

Aid effectiveness and its relevance for sustainable water services



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1 INTRODUCTION

Many countries are not on track to meet the water and sanitation MDGs and the quality and reliability of water and sanitation services for the poor in most developing countries is inadequate. Whilst the water and sanitation MDGs are stated in terms of the service people should access, the emphasis on achieving these targets has tended to focus on infrastructure. Infrastructure alone does not provide access to improved services; it is only one part of the service delivery cycle.

Various aid effectiveness declarations commit to eradicating poverty, achieving sustained economic growth, and promoting sustainable development. These commitments to aid effectiveness recognise that increased aid is not enough to reduce poverty and achieve sustainable development – aid must also be more effective in the way it is delivered and used.

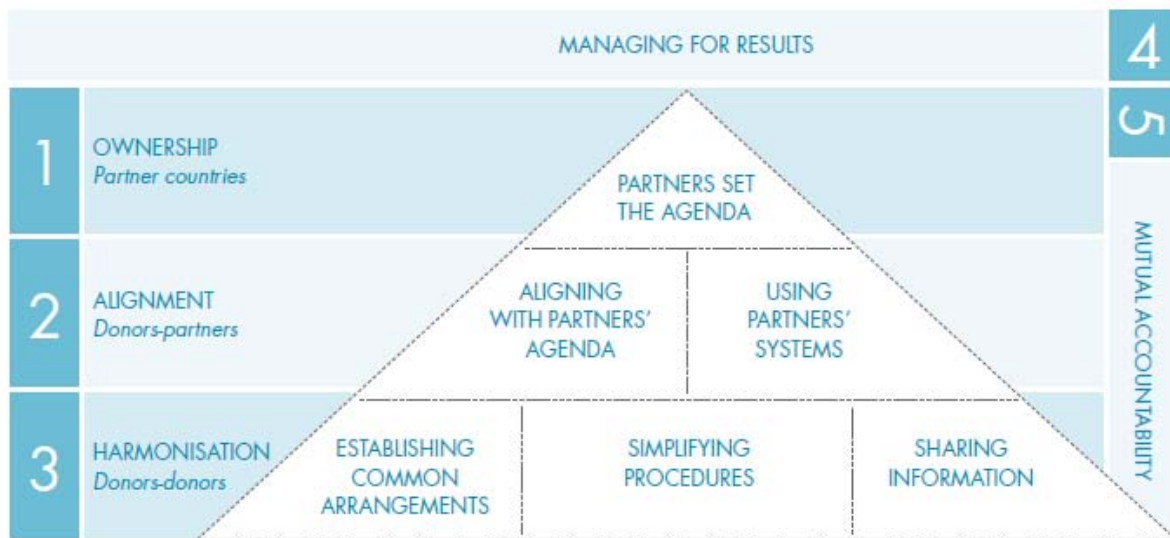
The growing interest in aid effectiveness has brought about an increased interest in the longer term development impact of aid, including accountability to citizens for development results. This briefing paper examines the contribution of aid effectiveness towards improving sustainability. It argues that whilst aid effectiveness has a key role to play towards ensuring an enabling environment and supporting national systems and institutional capacity for water and sanitation services, it is limited in its reach when it comes to issues of sustainability on the ground.

The challenge is how to ensure that efforts to improve aid effectiveness also contribute to services that last. This requires a shift from a focus on coverage and outputs (infrastructure), to a greater focus on the water and sanitation services provided.

2 AID EFFECTIVENESS AND SUSTAINABILITY DEFINITIONS

Aid effectiveness is about ensuring maximum impact of development aid to improve livelihoods, support the achievement of the Millennium Development Goals and reduce poverty. It is about improving the *quality of aid* and *its impact on development* through the implementation of various commitments for delivering and managing aid by developed and developing countries¹.

FIGURE 1: Paris Declaration



Source: OECD, 2006

Consensus on changes required to maximise development impacts is embodied in the Paris Declaration on Aid Effectiveness (2005). The 2008 study on the *Paris Declaration, Aid Effectiveness and Development Effectiveness* (Stern et al. 2008) defines aid effectiveness 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.” This definition covers the key components of aid effectiveness and emphasises development outcomes. The study also defines ‘development effectiveness’ as “the achievement of sustainable development results related to MDGs that have country level impacts that have discernible effects on the lives of the poor.” From a water and sanitation perspective, sustainable results mean that the services continue to operate effectively and generate benefits over the planned life of the constructed infrastructure.

¹ See Verhoeven J, Uytewaal E, and de la Harpe, J (2012), Aid effectiveness in the water and sanitation sector, Policies, practices and perspectives, IRC, The Hague.

Sustainability: IRC's Scaling up Sustainable Services (Triple-S) initiative defines sustainability as "the indefinite provision of a water service with certain agreed characteristics over time" (Lockwood and Smits, 2011). WaterAid's Sustainability Framework (2011) proposes the following working definition of sustainability: "*Sustainability is about whether or not WASH services and good hygiene practices continue to work and deliver benefits over time. No time limit is set on those continued services, behaviour changes and outcomes. In other words, sustainability is about **lasting** benefits achieved through the continued enjoyment of water supply and sanitation services and hygiene practices*".

