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Poverty reduction, sustainable water and river management and multilateral development banks. Rhetoric but little action?

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Abstract

In 2000 and 2002 the world's governments set targets for improving water management and providing water and sanitation services to the poor. These targets are a threat and an opportunity for the sustainable management of rivers. WWF assessed the performance of donor and developing nation governments to better manage water. We examined the Poverty Reduction Strategy Papers of ten countries and the EU-ACP Country Strategy Papers of five countries in detail. We made a rapid assessment of 30 developing and 22 donor countries activities for water management, poverty reduction and the environment. The assessment shows that the key, initial planning and resource commitments needed to achieve water related targets are not being met. The governments and multilateral development banks have not linked the water targets to the key strategies that prioritise and fund action. Despite the political rhetoric, developing nations have not prioritized water services as a priority to reduce poverty in their strategies investing instead in infrastructure projects. To avoid continuing poverty and greater degradation of the world's rivers, both developed and developing governments and multi-lateral development banks must overcome these obstacles.

Keywords

Water, rivers, poverty, aid, multilateral development banks

INTRODUCTION

Globally the diversion of water for human consumption is growing at a rapid rate (Fig. 1) such that a growing number of the world's rivers no longer regularly reach the sea. It has been estimated that 54% of accessible runoff is now appropriated by humans (WWAP 2003:10). In response to the 1.1 billion people who cannot reach or afford safe drinking water, and 2.4 billion people who lack access to basic sanitation (WWAP 2003:10), the 2002 World Summit for Sustainable Development adopted targets to halve the number of people without access to these water services by 2015, to be operationalized through the development of integrated water resource management and water efficiency plans by 2005 (UN 2002:20-21 (clauses 25 & 26)). Even then it has been estimated that by 2050 at least one in four people are likely to be living in countries affected by chronic or recurring shortages of water (WWAP 2003:10).

The changes to stream flow and diversion of water is disastrous for biological diversity. WWF's Living Planet Index indicates that freshwater biodiversity has declined at a much greater rate than in either the forest or marine biomes, declining by 50% from 1970-2000 (Fig. 2). This is also a catastrophe for people as millions of the world's rural poor depend on the fisheries and other natural resources that have declined or are at risk of decline with changes in stream flow.

There are already more than 45,000 large dams around the world with another 1,500 planned or under construction, including in some of the most biodiverse rivers like the Yangtze, Mekong, Amazon and Orinoco Rivers. Already more than 60% of the world's major rivers are fragmented by dams (WWAP 2003).

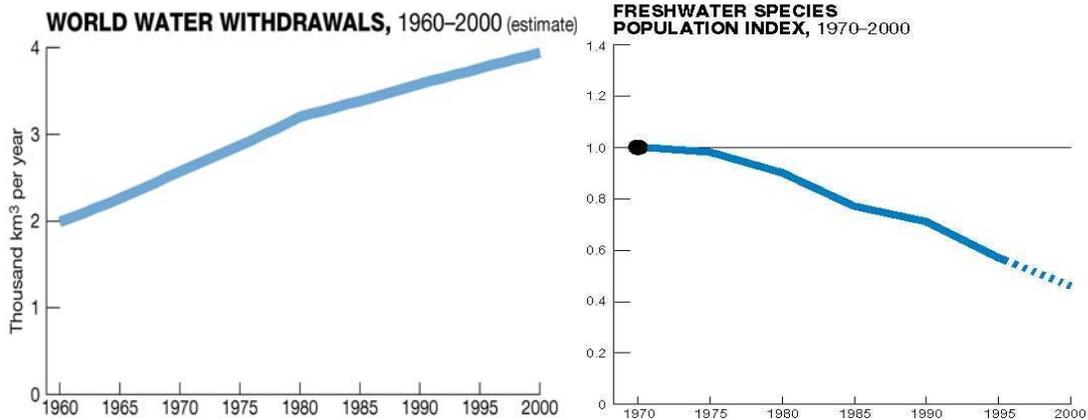


Figure 1: (From Loh 2002:16)

Figure 2: (From Loh 2002:3)

The 2002 World Summit also adopted a target to achieve by 2010 “a significant reduction in the current rate of loss of biological diversity” (UN 2002:33 (clause 44)). How then can the world implement these conflicting Millenium Development Goals (UNGA 2000, WWAP 2003:9) and World Summit targets (UN 2002) to supply more water services, energy and agricultural produce to people while maintaining freshwater biodiversity world wide? WWF reviewed the performance of 52 developing and donor countries to assess how their sustainable development policies were addressing this challenge to better manage rivers and water.

