

Department for International Development:  
Maximising impact in the water sector

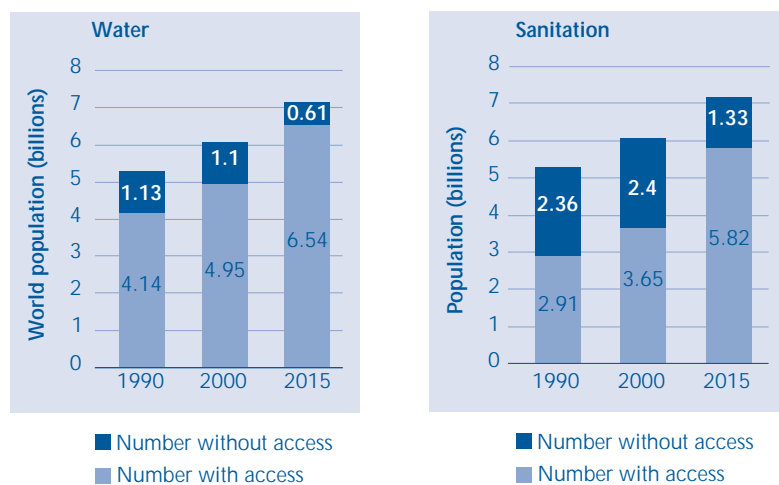


REPORT BY THE COMPTROLLER AND AUDITOR GENERAL  
HC 351 Session 2002-2003: 31 January 2003

# executive summary

- 1 More than 1 billion people, the equivalent of one sixth of the world's population, lack access to safe drinking water and 2.4 billion people, two-fifths of the world population, lack basic sanitation facilities. In Africa, approximately one third of the population does not have access to water or sanitation facilities and in Asia less than half of the population has access to adequate sanitation facilities. Providing access to water and sanitation is inextricably linked to the alleviation of poverty and is a key factor in improving the health and economic productivity of poor people.
- 2 The Millennium Development Goals were adopted by member countries of the United Nations in 2000 and provide a global consensus on objectives for addressing poverty. They include a target to halve by 2015 the proportion of people without sustainable access to safe drinking water. At the World Summit for Sustainable Development in Johannesburg in 2002, participating governments also agreed to the adoption of a target to halve by 2015 the proportion of people without access to adequate sanitation facilities. Achieving these targets and addressing the global water crisis represents a huge task for the international donor community. The World Health Organisation estimates that, taking into account current predictions of population growth, some 1.6 billion people need to be provided with access to water (the equivalent of 290,000 per day between now and 2015) and 2.2 billion need access to sanitation facilities (the equivalent of 380,000 per day) (Figure 1). An increasing proportion of the global population has gained access to water and sanitation facilities over the last decade but the rate of provision of improved services needs to be accelerated if targets are to be met.

## 1 Meeting the Millennium Development Goals remains a huge task



Source: Global Water Supply and Sanitation Assessment 2000 Report

- 3 The Department for International Development (DFID) is responsible for leading the United Kingdom Government's contribution to promoting development and the reduction of poverty. The overall objective is the elimination of world poverty and DFID is committed to the achievement of the Millennium Development Goals. The Goals are shared global targets and neither DFID, nor any individual donor, can achieve the targets alone. In pursuit of these Goals, DFID works at global, national and local levels and in partnership with a range of organisations, including bilateral and multilateral donors, partner governments in developing countries and non-government organisations. At the global level, DFID seeks to promote the international development agenda by influencing the goals and practices of the donor community and partner governments. At the national level, DFID uses its bilateral aid programmes to tackle poverty issues in developing countries and at the local level, it provides development assistance through a range of approaches with the aim of securing lasting improvements for poor people.



