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Lebanon

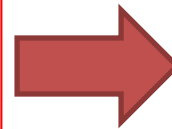


Area

- Total 10,452 km² (4,036 sq mi)
- Water (%) 1.8

Population

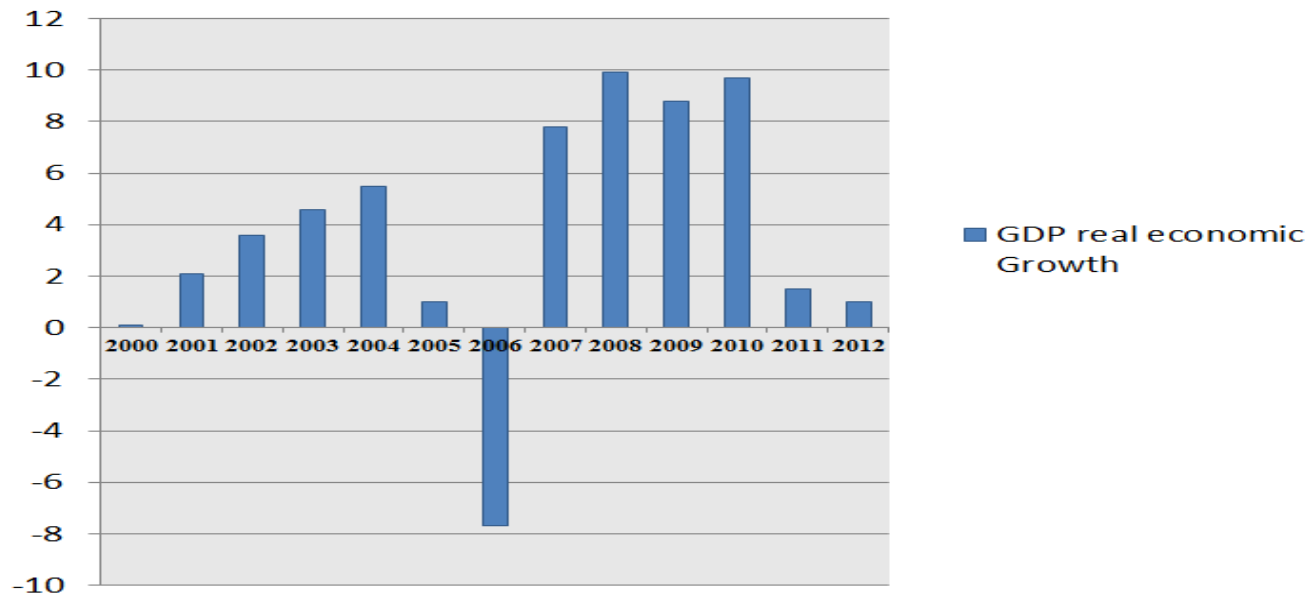
- 2018 estimate 6,859,408
- Density 560/km² (1,450.4/sq mi)



Lebanon Bordering Countries:
[Israel](#), [Jordan](#), [Syria](#)

- Lebanon's constitution states that 'the economic system is free and ensures private initiative and the right to private property'. Lebanon's economy follows a **laissez-faire** model
- In the 1950s, GDP growth was the second highest in the world. Despite not having oil reserves, Lebanon, as the banking center of the Middle East and one of the trading centers, had a high national income, (Bank secrecy).
- The 1975–1990 civil war heavily damaged Lebanon's economic infrastructure
- Cut national output by half and ended Lebanon's position as a West Asian entrepôt and banking hub (1975 to 1990)

Lebanese GDP real economic Growth (%)



Until July 2006:

- Lebanon enjoyed considerable:
 - stability
 - tourists
- The economy witnessed growth:
- bank assets: 75 billion US dollars
- Market capitalization:
 - \$10.9 billion (2nd quarter of 2006).
 - The month-long 2006 war damaged Lebanon's economy, especially the tourism sector.
 - Over the course of 2008 Lebanon rebuilt its infrastructure mainly in the real estate and tourism sectors.
 - Major contributors to the reconstruction of Lebanon include:
 - ✓ Saudi Arabia (with US\$1.5 billion pledged)
 - ✓ the European Union (with about \$1 billion)
 - ✓ Persian Gulf countries with contributions of up to \$800 million.
- The Lebanese economy went through a significant expansion after the war of 2006, with growth averaging 9.1% between 2007 and 2010.
- After 2011 the local economy was affected by the Syrian civil war, growing by a yearly average of 1.7% on the 2011-2016 period and by 1.5% in 2017

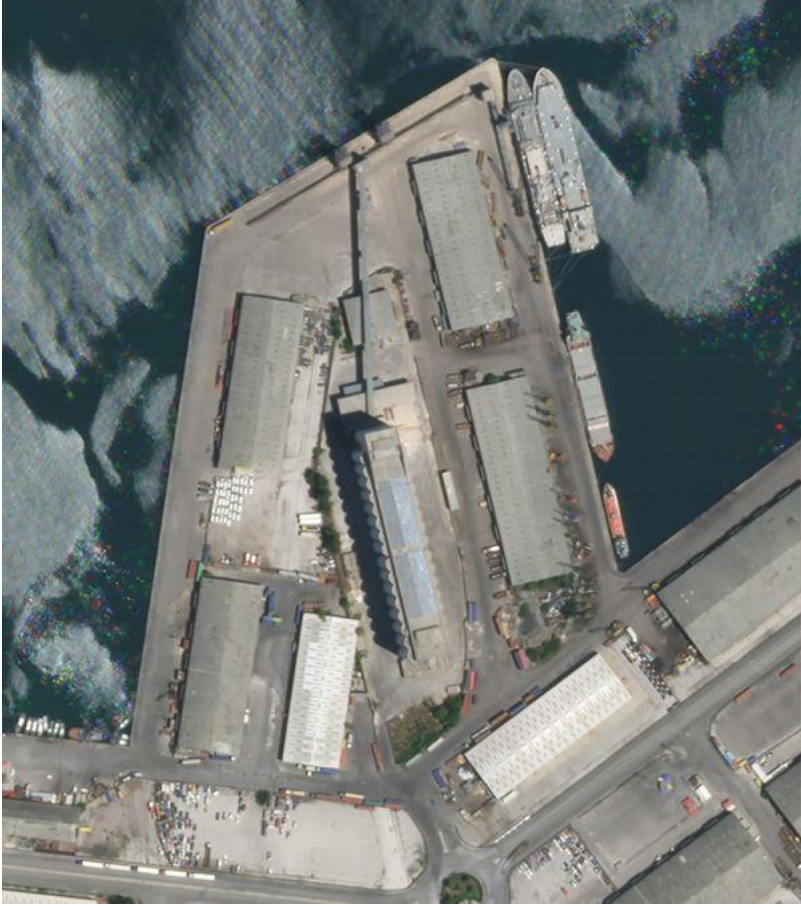
Lebanon has a very high level of **public debt** and large external financing needs:

- The 2010 public debt exceeded 150.7% of GDP(4th in the world).
- In October 2019, the economy plunged into a financial crisis brought about by a sudden stop in capital inflows
 - systemic failures across the banking sector and debt sector, as well as effecting the exchange rate.
 - March 7, 2020, the Government defaulted on the redemption of a US\$1.2 billion Eurobond, marking Lebanon's first-ever sovereign default.
 - March 18, the Government declared a State of General Mobilization, imposing a lockdown to counter COVID-19
 - August 4, 2020, a massive explosion rocked the [Port of Beirut](#), destroying much of the port and severely damaging dense residential and commercial areas within a (1- to 2-mile).
- For almost a year, Lebanon has been assailed by compounded crises:
 - an economic and financial crisis
 - **COVID-19**, and lastly the explosion at the **Port of Beirut** (PoB).