METHODS

In 2003-2004 WWF consultants (P Newbourne & C Tydeman) conducted two separate assessments of the extent to which developing and developed governments were including water management in general and integrated river basin management in particular in poverty reduction strategies and aid.

Hypothesis

Given the prominence afforded to water and sanitation services for the poor in the UN Millennium Development Declaration (UN 2000) and the World Summit on Sustainable Development (UN DESA 2002) our hypothesis was that a successful commitment on behalf of the national governments, aid agencies and multilateral development banks would be indicated by:

1. All governments fulfilling their commitments to prepare 'integrated water resources and water efficiency' (IWRM) plans by 2005;
2. Developing country governments, with the active support of donors, prioritizing water resource management and services in their various poverty reduction strategies; and
3. Donor countries focusing aid on the poorest countries that require assistance to meet the water related MDGs.

Poverty reduction strategies

Increasingly donor governments and institutions have taken the view that to optimize sustainable development it is the recipient countries that must give priority to a few sectors of their societies to meet their development needs in the form of 'whole of government' poverty reduction strategies. The donors would then provide these developing countries with more general budget support grants. In these studies WWF focus on two key types of poverty reduction strategies:

- a) The "Poverty reduction strategy papers" (PRSPs) required by the World Bank for aid to "highly indebted poor countries", which are influential in the development sector globally, which require recipients to prioritise their needs in a loose manner; and
- b) The "Country support papers" (CSPs) required by the European Union to direct aid under its Cotonou Agreement with the countries of the Asia, Pacific and Caribbean (ACP), since the EU collectively is the world's largest aid donor, and which requires recipients to prioritise just two sectors to receive aid.

Developing countries

Newbourne (ODI in prep. 2004) reviewed the most current version of the PRSPs from ten developing countries, the parallel CSPs prepared by five of the same governments, and national water strategy or policy prepared by four of the same ten governments. The PRSP's assessment reviewed:

1. Whether the governments had followed the prescribed process for the cyclical preparation, monitoring and revision of PRSPs;
2. Inclusion of water in these strategies against eleven criteria (status of water, water coverage and resources, poverty analysis, inter-sectoral aspects, objective setting, finance, process, convergence with other processes, performance assessment, donor support, and transboundary collaboration);
3. Positioning of water objectives against the PRSP priorities;
4. Allocation of resources to water in the PRSPs.

Similarly, Newbourne (ODI in prep. 2004) reviewed the most current CSPs prepared by five of the same governments to assess where water is included against the four areas of support under the Cotonou Agreement.

Tydeman undertook a more rapid assessment of (CARE et al. 2004) selected 30 countries with the highest need for improvements in the provision of safe water and basic sanitation, and reviewed their performance using country data and reports available from the World Bank, EU, OECD and UN. The countries were scored against:

1. preparation of national IWRM plans;
2. prioritisation of water and sanitation in their PRSP;
3. prioritisation of water and sanitation in their CSP; and
4. whether forced evictions of slum dwellers were recorded as an indicator that services would not be extended to the urban poor.

Donor countries

Using the same data sources, Tydeman also assessed the 22 OECD donor countries to see:

1. whether total aid reached the UN target of 0.7% of total national income;
 2. the trend in aid to water management from 1998-2002;
 3. the percentage of aid going to water and sanitation;
 4. the percentage of water and sanitation aid going to the 30 countries in most need;
- and
5. whether developed countries also had national IWRM plans.

RESULTS & DISCUSSIONS

IWRM plans

In 2002 all governments committed to prepare IWRM plans by 2005. Of the 30 developing countries 13 (43%) had made progress by early 2004. As one of the earliest of the World Summit target dates to be reached, and as IWRM plans are a crucial step if the more challenging targets for water management and poverty reduction are to be achieved, this could be considered a key indicator of progress. The Global Water Partnership (2004) also reviewed IWRM plans of 108 countries and found 15% have made good progress, 50% have initiated the process and the remaining countries have a long way to go to meet the target.

Further, only Canada and the Netherlands appear to be contributing funding to the development of IWRM plans in developing countries (CARE *et al.* 2004). Of the 22 developed countries, the 17 EU member states have made good progress on developing domestic plans due to their common requirements under the EU Water Framework Directive, and the remaining five states have no clear policy. This suggests that the donor countries do not feel bound by the commitments all governments made at the 2002 World Summit.

