

EU donors and Aid effectiveness in the WASH sector

Study on the implementation of the Code of Conduct: progress and challenges in improving division of labour and donor alignment

Vienna, December 2010

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Abbreviations

(to be added)

Summary

(to be added, maximum 1 page please)

1 Study Outline and Expected Results

A driving force for initiating this study was an earlier activity of the EU Water Initiative's Africa Working Group, the 2008 mapping of EU development assistance to the water sector in Africa (EUWI AWG 2008). Major outcomes of this study were the uneven distribution of aid for water between different African countries and the low level of coordination between the European donors. The respective conclusion no.2 says "EU donors have much room for improvements in achieving a good "division of labour" and in targeting ODA to water in Africa".

Additional motivation to look deeper into the status of aid effectiveness in the water sector and especially the achieved level of division of labour resulted from the fast growing activities of the "Sanitation and Water for All" (SWA) framework¹. SWA "aims to address critical barriers to achieving universal and sustainable sanitation and drinking water for everyone. These barriers include insufficient political prioritisation, weak sector capacity to develop and implement effective plans and strategies, and uncoordinated and inadequate investments" and from its first beginnings had a close linkage to the EUWI AWG. It was felt that pushing the analysis of aid flows for water further can contribute to the SWA objectives.

And finally the development of the "Global Annual Assessment of Sanitation and Drinking Water" (GLAAS) by UN Water gave evidence on the relevance of the issues to be addresses (and also provided valuable data and information).

"Aid Effectiveness" as understood in this study comprises commitments of donors and partner countries established by the Paris Declaration and the Accra Agenda for Action. Generally speaking it aims at achieving a maximum of sustainable results in terms of MDGs out of available development aid and is structured along the five principles of Ownership, Alignment, Harmonisation, Mutual Accountability and Managing for Development Results.

According to the EU Donor Atlas 2010 the EU as a whole contributed in 2008 over 55% of worldwide total ODA through a variety of donors and instruments and thus sees a special responsibility in promoting „Aid Effectiveness“. This has been documented already in the European Consensus on Development and further elaborated by the commitments on aid effectiveness established by the Paris Declaration and the Accra Agenda for Action.

It is also important to note that one of the EU's core documents, the Treaty of Lisbon², which entered into force on 1. December 2009 marks a new era in this respect for European development policy. Article 210 of the treaty states:

"(1) In order to promote the complementarity and efficiency of their action, the Union and the Member States shall coordinate their policies on development cooperation and shall consult each other on their aid programmes, including in international organisations and during international conferences. They may undertake joint action. Member States shall contribute if necessary to the implementation of Union aid programmes."

¹ <http://www.sanitationandwaterforall.org>

² See also chapter 3.2

“Division of Labour” (DoL) has been identified as one major instrument for improving aid effectiveness. It is part of the harmonisation agenda but reaches further than what is normally referred to as “donor coordination”. While the latter tries to cope better with the common situation of many donors working in the same area, DoL aims at changing the situation by reducing the number of donors in overcrowded sectors. Released capacities should be directed to currently neglected sectors and countries. For the EU the implementation of this ambition is defined in the “Code of Conduct on Complementarity and Division of Labour in Development Cooperation” (CoC).

This study wants to explore what increased aid effectiveness might actually mean for the WASH sector in Africa and comprises two main components.

According to the ToR the specific objective for component 1 is to “Obtain an almost factual overview on how the EU member states are doing in implementing the principles of the Code of Conduct in the WASH sector and obtaining insight in scope for improvement”. More specifically the Division of Labour and targeting of aid in the WASH sector by the EU donors in African partner countries shall be analysed.

The specific objective for component 2 is to “obtain better insight in how EC member states are doing in achieving more aid effectiveness in the WASH sector at the country level ...”. It is also expected “... that this study will provide more insight on how EC donor aid is made available to the African partner countries and how it contributes to more aid effectiveness ...” and if the EU CoC on DoL is a supportive instrument in this respect.

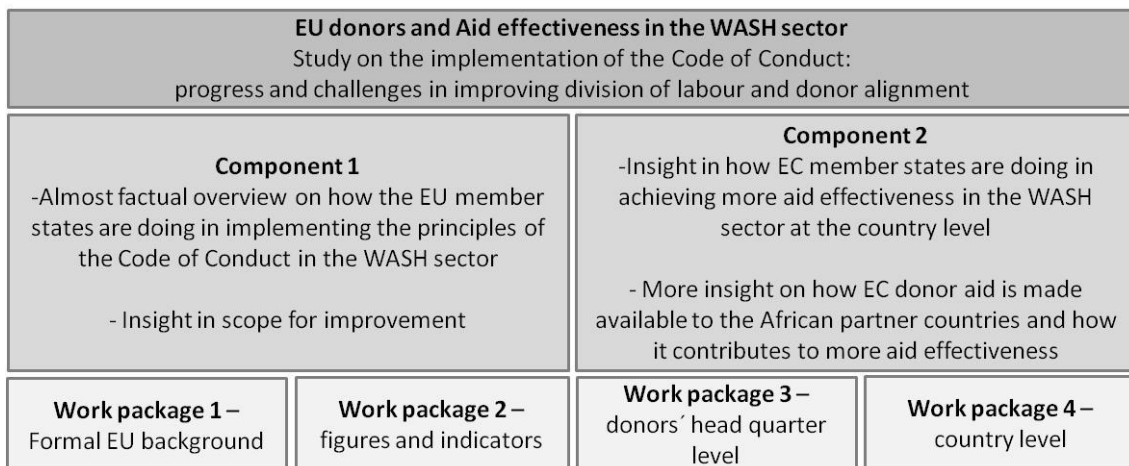
The study is part of the 2010 work programme of the EU Water Initiative Africa Working Group (AWG) and is financed through the Africa-EU Water Facility as part of its 2008-2010 support to the AWG implemented by UNESCO-IHE. Part of the work on this study has been contracted to HYDROPHIL GmbH, working in close collaboration with and with substantial supported by the AWG support group at IRC within their overall contractual arrangement with UNESCO-IHE.

2 Methodology

2.1 Overview

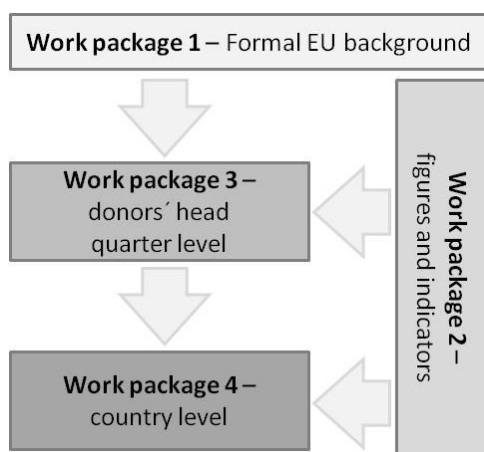
Based on the given components the study is organised along four workpackages as shown below.

Figure 1: Structure of the study



Although the work packages are linked to the components there are also logical dependencies between them across the components. WP 1 explores and describes the actual situation of the aid effectiveness agenda in the EU according to official documents and also building on the findings of dedicated studies and reports.

Figure 2: Relations between work packages



Work packages 3 and 4 aim at describing how this theoretical background is currently reflected on the head quarter level and on the level of the partner countries. This is mainly done by contacting representatives from selected countries, both donors and partners.

Work package 2 finally makes use of existing data on aid with a focus on European support for WASH in Africa. The aim of WP 2 is to find out how the findings from the other work packages are reflected in respective indicators.

The methodology applied in each of the work packages is described below.

2.2 Work package 1 – background

According to the original concept of the study Work package 1 should only analyse which major documents have an influence on the EU Aid Effectiveness agenda and, more specifically on the implementation of the CoC. Major aspects are the actual scope of these documents and their theoretical influence on different types of EU donors.

However, already during the inception phase it became clear that numerous publications of very different nature have already dealt with different aspects of aid effectiveness, generally or with a focus on the water sector. Consequently, the findings of these studies and reports have been used to draw an overall picture, thus setting the scene for the subsequent work packages.

2.3 Work package 2 –figures and indicators

Due to the available resources the collection of data for characterizing ODA in the water sector in terms of quantity and modalities was not possible within the scope of this study. However, related information on aid flows and the situation of the water sector in partner countries is publicly available and has been used for linking ambitions, theoretical findings and collected qualitative information to reality.

The major data source for this work package was the OECD Creditor Reporting System, which is readily available on the internet, currently including 2009 figures. OECD Statistics also produces specific sector reports which contain additional information:

- ① “Financing water and sanitation in developing countries: the contribution of external aid” (OECD 2010)
- ① “DAC members' imputed multilateral contributions in the Water Supply and Sanitation sector”

Furthermore, the UN Water GLAAS exercise compiles data available both for OECD donors and partner countries, cooperates with existing data collection mechanisms, especially CRS, JMP and WSP's Country Status Overviews in Africa, and collects additional data where needed. The 2010 report is thus a major source of information and inspiration for addressing the effectiveness of WASH ODA in Africa.

Building on earlier findings, e.g. as presented in the AWG study on aid effectiveness in the water sector and in the GLAAS report, information from the CRS or the GLAAS has been used to describe the current status of European WASH ODA to Africa and the development over the recent years.

2.4 Work package 3 – donors' head quarter level

Decisions relevant for improving aid effectiveness as such and, more specifically, for DoL often have a head quarter and an in-country component. The balance between the two depends on the individual donors' policies and the type of decision to be taken. WP 3 explored the role the sector at headquarter level actually plays. The following questions guided this work:

- ① Do MS's DC headquarters have insight into the state of donor coordination for those countries where they are engaged in the water sector?
- ① How do EU MS decide whether they support the water sector in a country or not (in the CoC framework)?
- ① How will decisions on cross-country DoL will be taken in the coming years?

- ① What platforms, instruments and initiatives are being used for coordination among EU donors of support to the sector in Africa. How effective are these for improving DoL in the sector?

Information has been collected through a short questionnaire sent to identified contact persons, partly followed by personal or telephone interviews.

2.5 Work package 4 - country level

Aid effectiveness obviously has a strong in-country dimension, both on the donors' side and on the side of the partner country. The ways of managing ODA in the water sector differ widely between African countries, with a range from neglected states almost without donor activities to countries on track to reach the MDGs and a well developed donor coordination mechanism. In the so called "orphan countries" only few donors are active and their way of engagement depends very much on the individual situation of the countries. Thus the study put the focus on countries with a high level of EU engagement to explore in which different ways the water sector developed under different conditions, where it actually stands in terms of Aid Effectiveness and how it may develop in the near future.

The following questions guided work on the country level:

- ① How do existing sector coordination mechanisms work and what is their envisaged and actual impact in terms of AE and DoL?
- ① Which levels of country ownership exist and do national authorities have the tools and the capacities to guide AE activities?
- ① What is the overall perception of AE in the sector in terms of effectiveness and efficiency and how does it influence work in the sector?
- ① What are opportunities and limitations for achieving more AE at country level and what is the (potential) role of the CoC?

Within the scope of this respective study it was envisaged to obtain information from the country level for four countries with strong engagement of EU donors in the water sector, namely Ghana, Mozambique, Uganda and Burkina Faso. In-country activities were no direct part of the consultant's activities but were mainly done through the AWG support group at IRC within their overall contractual arrangement with UNESCO-IHE. Adding to that, the consultant was able to use synergies with other activities and conducted the assessment of the situation in Uganda.

