

The water and sanitation sector faces a pressing challenge to increase its effectiveness. Despite increased national income in many developing countries—the sector remains dependent on donor funds.



A total of 768 million people still lack access to safe drinking water and 2.4 billion people will be denied improved sanitation in 2015 (WHO, 2013). While donors and governments of developing countries have formally agreed to increase aid effectiveness, there is a growing recognition that national sector capacities in developing countries are crucial in effectively using all available resources, including “aid” money. More effective use of existing resources in the sector has great potential in reaching total coverage that enhances and sustains WASH service levels over time.

This package uses the term “aid” which is also known as development aid, development cooperation, development assistance, international aid or overseas aid. Aid can be defined as the international transfer of public funds in the form of loans or grants, either directly: from one government to another (bilateral aid), or indirectly: through non-governmental organisations or a multilateral agency (multilateral aid) (WHO, 2013). Focused on alleviating poverty in the long term, it is distinguished from humanitarian aid, which alleviates suffering in the short term.

The most widely used measure of aid is “Official Development Assistance” (ODA). ODA consists of grants or loans to countries and territories as referred in Part 1 of the Development Assistance Committee List of Aid Recipients (developing countries)<sup>1</sup> (OECD, 2012):

- those undertaken by the official sector<sup>2</sup>;
- those that promote economic development and welfare as the main objective; and
- those that have concessional financial terms (including loans with a grant element of at least 25%).

### **AID EFFECTIVENESS MEASURES THE SUCCESS OF DEVELOPMENT AID IN ACHIEVING ECONOMIC AND SOCIAL GROWTH. IT AIMS TO IMPROVE THE QUALITY OF AID AND ITS IMPACT ON DEVELOPMENT.**

Countries receiving aid are often referred to as developing countries or least developed countries (LDCs). This package uses the World Bank classification of countries in one of four income categories: low, middle (lower and upper) and high. Low-income countries are defined as countries with a per capita gross national income of US\$ 1,035 or less in 2011<sup>3</sup>. In contemporary literature, “partner” countries are often used for recipient countries.

<sup>1</sup> Available through <http://www.un.org/esa/ffd/monterrey/MonterreyConsensus.pdf>

<sup>2</sup> That is, state and local governments, or their executive agencies (<http://www.oecd.org>).

<sup>3</sup> <http://data.worldbank.org/about/country-classifications>

## Contents

The information package draws heavily on IRC International Water and Sanitation Centre's Thematic Overview Paper 26, which brings together important literature on aid effectiveness in the water and sanitation sector (Verhoeven, Uytewaal and de la Harpe 2011). The information package comprises ten fact sheets.

The fact sheets introduce a topic, making references to relevant publications. These are:

- 1) AN INTRODUCTION TO AID EFFECTIVENESS
- 2) HISTORICAL BACKGROUND OF THE AID EFFECTIVENESS FRAMEWORK
- 3) POLICY FRAMEWORK FOR DEVELOPMENT AID EFFECTIVENESS
- 4) AID EFFECTIVENESS PRINCIPLES
- 5) MODALITIES TO DELIVER MORE EFFECTIVE AID
- 6) HOW EFFECTIVE IS AID IN THE WASH SECTOR?
- 7) THE POTENTIAL OF A SECTOR WIDE APPROACH TO MAKE AID MORE EFFECTIVE IN THE WASH SECTOR
- 8) SANITATION AND WATER FOR ALL (SWA)
- 9) NATIONAL PLANNING FOR RESULTS INITIATIVE (NPRI)
- 10) GLOBAL TRENDS RELEVANT FOR THE AID EFFECTIVENESS AGENDA

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IRC International Water and Sanitation Centre and the Country Processes Task Team of the Sanitation and Water for All partnership (SWA) produced this information package to help WASH professionals understand what aid effectiveness (AE) entails. This information package helps the sector apply AE and SWA principles in their daily work, integrating these in WASH policies and practices.

The aid effectiveness information package was prepared by IRC's Erma Uytewaal, Jeske Verhoeven and Carmen da Silva-Wells, with contributions from Jean de la Harpe. It has been reviewed by Clare Battle of WaterAid and Ceridwen Johnson of the Sanitation and Water for All Secretariat. For more information on this package and IRC's work on aid effectiveness, contact Erma Uytewaal at [uytewaal@irc.nl](mailto:uytewaal@irc.nl) or Jeske Verhoeven at [verhoeven@irc.nl](mailto:verhoeven@irc.nl).



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Developing countries and donors have driven the need for an efficient framework which resolves why aid delivery is still largely unsuccessful in reducing poverty, creating development and offering sustainable solutions. Promoting sustainable development from the mid-1990s was not only about the amount of aid provided, but also about how it was provided, used and how it contributed to achieving results. The following are the factors that have led to the emergence of the aid effectiveness framework.



### Donors' different methods and requirements were resulting in huge transaction costs for developing countries

From the 1970s to mid-1990s, funding for specific projects followed the typical aid model, with countries complying with each donor's own requirements and procedures.

Projects ran parallel to the country's own policies and institutions managing different donor procedures brought high costs for developing countries and undermined domestic (institutional) capacity development, especially in the poorest and most aid-dependent countries.

Developing countries on average had to deal with up to 20 donors, each with its own specific programmes and projects (WHO, 2010). Meeting multiple donor requirements increased the administrative load, impaired country ownership over development plans and weakened public financial management skills.

### Isolated stand-alone projects had not established lasting capacities to sustain project results

Without robust capacity—strong institutions, systems, and local expertise—developing countries could not fully own and manage their development. In most cases, projects depended on an outside source. Once a project had been implemented, its capacity was gone, leaving insufficient local resources or the institutional arrangements required to sustain the project.

### Lack of coordination of donor activities and fragmentation of resources was leading to duplication of efforts and wasted resources, making aid inefficient

Certain countries, areas and sectors (so called "aid orphans") received little or no funding, or were left behind. Other countries and sectors (often referred to as "aid darlings") struggled to manage large amounts of aid, and a multiplicity of donors working in the same sector.

### Insufficient country ownership

During the 1990s donor policies and objectives dominated the development agenda. Many countries were implementing Structural Adjustment Programmes (SAPs), imposed by the World Bank (WB) and the International Monetary Fund (IMF). The SAPs were introduced in the late 1950s as a condition for receiving new loans or obtaining lower interest rates on existing loans. To comply, countries had to agree to reforms that stimulate economic growth and reduce poverty—but most of them did not meet the conditions—most importantly because they did not own their developments.

### Little accountability towards taxpayers

From the 1990s onwards, residents of donor countries began clamouring for evidence of the success of aid, and demanded greater accountability from donors and recipient countries. While public and political support for development assistance has been falling in recent years, the global financial crisis—which began in 2008 in Northern (European) countries—increased pressure for results.

Against this background the international policy framework for aid effectiveness was developed from the year 2000.

The development of this framework is discussed in fact sheet 3.



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The MDGs, to be achieved by 2015, promote development by improving social, economic and environmental conditions in the world's poorest countries, and setting poverty reduction as the primary goal for international development cooperation.



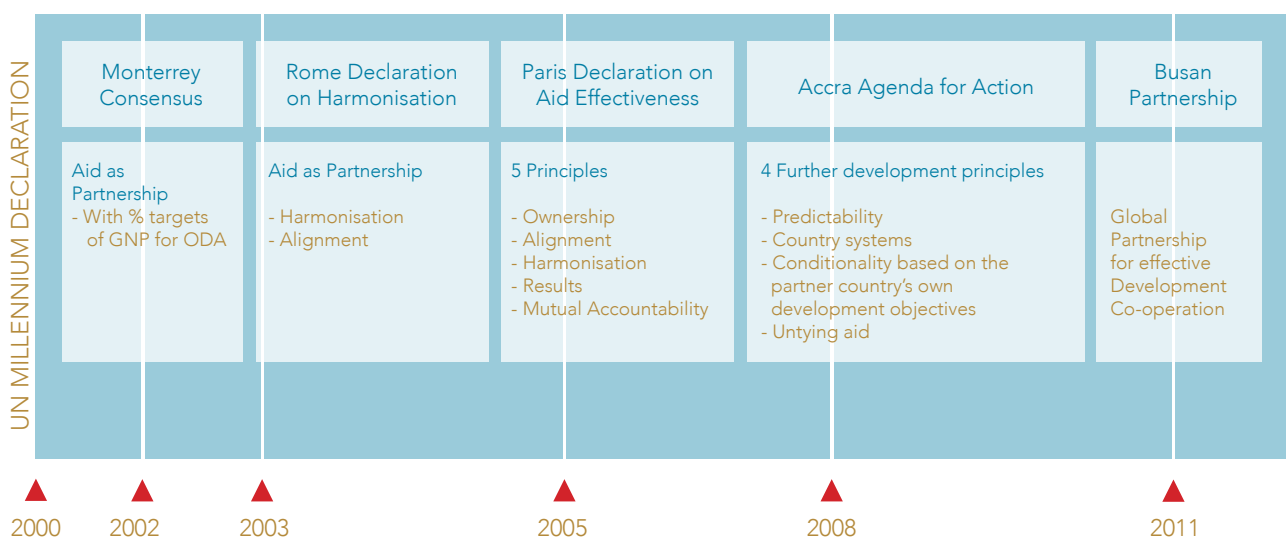
An international policy framework on aid effectiveness was first developed as part of the eighth UN Millennium Goal at the Millennium Summit in 2000. The framework responded to growing dissatisfaction within the donor community and developing countries on how aid was being managed to reduce poverty and create development.