Beirut blast: explosion inflicts catastrophic damage in Lebanese port

Kuwait to rebuild the destroyed wheat silos at the Lebanese port



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Donors' Interest in Water and Sanitation Subsectors

[Souha El Khanji](#) 

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- **The increased international interest in financing environmental development projects for the developing countries is noticed during the beginning of the twenty first century (UNFCCC 2010).**
- **International policies are issued to ensure the dedication of sustainable development in the international laws.**
- **Alleviate poverty- MDGs (the Millennium Development Goals) and consequently the SDGs (Sustainable Development Goals)**
- **Provision of safe access to water and sanitation, where the human development report (2006) emphasized that water is a crucial part in human rights.**

- In previous study (El Khanji, S. 2018) aid and aid volatility are explored using different statistical methods.
- Aid effectiveness by studying the effect of aid, aid volatility, and key development indicators, focusing on safe access to water and sanitation (W&S) in both urban and rural areas.
- Clear evidence that ODA for water and sanitation lacks the appropriate orientation, and is not targeting most of the areas that are really in need.

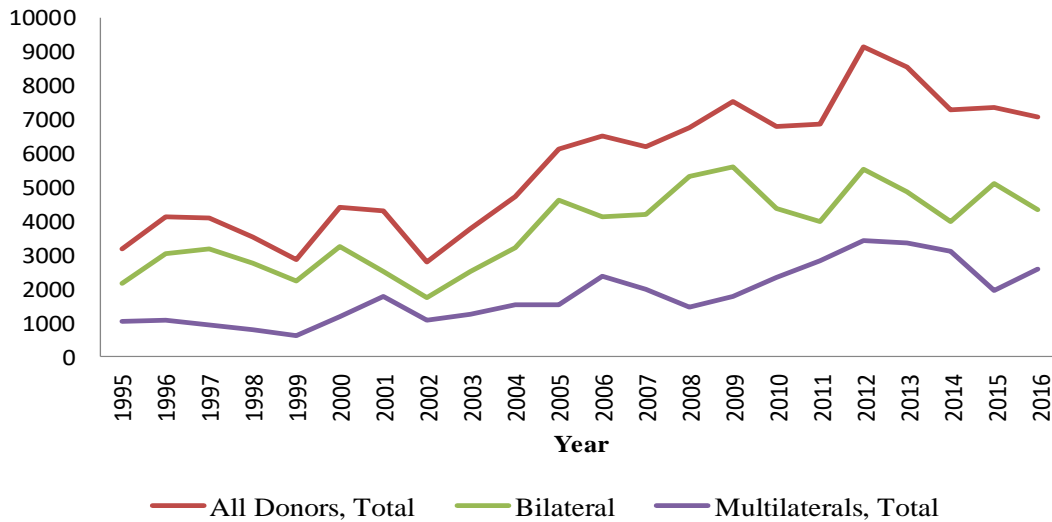


GENERAL & APPLIED ECONOMICS | RESEARCH ARTICLE

An empirical exploration of relationships between official development assistance (ODA) and advances in water and sanitation subsectors

