

Is water lagging behind on Aid Effectiveness?

Lessons from Bangladesh, Ethiopia and Uganda

There is a perception that the water sector is lagging behind education and health in implementing the principles of the Paris Declaration (PD) on Aid Effectiveness (AE) (Box 1). This perception is probably based on the fact that instruments commonly associated with AE, such as Sector-wide Approaches (SWAs), are less developed in the water sector. In addition, water received less attention (at least initially) in Poverty Reduction Strategy Papers, and was less well reflected in Medium Term Expenditure Frameworks, than health and education.

However, the presence of such instruments does not necessarily translate into better performance against the PD. Closer examination of sector progress towards the PD in three countries – Bangladesh, Ethiopia and Uganda – suggests that the situation is more complex.

From the results of an ODI study in these three countries, it appears that progress towards more effective aid in the water, health and education sectors may be affected more significantly by wider issues of national priorities and capacity than by the characteristics of the individual sectors alone.



The big picture – charting sanitation services in Ethiopia.

Using indicators developed as part of the Paris Declaration on Aid Effectiveness may not reveal the full picture of progress, and the perception that the water sector lags behind other social sectors may mask a more complex situation in which sector progress also depends on the broader governance environment and can differ between sub-sectors. Analysis of three case study countries suggests that a more nuanced and context-specific understanding

Key points

- There is a perception that water is lagging behind the education and health sectors on Aid Effectiveness (AE)
- Research from Bangladesh, Ethiopia and Uganda suggests that national governance issues may be more important for AE than sector characteristics
- Better monitoring is needed on the relationship between the Paris Principles and development results at sector level

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Box 1: The five Paris Principles

In the Paris Declaration on Aid Effectiveness (2005) donors and governments together laid out five operating principles to improve AE:

- Ownership: Partner countries exercise effective leadership over their development policies and strategies and coordinate development actions;
- Alignment: Donors base their overall support on partner countries' national development strategies, institutions and procedures;
- Harmonisation: Donor actions are more harmonised, transparent and collectively effective;
- Managing for Results: Managing resources and improving decision-making for results; and
- Mutual accountability: Donors and partners are accountable for development results.

Source: Derived from HLF (2005).

Table 1: Progress against Paris Principles by sector and country

Three short country case studies were carried out in Bangladesh, Ethiopia and Uganda using a combination of key informant interviews and desk analysis of secondary data. 'Traffic lights', below, indicate progress towards implementation of the five Paris Principles by sector in each country.

	Water	Health	Education
Bangladesh	Ownership	Ownership	Ownership
	Alignment	Alignment	Alignment
	Harmonisation	Harmonisation	Harmonisation
	Managing for results	Managing for results	Managing for results
	Mutual accountability	Mutual accountability	Mutual accountability
Ethiopia	Ownership	Ownership	Ownership
	Alignment	Alignment	Alignment
	Harmonisation	Harmonisation	Harmonisation
	Managing for results	Managing for results	Managing for results
	Mutual accountability	Mutual accountability	Mutual accountability
Uganda	Ownership	Ownership	Ownership
	Alignment	Alignment	Alignment
	Harmonisation	Harmonisation	Harmonisation
	Managing for results	Managing for results	Managing for results
	Mutual accountability	Mutual accountability	Mutual accountability

Key:  Strong progress  Moderate  Weak
 Moderate to strong  Weak to moderate

of sector politics and change may be required to achieve more effective aid delivery.

The comparative analysis from Bangladesh, Ethiopia and Uganda conducted for the UK Department for International Development (DFID) (Welle et al, 2008) suggests that the similarities in progress between sectors within each country are greater than the similarities within a sector across all three countries (Box 2). The one consistent trend is the poor performance of harmonisation and alignment in the health sector.

At the same time, there appears to be no systematic pattern of progress among the sectors. While in Uganda, the water sector is most advanced, this is the case for health in Bangladesh and education in Ethiopia. Moreover, the performance of a 'sector' may disguise variable progress in different sub-sectors. In other words, it is too simplistic to say that the water sector lags behind the health and education sectors – although this may be the case in some countries.

