IRC

triple-s

Making aid effective at the local level

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POINTS FOR ACTION

➜ **For Governments**

- Establish a sector-wide approach, from national to local level, to discourage stand-alone projects that lie outside national programmes
- Budget for the full life-cycle costs of water services
- Implement fiscal decentralization to ensure that funding for local governments is commensurate with the devolution of responsibilities
- Build local government capacity to support sustainable service delivery, including improved financial management, procurement, and monitoring

➜ **For Donors & other Development Partners**

- Channel aid through national sector budgets, where national government agencies establish institutional structures and systems for coordination
- Allocate a percentage of aid to address institutional gaps, particularly at the local level
- Ensure that sustainability issues are adequately addressed in national sector programmes
- Use aid to leverage the country's own resources from taxes and tariffs
- Provide support to increase 'absorptive capacity' where rates of spending on water and sanitation are low

Supporting water sanitation and hygiene services for life

Water and sanitation services need to last indefinitely, but the duration of aid is limited. Aid must therefore be used to help local institutions not just develop infrastructure but also operate and maintain services well into the future.

That requires a shift in focus from aid effectiveness to development effectiveness: funding becomes catalyst for change, aid is channeled through the country's sector budget, and local agencies acquire the resources – both financial and human – to ensure lasting provision of water and sanitation services.

Photo: Lokaalmondiaal

Official development aid is intended to improve livelihoods and reduce poverty in developing countries. Aid effectiveness aims to improve the quality of aid and its effect on development. It can be defined as 'an arrangement for the planning, management and deployment of aid that is efficient, reduces transaction costs and is targeted towards development outcomes including poverty reduction' (Stern, 2008).

The basic premise is that support must be aligned with the national agenda through the national budget. Accordingly, frameworks and approaches for achieving aid effectiveness focus on the sector level. A major risk for the aid effectiveness paradigm, however, is that sector-level efforts to improve policy, coordination, financing, systems, and performance monitoring do not automatically effect change at the local level (Box 1). Even if the national government establishes an excellent policy, builds a solid legislative framework, and exercises a strong regulatory function, the sustainability of services ultimately depends upon capacity at the local level, in terms of both governance and service provision. Major gaps can open between sector policy on the one hand and implementation on the other – gaps exacerbated by poor governance, corruption, mismanagement, and weak decentralisation.

South Africa provides a good example of a decentralized fiscal framework that supports local governments with municipal infrastructure grants as well as an 'equitable share' of national revenue for the provision of basic services. Local governments are also supported through a sector-wide approach (SWAp) (Box 2).

Many components are necessary to ensure services that last. In countries where water supply and sanitation services are fully decentralised, the responsibility lies with the local authority.

Just as the national government should not step in and start providing services, so donors and development

partners cannot simply take on the local authority's responsibilities. Yet within the water and sanitation sector, it is precisely at this point that donors tend to provide support, typically through individual projects and generally in isolation from national objectives, programmes, and budgets.

A TALE OF TWO CYCLES

National governments have the duty of instituting good governance practices and ensuring that their citizens enjoy basic human rights and basic services, such as water and sanitation. Good governance comprises all the processes, institutions, and mechanisms through which citizens and different groups articulate their interests, exercise their legal and human rights, meet their obligations, and mediate their differences.

BOX 1 DECENTRALISATION'S UNFULFILLED PROMISE

Research that examines the relationship between aid effectiveness and development outcomes has found some evidence of improvement in the management of aid delivered according to the Paris Declaration principles (Stern, 2008) but no clear evidence of sustained improvement in basic services, including water and sanitation. Stern (2008) attributed progress more often to good governance than to aid effectiveness.

A large part of the problem is incomplete decentralisation. The public expenditure reviews conducted by the World Bank in sub-Saharan Africa found that although water and sanitation services had been decentralised to local governments, decentralisation was not adequately supported by the necessary devolution of authority, budget, staff, and other resources. Except in Tanzania, 'the slow transfer of personnel and budgets to local councils has obstructed progress,' and in most West and Central Africa countries, investment budgets were 'still mostly managed by central government institutions' (van Ginneken et al., 2011).

BOX 2 SOUTH AFRICA: A SWAP IN PROGRESS

South Africa developed a SWAp for water supply and sanitation in 2001. In a programme called Masibambane ('Let's work together'), sector players work collaboratively on policies, strategies, plans, and support programmes. The national Department of Water Affairs and Forestry took the lead in facilitating collaboration across the relevant line ministries, local government, water and sanitation NGOs, donors, civil society, water boards, and other service providers. Local governments developed action plans detailing the financial and human resources needed to make services sustainable (de la Harpe, 2010).