Information collected during country visits was complemented by information from the EU Fast Track Initiative on Division of Labour (FTI). The FTI was first discussed at the EU Technical Experts Meeting in Brussels in December 2007 with the purpose to help implement the EU CoC and in May 2008 the EU Council called for further efforts to fast-track DoL in partner countries. The FTI supports a selected group of partner countries in implementing in-country division of labour through a process with a pro-active facilitating role of a MS or of COM. The work of the facilitating (and possibly supporting) donors takes place both at headquarters and at country level. Germany and the EC currently care for the overall coordination.

3 Background & Status

3.1 The global background

On April 1st 2009 the OECD Working Party on Aid Effectiveness (Cluster C), which can be seen as a focal point of the global aid effectiveness agenda³, approved the following eight „International Good Practice Principles for Country-Led Division of Labour and Complementarity“ (WP-EFF 2009):

1. Partner Country Leadership
2. Rationalise Aid
3. Optimal Use of Development Resources
4. Flexibility and Pragmatism
5. Capacity Development
6. Neutral Impact on Aid Volume
7. Monitoring and Evaluation
8. Communication

These principles are a reaction on commitments made in 2005 in Paris⁴ and were developed in a comprehensive participative process including representatives from partner and donor countries in the course of preparing the HLF 2008 in Accra⁵. They build on examples of good practice of DoL and are intended to provide information and advice. The principles apply to in-country division of labour only. The document notes that “the challenges of cross-country division of labour are beyond the scope of this document but they are nevertheless acknowledged and will form the subject of future analysis”.

In the light of findings made in the course of this respective study (which are presented in later chapters) the relevance of all principles can be confirmed with some of them having special significance. For the development of a supportive environment for in-country DoL partner country leadership (principle 1) in a broad sense is key, directly linked to the successful development of the related capacities (principle 5). However, for positive effects to actually materialize the role of principle 4 (flexibility and pragmatism) on all sides and levels must not be underestimated.

Concerning the current status of DoL the OECD published in 2009 the report “Addressing Fragmentation and Concentration of Aid across Countries” (OECD 2009). It basically shows that according to two different criteria the fragmentation of global aid has not improved since Paris. Still donors overall have too many “insignificant” partnerships, i.e. they support these partners with a very small share of their total aid volume and/or they contribute only a small share of the total aid this partner receives.

The latest activity for improving an unsatisfying situation which could be identified was an OECD DAC Technical Workshop on “Global aid allocation patterns and division of labour” held in Paris on 25 October 2010.

³http://www.oecd.org/document/35/0,3746,en_2649_3236398_43382307_1_1_1_1,00.html

⁴ High Level Forum Paris, 28.2.-2.3.2005, „Paris Declaration on Aid Effectiveness“

⁵ High Level Forum Accra, 2.-4.9.2008, „Accra Agenda for Action“

3.2 The EU background

This chapter tries to analyse the background for improving aid effectiveness within the EU. After identifying relevant documents an analysis and interpretation of the situation is given.

3.2.1 Historical development

On the European level Division of Labour is nothing new. Already back in 1995 the Council agreed on a resolution on complementarity between the Community's Development Cooperation and Member States' policies and actions.

The Joint Policy Statement of November 2000 on Development Policy was already an attempt to achieve operational complementarity between the Commission and the Member States and as a contribution to the Paris Declaration the EU agreed to develop an operational strategy towards complementarity. However, complementarity between EU MS was not addressed at that time.

The aid effectiveness agenda has then been strongly established in the European development policy through "The European Consensus on Development", published in June 2006 (EC 2006b). In its first part it describes the common vision on development policies, shared by all EU stakeholders (MS, EC, EP, Council). The second part describes how the European Community, represented by the EC, will reflect this vision in its policies. It clarifies its comparative advantage, possibly leading to complementarity with bilateral policies of Member States and other international donors and declares that the EC aims at being a driving force for implementing the Paris Declaration. Interestingly, under the heading "Areas for Community Action" the EU Water Initiative is mentioned in a dedicated paragraph.

In practical terms the Consensus calls for needs and performance based criteria to guide the geographic and thematic allocation of resources. Partner countries shall be supported in being the leading force of all donor support to the country and where conditions allow, the preferred modality is budget support, generally or for specific sectors. However, it has to be noted that again all this refers to EC activities, little references are made to the need to actively coordinate activities of the different EU MS, especially in the field of cross-country DoL.

Already in April 2006 the Council dealt with "Financing for Development and Aid Effectiveness" (EU 2006). In a respective communication from the EC to the Council (EC 2006a) it is stated that "to ensure a global EU coherence and visibility it is crucial to put in place appropriate structures and ways also at EU level that facilitate the coordinated and complementary channelling of MS' bilateral and EC aid. The Commission will contribute to this effort by developing different types of host structures open to MS' voluntary contributions...". This establishes a clear link between the EC and the MS, although it is very much focused on financial flows.

In May 2007 the EU Council (GAERC) adopted the "EU Code of Conduct on Complementarity and Division of Labour in Development Policy" (EU 2007). In the political commitment therein it is stated "that reinforcing the complementarity of donor activities is of paramount importance for increasing aid effectiveness". It states further "that the EU should act as a driving force for complementarity and division of labour within the international harmonisation and alignment process, and that the EU should follow an inclusive approach that is open to all donors". Consequently, both the Member States and the Commission commit themselves to implement the principles set out in the respective EU Code of Conduct, for which some overall guidance is given. Some major aspects of this:

- ① Partner country leadership;
- ① Openness to other donors, building on existing processes;
- ① Political commitment at all levels and improved coordination between field-level and headquarters;
- ① Analysis of comparative advantages beside financial resources.

The CoC itself comprises 11 guiding principles which basically call for the following:

- ① Maximum of three sectors per donor per country;
- ① Redeployment of released budgets within the country;
- ① Sector lead donor arrangements with limited rotation;
- ① Delegated cooperation (in additional sectors);
- ① Securing EU engagement in all strategic sectors but limit the maximum number of donors to 3-5;
- ① Replication of principles in the work with partner regional institutions;
- ① Limited number of priority countries based on regular EU-wide exchange of information;
- ① Redeployment of resources in the favour of currently neglected countries;
- ① Overall enhanced focussing of EU donors in terms of sectors and modalities based on deepened self-assessment of comparative advantages;
- ① Advance vertical complementarity (e.g. international fora) and cross-modalities and instruments;
- ① EU MS to consider their decentralised structures to facilitate complementarity and coordination on the ground, institutional incentives to staff and redeployment of financial and human resources.

Overall the CoC describes quite in detail how European donors should reconsider their ongoing engagements, explicitly addressing both the EC and the MS. And it also introduces important aspects like sector focus, orphan countries and headquarter - field office relations and capacities. Furthermore, it refers to an EU-wide consultative process for coordinating decisions on partner countries, however, without giving details.

Subsequently, in November 2009 the Council (GAERC) adopted conclusions on an “Operational Framework on Aid Effectiveness” (EU 2009). The Operational Framework currently contains chapters on key Aid Effectiveness commitments, specifically Division of Labour, Use of Country Systems and Technical Cooperation. For its implementation the Council calls for reflecting some aspects which can be considered crucial, e.g.:

- ① MS and EC to immediately start implementation of the measures both individually and jointly;
- ① Implementation of joint EU (MS + EC) approaches of aid effectiveness for leveraging more progress;
- ① MS and EC to accelerate efforts to remove internal constraints to aid effectiveness;
- ① Headquarters to coordinate information to their field offices on the contents of the Framework;
- ① Heads of Mission to discuss the Operational Framework together and to jointly implement, monitor and report at country level.

Some selected issues the Operational Framework deals with:

„DoL“

- ① Accelerate and broaden the Fast Track Initiative (FTI) on Division of Labour (see 2.5);
- ① Promote an exchange of views on joint multi-annual programming (based on the Council Conclusions on Financing for Development and Aid Effectiveness);
- ① Pursue the commitments in the CoC to sector concentration within the respective country programming processes;
- ① Increase participation in joint multi-annual programming based on partner countries' development strategies and use the EU joint programming as a pragmatic tool to advance division of labour;
- ① Provide staff training and guidance, jointly where feasible, to promote DoL at headquarters and in partner countries;
- ① Begin a Process on cross-country DoL based on available data in aid information systems;

„Use of Country Systems“

- ① Consider use of country systems as the first option in cooperation as the European Consensus on Development encourages the use of budget support where circumstances permit;
- ① Provide staff training and guidance, jointly where feasible, for increasing use of country systems at headquarters and in partner countries;
- ① Make assessments made by one EU donor available for use by other EU;

„Technical Cooperation“ (see 3.2.2)

- ① Align technical cooperation (TC) to partner country policies and plans and, as a first option, use partner country systems, and work through partner country institutions.
- ① Ensure ownership if the partner receives TC in-kind by suitable management and accountability mechanisms;
- ① Use existing EU mechanisms and networks to facilitate the implementation of the common TC approach (this may include the formulation of guidelines);
- ① Communicate the EU approach widely with a view to sensitising stakeholders and to get support for the implementation of the EU measures.

Altogether the Framework raises the “pressure” on EU donors for making concrete steps in the respective fields of aid effectiveness. Since the Commission is under much more direct control of the EU institutions anyway, this can probably be understood as directed more towards the MS, especially when it comes to coordination between them and with the EC, but also referring to “DoL” between headquarters and country offices.

Finally, the EU Treaty of Lisbon which entered into force on 1. December 2009 marks a new era with respect to aid effectiveness in the European development policy. Article 210 of the treaty states:

“(1) In order to promote the complementarity and efficiency of their action, the Union and the Member States shall coordinate their policies on development cooperation and shall consult each other on their aid programmes, including in international organisations and during international conferences. They may undertake joint action. Member States shall contribute if necessary to the implementation of Union aid programmes.”

With this step enhanced coordination among all EU donors and the set-up of respective consultation processes has been established as a part of the basic document of the European Union.

3.2.2 Thematic papers

Beside the documents of the “political level” as described above also thematic or technical papers are developed and published by the EC. They are not intended as an input for the political discussion, e.g. in the Council or in the European Parliament, but are intended as support for practitioners.

The following gives some examples dealing with topics relevant for DoL to document that and how the EU (through the EC) promotes the implementation of political decisions.

- EU toolkit for the implementation of complementarity and division of labour in development policy (EC 2009)
- Making Technical Cooperation More Effective (EC 2009)
- Support to sector programmes. Covering the three financing modalities: sector budget support, pool funding and EC project procedures (EC 2007)

The target audience are primarily EC staff but MS and other donors are invited to make use of those papers.

3.2.3 Conclusions

Formally the EU takes its role in fostering improved aid effectiveness serious. Council conclusions, guiding documents, supporting initiatives and specific publications form a supportive framework. Based on the fact that aid effectiveness is not sector-specific the whole issue is not handled on a sector basis but refers to development cooperation as such.

During the last decade a series of relevant documents have been produced which continuously became “deeper” and “wider”, i.e. they dealt with relevant issues in more and more details and with more relevance for implementation while at the same time including more and more aspects. Especially the latter seems relevant for judging the actual impact.

In the beginning mainly activities of the Union itself (through the EC) were addressed and only later on the role of the Member States was more clearly addressed. However, due to the structure of the EU this remains limited to “invitations”, “reminders” and “recalls”. Supportive technical material has been produced, but again mainly addressed to EC staff. As supportive measures monitoring exercises, such as the Fast Track Initiative on DoL or the Annual Progress Report on Aid Effectiveness in the EU have been launched.