The findings: country characteristics

The trends from Bangladesh, Ethiopia and Uganda suggest that wider governance environments¹ – beyond specific sector characteristics – are important determinants of country performance against the Paris Principles. There is a caveat here: that results from a three-country case study cannot be generalised and need further testing. The results do, however, indicate the importance of governance – an importance confirmed by other cross-country studies (see e.g. ABIA, 2008; Booth, 2008). Three key findings emerge from the country analyses:

First, political commitment to poverty reduction – i.e. to the spirit of the PD and, subsequently, to the sectors in question—supports or hinders progress of all sectors against the PD. This goes beyond the presence of strong financial and fiscal structures, such as a Medium Term Expenditure Framework (MTEF) and includes political leadership, financial commitment and effective institutions to implement policy. These are, in turn, underpinned by power relations and incentive structures. In contrast, simply having the sector-level mechanics of the PD in place, such as SWApS or their component sector coordination mechanisms or sector reviews, can mask shortcomings in commitment and in capacity to implement policy.

In Uganda, where an MTEF has been in place for over 10 years, accompanied by strong ownership of the national development programme, a moderate or high level of progress has been possible in all three sectors. The Ministry of Finance, Planning and Economic Development took the lead alongside sector ministries, to drive the development of the strong sector plans and strategies needed for an effective SWAp. In Bangladesh, ownership of the development programme is more limited. Bangladesh has long-standing SWApS in both health and education, but the findings of the ODI research suggest that these have not necessarily resulted in aid delivery that is more effective, partly as a result of poor commitment from donors. For example, in the health sector, the research found weaknesses in management and accountability. While responsibilities for programme implementation were generally assigned to line directors, their performance was not controlled. In the education sector, joint donor missions were undertaken, but their effectiveness was limited by lack of trust between donors themselves. In Bangladesh, therefore, given the prevailing governance environment, the steps taken so far under the apparently well-developed SWApS in health and education have not been translated into significant progress towards the objectives of the PD.

The current emphasis on the mechanics of AE is reflected in existing indicators for measuring progress against the PD. The PD indicators measure outputs in terms of the strengthening of systems and conditions for more effective aid delivery. Alone, these may provide insufficient evidence for success, as they do not encourage stakeholders to try and

understand the broader picture beyond the mechanics related to aid effectiveness. Taking harmonisation as an example, the percentage of coordinated missions or coordinated analytical work provides little information on whether the quality of relationships has improved or transaction costs have been reduced for the recipient country. More broadly, this raises questions about how performance against the PD indicators, which measure improvements in framework conditions surrounding the aid environment, can be linked to performance against development outcomes. At the moment, there is very little linkage between the two.

At sector level, assessing progress against the PD is not easy. Even basic information on the 12 PD indicators is not readily available as the declaration is geared towards the country level. For instance, there is no quick way to assess whether donors have stepped up efforts to match political commitment from the government side, e.g. by harmonising and aligning their systems where possible. Even so, monitoring progress on the PD is particularly relevant at sector level where many aid instruments are currently placed.

Second, central governmental structures and reform processes across sectors determine the scope for alignment. The strength of procurement and public financial management systems is relevant across sectors, as is the progress of wider reform processes such as decentralisation or civil service reforms.

In Ethiopia, for example, the country's procurement system is not used for larger capital investments in any of the three sectors, while the 'Protecting Basic Services' Fund, which is used largely for recurrent costs, cuts across all basic service sectors. Administered by the World Bank, and earmarked as a contribution to the Federal Government's block grant allocation to regional governments, the fund is mainly used for salaries at district level. In Uganda, notionally-earmarked sector budget support channelled through the Poverty Action Fund is also used as a modality across the three sectors. The prospects for alignment to these systems are therefore likely to be similar across sectors.

Third, non-governmental actors at global, national and local levels have an impact on performance against the PD at sector level. The type and total number of actors can differ between sectors with different effects. This also explains the trend of poor alignment and harmonisation in the health sector across the three countries.

At a national level and below, the relationships between different government and non-governmental bodies can also influence progress against the PD. Bangladesh is an example where a high amount of funding is channelled through 'third sector' institutions. In the education sector, the national non-governmental organisation, BRAC, receives pooled donor funding to implement non-formal education,

while in health, the for-profit private sector accounts for over 60% of service provision in rural areas. Consequently, a high proportion of investment in service delivery takes place outside government which, in turn, makes establishing effective SWAps a greater challenge in Bangladesh.