#### 2000 Millennium Development Goals<sup>1</sup>

The Millennium Development Goals (MDGs) were adopted at the Millennium Summit in New York based on the belief that aid must be evaluated against inputs and outcomes

(Takamasa and Masanori, 2003). Adoption of the MDG framework was complemented by targets and indicators against which all governments and development partners could be held accountable. The eighth MDG recognised that progress was limited on all goals without a "global partnership for development". This would mean for all partners, including developed and developing countries, working together to improve aid effectiveness (UN, 2000)—all signatories committed to development cooperation and aid effectiveness (Takamasa and Masanori, 2003).

#### FROM THE MILLENNIUM DECLARATION TO THE BUSAN PARTNERSHIP



Source: adapted from Verhoeven, Uytewaal and de la Harpe, 2011, p.13.

<sup>1</sup> Available through <http://www.un.org/millenniumgoals/>

### 2002 Monterrey Consensus<sup>2</sup>

The 2002 International Conference on Financing for Development in Monterrey, Mexico also committed to the MDGs' principles of country ownership and partnership. This meeting was the first to acknowledge that a new "aid as a partnership" model was needed to improve aid effectiveness. Delegates were motivated by the UN and World Bank statements that Official Development Assistance (ODA) needed to be doubled to achieve the MDGs. More than 50 heads of state adopted the Monterrey Consensus. It urges developed countries to allocate a target of 0.7% of gross national product (GNP) as ODA to developing countries, and 0.15-0.20% of their GNP to Least Developed Countries (LDCs). The Consensus also committed developing countries to strengthen their policies and institutions, and take the lead in development planning (OECD, 2002; UN, 2002; Danida, 2006).

### 2003 Rome Declaration on Harmonisation<sup>3</sup>

The Rome Declaration on Harmonisation was initiated in 2003 at a high level forum convened by the Organisation for Economic Co-operation and Development (OECD). It improves development effectiveness by committing donor agencies to better coordinate and streamline their activities with developing countries in achieving the MDG goals. For example, harmonising donor institutions to partner country operational policies, processes, procedures, practices and systems.

### 2005 Paris Declaration on Aid Effectiveness<sup>4</sup>

The Rome Declaration prepared the ground for the high level forum in Paris, France, in 2005, where over 100 donors and partner countries endorsed the Paris Declaration on Aid Effectiveness (PD). It was agreed that much more was needed to be done as aid programmes were still strongly led by donor priorities and administered through donor channels.

This made it hard for developing countries to take the lead and own their development processes. Donor aid was still uncoordinated, unpredictable and not transparent. The Paris Declaration lays the basis for changing the way donors and developing countries work in partnership. It is a joint commitment by donors and partner countries to make aid more effective by 2010 with the ultimate goal of establishing

nationally owned poverty reduction strategies and sector-level development programmes involving a wide range of stakeholders (Welle et al., 2008). Apart from increased commitment to the aid effectiveness principles of ownership, alignment and harmonisation two new principles were introduced in Paris: managing for results and mutual accountability (OECD, 2005). Through the PD, donors and partner countries committed to monitoring their progress in improving aid effectiveness against 56 specific actions and 12 progress indicators.



### 2007 European Union Code of Conduct on Division of Labour<sup>5</sup>

European Union (EU) donors have made more specific commitments to implement the Paris Declaration and agreed on new guidelines for the division of labour, laid down in the Code of Conduct on Division of Labour (DoL). The DoL enhances aid effectiveness by avoiding overlapping actions between donors. It addresses the problem of aid fragmentation and donor congestion, and can be viewed as an operational strategy to achieve complementarity that also reduces transaction costs. It includes guidance on the maximum number of active donors per country sector, the establishment of priority countries and the problem of "orphaned" or neglected countries. As the EU accounts for more than half of global ODA—its membership accounts for 15 of the 22 bilateral donors in the OECD Development Assistance Committee (DAC)—the DoL is an important step in increasing worldwide aid effectiveness.

<sup>2</sup> Available through <http://www.un.org/esa/ffd/monterrey/MonterreyConsensus.pdf>.

<sup>3</sup> Available through <http://www.oecd.org/development/effectiveness/31451637.pdf>.

<sup>4</sup> Available through <http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm>.

<sup>5</sup> Available through [http://www.dev-practitioners.eu/fileadmin/Redaktion/Documents/Reference\\_Documents/EU\\_Code\\_of\\_Conduct.pdf](http://www.dev-practitioners.eu/fileadmin/Redaktion/Documents/Reference_Documents/EU_Code_of_Conduct.pdf).

### 2008 Accra Agenda for Action<sup>6</sup>

Approximately 100 countries endorsed the Accra Agenda for Action (AAA) at the third high level forum on aid effectiveness in Accra, Ghana, in 2008. The AAA builds on the Paris Declaration, aiming to accelerate change by setting standards for an inclusive approach to development. It adds four additional principles to the policy framework of the Paris Declaration:

#### Predictability

Donors will provide three to five - year advance information on their planned aid to partner countries.

#### Country systems

Partner country systems, rather than donor systems, will be strengthened and used to the maximum extent possible to deliver aid.

#### Conditionality

Donors will switch from reliance on prescriptive conditions about how and when aid money is spent to conditions based on the partner country's own development objectives and priorities.

#### Untying aid

Donors will relax restrictions that prevent developing countries from buying the goods and services they need from wherever they can get the best quality at the lowest price.

The Accra Agenda is a political statement with donors presenting individual plans and targets for meeting their commitments, whereas the Paris Declaration set broad targets for the whole development community: it focuses foremost on country ownership. In Accra, developing countries declared that they would take stronger leadership of their policies and shape them by engaging more with their parliaments and citizens. Publicising their revenues, expenditures, budgets, procurements and audits was part of this goal. Donors also pledged to support developing countries' national systems with regular reports on their aid flows, respecting countries' priorities, and investing in their human resources and institutions (OECD, 2008).

In Accra the important contribution of civil society towards development was recognised and donors and governments committed to create enabling conditions to maximise civil society organisations (CSO) contributions to development.

### 2011 Busan Partnership Agreement<sup>7</sup>

The Busan Partnership for Effective Development Co-operation was signed at a 2011 meeting in Busan, Korea. Delegates had agreed to review progress on implementing the principles of the Paris Declaration. They also discussed how the aid effectiveness agenda complemented the evolving development landscape—shifting the framework focus from aid effectiveness to development effectiveness and human rights.

The agreement was the first declaration to establish a framework for development cooperation embracing South-South cooperators, the BRICS<sup>8</sup> countries, civil society organisations and private funders as well as traditional donors. The endorsement of the Busan principles by Brazil, China and India was a critical outcome of the meeting. The four principles endorsed are:

- Ownership of development priorities by developing countries
- Focus on results
- Inclusive development partnerships
- Transparency and accountability to each other.

The five key principles to stimulate the effectiveness of aid which came from these various meetings are discussed in fact sheet 4. It is clear countries need to change procedures, strengthen development strategies and enhance accountability to ensure an effective aid programme (OECD, 2010a; 2010b). It is also evident that a common understanding of development effectiveness does not yet exist. Any meaning varies from the narrow focus of organisational effectiveness to a broader understanding. This can encompass policy coherence, tools used to achieve outcomes, and overall development results (The North-South Institute, 2011).

<sup>6</sup> Available through <http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm>.

<sup>7</sup> Available through <http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm>.

<sup>8</sup> BRICS is the acronym for an association of five major emerging national economies: Brazil, Russia, India, China and South Africa.



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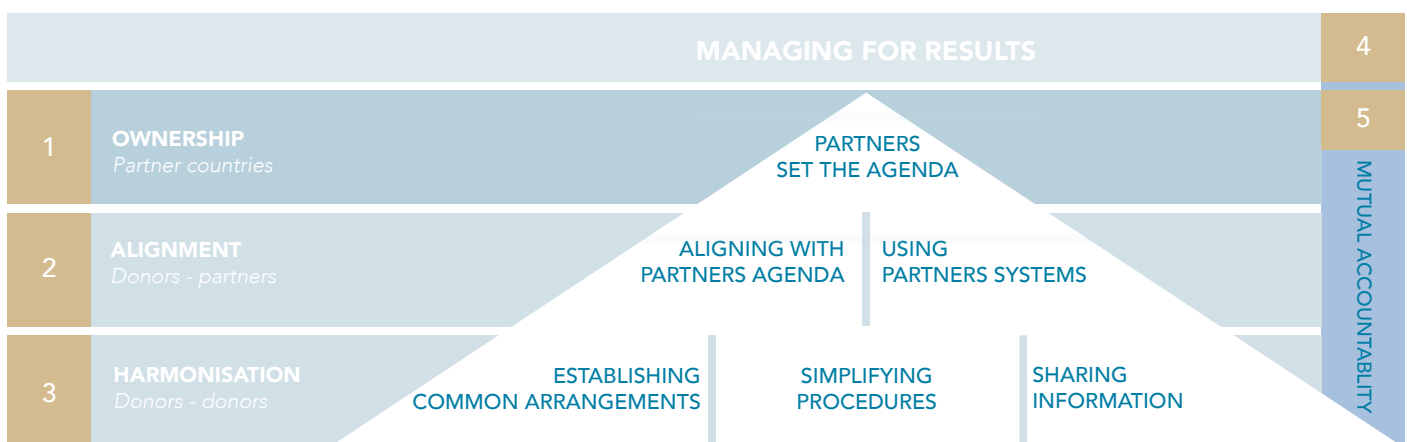
The development of the aid effectiveness policy framework from 2000 resulted in the establishment of five agreed principles to stimulate the effectiveness of aid.