Further analysis of roles and possibilities of different actors within the EU would be useful. Building on findings which were made on the country level in the course of this study (see chapter 6) this could be guided by the following questions:

- ① Are there EU recommendations for the coordination of EU donors in the partner countries beyond the EU Toolkit (both general and on the sector level)? (*E.g. agreements templates, standard set-up of Joint Sector Funds, Tools for lead donors and their links to government etc.*)
- ① Are EU delegations advised to take a lead in such processes? (*facilitating role, not becoming lead donor*)
- ① Is it envisaged that the new EU external policy (Lisbon treaty) will have an influence on the relation between EU delegation and MS on the partner country level?

- ① Does the EU promote a standard process for broad stakeholder participation in the development of sustainable plans as a prerequisite for increased country ownership and aid effectiveness (e.g. SWAp)?
- ① Are examples of “good practice” for donor coordination and DoL promoted by the EC (e.g. through the EU delegations or through sector initiatives as EUWI)?
- ① Is there an EU communication strategy to support the implementation of commitments made in the council or in the EC in the partner countries? (e.g. *promote and explain the toolkit*)

Overall enhanced aid effectiveness (and particularly DoL) is always connected with a loss of autonomy of the individual donor. International agreements (as documented e.g. by the declarations of Paris or Accra) make it clear that this development is a must for in-country coordination (further analysis of the situation in the partner countries is presented in chapter 6).

When it comes to cross-country coordination or DoL the situation becomes more complicated because political core interests of donors can be easily touched. This obviously reaches beyond any sector perspective and probably makes it even difficult to deal with the issue within the EU and its delicate balance between the EC's and the Member States' roles.

3.3 Status of „Aid Effectiveness“ in the WASH sector

3.3.1 Sources of information

The status and the effects of measures to improve aid effectiveness in the water sector have been the topic of many studies and reports. Several of those publications have been analysed with respect to the specific situation of the water sector. The list does not claim to be complete but it is felt that it provides a good overview on major characteristics of ongoing efforts of achieving better aid effectiveness for aid to water.

- „International division of labour – Towards a criteria-led process“ (DIE 2009)
- „The Aid Effectiveness Agenda: Benefits of a European Approach“ (EC 2009)
- „Aid Effectiveness – Annual Progress Report 2010“ (EC 2010)
- „2nd Monitoring Report of the EU Fast Track Initiative on Division of Labour“ (EU 2009)
- „Working Together to Improve Aid Effectiveness in the Water Sector“ (EUWI AWG 2008)
- „Why is Harmonisation and Alignment difficult for donors? Lessons from the water sector“ (ODI 2008)
- „Addressing Fragmentation and Concentration of Aid Across Countries“ (OECD 2009)
- „Global aid allocation patterns and division of labour“ (OECD 2010)
- „Financing Water and Sanitation in Developing Countries: The Contribution of External aid“ (OECD 2010)
- „Global Annual Assessment of Sanitation and Drinking-Water (GLAAS) 2010“ (UN Water 2010)

The focus and the approach of these publications vary, some deal with overall aid effectiveness while others deal only with the role of water, some build on figures and questionnaires while others are of a meta-level research type. What becomes obvious is, that the topic is a known open issue and that organisations of different kind try to get a grip on it, from “official” institutions like EC or OECD over political research institutions like DIE or ODI to sector initiatives like UN Water or EUWI AWG.

The following is an attempt to extract messages with specific relevance for the water sector, grouped along some key aspects of aid effectiveness.

3.3.2 Cross country division of labour and targeting of aid

According to former analysis of ODA flows it became obvious that the level of (water sector) aid going to different partner countries is not directly linked to the objective need of countries, e.g. as expressed by the respective data from the WHO/UNICEF Joint Monitoring Programme (JMP). The EUWI Mapping Study (EUWI AWG 208) for instance showed that there is no relation between the top recipients of EU aid for water and their reported access to improved sanitation or drinking water. The OECD Horizontal Programme on Water (OECD 2010) also shows a mixed picture of targeting aid for water. Sub-Saharan Africa, according to JMP the World's region most in need, from 2003 to 2008 received 29% of the total water sector aid and some countries in difficult situations saw significant rises in support (e.g. Mozambique, Lesotho). However, many countries in need received very little with no signs of increase. The World's poorest countries (LDCs, OLICs) received only 43% of total aid to the sector, with 26% (LDCs) and 61% (OLICs) coming as loans.

As a result the terms of "donor darlings" and "donor orphans" have been created. However, no common definition of what is the "appropriate" level of support for a specific country currently exists. Reasons for this are a lack of agreed indicators (e.g. share of GDP, € per capita), unclarity about the funding requirements (e.g. investment support for basic sanitation, costs of soft measures, share of expensive "large" systems) and the linkage to the sustainable absorption potential in a given situation.

Furthermore earlier studies revealed that individual (EU) donors regularly cooperate with many partners and that conversely many partner countries receive support from a variety of EU donors, often with very little individual relevance. The OECD showed in its 2009 report on DoL (OECD 2009) that of 3.700 "aid relationships" worldwide tracked in the OECD system in 2009, around 600 are micro-activities which sum up to only 0,1% of total Country Programmable Aid (CPA). Of the remaining 3.100 bilateral relationships still 42% can be considered as non-significant. A study on aid effectiveness commissioned by the EC (EC 2009) estimates that overall, increased consolidation of EU programmes and projects and agreed division of labour could result in savings of between 200 and 500 million Euro per year.

Altogether it can be concluded that overall development aid has become a fragmented, thus inefficient, system which often does not direct the limited aid resources to where they are most needed. Although many studies are not sector specific it is not likely that the picture for the water sector is totally different.

For achieving increased support of countries currently left aside, financially three basic options exist:

1. Increase the system's efficiency and direct saved budgets to those in need;
2. Reallocate existing flows from countries which are better off to the poor;
3. Mobilise additional financial resources.

In terms of "aid management" two options exist:

- a. Donors add countries without sufficient support to their existing list of partners;
- b. Donors stop their activities in some countries and shift their focus to new partners.

In financial terms it is not very likely that the overall aid volume will increase significantly in the coming years. The economic crisis makes it difficult for the traditional donors to keep the current level of development aid. However, in the past also “new” donors entered the scene and maybe their engagement can more than compensate potential reductions of others. Still, option 3 should probably be rephrased to “Mobilise additional financial resources *for the water sector*” to be realistic and this is something where sector initiatives like Sanitation and Water for All (SWA) or EUWI can be catalytic.

Financial option 1 is more realistic because it is in line with general ambitions to increase efficiency in the aid system (e.g. also through DoL). However, even in case significant budgets can be released there is the danger that these will be used to reduce the financial burden for the donors and are not invested in new activities.

Option 2 is also something which is happening already, but at a rather small scale and information received from EU MS in the course of this study (see chapter 5) does not indicate that this will change quickly.

In terms of management both of the mentioned options a and b are possible and in principle realistic. However, both are also very strategic and political decisions and in most donor countries probably taken outside the water sector. To produce the full potential positive effect of this Division of Labour the related steps must be prepared jointly by all involved donors – something the DoL process has not achieved so far.

So for achieving better targeting of aid in the water sector DoL is an important instrument, both to release needed funds (option 1) and to organise rearrangements of partnerships. Overall none of the mentioned options can be seen as the “silver bullet” but any improvement will need a well balanced combination of several of them.

But however well planned and optimised the necessary steps are, it is likely that significantly reducing the gap between donor orphans and darlings involves the withdrawal of resources from some countries which cannot be fully compensated by other donors. The step of reducing the support of a partner country is a very political decision for all donors with a variety of influencing factors. To make it happen would need strong mechanisms involving donors and partners on a high political level and discussions would need to be supported by a well defined SWOT analysis of donors and partners. None of it seems to exist today.

Even in the framework of the EU the choice of partner countries is a sovereign decision of the member states and a respective consultation mechanism is not yet established. This is a major drawback for materialising the big potential of improved EU DoL and the impact it would have bearing in mind the share it contributes to global ODA and the multitude of donors it comprises.

The lack of a respective EU coordination mechanism hampers a quick improvement of cross-country Division of Labour. Reducing the numbers of partner countries per donor and the number of EU donors per partner according to the Code of Conduct without changing the overall flow to the individual recipients could be a not so critical first step. It could still release funds (option 1) through reduced transaction costs and initiate a process of reconsidering the role of individual partner countries, thus paving the way for directing more aid to currently neglected countries.

In this respect it is interesting that in the course of the EU Fast Track Initiative on Division of Labour it has been found that for partner countries aid modalities are sometimes more important than the sheer aid volume. “Soft” factors such as risk-taking, dialogue skills and credibility can be dominant when

assessing a donors' performance and value. Building on that, a participative analysis of donors' roles could be a basis for releasing financial resources for new partners without harming the existing ones.

From the perspective of the water sector it is very likely that significant improvements in terms of aid targeting depend on the overall budget dedicated to this country. Only in a second step the water sector might be strengthened relatively to other sectors. This, however, is a decision which is normally taken on the partner country level and depends on articulated demand from the partner's side.

In this respect it is also worth to acknowledge some findings from the GLAAS. Drinking-water and sanitation are not among the top priority areas for external support agencies (which are 1) health, population and HIV/AIDS, 2) government and civil society and 3) education). This is probably the reason why in comparison with health and education the sanitation and drinking-water share of global development aid has markedly decreased over the past decade (UN Water 2010). Sector lobbying should clearly address this issue, both on the donors' and the partners' side and initiatives like AMCOW, SWA or EUWI are instrumental in that way.

3.3.3 In-country division of labour

On the level of the partner countries the aid effectiveness agenda is making progress and donor coordination and division of labour are issues commonly found, although on varying levels (EU FTI, EU 2009). EU donors are aware of these issues and, more specifically and along the principles introduced by the CoC, are aiming at improving complementarity, donor cooperation in sector involvement and at establishing EU thematic platforms. In addition, new aid modalities, such as budget support or multi-donor funds are taken up.

However, the process is still very much (EU) donor driven with partner countries' governments involvement varying according to the specific situation, rarely taking over steering of the process. This shortfall has to be related to various other deficits commonly observed in the country DoL process:

- ① Lack of external peer assessments of donors' roles, strengths and weaknesses but limitation to self-evaluations;
- ① Lack of involvement of (new) non-DAC donors, vertical funds and multilateral institutions with in many cases growing roles;
- ① Difficulties to include non-EU donors once the DoL process has been EU triggered;
- ① Unclear motivation of sector reallocations, obviously not always based on objective analysis but following donor interests and partly even leading to further proliferation of activities and further overcrowding of certain sectors.

Overall, experiences have shown that DoL on the country level, just like cross-country DoL, is a demanding process for all involved parties with a very strong political component. Thus it is essential that suitable capacities and understanding of influencing factors are actively promoted. Examples for such key drivers are:

- ① Exchange of information between country offices and HQ level;
- ① Capacity development for strategic aid management in the partner country (including the installation of aid management systems)
- ① Managing intra-governmental interests based on the fact that enhanced donor harmonisation and DoL processes tend to strengthen coordinating ministries (finance or planning) at the expense of line ministries;

- ① Prevent the decline of sector dialogue quality due to reduced dedicated expert capacities of donors.

Examples of other important supportive measures for enhancing the impact of DoL activities are the pro-active involvement of non-EU donors and avoiding starting EU processes parallel to existing ones.