The findings: sector characteristics

What happens at the level of national governance does not mean that there are no differences between sectors and sub-sectors. Sectors have different delivery systems, which require different funding mechanisms for capital investments. The water sector stands out in that it has characteristics of both a social and an infrastructure sector and is generally more capital-intensive than health and education. At a regional level in Ethiopia, average capital costs in the financial year 2006-07 accounted for 74% of water expenditure but only 10% of expenditure on education. Differences are also marked at sub-sector level. Rural water infrastructure and small-scale piped systems in urban centres can generally be delivered in ways similar to classroom construction. Networked systems for large urban water and sewerage delivery, on the other hand, require a projectised financing approach, as initial costs are high and investments are lumpy, often spanning more than one year. Such project-type investments are also common in mature economies.

At the global level, the health sector is characterised by a higher number of donors than education and water. Health donors alone include over 75 global health partnerships that contribute significantly to the sector's complexity and also affect harmonisation at national level. Vertical funding mechanisms and high volumes of funding from private foundations for particular health outcomes make alignment with health sector priorities particularly difficult at country level.² In comparison, in the water sector, vertical funding mechanisms are virtually non-existent. The Global Sanitation Fund, the first such initiative for service delivery in the sector, will disburse comparatively small amounts of funding, starting from late 2008 onwards. The water sector has been lucky to escape the complications of vertical funding and it will be crucial to monitor carefully the effects of the Global Sanitation Fund in this light. At the same time, the water sector is attracting considerable interest from non-DAC donors – principally China – with potentially negative implications for Aid Effectiveness, as these new donors may not be aligned with the PD principles.

What needs to happen?

It is important to move away from the narrow frameworks that are used at present to implement and assess progress towards aid effectiveness.

First, there needs to be greater understanding of the governance factors that drive and constrain aid effectiveness. Analysis that supports greater under-



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standing of complex sectoral political economies—including the politics of sector policy making (formulation and implementation), human resources, capacity and behaviour (e.g. staff turnover), implementation bottlenecks (e.g. under decentralisation) and formal and informal feedback mechanisms (who is talking to whom, and why)—could help to identify entry points to promote and support more effective sector working environments.

Such an analysis would centre on issues including power relations between different sector actors and between sector and national level actors, analysis of incentive structures, and how capacity constraints help to determine actor behaviour. DFID’s Drivers of Change framework provides a good starting point but would need to be adjusted to focus analysis on the politics of sector policies and how these relate to the wider governance environment.

Second, on alignment, there needs to be a better distinction between issues that are unique to a particular sector and those that are ‘whole-of-government’. Examples of ‘whole-of-government’ commonalities, that would be tackled more effectively at a higher level, include the planning of recurrent budgets and human resources. Both Ethiopia and Uganda have positive experiences with funding instruments that are well-aligned with recipient government systems. A concern that is particular to the water sector, for example, is the different finance needs of the urban water supply and sanitation sub-sector, as mentioned above. For large-scale multi-year investments in urban water and sewerage infrastructure, funding through ‘project-type’ mechanisms is likely to be most appropriate and can still be accompanied by policy alignment of aid.

Finally, if development is about outcomes in poverty reduction and improving the quality of

poor people’s lives, then AE cannot be treated as an exercise in simply making aid more effective in narrow procedural terms, but must ensure that effectiveness is judged against results achieved. Improved indicators to measure the quality of aid relationships could, for example, include the quality of systems alignment and levels of absorptive capacity. It would be better if such indicators were geared to addressing underlying governance issues than current measures of progress. Effective measurement of progress in AE requires indicators that are broken down to, and measured at, the sector level. Monitoring of AE at this level is vital, as donor-government dialogues and aid instruments are far more established and mature than at a ‘whole-of-government’ level. Sector-level monitoring should be accompanied by a stepping-up in the monitoring of donor commitments to AE in particular.

Measuring development effectiveness requires an additional step to link measurable improvements in absorptive capacity against, say, the delivery of water supply, sanitation and hygiene, health or education services to poor communities and the sustainability of those better services over time. At the moment, the Aid Effectiveness agenda is far from achieving this level of linkage.

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Endnotes and references

Endnotes:

- 1 Here, governance refers to how a country manages its affairs using power and authority, embedded in the mechanisms, processes, relationships and institutions through which groups and citizens express their interests and exercise their rights and obligations (DFID, 2007).
- 2 Globally, funding for HIV/Aids funding doubled between 2000-2004, while funding for primary health care fell by almost half.

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