- 4 DFID does not have unlimited resources and concentrates its activities in those areas where it judges it will have the greatest impact. DFID has staff dedicated to managing its assistance to individual countries and it is the responsibility of these teams to propose where and how resources should be spent, in the light of DFID's policy framework and an assessment of the poverty priorities of partner governments. DFID's involvement in the water sector, like all sectors, is determined within this context.
- 5 Given the challenges of addressing the global water crisis and DFID's objective of achieving value for money in the use of its resources, we examined whether DFID has taken appropriate steps to maximise the impact of its assistance in the water sector.
  - First, we examined what DFID has achieved through its direct assistance in the water sector in developing countries. We found DFID's assessments show that its projects have been largely successful in meeting their objectives although there is a lack of evidence to determine the extent to which they have achieved a sustainable impact. Further, DFID is making greater use of budget support in order to seek improvements in the effectiveness of its aid but there are a number of challenges to achieving potential benefits.
  - Secondly, we examined how DFID designed country programmes and whether due consideration was given to the water sector. We found that DFID's involvement in the water sector in developing countries is relatively modest. This reflects the relative priority which DFID gives to water, the poverty priorities of individual countries, the contribution of other donors to the sector and the need to balance the competing demands of the water sector for DFID funds against the demands of other sectors, such as health and education.
  - Thirdly, we examined how effective DFID is in influencing the international agenda in the water sector. We found that DFID is highly influential in its international role but there is scope for more effective use of its research.

## DFID's assessments show that its water projects have been largely successful in meeting their objectives

- 6 DFID's bilateral assistance in the water sector has historically been through the funding of projects. These have covered a broad range of interventions depending upon the specific needs of individual countries. They have included infrastructure projects, such as the provision of wells or latrines, and projects aimed at strengthening the institutional capacity of service providers in developing countries.
- 7 We found that, where assessments were available, three quarters of dedicated water and sanitation projects completed between 1997 and 2002 had completely or largely met their objectives in terms of achieving their intended outputs and the changes planned during the project design. These ratings are comparable to the scores achieved by DFID's projects in other sectors. Project scoring provides one indicator of project success. DFID also uses its project completion reports to determine project achievements and carries out periodic ex-post evaluations to assess wider impacts. These assessments, together with our country visits, showed that individual projects have led to beneficial change, in terms of strengthening institutional capacity and improved access to water and sanitation services. But the diverse nature of DFID's projects means that it is not possible to aggregate project results to determine the overall impact of DFID's assistance, for example in terms of services provided or the number of people that have benefited from its work.


## But the sustainable impact of projects is often not known

- 8 Two key criteria in judging the success of projects are the extent to which they achieve a sustainable impact and whether there is wider replication of project methodologies by host governments. We found that there was a lack of available evidence to assess the extent to which DFID's projects are achieving a lasting beneficial impact. Half of the available assessments concluded that it was too early to judge the likelihood of sustainability and, of the remainder, two thirds of reports raised doubts and risks as to whether a sustainable impact would be achieved. During our fieldwork we visited a number of DFID projects in four countries and found a mixed level of success. Problems that arose were most commonly due to insufficient attention being paid to operation and maintenance issues, a lack of local capacity and inadequate understanding of local circumstances. Against the criterion of project replication, we found that DFID had achieved mixed success with some good examples of wider uptake by host governments. Achieving a lasting beneficial impact in the water sector is a difficult task for all donors. We noted that there were doubts over the proportion of water sources that remained in good working order in many developing countries. This has led to concerns as to whether improvements in access to water and sanitation facilities will be sustained and has begun to raise doubts in the development community over the progress being made towards the water targets set by the Millennium Development Goals.
- 9 We found that DFID's approach to the design and implementation of projects was generally consistent with good practice. Projects recognised the importance of sustainability and replication but not all gave sufficient emphasis to the internationally recognised factors which increase the chances of project success. DFID has also sought to address sustainability issues by implementing projects with a greater emphasis on strengthening the institutional capacity of key water bodies in developing countries. This approach is consistent with evolving donor thinking and was highly regarded by other donors and partner governments in the countries that we visited. To some extent the difficulties of achieving a sustainable impact reflect the complexities of providing development assistance but there is also a need for DFID to strengthen its approach to knowledge management throughout the organisation and ensure that staff are kept aware of good practice criteria.