A 2011 independent external evaluation of Masibambane found that capacity support remained inadequate, however. Donor funding represented only 1.3% of the overall sector budget for the third phase of Masibambane, from 2007 to 2011. Most of this funding was allocated to strategic initiatives, including piloting of innovative approaches, knowledge sharing, capacity building, and technical assistance. The evaluators warn that if this strategic investment in the sector does not extend beyond 2012, capacity will be compromised, particularly at the local level, where serious gaps persist (DWA, 2011).

Sustainability depends upon a virtuous governance cycle among water service authorities, providers, and customers (Figure 1). When donors implement projects in a fragmented and uncoordinated way, based on their own policy priorities and using their own systems, they weaken and undermine country governments' sector policies, programmes, institutions, and systems; the predictable result is unsustainable services (Williamson et al., 2008). Once the governance cycle is broken, sustainable services become much more difficult to achieve.

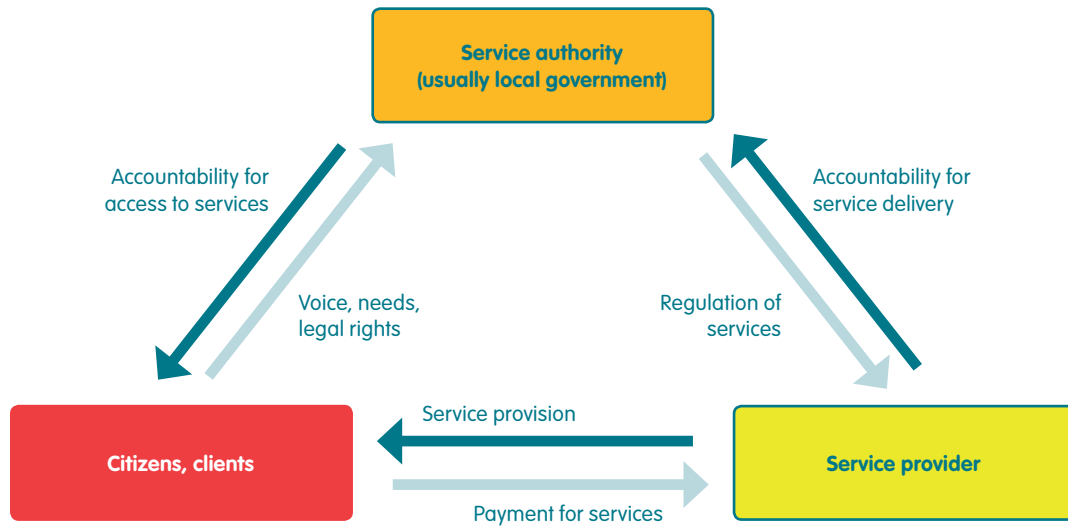**FIGURE 1** GOVERNANCE CYCLE FOR WATER AND SANITATION SERVICE PROVISION

Figure 2 provides detail on the components of the vicious cycle and describes how development partners can undermine the very services they are seeking to enhance – by setting up systems that compete with government systems, working independently rather than in collaboration with the country's water sect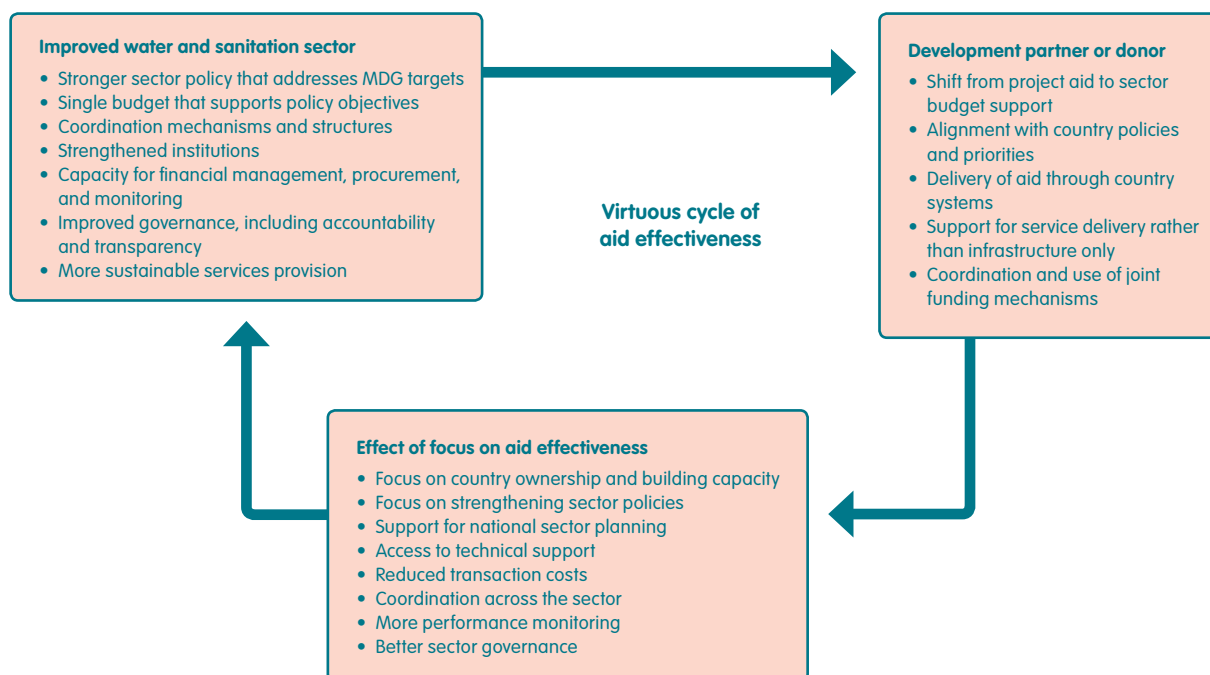or, and constructing infrastructure without ensuring mechanisms for its operation and maintenance. This approach has a range of consequences: it precludes the water sector from building capacity, and it results in uncoordinated, difficult-to-manage services. The sector is weakened, and water services become ineffective, unaccountable, and unsustainable.

FIGURE 2 THE VICIOUS CYCLE OF TRADITIONAL AID
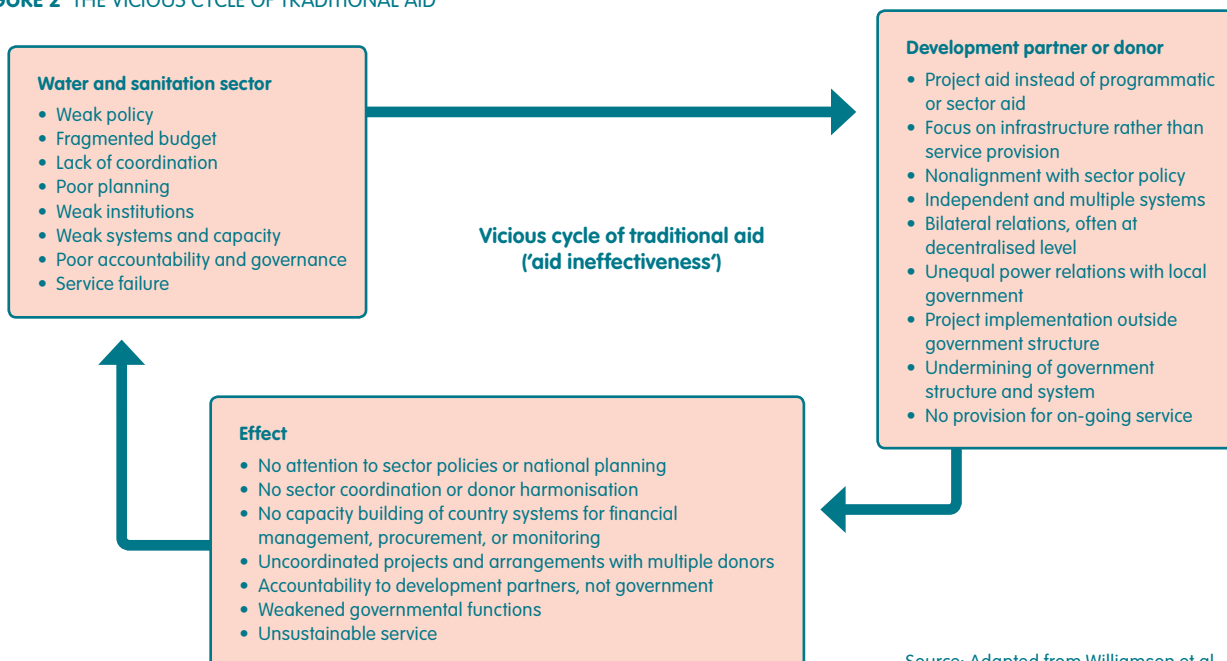
Source: Adapted from Williamson et al., 2008