3.3.4 Specific characteristics of the water sector for improving aid effectiveness

Within the general framework for improving aid effectiveness and, more specifically, along the DoL approach as described above for the cross-country and the in-country dimension, the water sector has some specific characteristics which have to be acknowledged when striving for impact.

As an infrastructure bound sector there is a historic dominance of donor-funded investment projects. According to the OECD DAC “Large systems” account for more than half of the aid to water & sanitation, together with “Basic systems” infrastructure reaches almost three quarters. This is accompanied by traditionally rather limited national budgetary contributions and thus a strong role of donor aid. According to GLAAS (UN Water 2010) many African countries contribute less than 50% of water sector expenditures through their national budget. Furthermore, in many developing countries reliable data on actual coverage are rare. According to GLAAS almost half of the surveyed countries do not have an annual sector review process.

Together these factors often prevented the development of necessary national institutions and of the needed capacities, resulting in weak strategic planning, unclear prioritisation and insufficient monitoring. The situation is regularly further stressed by decentralisation policies delegating responsibilities to unprepared local governments.

Theoretically, the water sector could thus benefit from all kind of activities striving for improved aid effectiveness, both by making better use of existing resources and by attracting more funding. However, the weak institutional setting in many countries prevents the development of strategic plans in a quality which would allow donors to transform their activities in a way fully supporting national policies.

For improving aid effectiveness in the water sector it is necessary that the respective national institutions are strengthened and that suitable mechanisms throughout the sector are established. Again, the water sector as such, comprising water supply, sanitation, hygiene and resource management, faces an especially demanding setting because in most countries responsibilities are either badly defined and/or split between several ministries and institutions.

But challenging deficits exist not only on the partners' side. The respective “soft” activities have to be supported by donors, both financially and technically, and the donors' sector people are basically well aware of it. However, these types of spending are difficult to argue for because they do not produce quick wins which can be easily flagged as a single donor's contribution.

Furthermore, a shift of applied modalities from project type interventions to contributing to the development of institutions, from cooperation with line ministries to negotiations with and support to ministries for planning or finance, from financing infrastructure to contributing to nationally managed basket funds or sector budgets is a challenge for donors' country offices staff. Headquarters would a.o. have to care for a suitable management of human resources and invest in training and new staff – additional costs which are not easily approved when everybody is calling for proved impact and reduced overheads.

So while the existing deficits in the water sector bare the potential for big benefits from improved aid effectiveness they also prevent donors from taking the necessary measures.

According to the GLAAS governments' absorption capacities of donor funds are also an issue. In Africa several countries indicated that they use in one or several sub-sectors less than 50% of official donor commitments, in the majority of cases the absorption rate is below 75%. Interestingly internal financing predictability was more often reported to be perceived as decreasing compared to external support agency financing (which probably contributes to the reluctance of national sector institutions to budget support).

"Credible national plans" are often mentioned as an essential basis for all kind of aid effectiveness measures. However, the great majority of countries contributing to GLAAS reported, that procedures to support local stakeholder participation in planning, budgeting and implementing programmes have not been systematically applied. This seems to be a major obstacle for broadly supported, sustainable planning and thus is probably hampering progress concerning improved aid effectiveness.

4 Figures and indicators

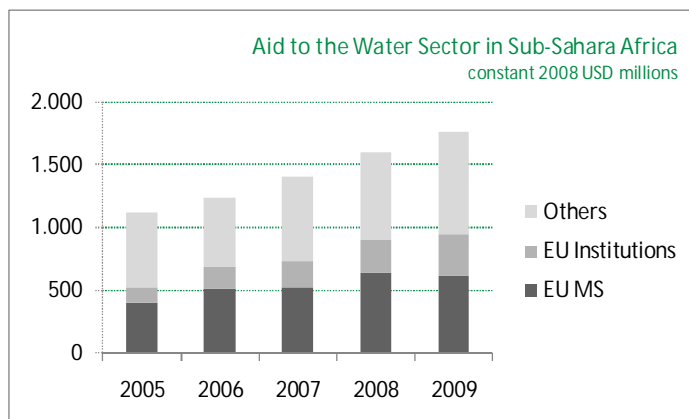
Commitments to aid effectiveness and implementation of the EU Code of Conduct should materialize in several ways and thus be reflected by indicators describing the status and trends of how ODA is delivered. Relevant data can be retrieved mainly from the OECD Creditor Reporting System⁶ which is the central database for ODA flows, based on annual reports from all OECD DAC members. Additional information has been taken from the GLAAS exercise and based on these sources various indicators have been developed. The respective results are shown in this chapter.

All ODA figures are annual disbursements in million constant 2008 US Dollars⁷ as taken from the OECD CRS.

Role of EU donors in the African water sector

In total the EU (Commission and Member States) in 2009 reported disbursements of 950 million 2008 US Dollars to the water sector in Sub-Sahara Africa, representing 54% of the respective global sector aid.

Figure 3: ODA to the Sub-Sahara water sector 2002 - 2009

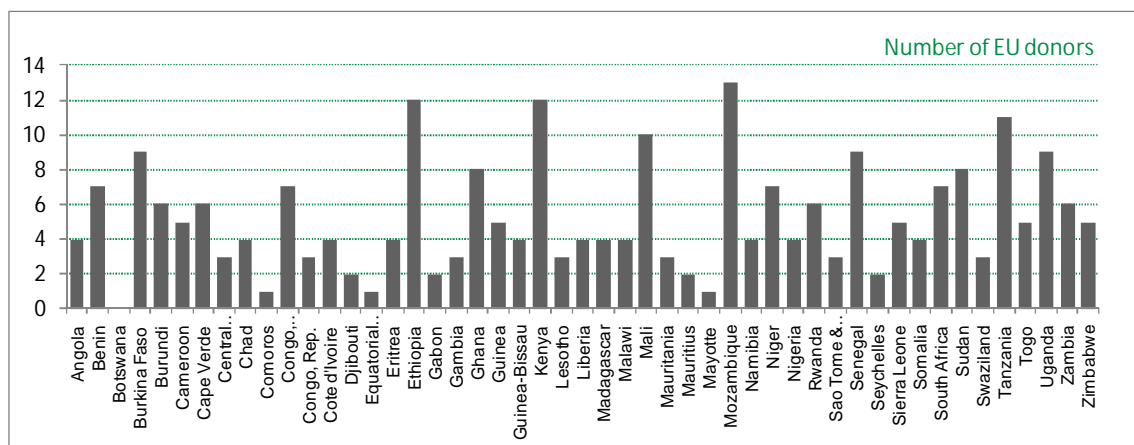


The EU share remains quite constant over time and is clearly above 50% since 2006.

What changed is the significance of the EU institutions compared to the EU MS which shows a constantly increasing trend. In 2009 the EU institutions (EC) contributed already 35%.

The respective European activities in 2009 were organised as follows.

Figure 4: 2009 numbers of EU donors in the water sector in African countries (Sub-Sahara)



⁶ OECD Creditor Reporting System (CRS) (<http://stats.oecd.org/index.aspx?r=62267>)

⁷ Constant 2008 values mean that the influence of inflation has been calculated so that different years can be directly compared

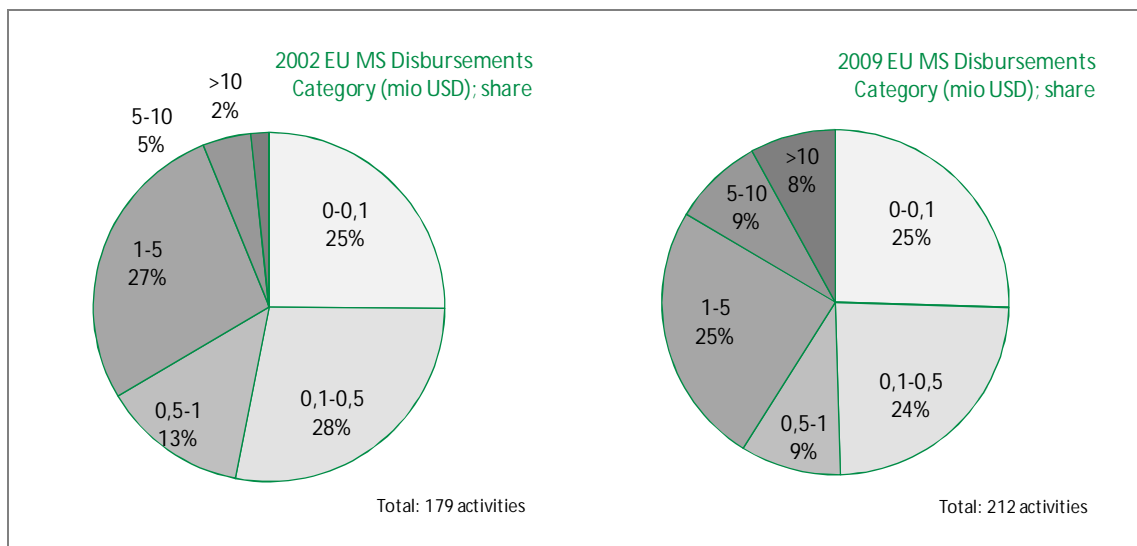
In most African countries four or more European donors were active in the water sector, 18 countries received disbursements from at least 6 EU donors. At the same time 8 countries received aid in the water sector from not more than two EU donors.

Relevance of established donor – partner relationships

According to the CoC on Division of Labour EU donors should limit the number of their partner countries (“relationships”), restrict themselves to a maximum of three sectors per country and secure significant EU activities while limiting the maximum donor number in a specific sector to 3-5. A logical consequence would be that donors move from overcrowded sectors or countries to areas without sufficient support. In theory the final aim would be to have around 4 significant EU donors (e.g. disbursements > 1 mio USD⁸) in the water sector in each of the 49 African countries (in total app. 200 relationships).

The following figure shows the distribution of different classes of annual EU MS disbursements in 2002 and 2009.