2.1 APPROACHES FOR IMPROVED AID EFFECTIVENESS

Since the 2000 UN Millennium Declaration, the 2005 Paris Declaration and the 2008 Accra Agenda, the development discourse has focused on the MDGs and poverty reduction where it is recognised that the development process must include good policy, institutional building and capacity support.

Various approaches have been identified for achieving improved aid effectiveness and a better functioning water and sanitation sector. Programme based approaches², including sector programmes such as the sector wide approach (SWAs), aim to apply aid effectiveness principles in practice, including leadership by the recipient country, a single comprehensive programme and budget framework, use of local systems, and a formalised process for donor harmonisation and coordination.

Sector programmes within the water and sanitation sector tend to be based on a set of interconnected elements or building blocks. For example, both the European Commission and WaterAid's sector approaches and the AMCOW Country Score Card³ include the following set of elements: sector policy, sector finance/budget (and its medium term perspective), sector (and donor) coordination, institutional arrangements (capacity) and performance monitoring. These building blocks are based on the recognition that effective partnerships and dialogue between donors and developing country governments need to be based on commonly agreed national targets, clear strategies and plans, and improved performance and accountability.

² A programme-based approach supports a country owned programme such as a poverty reduction strategy, a national development strategy, a sector programme, a thematic programme or a programme of a specific institution where donor aid is channelled to the programme through the relevant budget framework.

³ The AMCOW score card looks beyond a functioning sector to sustaining services on the ground where it also includes systems and structures for delivering equitable services, quality and quantity of services, and mechanisms for sustaining and scaling up services.

3 AID EFFECTIVENESS AT THE SECTOR LEVEL

To what extent do aid effectiveness and approaches such as the SWAp contribute to sustainable services provision within the WASH sector at the national level as a whole? An analysis of aid effectiveness principles against the various ‘sector level’ building blocks⁴ illustrates a number of benefits and positive impacts as well as potential sustainability risks⁵.

3.1 POLICY AND PLANNING

Aid effectiveness encourages country governments to provide leadership in *policy* making, *planning* and development strategies, thereby increasing country ownership and incentives to improve sector policies, plans and strategies. However, good sector policies and legislation do not necessarily translate into good policy implementation at the decentralised level and the focus is likely to remain on infrastructure projects if policies and programmes do not adequately provide for sustainable services provision. Whilst development partners have an important role in policy dialogue, it is ultimately the water sector at country level – including national and local government, civil society and other groups – that needs to make policy decisions, particularly since policy involves trade-offs between economic and social issues. Undue donor influence over policy making and agenda setting is a continuing trend, which is often a result of commercial and strategic motives rather than a real commitment to development effectiveness.

3.2 INSTITUTIONS AND SYSTEMS

The aid effectiveness agenda promotes the development of a strong sector with *strong institutions*. But there is a lack of evidence that ‘aid effectiveness’ brings about improved development capacities, sustained reform in policy-making, or improved governance. The *Paris Declaration, Aid Effectiveness, and Development Effectiveness* thematic study (Stern, 2008) found that positive development impacts were often a result of good governance rather than a result of the principles of aid effectiveness. The study found that the concept of country ownership tends to be too narrow in that it “appears to have reinforced central government ownership” rather than provided for the meaningful inclusion of all stakeholders such as local government, civil society, parliament, development partners and the private sector. A broadening of ownership could improve the impact of aid effectiveness.

A key institutional risk within aid effectiveness approaches is the lack of sufficient absorption capacity to maximise opportunities for institutional development, particularly at the local level. Capacity support through a sector wide approach is often limited to the national level. The same risk applies to alignment, which tends to focus on institutions and systems at the national level. Proper systems often do not exist at local level, and thus there is a disjuncture between national and local level monitoring, procurement and reporting systems.

⁴ EuropeAid (2003) Guidelines for European Commission Support to Sector Programmes, European Commission, Brussels.

⁵ For full analysis of the aid effectiveness agenda’s contribution to sustainability, see table in Annexe 1 of this briefing note.

The principles of aid effectiveness become more significant where a country does not have the necessary *sector policies, legislation, strategies and systems* in place. For example the findings of the *2010 AMCOW Country Status Overviews of water supply and sanitation* illustrate the value of strengthening government systems in terms of scaling up. The study found that low income stable countries such as Benin, Burkina Faso, Ethiopia, Ghana, Kenya, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Tanzania, and Uganda have made more progress between 1990 and 2008 on their water and sanitation targets and in reducing open defecation, than resource rich countries such as Angola, Zambia and Nigeria. This success is attributable to the low income stable countries having developed their *systems* over time, which have ultimately provided a solid base for improved quality of services and improved aid effectiveness.

The more successful counties in the low income stable countries category also undertook a Poverty Reduction Strategy (PRS) process where they received technical support. This resulted in strengthened core government systems such as national planning, budget and expenditure management, procurement management, human resource management, civil service reform and decentralised service delivery. As the CSO concludes, the priority is how to get the WASH sector to connect to these systems: “*connecting the water sector to core government systems better positions countries to implement water and sanitation services at scale*” (AMCOW, 2010). Ethiopia’s progress provides an example of strong links between core government systems and sector systems.

3.3 COORDINATION

Harmonisation promotes cooperation and *coordination* amongst donors and allows for more coherent *sector planning* and information sharing. It also serves to decrease multiple donor and agency approaches; however, it tends to be time consuming and costly with a focus on aid issues rather than addressing sustainability challenges at the local level. Coordination at national level does not automatically lead to parallel improvements at the local (district) level.