FIGURE 3 SHIFTING TO A VIRTUOUS CYCLE OF AID EFFECTIVENESS

Improved water and sanitation sector
- Stronger sector policy that addresses MDG targets
- Single budget that supports policy objectives
- Coordination mechanisms and structures
- Strengthened institutions
- Capacity for financial management, procurement, and monitoring
- Improved governance, including accountability and transparency
- More sustainable services provision

Virtuous cycle of aid effectiveness

Development partner or donor
- Shift from project aid to sector budget support
- Alignment with country policies and priorities
- Delivery of aid through country systems
- Support for service delivery rather than infrastructure only
- Coordination and use of joint funding mechanisms

Effect of focus on aid effectiveness
- Focus on country ownership and building capacity
- Focus on strengthening sector policies
- Support for national sector planning
- Access to technical support
- Reduced transaction costs
- Coordination across the sector
- More performance monitoring
- Better sector governance

Source: Adapted from Williamson et al., 2008

Figure 3 illustrates a more virtuous cycle. Initially weak, uncoordinated, and unsustainable, the water sector improves when donors align their aid with country-level policies and support national sector programmes, rather than implementing individual infrastructure projects. With ownership, the sector builds capacity, improves its technical support, and focuses on performance and results. The institutions become stronger, and accountability and transparency follow.

Focusing on the provision and sustainability of water and sanitation services rather than on the initial inputs (funding) and outputs (number of taps and toilets) requires that development partners take a longer view of their cooperation and how it is measured. The aid effectiveness agenda encourages a shift to this programme-based approach. The provision of actual services is the responsibility of developing country governments, not donors.

MAKING AID EFFECTIVE

How, then, can donors help a developing country put greater emphasis on providing water and sanitation services and monitoring performance? Effective partnerships between donors and developing country governments need to be based upon commonly agreed national targets and budgets, clear strategies and plans,

and better performance and accountability. Aid effectiveness initiatives can contribute to development effectiveness only if the benefits are extended to the local level. So what will it take to make that happen?

National and local leadership

National government provides leadership in policy making, planning, and development strategies. Although donors can usefully participate in policy dialogue, it is ultimately the water sector at the country level – representing national and local governments, civil society, and other groups – that needs to make policy decisions, particularly since policy making involves trade-offs between economic and social issues.

However, the concept of country ownership often tends to be too narrow in that it 'appears to have reinforced central government ownership' (Stern, 2008) rather than provided for the meaningful inclusion of all stakeholders – from local government, civil society, and the private sector to parliament and development partners.

A broadening of ownership could improve aid effectiveness. For example, South Africa's Water Sector Leadership Group was co-chaired by the Department of Water and the South African Local Government Association; it was the forum for addressing policy, planning, monitoring, and sector support issues.

Because good sector policies and legislation do not necessarily translate into good implementation, donors understandably want to step in at the local level. In a programme-based approach, however, the donor supports a country's development strategy or sector programme by channeling aid through the existing budget framework. The sectorwide approach, for example, uses a single programme and budget framework and establishes the necessary structures and systems to ensure donor harmonisation, alignment, and sector coordination.

A major risk with sector budget support, however, is that funds do not reach the local level because mechanisms for fiscal decentralisation and capacity building for local government are lacking. Insufficient funding for water and sanitation at the local level tempts donors to invest in local infrastructure projects, thus causing aid to slip back into the vicious cycle.

Photo: IRC

Predictable financing

Although official development aid ('transfers') is an important source of revenue and contributes to infrastructure targets, it is not a sustainable source of funding, and in many developing countries it plays a smaller role in sector financing than water user tariffs or general taxes. In Ethiopia, for example, taxes and tariffs account for nearly 60% of revenue to finance capital and recurrent costs of water supply and sanitation (Börkey, 2008).

Ensuring a more coherent approach to sector financing through medium-term expenditure planning is perhaps where aid effectiveness can have the most benefit, particularly in terms of consolidating sector resources into a single budget and investment plan. A medium-term expenditure framework for the sector helps the donor align its aid with national fiscal and planning cycles and allows for greater financial predictability and stability. It also facilitates fiscal decentralisation.

