systems in India, Bangladesh and Kenya.

Market research conducted by local NGOs indicates that the potential demand for such small loans is enormous. People desperately want access to safe water and sanitation—and they're willing to pay for it themselves if given access to the appropriate credit tools.

Keys for the future

These promising initiatives, showing the way for others, should be multiplied and well coordinated to ensure proper use of funds and sustainability for projects. Funding should be targeted in priority towards countries and populations that are least likely to achieve the MDGs. But money alone is not the panacea; without local implementation and management capacities, the sustainability of projects is threatened, and investors will remain wary. Such bottlenecks must also be addressed if the water-related MDGs, especially for sanitation, are to be achieved.

For more information

- ACP-EU Water Facility (EU, 2004) http://ec.europa.eu/europeaid/projects/water/index_en.htm
- African Water facility (AMCOW, African Development Bank, 2004)
http://www.afdb.org/portal/page?_pageid=533,1&_dad=portal&_schema=PORTAL
- SNS REAAL Water Fund (SNS REAAL, 2005) <http://www.snsreaal.nl/index.asp?NID=6870>
- Stichting NWB Fonds (Association of Water Boards, Nederlandse Waterschapsbank NV, 2006)
<http://www.nwb.nl/>
- Asian Water Financing Partnership Facility (Asian Development Bank, 2006)
<http://www.adb.org/Water/WFPF/about.asp>
- Women's Water Fund (DHI Group, 2006) <http://www.dhigroup.com/News/RecentNews/Womensfund.aspx>
- WaterCredit Initiative, Water Partners International <http://www.water.org/watercredit/>
- CREPA/IRC 2006. Report of the Conference on Microfinance for the Water and Sanitation Sector, Dakar, 12-14 December 2005
- Mehta, Meera and Kameel Virjee 2003. Financing small water supply and sanitation service providers: exploring the microfinance option in sub-Saharan Africa, Water and Sanitation Program – Africa. Nairobi