3.4 SECTOR FINANCE

Ensuring a more coherent approach to *sector financing* through medium-term expenditure planning is perhaps one of the sector building blocks where aid effectiveness can have the greatest impact, particularly in terms of consolidating sector resources into a single *sector budget and investment plan*. A consolidated sector *Medium Term Expenditure Framework* (MTEF) facilitates greater donor alignment to national fiscal and planning cycles and allows for greater financial predictability and stability. It also facilitates fiscal decentralisation, although a major risk with sector budget support is that insufficient funds are transferred from the national budget to local budgets. In the absence of proper mechanisms for fiscal decentralisation, investment in water and sanitation at the local level may reduce under sector budget support, as opposed to donors investing in initiatives and projects at the local level.

3.5 PERFORMANCE MONITORING

Mutual accountability and alignment both promote the use of common frameworks for monitoring, reporting and improved *performance* thereby strengthening government management capacity. However, mechanisms for accountability tend to focus on outputs such as infrastructure developed (numbers of taps and toilets) rather than accountability for the service actually provided and on-going benefits thereof. The capacity to monitor performance at the local level is also often absent and thus performance monitoring may not address real issues of sustainability on the ground.

The aid effectiveness agenda also encourages ‘managing for results’ with an increased focus on evidence of development impact. This highlights the need for a greater focus on approaches that bring about sustainable services, rather than a narrow focus on building infrastructure. Joint sector reviews contribute to government leadership, alignment, and sector capacity building, as well as providing a forum for all stakeholders to influence development processes towards *improved performance*.

Research that examines the relationship between aid effectiveness and development outcomes⁶ has found some evidence of improvements in the management and delivery of aid where it is delivered, according to the Paris Declaration principles. However, there is no clear evidence that Paris Declaration type aid effectiveness results in “*sustained improvements*” in basic services, such as water and sanitation services.

⁶ (Stern 2008).

4 AID EFFECTIVENESS CONTRIBUTION AT THE DECENTRALISED LEVEL

Whilst aid effectiveness has a contribution at the ‘sector level’, an analysis of aid effectiveness at the decentralised level where provision actually takes place, is far less evident. IRC’s ‘water services that last’ framework provides a set of building blocks to ensure sustainable services provision. These building blocks include issues such as professionalising community management, identifying the most appropriate service provider options, ensuring on-going support, addressing life-cycle costs, planning for sustainability, asset management and local regulation. WaterAid’s ‘Sustainability Framework’ also tackles the challenges of providing lasting benefits to rural users and includes various components such as: establishing need and demand for services; ensuring full user participation, addressing technology choice, users contributing to the capital cost, ensuring high quality of implementation, ensuring an appropriate tariff structure, addressing environmental issues, putting a monitoring system in place; establishing a community-based O&M system and ensuring appropriate external support⁷.

How does the aid effectiveness agenda contribute to the provision of sustainable water services, given the ‘water services that last’ building blocks and the various components of the ‘sustainability framework’?

4.1 COMMUNITY MANAGEMENT FOR RURAL AREAS

Both frameworks deal with water and sanitation services at the community and local level, with an emphasis on community management, given its importance within rural settings. The aid effectiveness agenda does not address local or community level management and thus does not provide guidance on how to professionalise community management or establish sustainable community-based O&M systems. Improved sector policies can contribute to an enabling environment for more effective community management if policy makers provide for optimal community management and related institutional arrangements.

4.2 EXTERNAL SUPPORT TO RURAL SERVICE PROVIDERS

The various building blocks also highlight the importance of on-going external support to rural service providers. This type of support includes support to management and monitoring systems, mentoring, maintenance, technical assistance, ensuring that recurrent costs are shared, and support to supply chains and around externalities. Whilst aid effectiveness principles and approaches address institutional systems and the need for harmonisation and alignment at the sector level, the aid effectiveness agenda and approaches such as the SWAP do not address institutional arrangements at the service provider level or in terms of the customer/service provider and local government interfaces. Since the provision of services in

⁷ See WaterAid, 2011 “Sustainability Framework”.

rural areas is *dependent* upon access to on-going external support, this needs to be addressed in policy and institutional frameworks. External support will also not be viable without the necessary financial and technical resources and thus the aid effectiveness agenda should advocate for increased resources and skills for support services at the local level.

4.3 FINANCIAL SUSTAINABILITY

Financial sustainability is another component which is one of the most pressing challenges in terms of sustaining rural water systems – and tends to be an intractable problem given poverty levels in rural areas. Financial planning within the aid effectiveness agenda focuses on the sector budget or MTEF for the sector as a whole, with an emphasis on infrastructure rather than on the real full life cycle costs of on-going service provision at the local level. Consequently sector level budgets tend to fall far short of ensuring financial sustainability, particularly for rural areas.

Donor investment in the water sector is primarily for infrastructure development without attention to the life cycle costs of providing the service or whether the asset can be properly maintained. Mechanisms need to be put in place to ensure that local government has the capacity to undertake water services financial planning based on full life-cycle costs and to ensure the right mix of taxes, taxes, tariffs and transfers to achieve financial sustainability. Perhaps donors need to ensure that infrastructure budgets provide for the real costs of asset management (particularly preventative maintenance) to ensure optimal benefit from their investments.