Financial sustainability is a pressing challenge for achieving sustainable rural water services, and it can seem intractable, given poverty levels in rural areas. Financial planning too often emphasizes infrastructure rather than the total life-cycle costs of providing sustainable services. Sector-level policy and institutional frameworks need to provide for support so that local authorities and service providers develop the necessary capacity to fulfil their functions. Recurrent costs must be shared.

Financing the full life-cycle costs of water services is a challenge for local governments; here, the right mix of taxes, tariffs, and transfers can help achieve financial sustainability. One approach: when budgeting for new infrastructure, clearly identify the costs of asset management (particularly capital maintenance) and the parties responsible for meeting them, to ensure full benefit from investments.

BOX 3 DONOR FUNDING FOR LOCAL AUTHORITIES

Ethiopia and Sierra Leone have donor-funded programmes that augment central transfers to local authorities for the recurrent costs of delivering water and other basic services. These programmes are transparent in their use of national allocation criteria and administrative arrangements, and the funding is predictable in both amounts and timing.

Donors channel their funds directly to regional and district authorities to avoid delays while allocations cascade from one special account to another. This reduces the risk of diversion of funds from their intended purposes but makes it difficult for central governments to track progress on the ground; standards of accounting and reporting at the local level are still weak. In Ethiopia, for example, sector project management units and regional bureaus of finance must ask for expenditure statements and interim financial reports from woredas (districts).

The effect of these two countries' programmes has not yet been evaluated.

Source: van Ginneken et al., 2011.

Institutional capacity

Strengthening core government systems – national planning, budget and expenditure management, procurement management, human resources management, civil service reform, and decentralized service delivery – establishes a strong base for improving the quality of services.

The 2010 AMCOW country status overviews of water supply and sanitation found that between 1990 and 2008, many low-income stable countries – Benin, Burkina Faso, Ethiopia, Ghana, Kenya, Madagascar, Malawi, Mauritania, Mozambique, Niger, Rwanda, Senegal, Tanzania, and Uganda are examples – made more progress in meeting their water and sanitation targets and reducing open defecation than such resource-rich countries as Angola and Nigeria. The successful countries developed their systems over time. The WASH sector was then integrated into these systems: 'connecting the water sector to core government systems better positions countries to implement water and sanitation services at scale' (de Waal, 2010).

Strong national systems cannot make water services universal and sustainable if local authorities are ineffective, and thus initiatives to improve aid effectiveness should include capacity building for local authorities alongside fiscal decentralisation. A challenge in some countries is the inability to maximise opportunities for institutional development at the local level. External support is often limited to national institutions, even when systems at the local level are barely functional. Thus local monitoring, procurement, and reporting remain weak or lacking.

Donors' support for learning and sharing activities also tends to be limited to the national level; sustainability challenges at the local level are often ignored. A percentage of aid should address such 'soft' issues as learning and sharing, capacity building, mentoring, and institutional support.

Increasingly, donors and other development partners are recognising the need to support capacity, but they are generally not well placed to determine the type of support required or when and how it should be provided. This is particularly the case at the local government level, where the contexts vary significantly from district to district and from country to country. Nationally managed programmes to build local

TABLE 1 THE CONTRIBUTION OF AID EFFECTIVENESS TO SUSTAINABILITY

Principle	Contributions	Risks
Country ownership	Country government provides leadership in policy making, planning, and development strategies. Aid linked to nationally determined objectives creates incentive to improve water sector policies, plans, and strategies.	Sector policies do not provide for sustainable service provision; focus remains infrastructure projects. Good sector policies are not implemented at decentralised level.
Harmonisation	Co-operation among donors promotes coherent sector planning and information sharing, decreases multiple donor and agency approaches.	Coordination can be time consuming, costly, and focussed on aid issues rather than solutions. Coordination at national level may not lead to improvements at local level.
Alignment	Communication and knowledge sharing improve policy making, strategic planning, and practices.	Institutions may be too weak for effective learning. Alignment may be limited to national-level policy.
Financing	Sector-based budgeting sets priorities and strategies that lead to more coherent approach. Medium-term expenditure framework facilitates fiscal decentralisation for water and sanitation services. Alignment of donor financing to national fiscal and planning cycles allows for greater financial predictability and stability.	Insufficient funds are transferred from national budget to local budgets. Fiscal decentralisation is incomplete. Lack of investment in water and sanitation at local level may encourage donors to intervene, undermining country ownership. Opportunities to support capacity development at local level are missed.
Mutual accountability	Joint review of commitments and responsibilities by donors and developing country furthers partnership. Clarification of institutional roles and stakeholders' participation allows accountability. Use of common frameworks for monitoring and reporting strengthens government management capacity.	Accountability may be limited to counting infrastructure (taps and toilets) rather than assessing benefits of services provided. Local institutions may not be held responsible for service provision. Capacity to monitor performance at local level may be absent.
Managing for results	Focus on benefits of aid encourages efforts to make services sustainable. Joint sector reviews contribute to government leadership and capacity building. Stakeholders have forum to influence development processes towards improved performance.	Performance monitoring is limited to infrastructure and ignores benefits of services.