## DFID is committed to changing the way in which it delivers aid. These changes bring with them challenges as well as potential benefits

- 10 In 2001-02 DFID disbursed £290 million of aid through budget support. This involves the provision of aid direct to the national budget of partner governments. DFID, along with much of the donor community, believes that progress towards the achievement of development outcomes is more likely to be made by helping partner governments to implement long-term poverty reduction programmes rather than funding isolated projects. The provision of budget support aims to assist partner governments in their implementation of an agreed poverty reduction strategy. It places greater emphasis on building the capacity of institutions to deliver public services and strengthening government systems to disburse funds more efficiently and effectively to address poverty issues. To a large extent, budget support seeks to address the weaknesses inherent in the project aid approach, such as difficulties in achieving a sustainable impact. The development gains achieved in Uganda give an indication of the potential benefits that budget support can bring (Figure 14 on page 19).



- 
- 11 Budget support creates a different set of risks to the provision of project aid as DFID is not directly responsible for the use of funds after they have been disbursed into partner government budgets. As with all aid expenditure, DFID must be able to provide reasonable assurance that funds are used for the intended purpose of addressing poverty reduction targets. DFID has responded by establishing the key principles that must be met before entering into budget support agreements. In the countries that we visited, country teams had undertaken explicit risk assessments of the strength of partner government systems and sought to address identified risks by implementing a range of measures to safeguard and provide feedback on the use of funds. These have included donor-funded studies tracking government expenditure to provide assurance that funds are being disbursed in accordance with poverty priorities and support to national state audit institutions to provide robust and timely feedback on government expenditure.
- 12 There remain a number of challenges to achieving the desired outcomes in individual sectors and, in the water sector, to achieving targets of improved water and sanitation access. In particular, budget support places additional reliance on the capacity of host governments to spend funds effectively and there is evidence that increased spending in the water sector does not always lead to proportionate increases in improved access to services. Analysis by donors has highlighted that there are weaknesses in government capacity in the water sector, particularly in those parts of government which are often responsible for managing delivery of water services and also in the poorest regions of countries, where lack of access is likely to be most acute. Building capacity is one of the objectives of budget support. DFID also seeks to support its use by providing technical assistance to strengthen government systems. But we found that there was scope for greater attention to developing government capacity, particularly at the local level, to deliver improved water and sanitation services.

## DFID's involvement in the water sector in developing countries is relatively modest

- 13 DFID's published statistics indicate that, between 1997 and 2002, its expenditure in the water sector has been maintained at a broadly constant level. Over this period, water spend has averaged some four per cent of the bilateral aid programme which was spent on specific sectors. DFID's financial contribution to the water sector is provided through dedicated projects and as part of wider projects where, for example, the primary aim is to tackle health and education issues. DFID's analysis of all projects indicates that its water-related expenditure was £87 million in 2001-02. Assistance to the water sector has focussed predominantly on improving access to water and sanitation, and other sub-sectors, such as water for food, have received less attention. DFID's water expenditure is significantly less than some other donors, both in absolute terms and as a proportion of the total aid programme. We found that DFID has few substantive country water programmes of long-term strategic assistance in the water sector and, in individual countries, its contribution generally represents a small proportion of total donor commitment to the sector.
- 14 DFID currently has commitments to the water sector in 691 on-going projects, valued at £521 million. The value of new project commitments increased from £124 million in 1998-99 to a peak of £182 million in 1999-00, but has fallen in subsequent years to £86 million in 2001-02. Rates of decline are highest in African countries due to greater use of new aid instruments such as budget support.

## The poverty priorities of developing countries are the key driver in determining the focus of country programmes

- 15** DFID cannot do everything everywhere and country teams seek to balance the competing priorities of different sectors to decide where to focus DFID's efforts to best effect. Country teams have a large degree of autonomy in proposing how their resource allocation will be spent. We agree with DFID that its decentralised structure has many benefits and is appropriate in aligning its assistance with the poverty priorities of developing countries. The Millennium Development Goals set the agenda for DFID's involvement in developing countries. This serves to ensure that country programmes are consistent with DFID's aim of the elimination of poverty. We found that the key factors which influence the design of country programmes are:
- the poverty priorities of the partner country as DFID seeks to align its assistance with host nation poverty reduction strategies;
  - the extent of involvement of other bilateral and multilateral donors in each sector and an assessment of whether DFID has specific sectoral knowledge or experience that would give a comparative advantage over other donors; and
  - the need to balance competing demands for finite resources.
- 16** Our consultation exercise raised some concerns that DFID's policy level commitment to the water sector is not translated into appropriate coverage at the country level. However this needs to be considered in a broader context. First, DFID has not given water the same level of priority as some other sectors. A lower level water target was included in the 2001-04 Public Service Agreement, but no water or sanitation target is included in the 2003-06 Agreement. Second, greater involvement in the water sector would have to be at the expense of assistance in other areas such as health or education. On our country visits we also noted that varying use was made of country needs assessments to inform the country planning process. Further, where no water or engineering adviser was based in the country team, limited use was made of regional expertise to ensure that the needs of the water sector were given due consideration.