- **Ownership** Partner countries lead their development policies and strategies, and coordinate development actions.
- **Alignment** Partner countries lead their development policies and strategies, and coordinate development actions.
- **Harmonisation** Donors support partner countries' national development strategies, institutions and procedures.
- **Managing for results** Managing resources and improved decision making.
- **Mutual accountability** Donors and partners accountable for development results.

**Country ownership** is the overarching condition for aid effectiveness, which harmonisation and alignment must support (see diagram). To achieve this, countries should set in place the relevant policies, strategies, programmes and public financial management systems to receive aid. To this end, country governments lead the development programme, directing funding where it is most needed and achieving sustained development results.

#### THE FIVE AID EFFECTIVENESS PRINCIPLES<sup>1</sup>



<sup>1</sup> [https://webgate.ec.europa.eu/fpfis/mwikis/aidco/index.php/File:Principles\\_of\\_PD.png](https://webgate.ec.europa.eu/fpfis/mwikis/aidco/index.php/File:Principles_of_PD.png)

Development partners **align** their aid to the country partner's development agenda and systems. This includes financial, procurement and performance monitoring structures. Aid funding then supports the national policy priorities defined by the recipient country government.

It is important for countries to base their decisions on reliable evidence that guarantee the effective spending of funds. Donors that subscribe to aid effectiveness **harmonise** their efforts so that common arrangements are established, procedures are simplified, information is shared and duplication is avoided. Ultimately, both donors and partners are accountable for development results through **mutual accountability and transparency**; between each other, as well as towards their citizens.

OECD (2011) reports progress on delivering aid more effectively. For example more than a third of developing countries have strengthened their public institutions and processes. But globally donors and developing countries have fallen short of their goals.

The magnitude of the reforms meant much more than simple administrative fixes by country governments. Developing countries may have improved systems but they are not necessarily used by donors to deliver aid.

Fear of financial misuse and lack of faith in partner country systems have prompted donors to avoid fiduciary risk altogether, rather than managing them (OECD, 2011).

Fact sheet 5 discusses progress in implementing these five principles in the WASH sector.

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The way aid is administered—the modality—can determine the extent to which country ownership is possible, impacting on the effectiveness of development funds.



Effectiveness is feasible when development partners applying the aid effectiveness framework depart from project-based aid, moving towards a programme-based approach. In many countries a mix of modalities to disburse aid are being used.

#### Project-based approach

Project aid is often provided through parallel systems, creating fragmentation and duplication. It discourages cooperation because different donors design their own projects and use their own disbursement and accountability procedures.

As projects are often designed in isolation, they do not always respond to country priorities and sometimes even undermine national policies. Projects are frequently questioned for their limited contribution to endogenous development as they often bring “imported” solutions to development challenges which are not always sufficiently tailored to the particular needs of recipients.

The longer term impact of projects can be diluted if little to no local capacity or institutional arrangements are left behind. Since they are seldom embedded in national strategies, efforts to institutionalise project results are hampered or do not occur.

#### Programme-based approach

The programme-based approach is defined by the OECD-DAC (2006, p. 37) as ‘a way of engaging in development cooperation based on coordinated support for a locally owned development programme’.

The Paris Declaration sets a target for aid flows in programme-based approaches. Programme-based assistance should involve leadership by the host country, a single comprehensive programme, and budget framework. It should also include a formal process of donor coordination and the harmonisation of donor procedures for reporting, budgeting, financial management, auditing and procurement. Country systems should be used for programme design and implementation, financial management, monitoring and evaluation. A practical example of programme-based aid is the Sector Wide Approach (SWAp)<sup>1</sup>.

*The three crucial elements in the aid effectiveness framework which can lead to successful results are: recipient country ownership of aid programmes; alignment of aid with recipient government policies and programmes; and the harmonisation of aid between donors.*

The project-based approach is still the most commonly used modality to deliver aid as it has many advantages for donors. It is easy to manage, monitor and evaluate and is publically visible to legitimise donor presence and work in developing countries (Williamson, et al., 2008; Goody, 2009). Project aid can easily be used to target a specific problem in a developing country. It can also be administered more quickly as it involves fewer parties than programme-based aid.

<sup>1</sup> Discussed in fact sheet 7 of the aid effectiveness information package.

### Budget support

Aid can be financially administered through country systems. Budget support is a financial aid modality where funds are given directly to the recipient government so it manages the aid as part of its own resources and decides how it is spent. This joint consultation is also called policy dialogue.

The main types of budget support are:

- General budget support (GBS): funds that are not earmarked for a specific sector of government spending.
- Sector budget support (SBS): funds that are allocated for use in a specific sector or budget line, e.g., water and sanitation.

Budget support allows the recipient country to allocate funding according to its sector development strategies. For example, a national government can reallocate resources and delegate the main responsibilities to decentralised levels of government.

As sector budget support registers aid in national and local government budgets, it strengthens accountability because of scrutiny by the national parliament and civil society (OECD, 2010). SBS is most beneficial to a particular sector such as water and sanitation. The allocation of resources is influenced by the sector's solid policy framework.

### Basket funding

Basket funding, also known as pooled funds, is a form of sector budget support but differs in that expenditure is in a certain (sub) sector, and is devoid of beneficiary country procedures. The sub sector is financed through the joint bank account of a donor group.

Basket funding is used when donors want to channel aid directly to a particular ministry, rather than through the Ministry of Finance. It provides close alignment with national priorities, consolidates small projects into scalable national programmes, and uses national systems to harmonise and simplify foreign assistance transaction costs (Manuel, et al., 2012).

### Silent partnerships (SPs)

SPs are a modality through which donors channel their ODA through another like-minded donor agency. SPs reduce the number of donors that a recipient country has to deal with. A silent partnership can also be advantageous for the "active partner" because it receives additional financial resources for its activities.

It offers an opportunity for the "silent partner" to make financial contributions without having to employ staff, experts and infrastructure to manage them. This model's effectiveness is not yet clear because only a small group of donors use silent partnerships—this modality does not constitute a common approach on a large scale.

### Global/ vertical funds

Global programmes or vertical funds focus (vertically) on specific issues or themes, in contrast to the horizontal approach of the country-based model of aid. Global funds started to gain importance in the late 1990s. For example the ACP-EU Water Facility is a large vertical fund in the water and sanitation sector. It provides water and basic sanitation to the poor, and improves water management governance in African, Caribbean and Pacific (ACP) countries. Vertical funds may be counterproductive to aid effectiveness if they are not supportive of country sector priorities and systems.





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Concerted efforts in the sector have increased access to water, sanitation and hygiene (WASH), although there are significant disparities and major challenges ahead (WHO/ UNICEF, 2012). Increasingly, there is recognition that global monitoring of WASH should focus on sustainable services rather than coverage figures alone. There

is also some evidence of the effectiveness of aid improving<sup>1</sup>, but the sector does not yet have a comprehensive system for tracking aid effectiveness. This fact sheet presents global developments in WASH coverage and discusses its links to aid effectiveness.



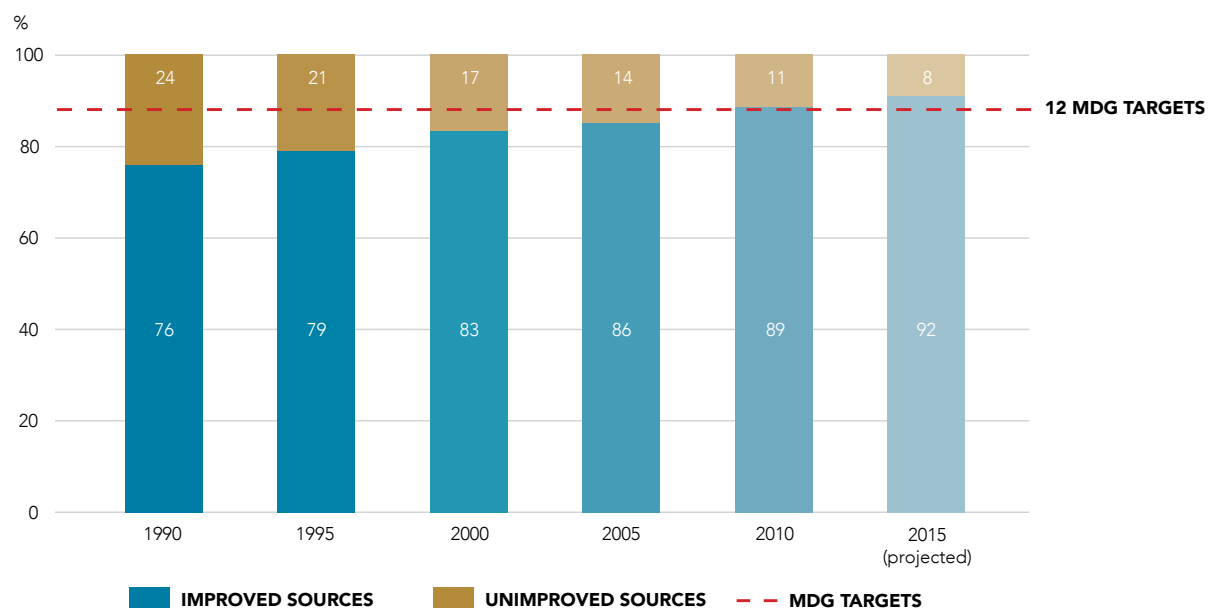
#### There have been remarkable gains in increased access to WASH facilities

Since 1990, more than two billion people have benefitted from improved drinking water sources (WHO and UNICEF, 2012). The Joint Monitoring Programme (JMP) of the World Health Organization (WHO) and United Nations Children's

Fund (UNICEF) says that the Millennium Development Goal (MDG) target for drinking water was met in 2010, five years ahead of schedule (WHO/ UNICEF, 2012).