Souha El Khanji

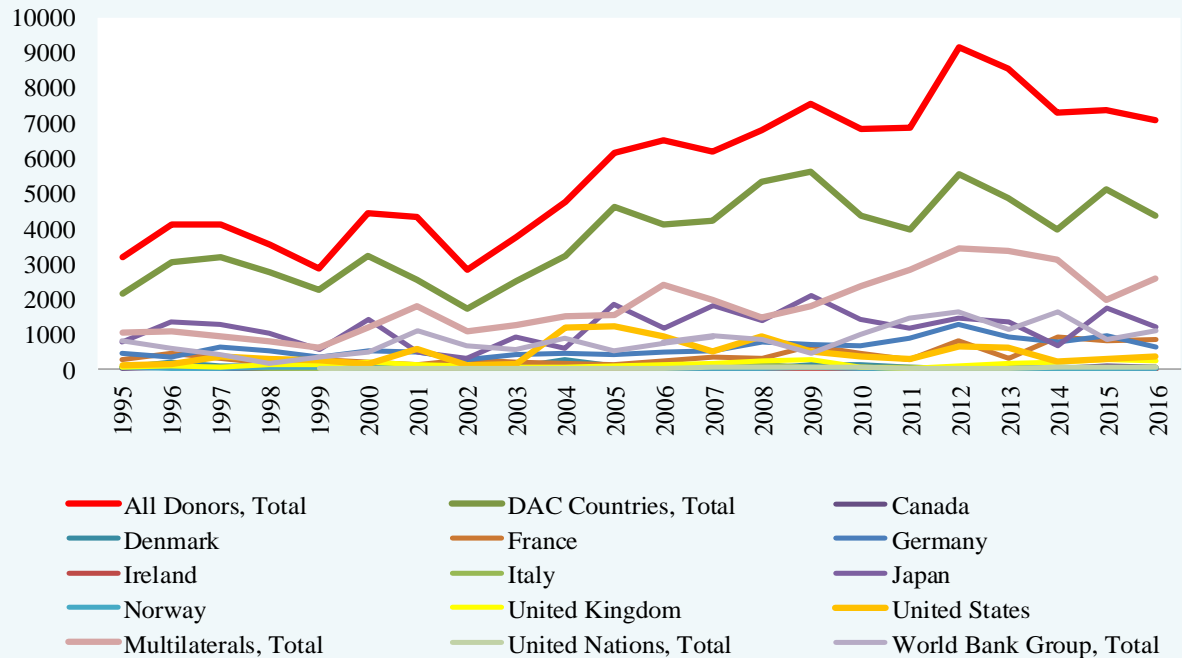
ODA for water and sanitation, constant 2015 USD



The DAC has 24 members: Australia, Austria, Belgium, Canada, Denmark, the European Union, Finland, France, Germany, Greece, Ireland, Italy, Japan, South Korea, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

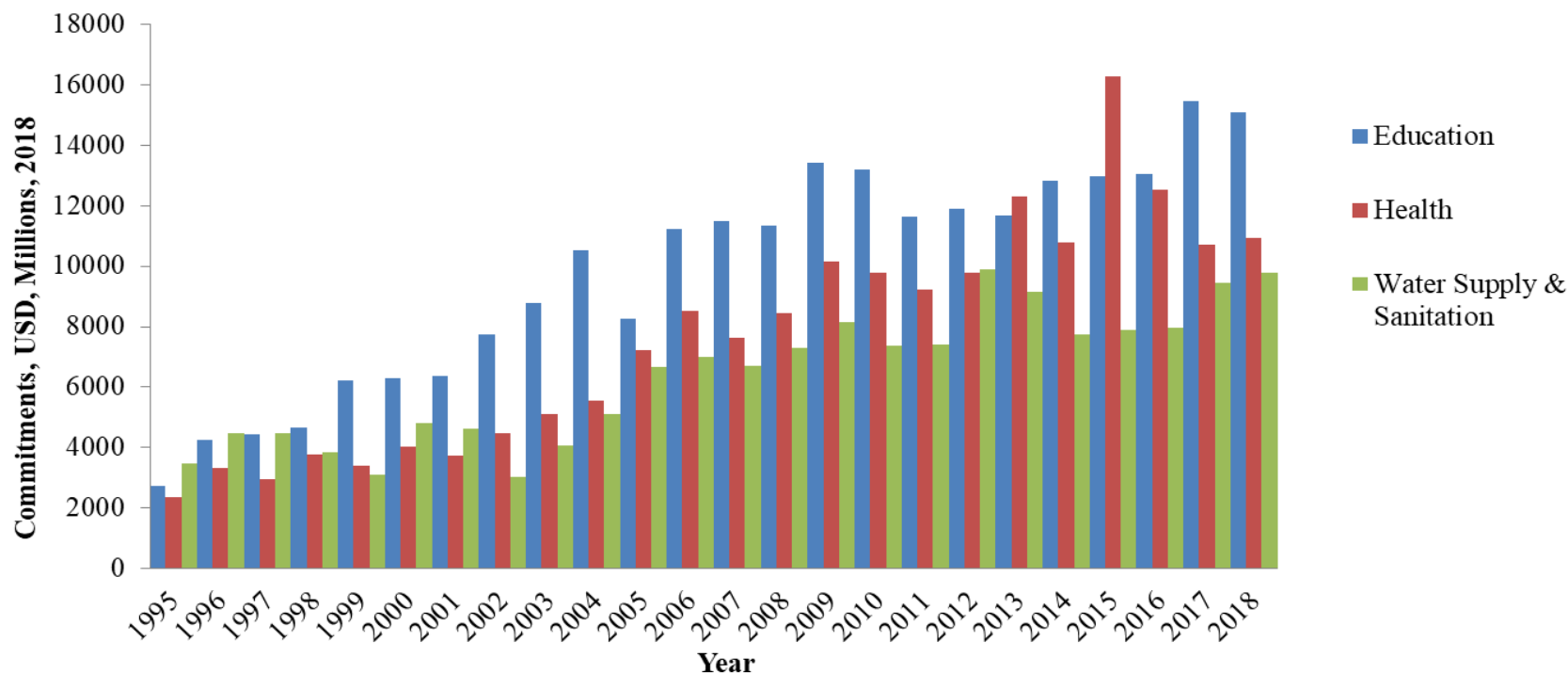
B. Aid commitment to water and sanitation, constant 2015 USD