4.4 PERFORMANCE MONITORING

Aid effectiveness can contribute to sustainability through strengthened monitoring systems if the right indicators are monitored and reported. However, performance monitoring under the aid effectiveness agenda tends to focus on sector level data and information (such as coverage, policy and institutional setting, human resource capacity, and financial system capacity) rather than on the actual services provided and the sustainability thereof. Donor monitoring typically 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, managed, monitored and reported. ‘Managing for results’ enables a shift from this type of over simplified approach, to an approach which facilitates sustainable local solutions, such as exploring different options, innovation, trial and error, capacity building, and best practices that work for a given context. In addition, aid effectiveness does not address local level regulation. Since local level regulation is inherent to good governance, it is not appropriate for the aid community to engage in regulation; however, good performance monitoring systems can contribute to improved regulation of service providers and their performance.

4.5 SECTOR LEARNING AND CAPACITY SUPPORT

Despite the benefits of learning and sharing, there is little evidence of increased resources to support these types of activities. Learning and sharing activities tend to be limited to the ‘sector’ or national level, with a focus on policy and approaches, rather than really addressing the heart of sustainability challenges at the provision level. ‘Aid’ should include a percentage of funds for the softer issues such as learning and sharing, capacity building, mentoring and institutional support.

Increasingly the donor community and other development partners are recognising the need for capacity support to the sector but development partners 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 local government level where the contexts vary significantly from district to district and from country to country. Rather,

development partners should advocate for nationally managed sector capacity support programmes for local government as an integral part of scaling up, where sufficient resources are allocated to address both authority (governance) and service provision institutional capacity.

An analysis of the aid effectiveness agenda contribution to the 'water services that last' building blocks and 'sustainability framework' clearly illustrates the limitations of aid effectiveness in terms of sustainable services provision at the decentralised level. However, the sustainability building blocks are primarily the responsibility of local government, supported by national government. Donor involvement in most of the building blocks is not only unsustainable but also undesirable, particularly given the importance of country leadership and ownership of their development processes.

5 DIFFERENT FRAMEWORKS – DIFFERENT RESULTS

Assessing the contribution of aid effectiveness to sustainability of water and sanitation services is conceptually complex. Many of the frameworks and approaches for achieving aid effectiveness are focused at the sector level, since the basic premise of aid effectiveness is to align support to the national agenda through national budgets. However, when it comes to sustainability of water and sanitation services on the ground, a different framework comes into play that focuses on a whole range of components necessary to ensure services that last.

5.1 GAP BETWEEN POLICY AND IMPLEMENTATION

A major risk for the aid effectiveness paradigm is that efforts at the national level to improve policy, coordination, financing, systems and performance monitoring, do not automatically influence what is happening at the local level. There tends to be a major gap between sector policy on the one hand and implementation on the other. This gap is exacerbated by poor governance, corruption, mismanagement and weak decentralisation.

5.2 SUSTAINABILITY – WHO IS RESPONSIBLE?

In countries where water supply and sanitation services are fully decentralised, the responsibility for sustainable services provision lies with the local authority – whether they provide the services themselves, or contract another entity to do so on their behalf.⁸ Whilst national government may provide an excellent policy and legislative framework and may exercise a strong regulatory function, the sustainability of services is ultimately dependent upon capacity at the local level, both in terms of governance and service provision.

Just as national government ‘cannot’ step in and start providing services, the same applies to donors and development partners. However, within the water and sanitation sector, it is precisely at this level that donors and NGOs have attempted to provide support typically through the project modality and generally in isolation from national objectives, programmes and budgets. The aid effectiveness agenda is designed to break the vicious circle of traditional aid (through the project modality) with a shift to a programme based approach. Sector building blocks are identified for the national level, but not for achieving sustainability at the local level, since the entire aid effectiveness paradigm is based on the recognition that the actual provision of services is the responsibility of developing country governments and not the responsibility of donors.

5.3 GOVERNANCE AND SUSTAINABILITY

National and local governments are responsible for instituting good governance practices and ensuring that their citizens enjoy basic human rights and benefit from basic services such as water and sanitation

⁸ The merits or demerits of decentralisation in providing services.

services. Good governance includes 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. However, this is precisely where the gap between policy and implementation tends to be the widest.

FIGURE 2: Governance and accountability cycle for water and sanitation services provision



At this level sustainability is essentially about the virtuous governance cycle between water services authorities, water services providers and customers. Once this cycle is broken it becomes much more difficult to achieve sustainable services provision.