Between 1990 and 2010, the proportion of people without access to improved drinking water sources has been more than halved (from 24% to 11%).

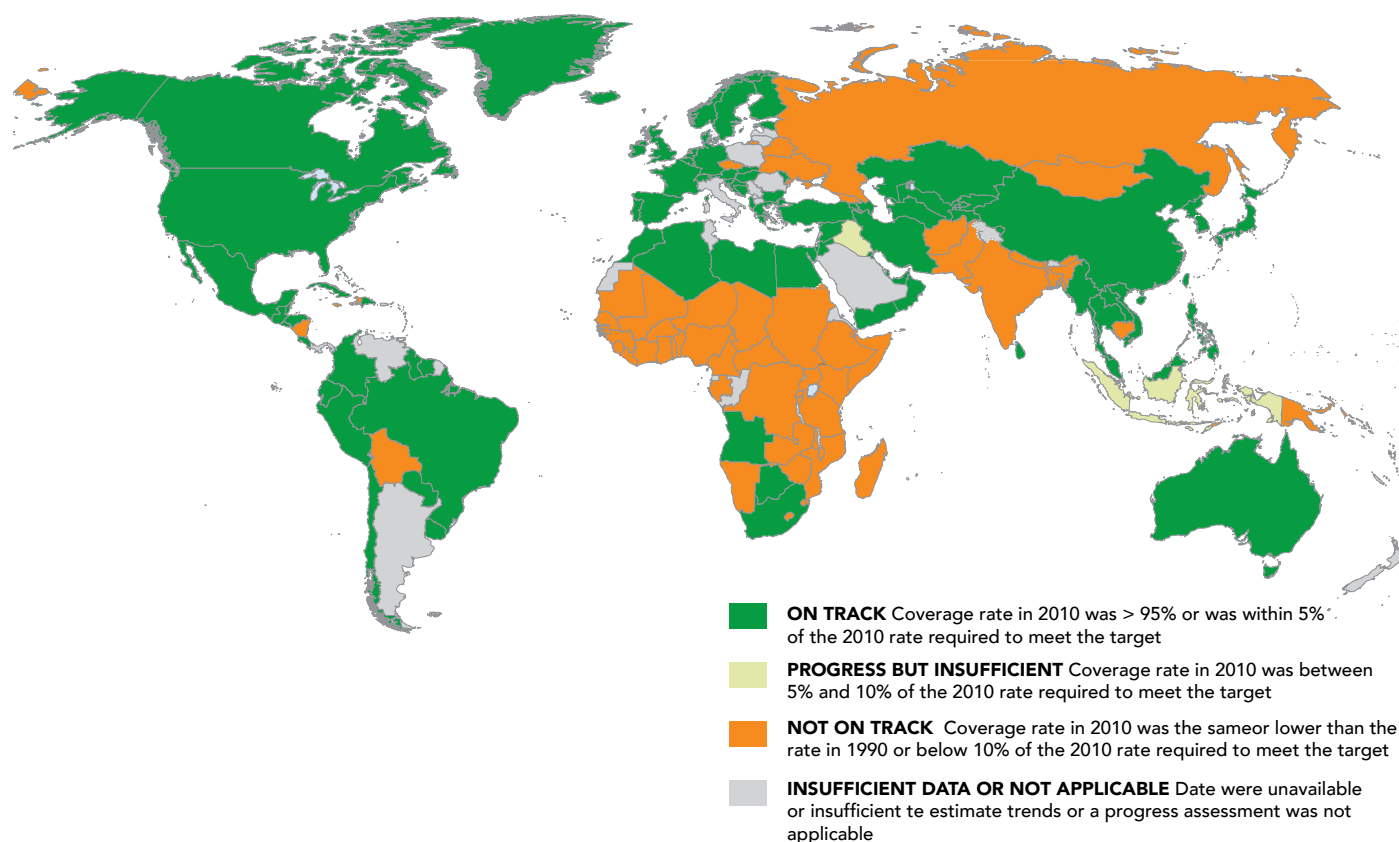
#### PROGRESS MDG DRINKING WATER TARGET



Source: WHO/UNICEF, 2012, p. 4.

<sup>1</sup> EU-AWG Code of Conduct Study 2010, 'Working together to improve Aid Effectiveness in the Water Sector' (2008), AMCOW Country Status Overviews of water supply and sanitation 2006 and 2010, WHO 2012 and WHO and UNICEF 2012.

## PROGRESS TOWARDS THE MDG SANITATION



Source: WHO/ UNICEF, 2012, p. 16.

### However the increase in access to drinking water is not evenly distributed across all countries and regions

Discrepancies are becoming sharper in access to safe drinking water and basic sanitation between regions and countries (Smits, et al., 2011). Countries in Sub-Saharan Africa and Oceania are lagging behind other regions. Progress of India and China in access to drinking water not only dominates their respective regions, but represents nearly half of the global progress towards the drinking water target (WHO/ UNICEF, 2012).

### Access to basic sanitation is lagging behind

Access to basic sanitation will be insufficient to achieve the MDG target. Even though 1.8 billion people have gained access to improved sanitation since 1990, the world remains off track for the MDG sanitation target.

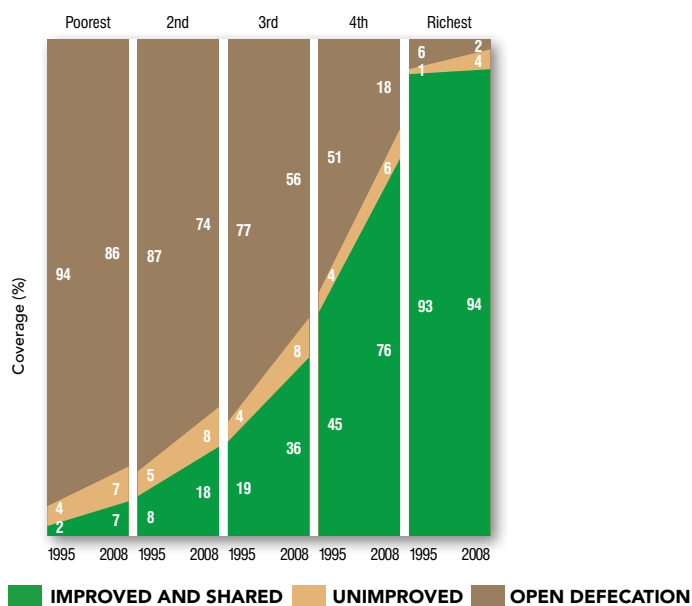
### Most people without improved drinking water and sanitation live in rural areas

An estimated 96% of urban population globally used an improved water supply source in 2010, compared to 81% of the rural population (WHO/ UNICEF, 2012). This means that 653 million rural dwellers are lacking improved sources of drinking water.

### The poor have less access to drinking water and sanitation

The poorest 60% of the population in Sub-Saharan Africa are without the comforts and health benefits of a piped drinking water supply on premises (WHO/ UNICEF, 2012). In Southern Asia the poorest 40% of the population have barely benefited from improvements in sanitation (see figure on next page). The burden of poor water supply falls most heavily on girls and women, as they are mainly responsible for water collection (WHO/ UNICEF, 2012).

## SOUTHERN ASIA: SANITATION COVERAGE TRENDS BY WEALTH QUINTILES<sup>2</sup>



Source: WHO/ UNICEF, 2012, p. 30.

### Funding levels for WASH remain insufficient, especially for sanitation

WHO estimates that US\$ 190 billion of investment is needed each year until 2015 to achieve and maintain water and sanitation targets in all regions (WHO, 2012).

This compares with US\$ 7.8 billion of global aid flows in 2010. The GLAAS report 2012 (WHO, 2012), illustrates that most WASH funding is spent on drinking water, even in countries with a relatively high drinking water supply coverage, but relatively low sanitation coverage.

Sanitation is also often excluded from annual reviews and most of the funds that are allocated to rural sanitation are “off budget”<sup>3</sup>. Sanitation is still afforded low priority by both recipient governments and donors and is consequently one of the most neglected of the MDG sectors (EUWI-AWG, 2008; 2010).

However, attention to sanitation is increasing. For example Switzerland announced during the 2010 SWA High Level Meeting in Washington that there are plans to spend approximately 45% of its WASH expenditure (3% of its total ODA) on sanitation. The Netherlands and Germany stated that 31% and 40% respectively, of their development assistance budgets for WASH is allocated to sanitation (WHO, 2012).

