

Department for International Development: Maximising Impact in the Water Sector (United Kingdom)

Theme: Protection of Water

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**Department for International Development:
Maximising Impact in the Water Sector”
(HC351 Session 2002-3).
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Why did we undertake this audit?

More than 1 billion people lack access to safe drinking water, and 2.4 billion people lack basic sanitation facilities. Providing access to water and sanitation is inextricably linked to the alleviation of poverty. The Millennium Development Goals adopted by member countries of the United Nations in 2000 provided a global consensus on objectives for addressing poverty. They included a target to halve by 2015 the proportion of people without sustainable access to safe drinking water. The World Summit for Sustainable Development in Johannesburg in 2002 subsequently put water issues at the forefront of the fight against global poverty. Participating governments reaffirmed their commitment to halve by 2015 the number of people lacking clean drinking water and agreed a new 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 Department for International Development (DFID) is responsible for the United Kingdom Government's contribution to development and poverty reduction. Water and sanitation issues are central to its work. At the global level, DFID has played a highly influential role raising the profile of water and sanitation issues. For instance, it played a key role pushing for the adoption of the access to sanitation target at the Johannesburg summit. At the national level, DFID has provided development assistance aimed at generating improvements in the water sector, both through dedicated projects and as part of wider projects. DFID completed 193 dedicated water and sanitation projects between 1997 and 2002. In 2001-2 alone, it had commitments to the water sector involving expenditure of £87 million across 691 on-going projects. These have focused predominantly on improving access to water and sanitation. 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.

In response to the escalating interest in the international development community in water issues, the Secretary of State committed DFID in 2000 to expand water related developmental assistance. However, achieving a lasting beneficial impact in the water sector is fraught with problems. In particular, there are often doubts about the proportion of water sources that remain in good working order after development assistance projects have been completed. These sustainability questions led to concerns in the development community about the progress being made towards the water targets set by the Millennium Development Goals. Given that we knew that the Johannesburg summit was likely to increase the pressure to achieve these goals, we decided to conduct an audit of DFID's water based development assistance programmes to ensure that DFID had taken appropriate steps to maximise the impact of its assistance in the water sector. We examined three main issues. First, we looked at what DFID had achieved through its direct assistance in the water sector in developing countries and, in particular, the

sustainability of impacts. We were also interested in DFID's growing use of budget support mechanisms to disburse aid. Secondly, we examined how DFID designed country programmes and whether due consideration was given to the water sector. Thirdly, we examined how effective DFID was in influencing the international agenda in the water sector.

What did we find?

We assessed the achievements of DFID's water related programmes against two key criteria: first, did they achieve a sustainable impact and second, was there wider replication of project methodologies by host governments? 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. However, we also found that there was often not enough evidence to determine the sustainability of these improvements, and that where there was, it raised significant doubts as to whether impacts were likely to prove sustainable. The problems that arose were most commonly caused by 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, but many cases in which replication had not occurred. We recommended that DFID ensure that it has a more detailed understanding of local circumstances, that it is proactive in managing projects and that it develops further its approach to project evaluation in order to provide better information and identify those factors which lead to a lasting beneficial impact.

DFID has begun to use budget support to improve the effectiveness of its development assistance and, in particular, the sustainability of its impact. In 2001-02 some £290 million, nearly one fifth of its bilateral aid programme, was provided using this mechanism. It involves the disbursement of aid directly into the national budgets of partner governments in order to support their implementation of an agreed poverty reduction strategy. Thus, rather than funding specific projects, it emphasises building the capacity of institutions to deliver public services and of government systems to disburse funds more effectively. There are potential development benefits but also financial risks. DFID, in consultation with the National Audit Office, is implementing a range of measures - undertaking explicit risk assessments and implementing a range of safeguards - to provide assurance that funds are being used for the intended purpose. However, we felt that it needed to give greater attention to developing the capacity of partner governments at lower levels to deliver improved water and sanitation services and to ensure it retains appropriate expertise to engage fully in the water sector. In particular, there is scope for DFID to work with other donors to improve the capacity of partner governments to deliver service improvements in the water sector.

We found that DFID's expenditure in the water sector averaged only four per cent of the bilateral aid programme which was spent on specific sectors between 1997 and 2002, significantly less than some other donors, both in absolute terms and as a proportion of the total aid programme. In individual countries, its contribution generally represented a small proportion of total donor commitment to the sector. There were concerns that DFID's policy level commitment to the water sector was not being translated into appropriate coverage at the country level. However, DFID has to balance what it spends in the water sector against the demand for resources from other sectors, such as health and education. We recommended that the department ensure, in designing country programmes, that its decisions are based on a rigorous analysis of needs; that it works to develop a complementary approach with other donors to water issues; and that appropriate use is made of relevant expertise within the department.