Figure 5: Development of size ranges of EU MS aid disbursements for water



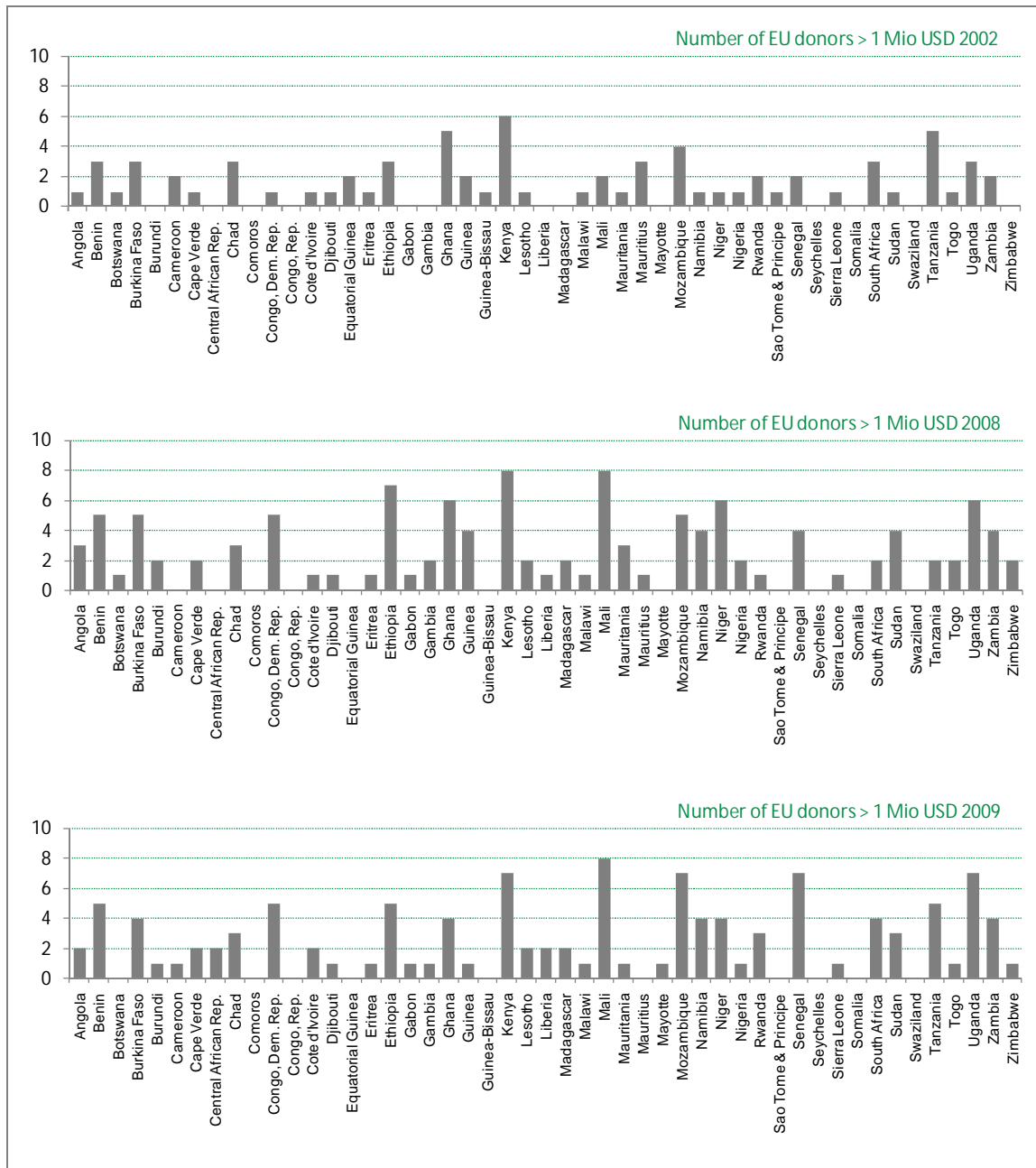
The figures above show that the total number of relationships has already reached the target level of app. 200. However, the distribution of classes of disbursements does not seem satisfactory. In 2009 in 58% of relationships a member state disbursed less than 1 million 2008 US dollars to a partner country, only 17% of all relationships were bigger than 5 millions. The changes between 2002 and 2009 were not very big but at least showed the tendency to strengthen “relevant” partnerships with annual disbursements over 1 million. The picture improves further when relationships of EU institutions are included, which are normally over 1 million. Overall this indicates very limited relevance of the majority of relationships, thus increasing the administrative burden for donors and partners without adding much value for the partners.

By introducing the “1 million” threshold also the picture of support per country changes (see next figure). For 2009 (compare above) the maximum number of donors drops from 13 to 8, only 9 countries

⁸ “Significance” is not easily defined but an annual disbursement of 1 mio USD seems a reasonable threshold to identify donors „relevant” for a country

had more than four “big” donors. At the same time the number of African countries with a maximum of two donors rises dramatically from 8 to 31.

Figure 6: EU donors disbursing over 1 million 2008 USD for water per African country (2002, 2008, 2009)



The figure above shows not only the values for 2009 (for a direct comparison to the total number of European donors presented earlier in this chapter) but presents also the values for 2002 and 2008. The different graphs show that changes are happening. Between 2002 and 2008 a lot of countries experienced an increase of significant EU donors in the water sector. However, this was not very much related to the level of support they had already, raising the maximum to 8 and further increasing the differences between “darlings” and “orphans”. Between 2008 and 2009 the situation has improved,

presenting less countries with high donor numbers, but the analysis of the development of the different size ranges as presented below does not reveal major changes.

Table 1: Size ranges of the support level for African countries in the water sector

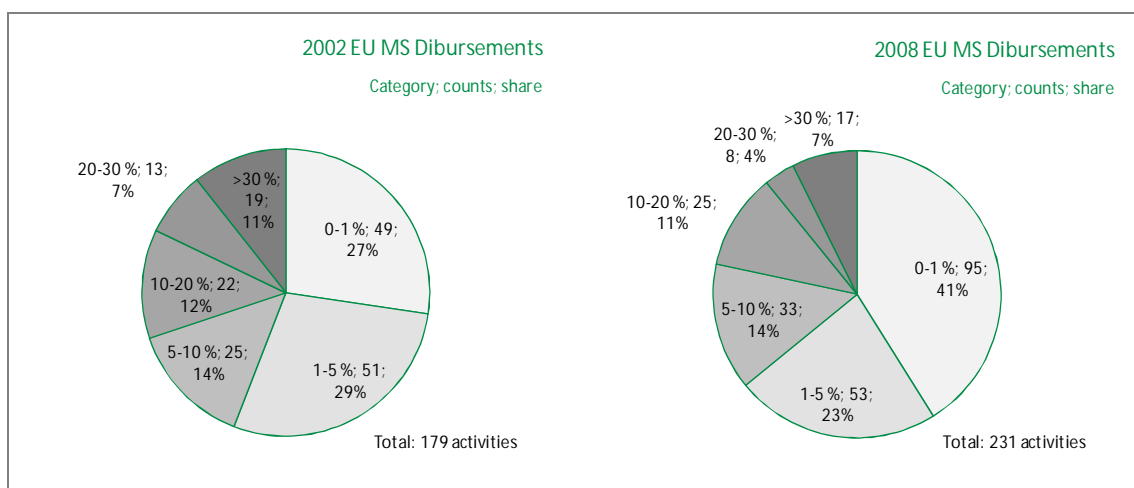
EU donors >1 mio	No. of African countries		
	2002	2008	2009
0	13	11	10
1-2	25	20	21
3-5	10	12	13
>5	1	6	5

The numbers above further highlight the fact that between 2002 and 2008 many African countries attracted additional supporters in the water sector and they also document the positive trend 2008/2009. But in 2009 still 10 African countries south of Sahara had no EU donor disbursing more than 1 million 2008 USD, another 21 had only 1 or 2. On the other side 5 countries received relevant support from more than 5 donors. This leaves 13 of 49 countries in the “target range” of the EU CoC of 3-5 major donors in the water sector.

A related aspect is the relevance of a specific donor for the water sector of a partner country. This cannot be linked to the amount of money disbursed alone but basically in the interest of overall aid efficiency an active donor should contribute a certain share of a partner’s total sector aid (see also OECD 2009).

Between 2002 and 2008 the number of relationships of EU MS with African countries rose from 179 to 231. In 2008 an individual EU MS contributed in 64% of those relationships less than 5% to the partner’s total water sector aid (41% were even below 1%). In 2002 this indicator was only 56% which means an actual decrease in focussing.

Figure 7: Size ranges of relevance of EU disbursements for the African water sector



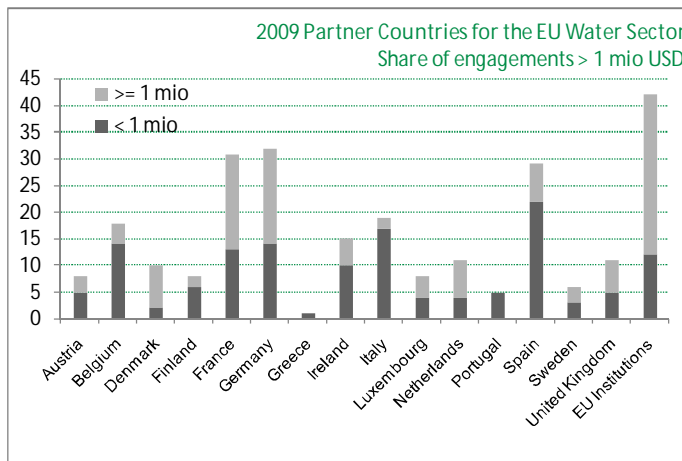
According to the principles of the CoC a share of 10 to 20% per donor to the total sector disbursements seems logical. In 2008 only 11% of the existing relationships belonged to that category. On the other hand in 7% of the cases a single EU donor contributed more than 30%. This can be taken as an indicator of insufficient overall support.

The dominating status of relationships which contribute only small shares to a partner country’s total aid for the water sector is totally in line with the findings presented in the respective OECD study (OECD 2009). As a positive conclusion it could be stated that in the case of many partner countries reducing the number of EU water donors should be possible without severe implication for the total aid for water⁹.

Choosing partners

The above analyses the “partner” perspective of existing relationships between European donors and countries in Sub-Sahara Africa. A different aspect is the “donor” side, i.e. how do the individual EU donors develop their partnerships. The EU CoC on Division of Labour does not give a clear target in this respect but according to the guiding principle no. 7 asks for “limiting the number of priority partner countries”.

Figure 8: Partner countries of EU donors in the water sector



In 2009 most EU water donors disbursed aid to more than 5 partners, 7 to at least 15 partners.

At the same time many of the EU MS disbursed less than 1 Mio p.a. to the majority of their partners.

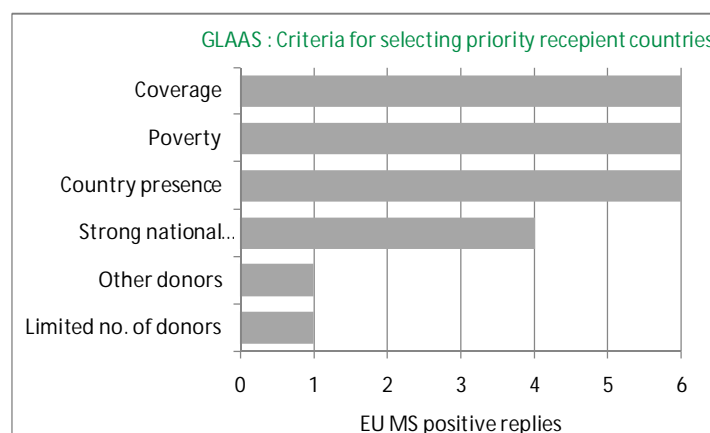
It has to be kept in mind that sector specific training activities, water components of programmes rather belonging to other sectors or implemented by NGOs contribute to these figures if they are reported

accordingly to the OECD. However, despite these cases, which cannot be considered as “planned” water interventions of the respective donor, it is quite probable that the level of concentrating on fewer partners could be raised in the water sector.

Figure 9: Donors’ selection criteria for partner countries

In the 2010 GLAAS exercise donors were, amongst other questions, asked to explain how they select their priority recipient countries. Nine EU MS responded to this question.

Six of them indicated that they use one or several of different types of criteria (two others refer to medium term decisions).