### Aid for drinking water and sanitation is not well targeted

Only half of sanitation and drinking water aid is targeted at regions where 70% of the global unserved live: Sub-Saharan Africa, Southern Asia and South-eastern Asia (WHO, 2012).

Twenty eight countries accounting for 90% of people without basic sanitation received only 47% of water and sanitation aid (WHO/ UNICEF, 2012). Strategic, commercial and historical interests continue to influence targeting of aid, often at the expense of aid effectiveness and poverty impact (Development Initiatives/ Water Aid, 2012).

On the positive side, development aid for sanitation and drinking water in fragile and conflict-affected states has increased (WHO, 2012). Given the inequities described earlier, donor countries should urgently improve support to those who face water and sanitation poverty on a daily basis (Development Initiatives/ Water Aid, 2012).

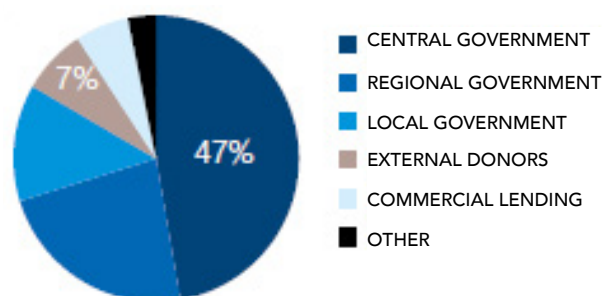
### Many low- and middle-income countries remain dependent on external aid

For example external funding for WASH amounted to more than 1% of GDP in seven developing countries. Many countries still remain heavily dependent on donor aid for sanitation and drinking-water (WHO, 2012).

### However recipient central governments are a major source of funding for water and sanitation

Based on the GLAAS report 2012 (WHO, 2012), central governments contribute almost half of all funding to WASH. Household contributions for water and sanitation could be equal to, if not more significant than that of the government’s—but no official data is known (WHO, 2012).

## SOURCES OF FUNDING FOR SANITATION AND DRINKING WATER



Source: WHO, 2012, p. 26.

<sup>2</sup> Based on population-weighted averages from three countries, 1995-2008.

<sup>3</sup> Off-budget expenditures refer to financial transactions that are not accounted for in the budget and are often excluded from regular accounts.



### There is some progress in harmonisation and alignment of aid in WASH

Improvement in the implementation of aid effectiveness principles is evidenced by the use of country procurement systems by donors and the development of national sector plans. In 2010, nine out of ten external support agencies<sup>4</sup> indicated the use of partner countries' procurement systems (WHO, 2012). However there is a need for more reliable and accessible information for planning of WASH service delivery to be able to coordinate, align and harmonise activities. In the GLAAS report of 2012, countries report that only 42% of sanitation and drinking water sectors are informed by reliable information monitoring systems (WHO/ UNICEF, 2012)—this severely hampers effective decision making and investment.

### There is more attention to strengthening country sector planning for WASH, but capacities are not yet sufficient

The 2011 GLAAS survey set out to identify those countries whose capacity to absorb funding was low; this was then mapped out against their total funding needs in relation to the water and sanitation sector to meet the MDG Goal 7 target. The results conclude that the countries in greatest need of funding to help meet the MDG targets of increased access

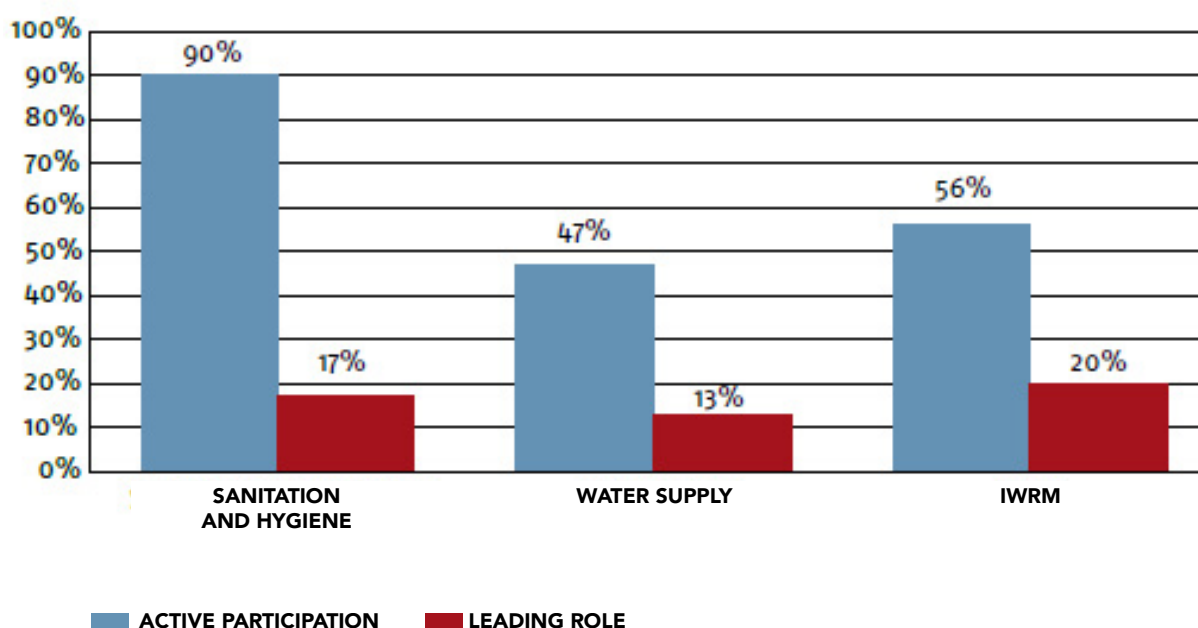
to improved water and sanitation facilities are the same countries where absorptive capacity is at its lowest, meaning that funders are reluctant to invest in the sector.

In many developing countries there still is a vicious cycle of lack of investment plans and capacity of countries to absorb aid. WHO (2012) suggests that 'accountability can be improved as most countries do not include consumers in planning'. There are encouraging signs of improvement however as policy formulation, national sector planning, institutional arrangements, investment planning, annual reviews, and implementation are now receiving greater attention.

### Sector coordination seems to have increased

For example, a EUWI-AWG mapping study conducted in 2008 showed that only half of EU donors in water supply were actively participating in coordination mechanisms. In the GLAAS report of 2012 more than half of countries were reported to have coordination mechanisms among drinking water institutions which are both defined and operational (WHO, 2012). However, planning and coordination processes are not always supported by adequate information data (WHO, 2012).

## PARTICIPATION OF EU DONORS IN COORDINATION AND HARMONISATION BODIES



Source: EUWI-AWG, 2010, p. 3.

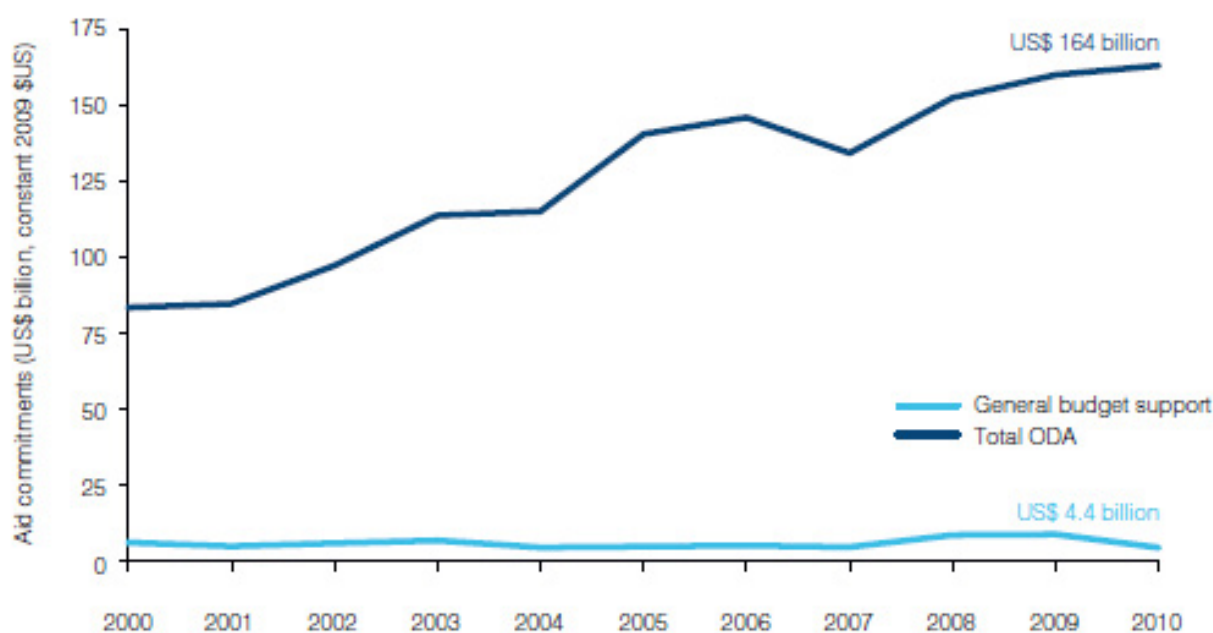
<sup>4</sup> Bilateral and multilateral agencies, private foundations and NGOs that provide development aid, research or other support to sanitation and drinking water.