5.4 VICIOUS CYCLE OF TRADITION AID

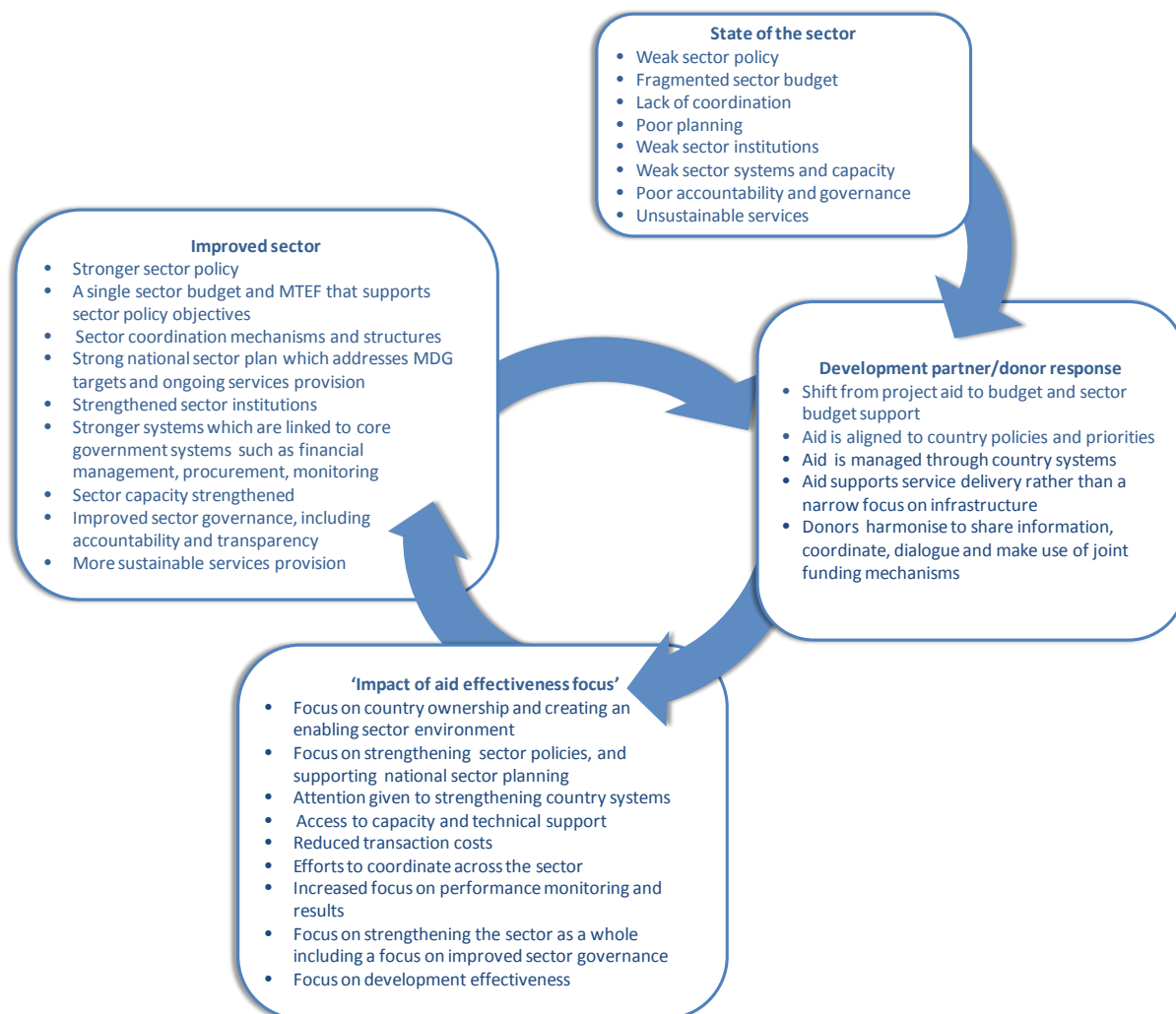
Many donor projects bear testimony to this, where donors implement projects in a fragmented and uncoordinated way, based on their own policy priorities and using their own systems. This approach ultimately contributes to a vicious cycle that weakens and undermines country governments' sector policies, programmes, institutions and systems and ultimately results in unsustainable services (Williamson, 2008).

FIGURE 3: Vicious circle of traditional aid (adapted from Williamson 2008)

5.5 TOWARDS IMPROVED AID EFFECTIVENESS

The limitations of aid effectiveness need to be recognised when it comes to decentralised service provision, and related governance and sustainability issues. However, this does not lessen the need for donors to ensure that their efforts translate into development results which ultimately have a sustainable impact. In this regard donor cooperation must fulfil a facilitating and catalytic role rather than an implementation or service provision role.