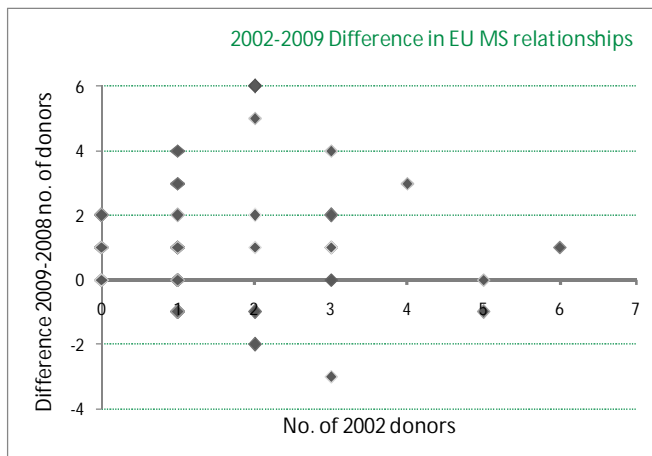


⁹ According to „Good Practice Principle“ no. 6 division of labour should have a neutral impact on the total aid volume (WP-EFF 2009)

The relation between the different types of criteria is interesting – other donor’s activities do not seem to be very relevant when it comes to selecting new partners.

This interpretation is supported by the fact that no relation can be shown between the actual numbers of EU donors supporting a partner country and the respective changes between 2002 and 2009 (as described in the section above).

Figure 10: Relation between the numbers of donors (> 1 mio USD) of a country and the changes 2002-2009



No matter how many donors supported a partner country in 2002 with disbursements over 1 million 2008 US Dollars in most of the cases this number increased until 2009.

On the other hand even countries with only one or two European donors “lost” one or both.

With respect to the CoC guiding principle no. 3 (“Sector lead donor arrangements”) it is interesting to note that according to GLAAS the responding EU donors reported to have a lead in drinking water and/or sanitation only in 13 African countries. Three EU MS did not report any lead.

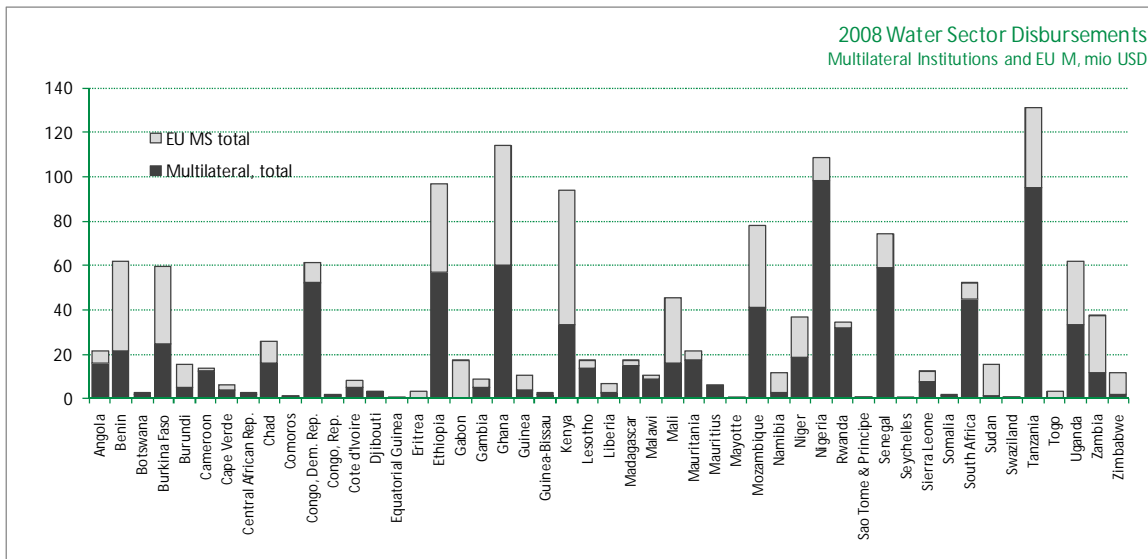
The role of multilateral donors

The EU Code of conduct on Division of Labour addresses primarily the EU Member States as bilateral donors. However, “openness to other donors” is a core element of the CoC. At the same time experiences on the country level as reported in the EU Fast Track Initiative on DoL (and also confirmed in country exercises of this study) mention a sometimes unsupportive role of multilateral and new “non-DAC” donors with respect to DoL (often understandable due to their specific mandates).

Unfortunately information on “non-DAC” donors on a global or regional scale is not easily available. However, the OECD CRS includes data from important multilateral donors and this information has been used to compare their role to that of the EU bilateral donors.

Overall the multilateral institutions (EU and non-EU) play an important role in the African water sector. With respect to actual disbursements they are in some countries even clearly dominating over total EU MS contributions. This confirms that for the EU MS it is useful (or even necessary) to act in a well coordinated manner, to care for joint visibility and to demonstrate common views in discussions (both in the dialogue with the partners and other donors).

Figure 11: The role of multilateral institutions compared to EU MemberStates



Another striking feature of the figure above is that multilateral institutions are active in almost all African countries, even in those states where EU MS are not ready to work. So when it comes to tackling the issue of “donor orphans” or “neglected states” they can have an essential catalytic function. This should be acknowledged right from the beginning when it comes to setting up structures for in-country DoL after bilateral donors decide to start partnerships with these countries.

Pro-poor targeting of aid for water

According to the European Consensus on Development eradication of poverty is a core element of the EU development policy. Consequently aid should be rather targeted to poor countries and primarily be used for activities with direct benefits for the poor parts of population.

In terms of country targeting an indicator is the share of aid going to the Least Developed Countries (LDC) and to Other Low Income Countries (OLIC) according to the OECD DAC¹⁰.

Identifying the “right”, i.e. pro-poor, activities is less straight forward but it is broadly accepted that in the water sector “basic” systems rather improve the situation of poor parts of population than “large” systems. The OECD CRS traditionally distinguishes between these categories¹¹.

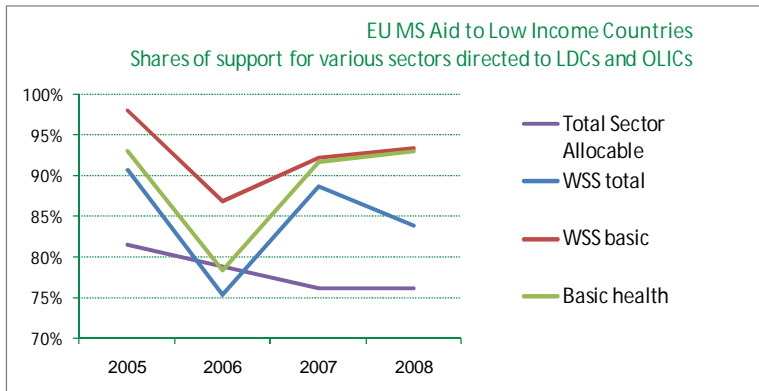
The following figures explore the quality of “targeting” of European aid for water according to various indicators and for different donor groups and also compare it to other sectors.

Overall targeting of EU MS aid for water supply and sanitation in Africa looks reasonable well according to the indicators mentioned above.

¹⁰ <http://www.oecd.org/dac/stats/daclist>

¹¹ Unfortunately water supply and sanitation will only be disaggregated as of 2010, based on a successful initiative of the EUWI Africa Working Group

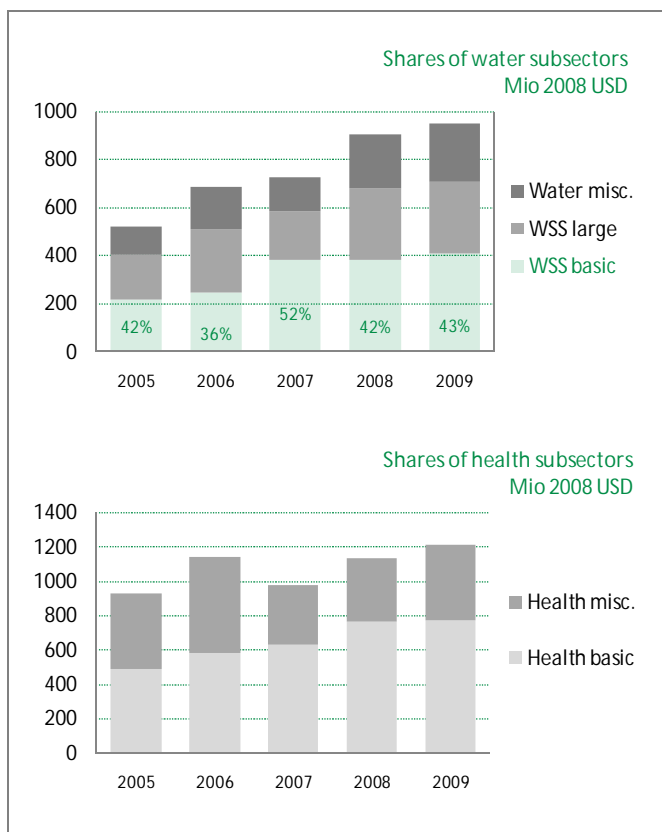
Figure 12: Targeting of EU MS aid to poor countries in Africa



In 2008 the EU Member States disbursed 84% of their total aid for the water sector in Sub-Saharan Africa to poor countries. This value is significantly higher than the one for “total sector allocable aid” (according to the OECD CRS).

Aid for basic systems was even better directed to poor countries. 93% of the aid for “basic water supply and sanitation” (WSS) and also for “basic health” were disbursed in poor countries. In this respect the actual role of these “basic” categories in the overall aid context is interesting.

Figure 13: Shares of the “basic” components in the water and the health sectors



For water the rise of the total EU disbursements from 2002 to 2009 is impressive (even in constant 2008 values!).

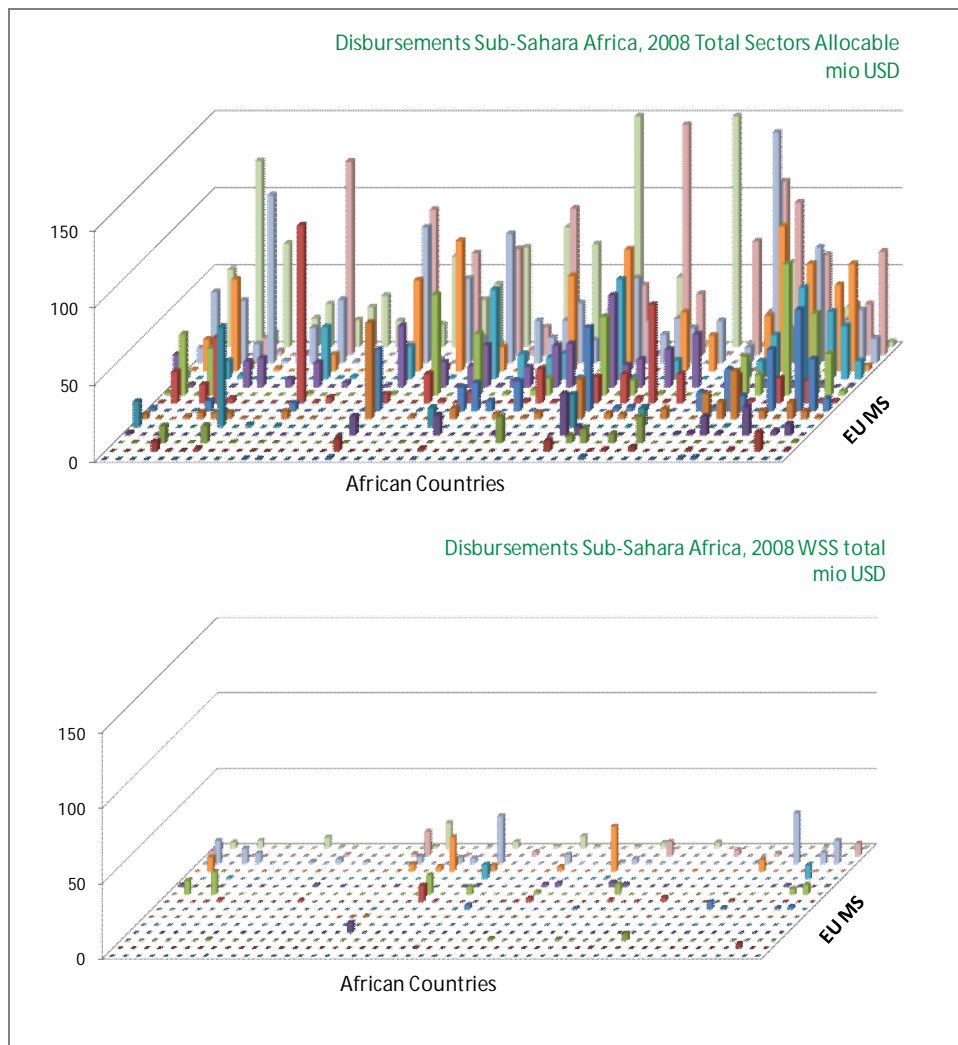
But basic WSS did not profit especially from this development, its share remains quite constant under 50%.