### Budget support is hardly used for WASH investments

In 2012, the UN GLAAS Survey found that of the 24 external support agencies that responded, 60% of all their resources disbursed to the water and sanitation sector were channelled through programmes and projects via other institutions. This was followed by 37% through direct implementation; and 3% disbursed through sector budget support<sup>5</sup>.

Most aid continues to be provided through separate and unaligned programmes and projects, where donors use Programme Implementation Units. Stakeholders report that donors have not aligned support to national development priorities, and continue to exert too much influence in the development of national plans, resulting in lack of recipient country ownership (EUWI-AWG, 2010). General budget support has also not risen significantly.

### TRENDS IN GENERAL BUDGET SUPPORT AID, 2000 – 2010



Source: WHO, 2012, p. 62.

### Compared to other sectors, aid for WASH is declining

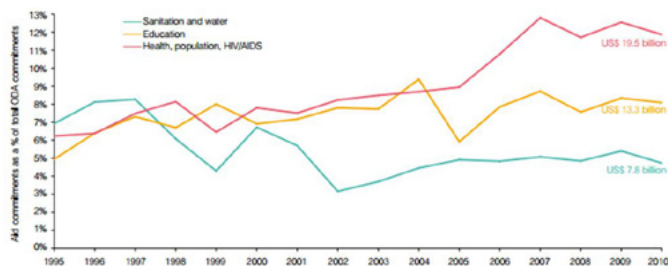
However in absolute terms there is a slight increase of aid to WASH. Despite the global financial crisis, the total amount of development aid for sanitation and drinking water increased

by 3% from 2008 to 2010, to US\$ 7.8 billion (WHO, 2012). Non-concessional lending for sanitation and water also increased from US\$ 2.5 billion in 2008 to US\$ 4.4 billion in 2010.

<sup>5</sup> Discussed in detail in fact sheet 5.



## TRENDS IN AID FOR WATER AND SANITATION COMPARED TO OTHER SECTORS<sup>6</sup>



Source: WHO, 2012, p. 51.

The delivery of safe water and sanitation remains relatively low in terms of donor priority, despite being central to reducing diseases responsible for child mortality, addressing gender inequality, improving education and other development outcomes.

While there are some encouraging signs of increasing aid effectiveness in WASH, there are also many examples of donor domination of country development investments, lack of alignment of aid to country systems and lack of country ownership. WASH is still mainly delivered through infrastructure focused projects rather than implementing a service delivery approach aimed at achieving and sustaining an agreed level of service for all.

There are significant gaps in sector knowledge of progress on aid effectiveness in WASH. Country and global systematic monitoring of aid effectiveness is needed in the WASH sector. Further investigation is required to assess the extent to which domestic governments can manage increasing aid flows, and how donors are working to build capacity.

<sup>6</sup> As a percentage of total ODA commitments.

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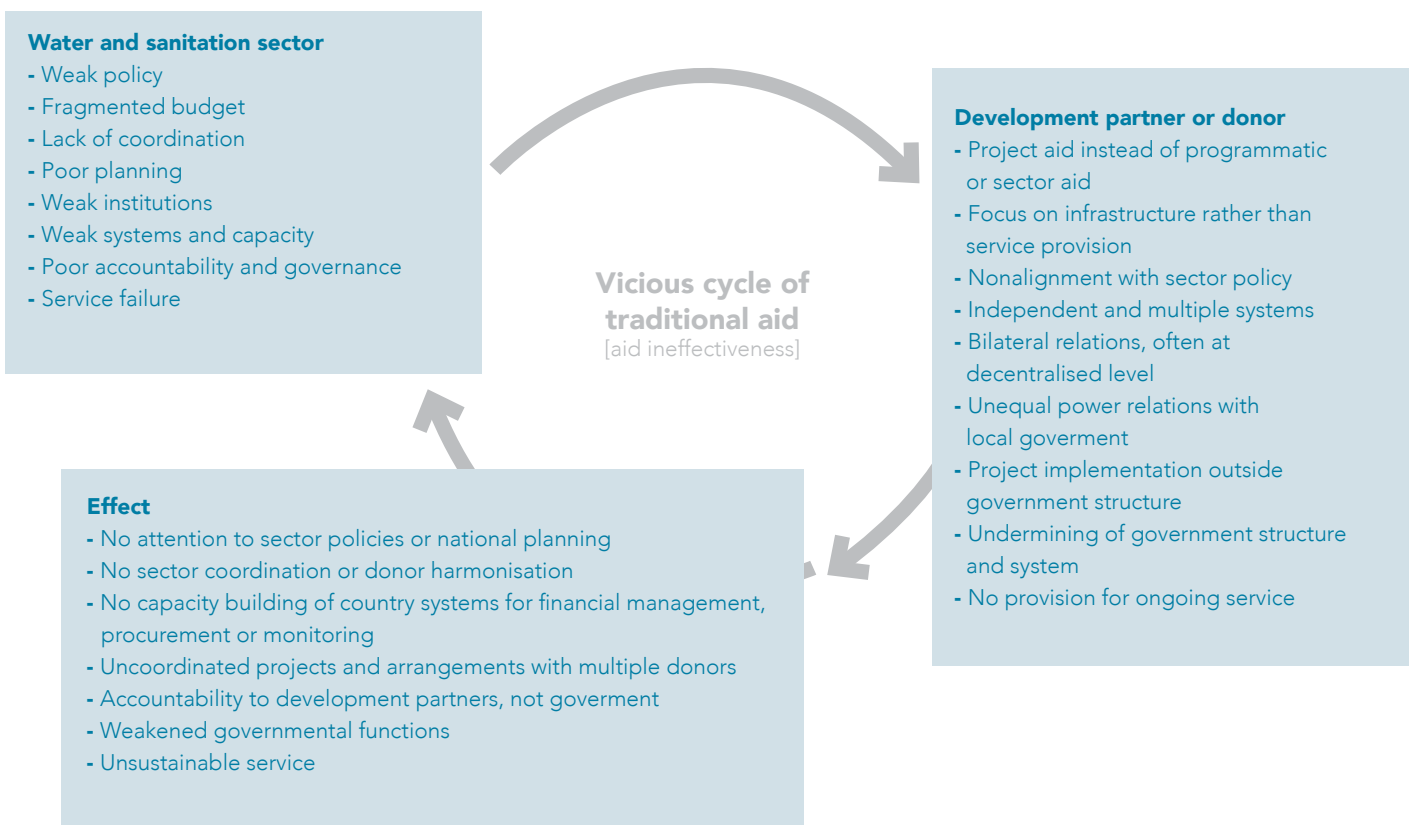


Although aid effectiveness in the WASH sector has improved in recent years, vigorous steps are needed to counter measures that can jeopardise progress in poverty alleviation and offer sustainable solutions for development.

For example, development partners often undermine the effective performance of the national WASH sector, affecting national capacity to increase coverage and to deliver sustainable WASH services. This happens when donors and external support agencies initiate systems that compete with government systems and construct infrastructure without ensuring mechanisms for operation and maintenance (de la Harpe, 2012).

This approach **vicious cycle of traditional aid** precludes the water sector from building capacity, and results in un-coordinated, difficult-to-manage services. The WASH sector is weakened, and water services become ineffective, unaccountable, and unsustainable.

