

Looking at Development Assistance
(With somewhat of a focus on Water and ODA)

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- 1) Development assistance – the essential dilemmas
 - a. Development Assistance is by and large expected by the greater public to reach the poor and to address their poverty.
 - b. Development Assistance is supported by most donor Governments for reasons deriving from a complex blend of foreign policy considerations, national posture on the international stage, commercial interests, security concerns, and
 - c. There is a constant need to be “doing something” in response to the yearly calendar of predicted events and unpredicted disasters.
 - d. Finally, development Assistance funds are often the only monies available to be directed toward the production of international public goods and toward global problems related to environmental degradation, health threats, the battle against invasive species, POPs, the creation of democratic institutions, bolstered internal security arrangements, combating narcotics production et al.
 - e. It is more than a bit miraculous when these quite different series of goals collide positively.

- 2) Central Dimensions:
 - a. Real power brokers around the world are not that interested in ODA (the current upsurge of interest may or may not be maintained.)
 - b. Amounts: – Now up to \$79 billion in 2004 (after very long period of stagnancy around \$ 60-68 billion). But 1/3 of this increase is related to debt relief. Promises now on the table would take ODA up to \$125b by 2010. USA will continue to be unknown factor.
 - i. Getting these amounts on table in real money will be challenging
 - c. Literally hundreds of ODA sources: Governments, NGOs, multilaterals, research groups etc: active on ground compete for and divert government attention. *Very* serious in poorest countries.
 - d. Institutions vis a vis Infrastructure
 - i. “Institutions alone fix the destinies of nations”, said Napoleon. But the rapid swing away from Infrastructure investment is very serious.
 1. Swing away from infrastructure by all means that about 25% of World Bank lending is to law and public administration
 - e. Aid concentration on Africa puts in question the accountability of African governments, links with taxpayers etc.
 - i. 450 b \$ aid to Africa in last 40 years

- ii. coupled with low domestic GNP figures gives donor share of national budget far too high profile
 - 1. 50% of Uganda's annual budget from ODA–
 - 2. A dozen African countries have 20% + national budget that comes from aid.
 - 3. 1 dollar aid = 28cents less in tax and further weakening of the link between governed and government (quoted in Economist)

- 3) Peter MacPherson's list – “Good” ODA
 - a. Individual ambition and achievement is key – job of aid is to nourish this.
 - b. Economic and macro situation – crucial to achievement of above
 - c. Training and education - ditto
 - d. Technology
 - e. Infrastructure – Roads and Electricity and Water Storage.
 - f. Long term view
 - g. Stability and Security of both on ground conditions and aid flows
 - h. Agricultural focus will be needed if the goal is poverty reduction
 - i. Costs money.

- 4) ODA can be directed toward, but hasn't had a huge impact on major issues of development
 - a. Capital flight - around \$90 b annually from Africa alone – way beyond incoming aid levels.
 - b. Corruption
 - c. Income equity - Latin America – 43% of population are poor = 96 m or 20% in extreme poverty
 - d. The need to move toward wealth creation – via trade and markets
 - e. Facilitate investment – cut red tape. get serious about creating conditions that will attract new capital – domestic, domestic capital markets, international capital markets
 - f. The need to leverage other monies –

- 5) Humanitarian – Aid can neither fix nor deny –
 - a. Assistance should be as coordinated and as developmental as possible.
 - b. Some investment is needed in innovative linking of ICTs with disaster warning and post disaster communication.

- 6) *Water*
 - a. *About 450 million people in 29 countries face water shortage, and by 2025 about 2.7 billion, or 1/3 of the expected world population will live in regions facing severe water scarcity*
 - b. *Necessary for all life, central to achievement of virtually all MDG goals, malnutrition, poverty, child mortality, plus water MDGs*
 - i. *Every day about 290,000 people would have to gain access to clean water and over 500,000 to sanitation for this to be met.*
 - ii. *China and India more or less on track; poorest are not.*