FIGURE 4: Virtuous circle of aid effectiveness

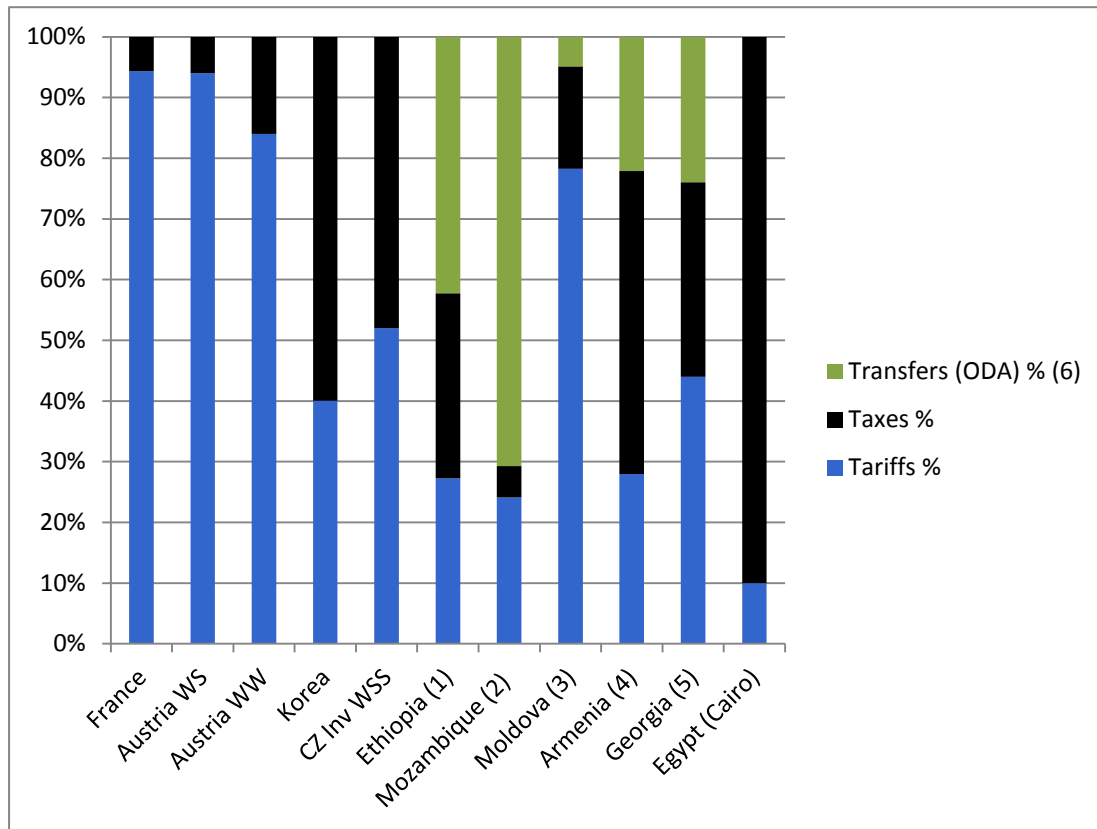


5.6 FINANCING SUSTAINABILITY

Adequate finance is also essential to sustainability where the sources of finance need to be sustainable. Financial sustainability requires the right combination of the so-called “3Ts”: tariffs, taxes and transfers, where transfers are primarily revenue from official development assistance (ODA). In the water and sanitation sector current spending is falling short, creating a large financing gap, resulting in lack of sufficient maintenance, deteriorating services and hampering efforts to extend services to those without access. Closing this gap is not only about strategies to increase investment in the sector, it also requires efforts to improve the efficiency of water and sanitation systems. Reducing costs can be achieved through better planning, improved management, operational efficiency, and use of low cost technologies. Where cost reduction strategies are unable to bridge the gap, the overall policy objectives for water and sanitation services need to be revisited to ensure realistic and achievable coverage (timeframes) and service level targets (Börkey, 2008).

While ODA provides an important source of revenue, and has a role to play in contributing to investment targets, it is not a sustainable source of revenue and in “many developing countries it plays a marginal role” (OECD, 2009) in the ‘blend’ of the 3Ts. The figure below illustrates that taxes and tariffs account for the largest percentage of water related investments for most countries; for example, in Ethiopia, taxes and tariffs account for nearly 60% of revenue to finance capital and recurrent costs of water supply and sanitation (OECD, 2009). 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’ (DCD.DAC.EFF, 2011).

FIGURE 5: Shares of tariffs, taxes and transfers (official development assistance) in financing water supply and sanitation (OECD, 2009)



6 FROM AID EFFECTIVENESS TO DEVELOPMENT EFFECTIVENESS

The need for a greater focus on sustainability is recognised by both developing countries and development partners as is evidenced in the *Busan Partnership for Effective Development Cooperation*⁹, which commits to strengthening efforts to achieve concrete and sustainable development results. The *Partnership* recognises that development cooperation is “only part of the solution” where it plays a catalytic role “in supporting poverty eradication, social protection, economic growth and sustainable development”. It also emphasises the need to “facilitate, leverage and strengthen the impact of diverse sources of finance” to support sustainable inclusive development and the need for new financial instruments, investment options, technology and knowledge sharing, and public-private partnerships.

Towards making the shift from aid effectiveness to ‘cooperation for effective development’ the *Partnership* commits to rethinking what aid should be spent on and how, so that aid catalyses development. In this regard, the drivers for development include strong, sustainable and inclusive growth, accountability for development results, effective institutions, and increased competitiveness in the global economy through regional and global integration. How this rethinking will impact upon investment and cooperation in the water sector remains to be seen; however, it recognises that development finance from domestic and other sources far outweighs resources channelled through traditional development cooperation and thus advocates for “new financial instruments, technology and knowledge transfers” and calls for public-private partnerships. Ultimately, development effectiveness is dependent upon national socio-economic policies and fiscal decisions, rather than on development aid.

⁹ Fourth high level forum on aid effectiveness, Busan, Republic of Korea, December 2011.

7 CONCLUSION

Whilst water and sanitation services need to last indefinitely¹⁰, aid cannot. A shift in focus from aid effectiveness to development effectiveness implies a greater focus on public funding as the major catalyst for ensuring sustainable provision of water and sanitation services. Development cooperation is only a part of development processes and financing in the water and sanitation sector and should be used to leverage and strengthen the impact of all sources of finance within the sector, including taxes, private sector investment, and public funding.

Developing countries need to strengthen their policy, planning, financing and monitoring frameworks with a greater emphasis on water and sanitation *services provision* and indicators to measure sustainability. A greater focus is needed on the longer term sustainability of water and sanitation services rather than on the inputs and outputs of development cooperation within the sector. This requires development partners to take a longer term view of their cooperation and how it is measured.