Prioritising water in poverty reduction strategies

Tydeman's research (CARE *et al.* 2004) shows that developing country governments are clearly not prioritizing water resource management and services in their various poverty reduction strategies. Of the 16 countries with PRSP's, only two (13%) prioritise water supply and sanitation, whereas 8 (50%) record water as an issue without making it a clear priority in the 'action plan' section of the strategies where funds are allocated. Only 2 of the 12 countries (17%) facing 'absolute' or 'economic' water scarcity prioritized water in their PRSPs or CSPs.

The results are worse for CSPs, which require greater clarity as to the national government priorities, since only 4 of the 26 countries (15%) with CSPs include water and sanitation as priorities as opposed to 22 (85%) who do not. This suggests that despite their rhetoric most governments do not prioritise water services, and even where water is particularly limited, do not see river basin management as a priority. It also suggests that where water resources are limited those agencies responsible for its management see infrastructure and other technical fixes as the solution.

Further, there are reports of forced evictions in 23 of the 30 countries (77%) suggesting that the urban poor have inadequate land tenure required to secure water services.

Newbourne's more qualitative assessment notes variable adherence to the processes for preparing, monitoring and reviewing PRSPs, observing that only 4 of 10 countries examined have produced progress reports. Little evidence was found of the public participation that is meant to be a condition of the donors in the preparation of these strategies.

Water is treated as a cross cutting issue that is positioned most often in the PRSPs as a growth or social issue. There is a difference between the countries as to whether their PRSPs focus on poverty stricken areas that are 'weakly integrated into markets' or on locations where high growth potential may lead to a gradual spread of benefits to the poor. In 7 PRSPs agriculture is considered a driver of growth and irrigation development is favoured. Integrated water resources management (IWRM) does not feature strongly in any of the ten PRSPs, whereas construction of hydropower facilities is envisaged in 5 countries.

These results suggest that where water is mentioned in poverty strategies, in most instances the proposed expenditure will not directly benefit the rural or urban poor, but more usually will focus on large scale agriculture or infrastructure projects.

The financial allocations to water elements in the 9 costed PRSPs show that the 7 national governments allocated less than 4.2%, with the other two allocating 11 and 13%. Newbourne (CARE *et al.* 2004) also considered why resources allocated to water management through poverty strategies and national budgets so often fail to achieve the intended results, which are listed in Table 1.

Table 1. Resource flows towards “PRSP” targets: what can go wrong?

- The national resource “envelope” does not match projections;
- Highly Indebted Poor Country funds or other external funds, from donors, are delayed/blocked;
- Public resources are applied “off-budget” on items not recorded in the budget or PRSP;
- Donors withhold budget support in preference for “off-budget” project support, effectively by-passing national systems;
- Actual allocations by Ministry of Finance (*MoF*) do not match the budget (eg. expenditure cuts; political capture, eg. for a different sector or strategic goal);
- Funds releases to line agencies are delayed by MoF;
- Decentralisation does not function to enable funds release to local government;
- Line ministries/agencies or local government change their operational objectives;
- Line ministries/agencies or local government fail to analyse/plan poverty realities/targets, or fail to distribute funds as per their targets;
- Funds released to third parties (eg. contractors) are misapplied.

After reviewing his results with key non-government organizations, Newbourne (ODI in prep. 2004) offers the following explanations for the poor inclusion of water in PRSPs:

1. Institutional dispersion: the water sector in many countries is fragmented, comprising several institutions whose respective responsibilities are often unclear or overlapping;
2. Weak sector stakeholders, in terms of capacity, individually or collectively, to identify and advocate water policy reforms;
3. 50-90% donor dependence: high levels of donor funding (as distinguished from national resources of government) for the water sector, at least historically, has meant there is less incentive to engage and less actual engagement by water line ministries and local government in national and other budget expenditure processes, as compared with other sectoral interests;
4. Weak inter-sectoral links: the water sector has been inactive or ineffective in promoting the “knock-on” benefits of water-related investments in other sectors, such as health and education;
5. Failure to link water resource management, supply and sanitation to development and growth: in many countries the sector has not made adequate links between water-related activities and economic growth.

Newbourne (ODI in prep. 2004) makes the following recommendations for water sector advocates to strengthen the case for water to be included in PRSPs:

1. Prepare clear water strategies presenting a united water sector view backed with best practice examples;
2. Include financially sound and sustainable mechanisms for implementing water actions in these strategies;

3. Promote IWRM based on a “water audit” to identify where and when water resources are available, their allocation and distribution amongst different users, and “mapping” of the roles and responsibilities of relevant institutions;
4. Articulate, both qualitatively and quantitatively, the economic and development benefits of investment in water management, supply and sanitation since growth-based strategies constitute a major element in PRSPs;
5. Advocate the value of water resource management, supply and sanitation in capacity building at local levels since the water sector offers great opportunities for decentralisation with benefits both within and beyond water-related agencies;
6. Promote public participation in a national planning processes: as water is commonly recognized as a priority issue at the local level, strengthening local participation in sub-national and national policy processes is critical;
7. Devise simple and clear performance indicators to better target water-related interventions and track their links to, and impacts upon, other anti-poverty measures.