It is clear that Japan is the highest bilateral donor for water and sanitation (20% of aid to water in 2005-2006). Japan accounted for 27% of water and sanitation aid between 2007- 2008.



ODA for water has been suffering from little international attention and little allocation for ODA compared with other sectors

Total donors' commitments for three sectors: Education, Health and Water and Sanitation, constant USD, Millions, 2018



Volume of Donors' Commitments for Health, Education and Water & Sanitation, Source of Data: OECD-DAC official website.

Although ODA for W&S nearly doubled between 1995-2014 (increased from \$6.8 billion to \$12.9 billion annually, (constant 2014 prices)). ODA for water subsector remains less than the ODA allocated for other sectors which are education, health and other social sectors (increased from \$42 billion in 1995 to \$140 billion in 2014).

- On 25 September 2015, the United Nations adopted the 2030 Agenda for Sustainable Development Goals
- Adoption of these international agendas and the increase of international awareness are of great importance for these two subsectors in alleviating poverty. Moreover, W&S become public centerpiece for the international society.
- Maurits van der Veen (2011) illustrated how **donors' motivations** are the main elements of their policy goals and objectives, which shape their inclination and directions in choosing to provide aid.
- The donors' motivation and intentions vary, what exactly motivates donors for this kind of aid. Could the motivation be driven by international influence or by domestic forces that shape the national policies toward the donor country donations?
- Aid motivation for these two subsectors still needs further investigations with the lack of literature concerning the donors' interest in allocating aid for W&S.
- In this study, the focus is on the donors' commitment for W&S, whether their ODA for these two sub-sectors is aligned with the intentions of the SDGs.

- The allocation of development aid for the recipient countries has been subjected to examination for a long time.
- After the cold war, examining the incentives for aid by the donors and the political reasons have been under investigation and explorations especially after the significant raise in international laws calling for human rights, decreasing social inequality and alleviating poverty. Some studies conclude that aid is working on promoting growth.
- After the declaration of the MDGs and consequently the SDGs, donors are under pressure by international organisations to follow **MEASURES** in providing aid, such as the *governmental quality* of the country, which is aligned with development and sectoral targeted aid more than being targeted following political concerns. This will help in managing the ODA appropriately in the recipient country and consequently will be more oriented towards the goals contributing to poverty reduction.