Moving forward from aid effectiveness to development effectiveness which can sustain rural water and sanitation services requires much more than replicating best practices – it requires finding new practices that can stand up to, and ultimately meet, the challenges of sustainability – sustainable development finance, sustainable institutions, sustainable operations and maintenance, sustainable partnerships and services that last. The principles of aid effectiveness can contribute to development effectiveness if the benefits of the principles are also enjoyed by local government.

Aid effectiveness is as strong as the weakest link in the development chain from the national level to the community level where the benefits of the service need to be sustained. It is at the local level where real support is required. The challenge for development partners is not to ‘provide infrastructure’ or provide the service, the challenge is to provide the necessary support so that local institutions are able to develop, operate and maintain infrastructure that provides efficient, effective and sustainable services through the full life cycle of the infrastructure.

Apart from aid for nationally coordinated water and sanitation investment programmes, aid needs to also contribute to robust capacity support programmes that facilitate decentralisation. Aid needs to reach local institutions – but not in the form of un-coordinated independent donor driven projects. Rather sector wide approaches need to establish appropriate mechanisms and systems for the flow of resources and support from the national to the local level – such mechanisms and systems require a well-resourced collaborative effort. Aid can support this collaborative effort.

¹⁰ <http://www.waterservicesthatlast.org/>.

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ANNEX 1: AID EFFECTIVENESS CONTRIBUTION TO IMPROVED DEVELOPMENT AND SUSTAINABLE RESULTS (SUMMARISED ANALYSIS)

TABLE 1: Aid effectiveness contribution to improved development and sustainable results (summarised analysis)

Principles of Aid Effectiveness	Sector building blocks	Contribution to improved development and sustainable results	Sustainability risks
Country ownership	Policy and strategy	The aid effectiveness agenda encourages partner country governments to provide leadership in policy making, planning and development strategies, thereby increasing country ownership. Aid that is linked to nationally determined sector objectives provides an incentive for partner countries to improve their water sector policies, plans and strategies.	If sector policies and programmes do not provide for sustainable services provision, there is a risk that the focus will remain on infrastructure projects. Good sector policies and legislation do not necessarily translate into good policy implementation at the decentralised level.
Harmonisation	Sector coordination	Harmonisation promotes cooperation amongst donors and allows for more coherent sector planning and information sharing. It also serves to decrease multiple donor and agency approaches. Strong sector coordination is fundamental to sector wide approaches and country ownership, including the establishment of multi-sector forums at different levels.	Sector coordination is time consuming, can be costly and tends to focus on aid issues rather than addressing sustainability challenges at the local level. Coordination at national level does not automatically lead to parallel improvements at local (district) level.
Alignment	Institutional arrangements	Alignment promotes sector dialogue, communication and knowledge sharing which is likely to result in improved policy making, strategic plans and overall practices. A key part of the aid effectiveness agenda is the development of strong institutions with efficient systems and administration. This focus is likely to strengthen sector capacity to implement sector priorities	Alignment tends to be limited to policy objectives and systems at the national level. Since these systems often do not exist at local level there tends to be a disjuncture between national and local level monitoring, procurement and reporting systems.

Principles of Aid Effectiveness	Sector building blocks	Contribution to improved development and sustainable results	Sustainability risks
		and programmes. A stronger sector is better able to facilitate learning and sharing and improve knowledge management.	A key sustainability risk is lack of sufficient absorption capacity where country institutions are unable to maximise opportunities for capacity development, particularly at the local level. Capacity support through a sector wide approach is often limited to the national level.
Alignment (finance)		Sector policy based budgeting ensures that sector priorities and strategies are reflected in the sector budget. A sector budget and investment plan that consolidates all sector resources will lead to a more coherent national approach to medium-term expenditure planning. A consolidated sector Medium Term Expenditure Framework also facilitates fiscal decentralisation for water and sanitation services. Joint identification of financing gaps and alignment of donor financing to national fiscal and planning cycles allows for greater financial predictability and stability.	A major risk with sector budget support is that insufficient funds are transferred from the national budget to local budgets. In the absence of proper mechanisms for fiscal decentralisation, the investment in water and sanitation at the local level may reduce under sector budget support, as opposed to donors investing in initiatives and projects at the local level.
Mutual accountability	 	<p>Mutual accountability ensures a focus on the practices of both donors and developing countries in terms of the aid effectiveness principles. A greater focus on commitments and responsibilities reinforces real partnerships.</p> <p>Clarification of institutional roles and responsibilities and stakehold participation is key to ensuring mutual accountability.</p> <p>Mutual accountability promotes the use of common frameworks for monitoring, reporting and improved performance thereby strengthening government management capacity.</p>	<p>Mechanisms for accountability tends to be limited to infrastructure developed (numbers of taps and toilets) rather than accountability for the ongoing benefits of services provided.</p> <p>Role clarification is generally limited to the national level without addressing local institutions responsible for services provision.</p> <p>The capacity to monitor performance at the local level is often absent – thus performance monitoring may not address real issues of sustainability on the ground.</p>