The health sector by comparison shows a different picture. The rise of the total sector spending is much less significant but a bigger and constantly increasing share goes to the “basic health” sub-sector.

Behaviour of EU donors

For reducing the aid related workload without reducing the support level for a partner country Division of Labour depends on similar behaviour of different donors. Otherwise handing over responsibilities from one donor to another might be linked to a changed focus of support (especially in countries where government does not take a strong lead). From the perspective of the water sector the relevance of water in the total sector portfolio of a donor is an important parameter. The following figures give an overview of the role water supply and sanitation (WSS) plays in Africa for the different EU MS.

Figure 14: EU MS 2008 Total Sector Allocable and WSS Disbursements

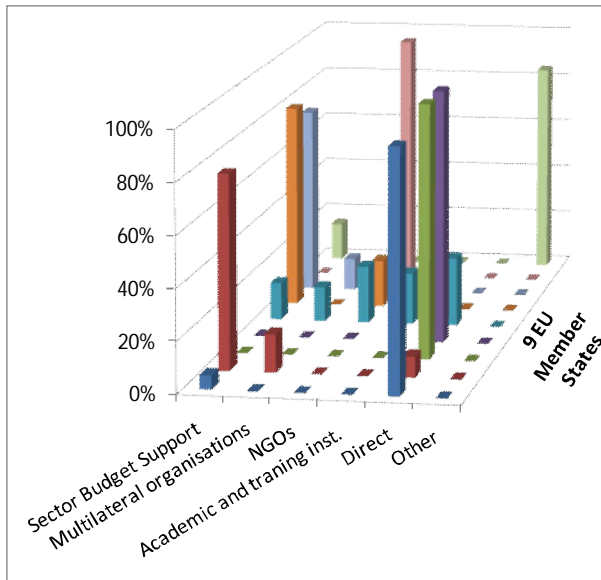


It is quite obvious that in absolute disbursements WSS receives only a small share of the total sector allocable ODA. Another aspect is that while most African countries basically receive aid from several EU MS only a few donors active in WSS disburse large amounts and only in few countries.

In terms of “donor behaviour” also the share of aid for water going to basic systems is relevant - not only in a wider “aid effectiveness” sense (“pro poor”) but it also has a direct implication for DoL. Independently from the absolute size of the donor the EU MS show different values in this respect. Already among the top five WSS donors the share going to basic systems lay in 2009 between 37% and 100% (of the total aid for large + basic WSS).

Of course the decision on what a specific donor is doing in which partner country is the result of many influencing factors. But where the varying level of the indicators as shown above is directly resulting from the respective donors' policies it can make it difficult to replace one donor by another one and find workable DoL arrangements, especially on the in-country level.

Figure 15: EU MS aid modalities



Donor policy and behaviour is also expressed by the used modalities for disbursing aid.

The GLAAS questionnaire asked donors to specify in which way they disburse aid for water.

The figure shows the percentage of total aid for water disbursed through the different channels as reported to GLAAS by 9 EU Member States.

Again a very diverse landscape is shown – from concentrating on a specific channel to using a mix of modalities.

Since the aid effectiveness agenda as such and especially the DoL aspect are issues which are still evolving and developing things keep constantly changing. Thus it is interesting to estimate how donors might act in the coming years and especially if changes might be caused by revised policies. GLAAS explicitly asked this question and received the following responses from the 9 contributing EU MS.

Table 2: Pending policy changes of EU MS (GLAAS)

	Sanitation	Drinking water
Policy changes	3	3
Change of geographic focus	1	
Change of approach	3	3

So according to the GLAAS responses the behaviour of EU MS seems to stay rather stable. If this provides the basis for further improvements in terms of aid effectiveness and Division of Labour in the African water sector remains to be seen.

5 Head quarter level

Activities within this work package were intended to provide insight into the processes within EU donor agencies which lead to decisions relevant for DoL (specifically in the water sector) and which roles head quarter sector experts have. The motivation for this approach was to analyse options of “the sector” as normally represented by sector experts to lobby for improved effectiveness and better targeting of water related aid.

A questionnaire has been sent out to the major European donors, three of which provided feed-back¹². In addition some talks with MS experts on specific issues were conducted during sector events. This is not sufficient for a systematic analysis but some findings have been made and are presented below.

General aspects

- ① Responsibility for “water” in “Africa” is normally shared between the “geographical” departments and the “sector group” (which often belongs to the “policy” department). It seems that in this type of shared responsibilities often the staff members responsible for a country tend to have more influence on shaping implementation than sector experts, who often have more a kind of advisory or quality assuring role.
- ① A tendency to reduce staff capacities generally exists (mainly on the HQ level but partly in country offices as well), leading to less possibilities for addressing and discussing sector policy issues.
- ① On HQ level little knowledge about relevant EU documents exists in the sector. People are generally aware of existing developments and trends but detailed information (and probably also active contribution to the further development in the respective EU fora, e.g. Council working groups) is rather concentrated in dedicated groups of agencies and ministries.

Partner country level

- ① Operational decisions are dominated by the country offices. HQ sector experts have an advisory role.
- ① Coordination mechanisms for in-country water sector donor coordination normally exist and HQ experts are aware of them for the respective partner countries.
- ① Decisions for/against the support of a sector are mainly led by demand expressed by the partner country. Preferences of the donor and the analysis of comparative advantages play a role, the latter normally being conducted internally.
- ① It is expected that relationships with some partner countries will come to an end in the near future. Where this affects the water sector, other donors will probably step in (at least partly).

Modalities

- ① General budget support is used as an aid modality but it is rather perceived to stay exceptional and not become dominant in the future. The main reasons mentioned for this are a lack of preparedness and capacities on the partners’ side.
- ① The broad use of high-level modalities (such as budget support) is further hampered by the difficulty to demonstrate results to the public. In times of dense national budgets it becomes

¹² Austria, Sweden, United Kingdom

more important again to show clear “output” of development activities instead of less tangible outcome or even impact.

- ① Budgets for supporting sector institutions active on the super-national (global, regional) or on the policy level are foreseen to be shrinking for the same reason as above.
- ① “Technical Assistance” (TA) is not well defined and donors handle use it differently. A major difference in perception is whether it contributes to sector performance by actually filling existing capacity gaps (e.g. through seconded experts) or if TA mainly helps to develop the required capacities within the institutions by having an advisory role with an “on the job training” approach.
- ① Capacities of country office staff are not considered to be satisfactory in all cases but existing deficits are not perceived as a major obstacle for aid effectiveness.

As mentioned in the beginning the limited quantity of feed-back makes the findings presented above rather indicative. However, two major aspects might offer options for activities of sector initiatives such as the EUWI AWG or the Sanitation and Water for All (SWA) framework:

- ① Donor sector experts on headquarter level often provide mainly expertise on sector policies. They are not so instrumental when it comes to decisions directly influencing implementation in the partner countries which falls rather under the responsibility of country offices and HQ country desks. On the other side sector experts are partly lacking linkage to the political level. Contributions to the development of overall EU policies often come from dedicated staff within the aid agencies or from special groups in the foreign ministries.
- ① Sector experts are well aware of the relevance of joint aid modalities (like basket funds or budget support), of the role of international sector initiatives and of overall requirements of the aid effectiveness agenda. At the same time they are facing difficulties in arguing for these types of budgets within their institutions because political developments in the donor countries often make it necessary to clearly demonstrate produced output to secure the level of funding. This might hamper efforts to use bigger shares of the development budgets for securing the sustainability of investments, such as awareness raising, capacity development and institutional building which are of special importance in an infrastructure dominated sector as the water sector.

Both aspects confirm the relevance of what is happening through political sector initiatives already and they might also influence the way those operate in the future. Strengthening the role of the water sector within the overall aid framework and especially with respect to aid effectiveness can be further supported through strengthening the role of sector expertise within the institutions. Examples of supportive activities inspired by the above findings are:

- ① Preparation of information material helping experts to explain the multifactorial role of water for development;
- ① Dissemination of information about ongoing political processes and respective results with specific relevance for the sector;
- ① Facilitation of regular exchange between sector experts and working groups relevant for political decisions;
- ① Explanation of and lobbying for the “soft” side of the water sector in the interest of sustainability.

6 Country level

6.1 General

For getting insight in what is happening at the country level in terms of Division of Labour and aid effectiveness in the water sector three sources of information have been used: the EU Fast Track Initiative of Division of Labour (FTI), the UN Water GLAAS report 2010 and work done specifically for this study.

Since the EU FTI deals with a very similar topic as this study but has no sector-focus, findings from the FTI are used to give an overview of the situation on the country level in the following chapter.

After that the current status of the water sector in four African countries is analysed. This has been covered mainly by work package no. 4 with a focus on countries with strong involvement of European donors¹³. The basic idea was to use these country cases for deducing factors influencing the achievable levels of aid effectiveness and to identify opportunities for further improvement of Division of Labour under various settings. Country studies were based on semi-structured interviews with donors and country representatives along a list of guiding questions¹⁴. This information has been complemented by information on the respective countries as presented by the FTI report and in the GLAAS report.

In the final part of this “country level” section an analysis of the situation is given.

6.2 The EU Fast Track Initiative on Division of Labour

In May 2008, the EU Council called for further efforts by the Commission and Member States to fast-track DoL in partner countries. Since then the FTI supports a group of partner countries¹⁵ in the process of implementing in-country division of labour, using the principles of the EU Code of Conduct on DoL as a reference. With the FTI the EU wants to support existing or new DoL processes across all (EU or non-EU) donors through the weight of EU donors by having one EU donor taking a pro-active lead in the process.

In November 2009 the 2nd FTI Monitoring Report has been published (EU 2009b) which builds on questionnaires filled in by the lead donor and/or the partner country’s government¹⁶.

Despite the fact that the FTI is not sector specific the monitoring report provides relevant background information on DoL processes in the partner countries. An essential basic fact which comes out clearly is that DoL is far from being a technical and non-political issue.