governments' capacity and professionalise community management should be an integral part of scaling up, with sufficient resources.

Accountability for real results

Both accountability and alignment promote common frameworks for monitoring, reporting, and improved performance, thereby strengthening a government's management capacity. Whether aid effectiveness can contribute to sustainability through better monitoring systems depends on whether the right indicators are monitored. Performance monitoring often focuses on sector-level data (such as coverage, policy, institutions, human resources, and financing) rather than on the actual services provided and their sustainability. Mechanisms for accountability tend to focus on the installation of infrastructure rather than the services and benefits the infrastructure is intended to provide.

Donors' monitoring sometimes does not take into account the institutional, economic, and social complexity of providing sustainable water services. Services cannot be reduced to an ordered set of activities and outcomes that are neatly planned and managed. 'Managing for results' facilitates local solutions, such as exploring alternatives, pursuing innovation, learning by trial and error, building capacity, and adjusting best practices for a given context. Managing for results does not just count infrastructure, it monitors sustainable services.

Donors should encourage but not engage in local-level regulation. Good performance monitoring is inherent to good governance and can contribute to improved regulation of service providers and their performance, but monitoring is primarily the responsibility of local government, supported by national government.

Photo: Lokaalmondiaal

Recommendations

Moving forward from aid effectiveness to development effectiveness that sustains rural water and sanitation services requires much more than replicating best practices – it requires finding new practices that can meet all the challenges of sustainability: sustainable development finance, sustainable institutions, sustainable partnerships, and services that last.

Aid effectiveness is as strong as the weakest link in the chain from the national level to the community level, where the benefits of the service are realized. It is at the local level where real support is required. The challenge for development partners is not to provide infrastructure or even services but to find the right mechanisms through which to provide support, particularly in terms of enabling local institutions to achieve good governance and sustainable service provision. Donors also need to contribute to robust capacity-building programmes that facilitate decentralisation and provide support to local governments. Aid needs to reach local institutions through sector-wide approaches with mechanisms and systems for the downward flow of resources and support from the national level. Such mechanisms and systems require a well-resourced collaborative effort that donors can support.

The shift from aid effectiveness to effective development requires rethinking how aid can catalyse development. Aid can leverage other resources in the water sector, including taxes, private sector investment, and public funding. Development partners have an important role to play in 'leveraging and strengthening the impact of all sources of development finance on growth and the eradication of poverty' (OECD, 2008). Ultimately, development effectiveness depends upon national socio-economic policies, fiscal decisions, and sector capacity.

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Photo: IRC

About IRC

IRC is an international think-and-do tank that works with governments, NGOs, businesses and people around the world to find long-term solutions to the global crisis in water, sanitation and hygiene services. At the heart of its mission is the aim to move from short-term interventions to sustainable water, sanitation and hygiene services.

With over 40 years of experience, IRC runs programmes in more than 25 countries and large-scale projects in seven focus countries in Africa, Asia and Latin America. It is supported by a team of over 100 staff across the world.

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This briefing series was developed under IRC's Triple-S project. It is intended as a resource for people who make decisions about rural water supply – financing, policy and programme design and implementation. It outlines the basic building blocks for sustainable delivery of water services – such as indicators and targets, aid harmonisation, and professionalisation of community management – and provides evidence and examples from actual practice.

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About this Brief
This brief was authored by Jean de la Harpe of IRC. It builds on the literature review carried out by de la Harpe under Triple-S. It was reviewed by Patrick Moriarty and Stef Smits of IRC.

For additional resources and links to referenced documents, go to www.ircwash.org/topics/country-leadership

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