## VICIOUS CYCLE OF TRADITIONAL AID

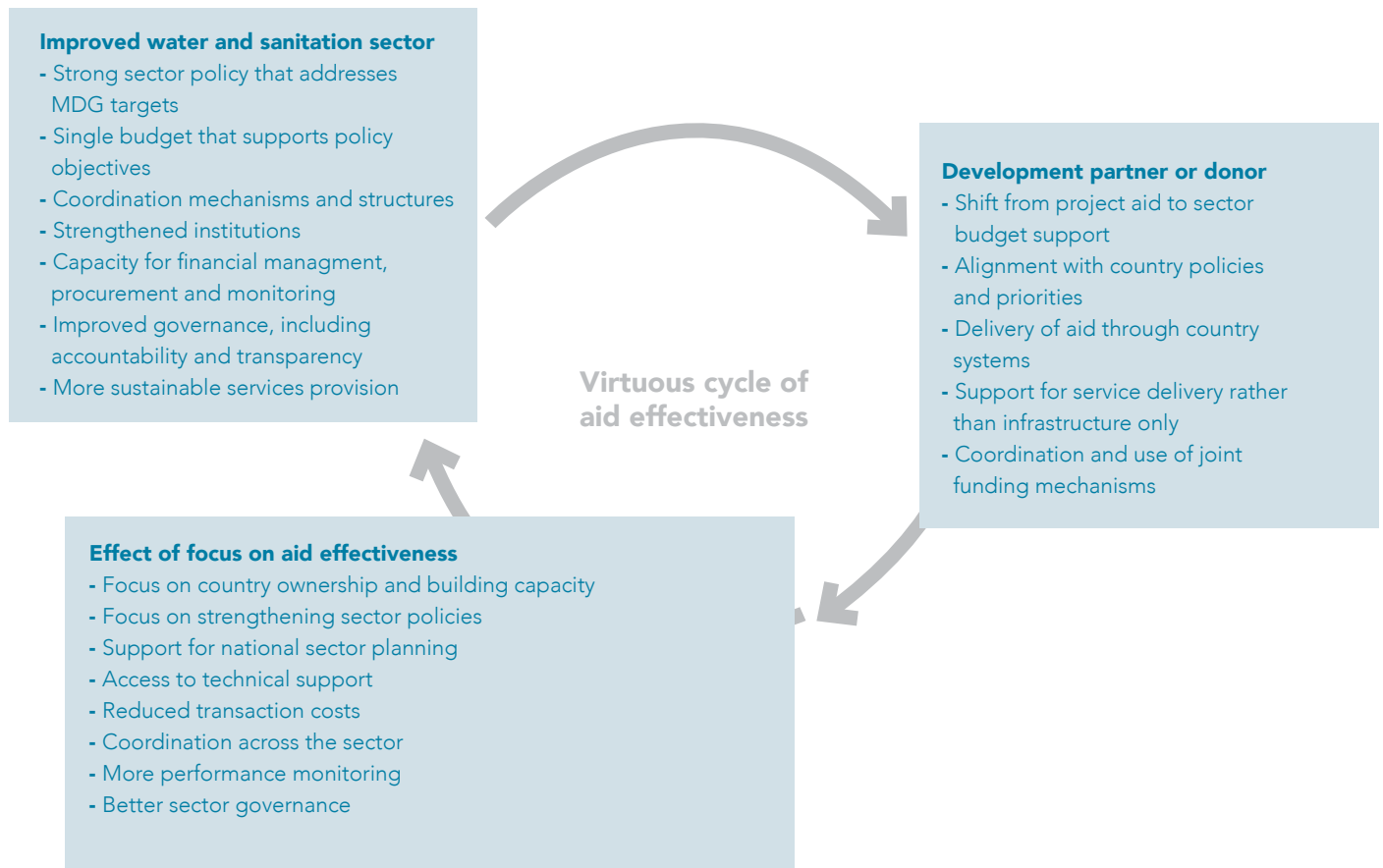


Source: de la Harpe, 2012, p.3.

Substantial partnerships between development partners and developing country governments will lead to greater effectiveness of aid towards WASH sector development through commonly agreed national targets and budgets, clear strategies and plans (de la Harpe, 2012). The Sector Wide Approach (SWAp) is an example of such a partnership. The figure **virtuous cycle of aid effectiveness** illustrates this

more practical cycle. It shows how with country ownership the WASH sector builds capacity, improves its technical support, and focuses on performance and results. The various institutions in the WASH sector become stronger, and accountability and transparency follow, resulting ultimately in improvements in improved sector performance and in the sustainability of WASH services.

## VIRTUOUS CYCLE OF AID EFFECTIVENESS



Source: de la Harpe, 2012, p.4.

SWAp broadens government and national ownership over public sector policy and resource allocation decisions. It increases coherence between policy, spending and results, and reduces transaction costs. It also creates a platform for government, development partners and other sector stakeholders to cooperate on common aims. Although there is no blueprint for planning and implementing a SWAp, the following components are integral to the approach:

- An approved sectoral policy located within an overall strategic development framework.
- Sector consultation and dialogue.
- A sectoral medium-term expenditure framework.
- A performance monitoring system.
- A formalised government-led coordination process including donor coordination.
- Harmonisation of reporting, budgeting, financial management and procurement systems.
- Institution building and institutional capacity development.

SWAp components, which vary depending on the sector, the country context, institutional capacity and the stakeholders involved, are visualised in the the pie chart on the next page.

## ESSENTIAL COMPONENTS OF A SWAP



Source: de la Harpe, 2010, p.6.

A SWAp can help increase aid effectiveness. It coordinates donor aid within a common framework. It also provides a framework for partners' participation in a national sector strategy, ensuring that all contributions are consistent and complementary. As a result, donors evolve from supporting specific activities to collectively co-financing the national government's sector policy. SWAps are often criticised for their limited impact beyond national governmental institutions and development partners, but aid effectiveness

is as strong as the weakest link in the chain from the national to community level (de la Harpe, 2012).

The challenge for development partners is to find the right mechanisms to support local institutions in achieving good governance and enhancing sector performance rather than providing infrastructure or services. Locally based development partners need most help so they can contribute to robust capacity-building programmes that promote decentralisation and support local governments.

Development partners can play an important role in leveraging and strengthening the impact of all sources of development finance on growth and the eradication of poverty (OECD, 2008).

The shift from aid effectiveness to effective development prompts a rethink of how aid can catalyse development. Aid can leverage other resources in the water sector, including taxes, private sector investment, and public funding. Ultimately, development effectiveness depends upon national socio-economic policies, fiscal decisions, and sector capacity.

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Sanitation and Water for All (SWA) is an initiative in the Water, Sanitation and Hygiene (WASH) sector dedicated to improving aid effectiveness. It is a global partnership of governments, donors, civil society organisations and

other development partners that strive for universal access to safe water and adequate sanitation. SWA partners cooperate to catalyse high-level action, improve accountability and use scarce resources more effectively.



Kristoffer Tripplar/ SWA

Sanitation and Water for All partners collaborate globally, regionally and nationally on three priority areas<sup>1</sup>:

- Prioritise political leadership to reverse the neglect of sanitation and water.
- Promote a strong evidence base that supports sound decision making.
- Strengthen national plans and target investments so money is spent where most needed.

SWA is not an implementing organisation, rather it provides a framework for partners to act, defining common priorities. SWA creates a place for partners to work together to complement efforts within current resources and organisational mandates and achieve results at scale. SWA activities include:

- Hosting a bi-annual high level high level meeting (HLM) of international delegates about key water and sanitation issues, creating a platform for improving mutual accountability for delivery on sector commitments.
- Improving information about the sector to assist evidence-based decisions to deliver analysis such as the bi-annual UN-Water GLAAS Report.
- Provide extra support to developing countries through technical assistance, better coordination and ideas, overcoming weaknesses in sector planning. SWA developed the National Planning for Results Initiative (NPRI)<sup>2</sup> to support “off-track countries” in need of substantial help to reach sanitation and water targets.

#### SWA and aid effectiveness

Historically, the problems faced by the WASH sector, which limited improved services are:

- Low political prioritisation, leading to insufficient resource allocation.
- Lack of cohesive national planning frameworks for addressing sanitation and drinking water.
- Poor targeting and unpredictability of financing, resulting in resources failing to reach those people most in need.
- Lack of evidence, data and analysis to inform decision-makers.
- Lack of mutual accountability and sector-specific monitoring mechanisms.

SWA provides a framework for coordinated and joint efforts to counter the main bottlenecks for improved sector performance and to overcome fragmentation in the sector. Through SWA, governments and development partners are able to increase budgets, harmonise their efforts and accelerate progress in the WASH sector.

SWA membership involves a large proportion of the actors in the WASH sector and increasingly functions as a forum for policy dialogue. The second SWA HLM meeting (April 2012) was the largest gathering of senior political figures to discuss WASH (SWA Secretariat, 2012).

<sup>1</sup> More information on SWA can be found at [www.sanitationandwaterforall.org](http://www.sanitationandwaterforall.org).  
<sup>2</sup> NPRI is discussed in detail in fact sheet 9.



Political leadership is important for progress on aid effectiveness as it concentrates on full commitment to international water and sanitation goals through implementing the most effective aid strategies (OECD/ DAC, 2008; 2009). Developing policies based on bilateral interests take a back seat. The bi-annual SWA HLM meetings are vital for enhancing mutual accountability between donors and developing countries for delivery of sector commitments.

SWA helps improve sector information through progress reports such as the annual UN-Water GLAAS Report. Another SWA initiative—the NPRI—supports developing countries through coordinated and harmonised technical assistance, for strengthening national planning capacities in fragile states (Verhoeven, Uytewaal and de la Harpe, 2011).

The SWA HLM meeting of April 2012 gave impetus to renewed political engagement on sanitation and water. Some donors agreed to significantly increase aid and turn the human rights aspect of sanitation and water into reality. Developing countries will increase domestic funding and prioritise sanitation and water in their national development plans.

#### **Journey of SWA**

Since its inception in 2009, the SWA partnership has grown to over 90 partners (SWA Secretariat, 2012). Every two years, SWA convenes its partners—national and global decision-makers—to discuss sanitation and water at the SWA HLM.

HLMs bring together ministers responsible for finance, water and sanitation from developing countries, ministers of development cooperation from donor countries, and representatives from development banks and leading sanitation and water agencies.

In these meetings, developing countries and donors debate how to remove barriers that prevent sector development progress. Aligning efforts to support national sanitation and water plans are also discussed.

From these meetings, commitments have been made to expand access to sustainable and improved sanitation facilities, and to deliver sustainable and improved water services to new users.

- New targets for sanitation and water are 307 and 224 million respectively.
- In April 2012, 40 developing countries pledged that by 2014, an additional 80 million people will have access to improved sanitation, and 60 million to improved drinking water.
- Sector ministers from 40 countries pledged to increase access to sanitation by at least 7% and to water by at least 5% by 2014.
- During the Second HLM, 32 out of 37 developing countries and nine donors agreed to maintain or increase funding for WASH, in particularly for sanitation.



*Using data from the WHO/ UNICEF Joint Monitoring Programme for Water Supply and Sanitation, the pledges of sector ministers from developing countries will serve the sanitation needs of an extra 101 million people, and 72 million more will receive water (SWA, 2012).*

The SWA Secretariat works with participants to monitor the implementation of the commitments each year.