- c. *Central to achieving any measure of environmental sustainability, equity, economic growth*
- d. *We can talk about water globally, but the real impacts and all solutions are local.*
- e. *Water financing gap – in order of 25 billion – maybe 40 billion (both service and environmental goals)*
- f. *Low priority in most countries, not mentioned first round of PRSPs, low level of demand to banks, donors etc., especially from poorest.*
- g. *High level of corruption in sector*
- h. *Most issues are institutional. More rather than less governance is needed for this ultimate public good. The following public water management functions all need to be done better in virtually all of poorest countries:*
 - i. *allocating water*
 - ii. *deciding on, protecting the environmental share*
 - iii. *establishing water law*
 - iv. *setting regulatory framework*
 - v. *managing inspection functions*
 - vi. *ensuring data collection, retention and distribution*
 - vii. *managing public debate on issues*
 - viii. *managing communication on water issues.*
 - ix. *ensuring subsidy for poorest population*
- i. *Software of Water is difficult conceptually, and hardly ever well adapted to financing mechanisms.*
 - i. *Political and civil society involvement, including mobilization
Creation of participatory mechanisms*
 - ii. *Legal frameworks – development, capacity support, ongoing costs*
 - iii. *Institutions to implement laws*
 - iv. *Authorities to manage resource allocation, pollution oversight, fines*
 - v. *Tackling environmental flows – not just creating standards but capacity to monitor, publicize enforce.*
- j. *Water infrastructure is one of the precursors to development. About 47,800 large dams in the world and about 800,000 small dams, almost all in the medium to rich countries. Anti dam in the industrialized world, through pressure on industrialized state governments and international financial intuitions, moved IFIs away from funding dams. Greatly needed water storage capacity has not increased in the poorest countries. Some change is beginning.*
- k. *Infrastructure is absolutely essential both for the Resource side but also for Municipal, Energy and Agriculture water services*
 - i. *Urban and Rural Water supply and sanitation*
 - ii. *Industrial structure adaptation – esp re pollution*
 - iii. *irrigation*
 - iv. *Hydropower*
 - v. *Flood Management*
- l. *Private markets could add funding*

- m. *Direct private sector participation (controversial) could add*
 - i. *Reduction in water losses*
 - ii. *Improved efficiency in operations,*
 - iii. *Improved financial and technical capabilities*
 - iv. *Improved employee base*
 - v. *Energy efficiency (usually 1/3 savings post private sector involvement)*
 - vi. *Better purchasing – energy, chemical input*
 - vii. *Efficiency gains from economies of scale*
 - viii. *Companies now highly unlikely to move – especially now post Argentina and perceived failure of international and national risk mechanisms*
 - 1. *Limited liability*
 - 2. *Stable government*
 - 3. *Convertibility assured.*
 - n. *NGOs and community groups – essential for both dialogue and watchdog*
 - o. *Components of a new deal using Development Assistance funds for Water*
 - i. *Major inflows of infrastructure assistance, ie high dedication of ODA resources to water – set targets, monitor them.*
 - ii. *Greater focus on capacity building in public utilities and small scale private sector*
 - iii. *Major campaign with Mayors and municipalities around the world to promote access by subsovereigns to international financial markets: concessional, private, national, international*
 - iv. *Regional ODA institutions put more funds into work on national water institutions*
 - v. *Create a major reporting instrument on the world's water installations: operations, billing, to inform capital market*
 - vi. *Major attempt to work through measures to attenuate risk to promote leveraging of private sector funds*
 - vii. *Donors agree to examine adjustments in current ODA allocation to address water investment, especially re MDG goals.*
 - viii. *Developing countries agree to put high priority on water in national budget, aid requests etc – agree to be open to inspection.*
- 7) *Contours of a possible decision on what we want from ODA?.*
- a. *ODA will continue as is for a whole range of countries; progress is slow but exists. Changes*
 - i. *Infrastructure: There should be clearer idea of role definition among donors, if bilaterals won't do Infrastructure, IFIs must – we cannot insist that they keep concentrating on soft sectors alone*
 - ii. *Serious attempt to move EEC money –*
 - iii. *Conditional cash transfers to poor – Latin America should be encouraged financially – place to put lottery funding etc?*
 - iv. *Get serious about girl's education – make it THE precondition*

- b. New offer for poorest- For poorest, failed states etc – new bargain – 20 years of Proconsul, College model in return for guaranteed flows.
- c. Poorest – Have to lift strictures on borrowing. Have to find the way out of the no-growth trap exacerbated by debt settlements – even if all IDA funds (\$1.7 b) went only to poorest and most debt ridden, this would not begin to cover Infrastructure needs.
- d. Have to get back into infrastructure – not necessarily of huge scale – great emphasis on rural roads, small (and some large) scale water storage for energy, flood and irrigation.
- e. More bargains – conditionality if you wish – passed via 3rd parties
- f. New institutions – the College of Chad model ++ – nationals must play preponderant policy making role, but multinationally engaged and hired institutions would play the Senior administrative role.
- g. Donors agree to reduce the channels, put more via World Bank – in consortium with regional banks in countries that sign on.
- h. Need comparable decision made on adapting national rules and regs.
 - i. Transparency,
 - ii. Strong enforceable (by ODA contracts)
 - iii. Strong Government regulation, but machinery for international enforcement and management.
- i. Need new deal on taxes, tax collection , and monitoring at local level –
- j. Vision: carbon captured and sequestered, food productivity increased via soils management and seed development, water recycled, lives saved through health technology, conservation biology made ‘profitable’ enough to get through -(Sachs from Wilson)