Analysis

- commitment would stand for two intentions here. The first one is the real commitment with the international society, where the second one is their genuine intention to help in providing and developing these two subsectors where they are really in need or their allocation for aid is aligned with political and individual interest.
- Aid allocation (commitment) can be expressed as a function of the recipient need and donors' interest. In fact, here in this analysis donors' aid can be written as:

$$Aid_{ijt} = f(W \& S_j, GDP_j, Gov_j) \quad \text{for year} = t$$

- Aid_{ijt} for water and sanitation (donors' interest) allocated by donor i for recipient country j in year t
- Given that the aid that is allocated by the **donor for W&S** can be expressed as the aid that is needed and committed for the recipients in the Tobit model, therefore the aid that is received by the recipient countries can be expressed as:

$$aid_{jt}^* = \beta_0 + \beta_1 X_{jt} + \varepsilon_{jt}$$

$$\left\{ \begin{array}{ll} Aid_{ijt} = aid_{jt}^* & \text{if } aid_{jt}^* > 0 \\ Aid_{ijt} = 0 & \text{if } aid_{jt}^* \leq 0 \end{array} \right. \quad \varepsilon_{jt} \sim N(0, \sigma^2)$$

Table 1 Definitions of variables for analysis

Variable	Definition and source
Improved water source (% of population with access)	Access to an improved water source refers to the percentage of the population using an improved drinking water source. Source: WHO/UNICEF Joint Monitoring Programme (JMP) for Water Supply and Sanitation (http://www.wssinfo.org/) and the World Bank development indicators. Data available from 1995 to 2015
Improved sanitation facilities (% of population with access)	Access to improved sanitation facilities refers to the percentage of the population using improved sanitation facilities. Improved sanitation facilities are likely to ensure hygienic separation of human excreta from human contact. Source: WHO/UNICEF Joint Monitoring Programme (JMP) for Water Supply and Sanitation (http://www.wssinfo.org/) and the World Bank Development Indicators. Data available from 1995 to 2015
Donors' commitments* for W&S	Obtained from the Creditor Reporting System (CRS)-Development Assistance Committee (DAC) database on aid commitments and is at a constant US\$ 2015 million for total W&S Official development assistance (ODA) is defined as those flows to countries and territories on the DAC List of ODA Recipients and to multilateral development institutions which are: (i) provided by official agencies, including state and local governments, or by their executing agencies; and (ii) each transaction of which: (a) is administered with the promotion of the economic development and welfare of developing countries as its main objective; and (b) is concessional in character and conveys a grant element of at least 25% (calculated at a discount rate of 10%). Data available from 1995 to 2016
Government effectiveness ^a	Reflects perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. Estimate of governance (ranges from approximately - 2.5 (weak) to 2.5 (strong) governance performance) (source: World Bank Governance indicators, The WGI are produced by Daniel Kaufmann (Natural Resource Governance Institute and Brookings Institution) and Aart Kraay (World Bank Development Research Group). Data from 1996 to 2016
MDGs dummy variable	To catch the effect of the MDGs and the effects of aid allocation by donors for these subsectors after the international adoption of the MDGs; a dummy takes the value 1 if observation refers to years starting from 2000 and a 0-value otherwise

*Donors' commitments: all donors commitments for all sectors, all donors commitments for W&S, (DAC donors, G7, Multilateral total; EU institutions, UN, World Bank, Denmark, France, Germany, Japan, Korea, Netherlands, Norway, Sweden, UK and USA)' commitments for W &S

RESULTS

- Results show that aid allocation by donors as to these targets is focused on governments with higher governance indicators, and the poorer the country the higher the allocation of aid will be. That indicates a degree of consistency between the donors and the recipients.
- Still this area of development aid needs better concern and more commitment from the global society, and this is apparent in the results of the MDGs dummy variable with the interaction term that donors tend to commit with the international agenda. Several reports hint that global spending on health and education sectors is taking priority over the water and sanitation sectors. Concerning the health sector, it especially tends to get the priority with the consequences of the Covid 19.
- Generally, I find that solving the access to proper sanitation requires social, cultural and economic dimensions in addition to a stronger political commitment by the donors.

THANK YOU