The High-Level Commitments Dialogue (HLCD) encompasses the biennial HLM's, country and donor-specific commitments, and details of their annual monitoring. The HLCD encourages national and global political debate about results and strengthens country dialogues.

Partners are recommended to raise WASH on the political agenda, outline solutions, demonstrate political will,

strengthen mutual accountability and increase the impact of resources. Measuring commitments tabled at the HLM is an essential component of the entire HLCD process and is critical to strengthening accountability in the sanitation and water sector. Developing country governments, donors and development banks agree to report annually on any progress on commitments from the previous HLM.

HLCD is important because it:

- Aligns with ongoing debate and strengthens it where appropriate.
- Raises the political profile of sanitation and water.
- Encourages multi-stakeholder processes and roles for everyone.
- Encourages development partners to align behind clear plans and short-term priorities.
- Encourages mutual accountability by all stakeholders and civil society organisations.

HLCD is preparing for the next HLM in April 2014.

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Sanitation and Water for All (SWA) strives to improve aid effectiveness through the National Planning for Results Initiative (NPRI)<sup>1</sup>, which helps accelerate Water, Sanitation and Hygiene (WASH) coverage in countries without strong sectors.



While SWA partners fund, advise and implement procedures to develop and strengthen countries sectors, assistance strategies have limited impact on countries with weaker sectors (SWA, 2012).

According to the GLAAS 2012 report (WHO, 2012) many countries' policies and programmes continue to under-emphasise adequate financing and human resources development necessary to sustain existing infrastructure and expand access to sanitation, drinking water and hygiene services. The NPRI is a multi-agency response to these problems. It supports the development of effective sector frameworks that foster sector reform and stimulate national planning and monitoring.

The NPRI pools the activities, technical and human resources of agencies within the SWA partnership. The SWA developed the NPRI to:

- Prioritise political leadership to reverse the neglect of sanitation and water.
- Generate a strong evidence base that supports sound decision making.
- Strengthen national frameworks and target investments so that money is spent effectively to boost the sector.

#### NPRI in practice

NPRI supports the development of nationally owned sector frameworks by galvanising political will for genuine country-led plans. It adapts its inputs according to country

specificities, and avoids following/ setting out blueprints or conditions for its support (SWA, 2012).

Rejecting a one-size-fits-all approach, the NPRI supports an overall policy/ strategy for sector development, with ambitious but realistic targets and goals to extend coverage through:

- Sector dialogue and coordination processes between principal ministries, sub-national authorities and wider stakeholders. These include donors, civil society organisations and consumer groups with clear goals to delivering the sector's strategy.
- Performance monitoring and analysis of data, trends and bottlenecks which are the foundations for decisions and policy responses.
- Institutional arrangements for legal and regulatory frameworks.
- A sector financing plan capable of resourcing needs and bridging funding gaps.

**THE NPRI IS ONLY APPLIED FOR COUNTRIES WHERE AID EFFECTIVENESS EFFORTS HAVE FAILED. IT MAY NOT BE APPROPRIATE ELSEWHERE.**

<sup>1</sup> More information on NPRI and recent SWA developments can be found at: <http://www.sanitationandwaterforall.org/countryprocesses.html>.



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Progress has been made in recent years with implementing the aid effectiveness framework<sup>1</sup>. Various studies<sup>2</sup> show that:

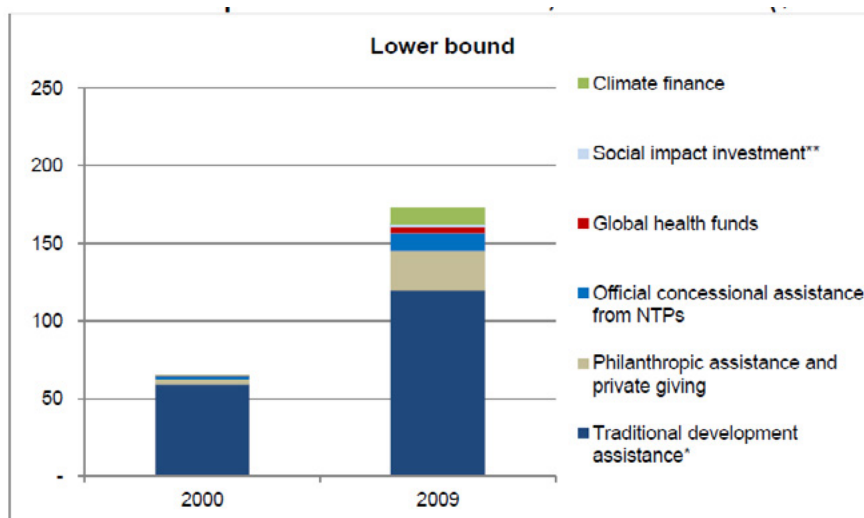


**The volume of development assistance has grown since 2000 with more aid coming from more new donors** Based on a study by the Overseas Development Institute (ODI) (WB, 2013, p. 10), non-traditional flows have increased from US\$ 64.8 billion to US\$ 173.3 billion between 2000 and 2009.

These new flows are from non-DAC (Development Assistance Committee) donors, climate finance funds, social impact investors, philanthropists and global funds, as well as less

concessional flows (see figure below). These can have both positive and negative consequences for aid effectiveness. On the positive side, the growth in aid is leading to more choice and more finance for aid recipients, strengthening the negotiating power of governments, and potentially making it more difficult for traditional donors to influence policy (Greenhill, Prizzon and Rogerson, 2013).

#### NON-TRADITIONAL DEVELOPMENT ASSISTANCE IN 2000 AND 2009



Source: Greenhill, Prizzon and Rogerson, 2013, p. 10.

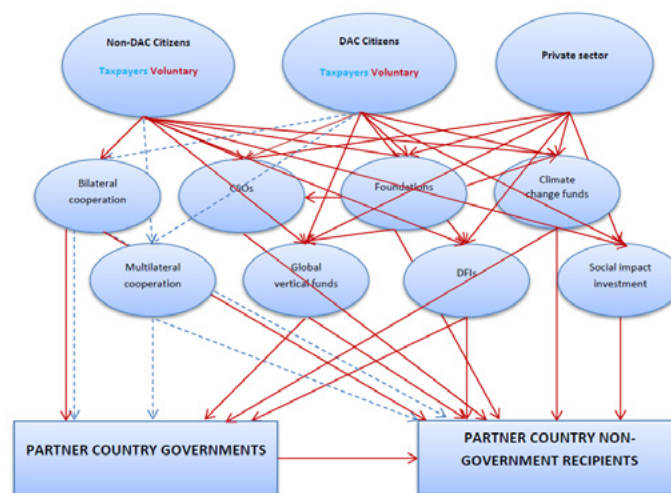
<sup>1</sup> The aid effectiveness framework is discussed in fact sheets 3 and 4 of this information package.  
<sup>2</sup> The aid effectiveness framework is discussed in fact sheets 3 and 4 of this information package.

**The aid landscape is becoming more complex with increasing numbers of different and new donors**

In this increasingly complex context, coordination and harmonisation are becoming even more important and challenging. This is illustrated in the figure below, where the blue dashed lines represent traditional ODA flows and the red straight lines show the new sources of aid/ actors.

There is an increasing risk for a duplication of efforts and high transaction costs for the recipient country in areas where there is no strong government ownership leading the coordination of donors. The ability of countries to benefit from new sources of funding depends on their ability to strategically manage the aid flows (Greenhill, Prizzon and Rogerson, 2013).

**MAPPING TRADITIONAL AND NON-TRADITIONAL DEVELOPMENT ASSISTANCE FLOWS**



Source: Greenhill, Prizzon and Rogerson, 2013, p. 9.

**Economic growth of developing countries is leading to an increased capacity to internally generate resources which can be used for poverty reduction and service delivery**

Despite the slowdown in the global economy, the World Bank (2013) concluded in its Global Economic Outlook that the economic prospects of developing countries remain solid—suggesting that developing countries might escape from the global financial crisis experienced by high-income countries. For instance, Sub-Saharan African remained at 4.6% Gross Domestic Product (GDP) growth in 2012 (WB, 2013). In South Asia economic growth weakened in 2012, but was still positive with an estimated 5.4%, from 7.4% in 2011 (WB, 2013).

The trend of high levels of economic growth in developing countries over the past decade is likely to continue into the next decade (Smits, et al., 2011). As a result, countries in Asia and Latin America are consolidating firmly as middle income countries, and some African countries such as Ghana are now achieving lower middle income status.

Depending on the patterns of economic growth, fewer countries would be eligible for the type of aid provided by traditional donors.

But even with continued economic growth, Low Income Developing Countries (LIDCs) will continue to remain extremely poor. For countries like Ethiopia and Mozambique it would take at least a decade of growth at current rates to reach a similar gross domestic product (GDP) per capita as Ghana currently has (Smits, et al., 2011).

All in all, a new aid landscape is emerging. But its exact contours and implications for aid in the WASH sector cannot be detailed at this stage as research will be needed into the possible impact of the new aid architecture on the effectiveness of aid in the WASH sector. The Sanitation and Water For All (SWA) is a suitable platform to promote studies that would feed into the aid dialogue globally and in countries.

How aid effectiveness is performing in the WASH sector is discussed in fact sheet 6.



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