DFID is highly influential in its international role but there is scope for more effective use of its research.

- 17 In addition to the assistance that it provides through its country programmes, DFID engages in broader 'influencing' activity with host nations, other donors, non-government organisations and other bodies in the water sector. Influencing is clearly important in the development field and can help promote long-term policy reform and the adoption of good practice by partner governments. In the water sector, DFID has been proactive in developing partnerships with a range of bodies and its advocacy role is highly regarded. Our consultation exercise indicated that DFID plays a leading and high profile role in highlighting the needs of the water sector within the international donor community. For example, it pressed strongly for the adoption of the sanitation target at the World Summit. DFID also provides support to a wide range of bodies and initiatives to promote good practice and develop innovative approaches in the sector.
- 18 DFID spends more than £100 million per annum on development-oriented research, of which some £3 million is spent on water-related research. The aim is to generate better knowledge to inform DFID's, and the wider development community's, approach to tackling water issues in developing countries. DFID uses a range of methods to disseminate the results of its research and we found that use had been made of research by partner governments. But there was scope to improve uptake further and to provide a basis for closer collaboration between donors and partner governments. In response, DFID is developing a strategy to improve the use made of its research.





# Overall conclusion and recommendations

- 19 The international community faces an enormous challenge to achieve the goals that it has set for securing improved access to safe drinking water and adequate sanitation in developing countries. It is in this context that DFID has to ensure that its interventions in the water sector represent value for money and further the United Kingdom's aim of contributing to the elimination of world poverty. This Report illustrates that DFID operates at the international, national and local levels in seeking to achieve its aims and, in all of these areas, can point to successes and new initiatives to improve its performance. Nevertheless our examination indicated a number of additional steps that DFID should take to maximise its impact in the water sector. In this context, we recommend the following:

## On the impact of DFID's assistance in the water sector in developing countries:

- (a) Key issues in all projects are achieving replication and sustainability. To identify good practice and ensure that these issues are more effectively addressed in project design, DFID needs to develop further its approach to project evaluations to identify those factors which lead to a lasting beneficial impact. DFID also needs to consider whether its approach to knowledge management ensures that staff are kept up-to-date with evolving good practice.
- (b) When using budget support, DFID should continue to ensure that explicit assessments of risk are undertaken and appropriate safeguards are put in place to provide assurance on the accountability of DFID funds. DFID has taken a leading international role in developing the safeguards needed for budget support, but there is scope for closer working with other donors to tackle weaknesses in government systems and to give greater attention to strengthening institutional capacity, particularly in those bodies which are responsible for service delivery. DFID must also ensure that good quality information is available to assess progress towards poverty targets in those countries where it uses budget support. Again, there is scope for increased collaboration with other donors to secure this objective.

## On the design of country programmes:

- (c) DFID should ensure that the focus and balance of its programmes for individual developing countries is underpinned by a rigorous analysis of the country's needs and that effective use is made of the expertise and knowledge available in the Department. In assessing competing demands for resources, country teams should be able to demonstrate the contribution of their assistance to the elimination of poverty in individual countries.
- (d) More specifically, in relation to water, DFID needs to ensure that in developing country programmes due weight is given to issues around sanitation, water resource management and water for food.

## On DFID's international role:

- (e) Clearly, it is very important for the United Kingdom that DFID continues to make an effective contribution to the international community's efforts to eliminate world poverty and to international thinking on issues around water and sanitation. There is scope for DFID to promote greater use of the research that it commissions. We believe that adequate provision for the development of dissemination strategies should be built into research projects.