In terms of its international role, we found that DFID was highly influential but that there was scope to make more effective use of its research. The department plays a prominent role in influencing host nations, other donors and non-government organisations to raise the profile of the water agenda and to promote the adoption of good practice. This is important in that it can help promote long-term policy reform and the adoption of good practice by partner governments. DFID has also been proactive in developing partnerships with a range of bodies. This is vital in that considerable additional development assistance per annum is needed to achieve the water targets set by the Millennium Development Goals and the Johannesburg summit. A crucial support for this role is DFID's research programme, on which it spends more than £100 million per annum, including £3 million on water related issues. Its 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. However, we found that there was scope to improve uptake further and to provide a basis for closer collaboration between donors and partner governments.

What methodology did we use?

In order to complete the study we used a range of methodologies. The basis of our research was a wide-ranging review of documentation held by DFID including target strategy papers, country strategy papers, project completion reports and project evaluations, supported by interviews with key members of staff. To widen our focus, we also reviewed a broad range of published materials, and consulted widely with academic experts, donors and non governmental organisations. In order to generate useful comparisons, we visited two other bilateral donors (Denmark and Sweden) and held discussions with the Japanese Aid Agency to compare how DFID managed its operations. We focused on identifying areas of good practice through comparisons with the other donors' structure and their approach to design, monitoring and evaluation. The key component of our fieldwork was visits to DFID country offices. The purpose was to develop a better understanding of the water issues in each country, the approach of country teams to designing country programmes and balancing competing priorities, the types of projects and interventions being undertaken in-country, and to assess the impact of DFID's assistance. We visited Ghana, India, South Africa and Uganda. These countries were chosen, after discussion with DFID, because they provided examples of the broad range of approaches used by DFID where it is active in the water sector. In addition to visiting DFID water projects, during these visits we interviewed with DFID staff, held meetings with host country government officials, held meetings with other donors and nongovernmental organisations, and examined documentation, including country needs assessments and reviewed available information relating to project selection, design, monitoring and evaluation.

What lessons did we draw from the audit?

We learned a considerable amount from our experience on this audit. Most importantly, we learned that the complexities of evaluating the impact of aid programmes make a particular approach necessary. Aid programmes are difficult to evaluate for two main reasons. First, there is often insufficient data available in partner countries to determine with any level of confidence how much the situation has improved, while the sheer range of factors involved in any outcome and the presence of intervening random variables mean that any attribution of causes and effects must be tentative. Second, it is not, in any event, sufficient to look at impacts simply in an immediate sense. Rather, it is essential to consider the *sustainability* of impacts. Unless improvements are sustainable independent of further aid, they will either serve simply to perpetuate dependency, if further assistance is provided, or they will fail in short order, if it is not. Yet the *sustainability* of impacts is even harder to measure. The extended time range implied, together with the fluidity of conditions in many developing countries, increases the problems of attributing causes to effects by an order of magnitude. This makes a focus on *process* as opposed to

outcome advantageous. While it is extremely difficult to determine the extent to which a sustainable impact has been achieved, it is much easier to assess the extent to which the preconditions for achieving sustainability – in terms of ensuring all the local factors have been taken into account, that projects are planned and managed with the goal of sustainability in mind, and that lessons are learned so as to progressively improve performance – are present. Here, international comparisons can be very useful as a way of developing good practice benchmarks. However, it is worth noting that, because of the highly devolved pattern of responsibilities in aid agencies, we found visiting local, country teams more useful than visiting the agencies' head offices.

The other main area in which we felt there were lessons to be learned was in terms of the complexities of auditing development assistance provided as budget support. The growth in the use of budget support is directly related to the increasing focus on the sustainability of impacts. Budget support addresses many of the weaknesses inherent in the project aid approach by placing a 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. However, while the budget support has, in the right circumstances, considerable advantages from a developmental perspective, it also carries significant financial risks, placing additional reliance on the capacity of partner governments to spend funds effectively. This can be problematic in environmental and especially water related programmes, because there is strong evidence that increased spending does not always lead to proportionate increases in improved access to services. At the same time, budget support mechanisms raise a number of new issues for audit institutions. In terms of auditing process, the lack of donor control over funds once they are disbursed makes an analysis of the mechanisms in place in aid agencies to assess and manage risk at a preliminary stage much more important. In terms of auditing impacts, the collaborative nature of many of the poverty reduction programmes funded under such mechanisms implies a need for joint auditing of targets by the SAIs of donor countries. In collaboration with its partners in the Utstein group (the SAIs of the Netherlands, Germany, and Denmark), the National Audit Office of the UK has used its experience on this audit to produce a set of common protocols to govern budget support. These will be published shortly in the UK as “DFID: A Review of Safeguards Against the Misappropriation and Diversion of Aid.”

Ultimately, these issues can only become more important. To halve the number of people without access to clean water and effective sanitation by 2015 is a huge challenge that will require the international community to deploy huge resources in novel and imaginative ways. The likely growth of development assistance and the financial risks associated with new modes of delivery make effective auditing essential. Yet the complications associated with many of these new modes, coupled with the inherent complexity of auditing environmental issues, will make it a difficult task. In identifying some of the issues that SAIs are likely face, “Maximising Impact in the Water Sector” can perhaps serve as basis on which they can begin to navigate this complex area.