Focusing on the countries in most need

Tydeman’s research (CARE *et al.* 2004) shows that only 5 of 21 donor governments (24%) are meeting the UN target of their total aid reaching 0.7% of national income, and that from 1998 to 2002, the portion of aid spent on water fell in 13 countries (62%) and rose in only 5 countries (24%). Indeed, total bilateral aid was 25% lower in 2001 and 2002 compared to 1998 and 1999. The Camdessus Panel estimated US\$180 billion is needed each year to supply water services for the next 25 years, compared to current annual global water sector spending of US\$80 billion per year. Thus, if the trend in reduced aid for water and sanitation services continues it is unlikely to lead to achievement of the Millennium Development Goals for water.

Of equally great concern is that only 38% of the donor countries \$2.4 billion in overseas development assistance for water and sanitation was directed to the 30 poorest countries in which 87% of the world’s 1.1 billion people lacking access to safe water live. This suggests that much aid is directed to achieve the donor’s political and economic objectives rather than reducing poverty most efficiently.

CONCLUSIONS

In 2000 and 2002 the world’s government set targets for improving water management and providing water and sanitation services to the poor. These targets, if fulfilled, are a threat and an opportunity for the sustainable management of rivers.

A successful commitment on behalf of the national governments, aid agencies and multilateral development banks to achieve the MDGs is not indicated by this research.

Unfortunately this assessment shows that the key initial planning and resource commitments needed of both developing and donor governments, and of the multilateral development banks to achieve water related targets are not being met. Most countries are

not on track to meet the 2005 target for IWRM plans, an essential first step for better water management.

Developing and developed countries must focus on the preparation of integrated water resources management and water efficiency plans and the use of such plans to facilitate the strategic investment of national and donor resources to achieve long-term development goals. Moreover, they should report on the challenges that developing countries face in producing their plans, how donor assistance is helping or hindering them to address these challenges, and whether these plans cover the full range of water management concerns including the conservation of watersheds and other natural sources of water, the supply of water and sanitation services to the poor, and the equitable sharing of water between different users.

The governments and multilateral development banks have not linked the 2000 and 2002 water and environmental targets to the key poverty strategies that prioritise and fund action. For example, there is no clear link between the UN Millennium Development Goals and either the World Bank led PRSPs or the EU-ACP CSPs. The United Nations, World Bank, International Monetary Fund and their member governments must review their policies and link funding for national-scale poverty reduction strategies in developing countries to the achievement of the global targets, especially those relating to water.

There is a gross discrepancy between the rhetoric of these donor governments and agencies in promoting better water management and services at events like the 2002 World Summit for developing countries, while funding for this work declines and recipients present poor quality strategies that don't prioritise water. Further, in many instances (as with the EC) the donors no longer fund the key preparatory work required in developing countries to generate good quality strategies and projects. Further, the donors have been remiss in not enforcing the conditions they apply to core budget funding of poverty strategies, for example, public participation in the strategy development. Even worse, donors have allowed political and trade interests rather than need alone to dictate where funds are allocated to the water sector.

Donor countries must review the reasons for the current decline in aid to the water sector and review the causes of blockages to donor coherence and co-ordination. Future aid must be better targeted, including an increase to those countries with the greatest needs. Aid must include investment in capacity-building and community-based schemes, engaging public participation and employing appropriate technologies as alternatives to costly and potentially damaging large infrastructure projects.

Despite the political rhetoric, most developing nations have not prioritized water services as a priority to reduce poverty in their strategies, investing instead in other sectors, or in infrastructure projects in most cases where water is mentioned. Virtually none of the developing countries concerned, even those facing absolute water scarcity, appear to have considered how to maintain a healthy environment to maintain the source of their water.

Developing countries must focus on the need to reflect in PRSPs and other plans the importance of water supply and sanitation through the integrated management of water resources, review why PRSPs and other plans have not adequately prioritised water issues (despite the poorest people repeatedly raising them in participatory assessments) and consider how this serious omission can be corrected.

To avoid continuing poverty and greater degradation of the world's rivers, both developed and developing governments and multi-lateral development banks must overcome these obstacles.

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