Principles of Aid Effectiveness	Sector building blocks	Contribution to improved development and sustainable results	Sustainability risks
Managing for results	 <p>Performance monitoring</p>	<p>The aid effectiveness agenda focuses on results and monitoring of these results. An increased focus on evidence of development results will highlight the need for approaches that bring about sustainable services, rather than a narrow focus on building infrastructure. Joint sector reviews contribute to government leadership, alignment, and sector capacity building, as well as providing a forum for all stakeholders to influence development processes towards improved performance.</p>	<p>If monitoring systems do not focus on sustainability indicators in terms of the services provided, there is a risk that performance monitoring is limited to infrastructure results without attention to the impact of the services.</p>

ANNEX 2: AID EFFECTIVENESS CONTRIBUTION TO SUSTAINABILITY BUILDING BLOCKS

TABLE 2: Aid effectiveness contribution to sustainability building blocks

<i>Water services that last building blocks</i>	<i>Aid effectiveness agenda contribution to the sustainability building blocks</i>
Professionalisation of community management	The aid effectiveness agenda does not address community level management; however, improved sector policies can ensure an enabling environment for more effective community management and support arrangements for water services.
Increased recognition and promotion of alternative service provider options	Whilst aid effectiveness provides for management for results and system alignment, this does not translate into measures for determining the most appropriate water service providers, let alone the performance of the service providers. Institutional arrangements for water services provision at the decentralised level fall outside the institutional focus of aid effectiveness. Improved results are dependent upon ensuring the most appropriate water services provider options that address local challenges. This challenge therefore should be addressed within aid effectiveness support and monitoring frameworks.
Sustainability indicators and targets	<p>Aid effectiveness can contribute to sustainability if the right indicators are monitored and reported. However, performance monitoring under the aid effectiveness agenda tends to focus on infrastructure targets rather than on the actual services provided and the extent to which the same level of service continues over time.</p> <p>Donor monitoring typically does not take into account the institutional, economic and social complexity of providing sustainable water services. Services cannot be reduced to a well ordered set of activities and outcomes that are neatly planned, managed, monitored and reported. 'Managing for results' enables a shift from this type of over simplified approach, to an approach which facilitates sustainable local solutions, such as exploring different options, innovation, trial and error, capacity building, and best practices that work for a given context.</p>
Post-construction support to service providers	Aid cannot be judged to be effective if the investments do not result in <i>water services that last</i> . Particularly in rural areas, sustainable service provision is dependent upon ongoing support to community service

<i>Water services that last building blocks</i>	<i>Aid effectiveness agenda contribution to the sustainability building blocks</i>
	<p>providers. This type of support includes mentoring, management, maintenance, monitoring and mobilisation support. Whilst aid effectiveness addresses institutional systems and the need for harmonisation and alignment at the sector level, it does not address institutional arrangements or support at the customer/service provider interface.</p>
<p>Capacity support to local government</p>	<p>Increasingly, the donor community and other development partners are recognising the need for capacity support to the sector. However, development partners are not well placed to determine the type of support required or when and how it should be provided. This is particularly the case at local government level where the contexts vary significantly from district to district and from country to country. Rather, development partners should advocate for nationally managed sector capacity support programmes for local government as an integral part of scaling up, where sufficient resources are allocated to address both authority and provision institutional capacity.</p>
<p>Learning and sharing of experience</p>	<p>Aid effectiveness promotes communication, sector dialogue, coordination and collaboration. Knowledge management, learning and sharing needs to be strengthened within the principles of country ownership, harmonisation and alignment. Despite the benefits of learning and sharing, there is little evidence of increased resources to support these types of activities. Where learning and sharing activities do take place, they tend to be limited to the 'sector' or national level, with a focus on policy and approaches, rather than really addressing the heart of sustainability challenges and salutation at the provision level. 'Aid' should include a percentage of funds for the softer issues such as learning and sharing, capacity building, mentoring and institutional support.</p>
<p>Planning for asset management</p>	<p>Planning within aid effectiveness tends to be at the sector level to ensure a single programme supported by a sector MTEF. These planning processes tend to remain at the national level and therefore do not support planning at the local government level to address increased coverage and sustainability issues.</p> <p>A focus on good asset management towards ensuring water services that last is critical to improving the sustainability of services. The primary purpose of aid effectiveness is to move away from a host of development partners basically 'doing their own thing' at the decentralised level. Thus it would be inappropriate for development partners (DPs) to engage with asset management at the decentralised level. However, DPs should advocate for a greater focus on asset management, and support national government to provide the necessary training, capacity building and</p>

<i>Water services that last building blocks</i>	<i>Aid effectiveness agenda contribution to the sustainability building blocks</i>
	institutional support for better management of water service assets at the local level.
Financial planning frameworks to cover all life-cycle costs	<p>Financial planning within the aid effectiveness agenda focuses on a sector budget or MTEF for the sector as a whole, with an emphasis on infrastructure rather than on the real costs of ongoing service provision at the local level. Consequently, sector level budgets tend to fall far short of ensuring financial sustainability.</p> <p>Mechanisms need to be put in place to ensure that local government has the capacity to undertake water services financial planning based on full life-cycle costs. These local budgets need to be incorporated into strategic financial planning at the national level so that the right mix of taxes, tariffs and transfers can be found to achieve sustainable services.</p>
Regulation of rural services and service providers	Aid effectiveness does not address local level regulation. Since local level regulation is essentially part of good governance, it is not appropriate for the aid community to engage in regulation. However, good performance monitoring systems and management for results can contribute to improved regulation of service providers and their performance.