¹³ For the country studies in Ghana and Burkina Faso (conducted by IRC) detailed country reports can be found in the annex (see also the “Methodology” chapter)

¹⁴ See annex

¹⁵ In Africa: Benin, Burkina Faso, Burundi, Cameroon, CAR, Ethiopia, Ghana, Kenya, Madagascar, Mali, Mozambique, Rwanda, Senegal, Tanzania, Uganda, Zambia

¹⁶ From Africa: FTI countries without Benin, CAR plus Malawi

Drivers and obstacles

On the positive side it can be noted that overall EU MS show a clear commitment to promote the DoL agenda, thus supporting the EU policy in the partner countries. At the same time it has also to be noted that country ownership is still limited and DoL is still strongly promoted by donors. Most partner governments approve respective progress but rarely take an active role in steering the process. Little progress in this respect has been reported since the first FTI monitoring exercise in 2008. An indicator for that is the fact that from 28 answered FTI 2009 questionnaires only 10 were answered jointly by donors and the government.

A major reason for this lack of ownership is probably directly related to the lack of government capacities. To actively promote DoL beyond basic commitments as made e.g. in Paris or Accra the partners would need good management systems covering the total aid they receive and also have knowledge about the performance of individual donors in different sectors or modalities. This does not exist in many cases.

Another reason for the reluctance on the side of governments may be the often sensible intra-governmental power balance which can be disturbed when aid effectiveness shall be improved. Donor harmonisation and DoL processes tend to strengthen coordinating ministries (e.g. finance, planning) at the expense of line ministries, which on the other hand are often the direct counterparts of donors for their specific programmes.

Finally, governments might also fear that at the end of day DoL results in less aid being available.

A donor related problem mentioned in the FTI report is, that in partner countries where the EU CoC is “officially” the driving force of the DoL process, non-EU donors demonstrate limited interest in it. It is also mentioned that (bilateral and multilateral) donors with broad aid portfolios are often hesitant to engage in DoL processes and that non-DAC donors, vertical funds and private foundations have a tendency to hinder DoL efforts.

EU documents stress that the European donors should push DoL but that as basic principles starting of parallel processes has to be avoided and that all processes are open to all donors. It might be necessary to provide better guidance to European donors (on all levels) on how to approach others for integrating them. In parallel these issues need to be addressed at the donors’ head quarter level to develop shared policies on DoL. Many EU donors are represented on boards of dedicated funds or have other links to individual institutions which might be supportive.

Status and characteristics of DoL

In most partner countries in Africa a basic assessment of the status quo of donor activities (“mapping exercise”) as an essential first step for DoL has already taken place. However, external analysis of comparative advantages triggered by demand of the government (or even agreed sector definitions) are lacking behind, thus hampering quick DoL achievements.

Allocation of aid across sectors is perceived to become more rational but according to the FTI report evidence on this issue is still rather weak. For instance the occasional pulling out of some donors from overcrowded sectors is not directly linked to new engagement in orphan sectors. In some countries even more and more donors focus on the same sectors.

Several factors exist which explain donors' reluctance to leave certain sectors. One prominently mentioned in the FTI is the fear of smaller donors to lose influence when delegating part of their portfolios to other donors. In the questionnaires gaps between in-country information gathering and decision-making on HQ level was reported. It seems that also HQs decisions to stay engaged in certain sectors may result from interests of strong sector departments or questions of political influence and donors' image.

The collected questionnaires indicate that overall the quality of sector dialogues is improving. However, quality might suffer if donor country staff with sector expertise is reduced and the sector lead is delegated to a single donor, which in return requires strengthening rather the management capacities of the lead donor.

When donors are planning to consolidate their sector portfolios in a country, timing is crucial. Actual re-programming should be linked to (and support) ongoing national programming processes in the respective sectors. Some evidence that this principle is obeyed can be found. However, in many cases donors' re-programming seem to be mainly the result of unilateral decisions due to basic political parameters. This is not supportive for raising the partner's ownership of DoL processes.

Opportunities and the way forward

The most relevant enabling factor for DoL is strengthened partner country ownership and a basis for this is growing awareness of the significance of strong aid management structures within national institutions. Unfortunately, this type of aid management system is not commonly found. Mozambique's "odamoz"-system is an interesting example, based on the "ODAdata" system within the "Aid Management Programme" of the "Development Gateway" foundation¹⁷. Capacity development for strategic aid management by the partners including the installation of aid management systems should be strengthened.

Information which can be produced by these systems should be complemented by external performance analysis of the different donors in a country. Knowledge about strengths (and weaknesses) of individual donors with respect to national (sector) programmes in combination with a clear picture of the actual flow of funds provide a sound basis for a government to take the lead in any DoL discussion.

Although this approach is not sector specific and should be used in a country across all sectors it might be helpful if one sector contributes by making a first step. With reference to the water sector this might be a potential field of work for sector initiatives such as AMCOW, SWA or EUWI Africa and it would complement activities in the areas of "strategic financial planning" and SWAp.

Engagement of EU MS and EC is generally perceived as a major enabling factor for DoL. But the will of many development partners from outside the EU to implement the Paris Declaration and the Accra Agenda for Action is often a strong driving force as well and any potentially resulting rivalry between different donor groups must be carefully avoided.

As mentioned earlier, DoL is linked to giving up relationships and thus a donor considering withdrawal from a sector or even from a country must feel comfortable with the idea of somebody else stepping in. If the perception exists, that others might profit from such a step, DoL will become very difficult. Even

¹⁷ <http://mozambique.odadata.ampdev.net/>; <http://www.developmentgateway.org/programs/aid-management-program.html>

slight conflicts between donors do not only prevent potential synergies of different activities from materializing but it can also seriously reduce the will of government to take the lead.

The positive role of donors acting as dedicated DoL champions can be crucial and it was reported in the FTI monitoring exercise that in some countries targeted TA-support by the FTI-DoL facilitators seems to bear fruits. While this is something which could and should be replicated, it must also be made clear, that taking any kind of leading role is linked with a lot of responsibility and efforts.

It has also been found in the country studies that taking over the role of a water sector lead donor requires significant budgets and capacities. As a result leading roles are commonly shifted on an annual basis. A more continuous alternative could be the sharing of costs through a dedicated joint donor fund being managed and used by the respective lead donor. Again the water sector could act as an example, collecting and disseminating experiences and lessons for other levels of aid effectiveness and DoL.

6.3 Country analysis

6.3.1 Uganda

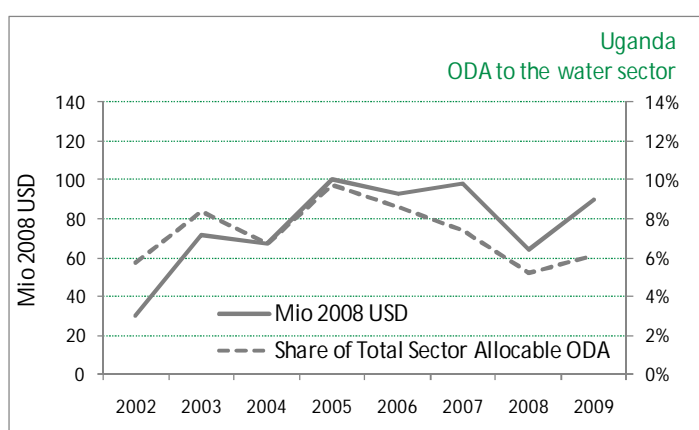
Short profile

Own investigation			
Overall framework			
National strategic framework available for the sector	Water: <ul style="list-style-type: none"> National Water Policy (1999), Strategic sector investment plan for water and sanitation (2009), various sub-sector strategies Sanitation: <ul style="list-style-type: none"> The Environmental Health Policy (EHP, 2005) Annual Joint Sector Reviews and Sector Performance Reports 		
Main Development Partners (DP's)	6 main DPs: Austria, Denmark, Germany, Japan, AfDB, EU		
Number of EU-DPs > 1 Mio USD	6	EU ODA for water (2009)	59 millions 2008 USD
Number of main government agencies involved	6; Ministries of Water and Environment (two directorates), Finance, Health (for sanitation), Local Governments; National Water and Sewerage Cooperation		
Parallel Project Implementation Units	Highly aligned with government systems / structures		
Parallel Monitoring & Evaluation systems	No, annual review is supported by all DPs		
Funding modalities in the sector			
Funding in the sector	<ul style="list-style-type: none"> Project / programme support (e.g JiCA) Basket fund (Joint Partnership Fund) Sector Budget Support 		
General Budget Support	Yes, water sector is part of the Joint Budget Support Framework		
Sector coordination platform and lead donor arrangement			
Presence sector coordination platform	Well established sector coordination platform; Joint meetings involving the partner country are chaired by the ministry and comprise (1) water and environment sector working group and under that (2) water and sanitation subsector working group		
Membership sector coordination platform	Active contribution: Austria, Denmark, Germany, AfDB		
Lead donor arrangement	Yes, lead donor rotating on an annual basis, current lead donor is ADC		
Existence of SWAp	Yes, stepwise development since 2002		

GLAAS 2010 Report				
	Drinking-water		Sanitation	
	Urban	Rural	Urban	Rural
Policy adoption and implementation	Policy agreed by stakeholders, but not gazetted		No policy	
Definition of institutional roles	Roles defined but not operational	Roles defined and operational	Roles defined but not operational	Roles defined but not operational
Annual review process	Review and setting of new undertakings			
Budget transparency	> 75% of funds on budget		< 50% of funds on budget	
Absorption rate of development aid	Over 75% used			

Fast Track Initiative	
Status of the process	<p>Donors' programming and involvement in sectors is generally decided at HQ's level and over relatively long cycles. This means that the decisions on the field are not necessarily (or not quickly) translated into a better DoL.</p> <p>Some donors who are strongly committed to the DoL agenda still remain involved in more than three sectors.</p>
Participation in the DoL process	<p>Government of Uganda is taking a lead role and directs the process.</p> <p>DPs with large aid volumes still seem to see value in remaining engaged in many sectors. Some DPs like US, WB and AfDB claimed not having a mandate to concentrate on less sectors.</p> <p>GoU has shied away from enforcing its initial policy on "maximum 3 sectors per DP". Some sectors fear financial loss in case of DP withdrawal.</p>

Figure 16: Total ODA to the water sector in Uganda



Analysis

Status of the process: In many aspects of aid effectiveness Uganda is among the most advanced countries, especially in the water sector. It has a well developed framework of donor cooperation with close links to the line ministry MWE. Sector financing is mostly on budget and Joint Sector Reviews of GoU and the donors monitor the development of the sector. First signs of DoL emerged from the

Nordic+ group. Total ODA to the sector shows a relatively low variability and the sector receives a quite constant share of about 7% of total sector allocable ODA.

However, despite the advanced stage of the sector in Uganda some shortcomings exist. Government's leading role can still be improved and not all donors are involved in the AE process. DoL is not yet based on an external mapping and analysis of specific strengths of the individual donors.

Overall framework: The donor coordination mechanism as well as the coordination with the partner country is considered to be formalised and well working. Continuity is seen as a most important prerequisite for successful donor coordination. An annually change of the sector lead (like it currently exists) is not easily leading to the desired pursuit of issues. Suggestions to overcome this hindering factor mentioned during the interviews comprised the establishment of a troika system or the prolongation of the lead period.

SIDA, pulling out of the water sector, is handing over its agenda to DANIDA. The same procedure has vice versa been chosen for the health sector. Generally speaking, the awareness about the division of labour agenda is high whereas about the EU CoC document as such little is known.

According to the interview partners Uganda's procurement system is considered to be a major constraint towards further sector development. In some cases even the application of donor led processes is preferred by partner institutions to achieve quick results.

Funding modalities in the sector: The line ministry's preferred aid modality is the established Joint Partnership Fund (JPF) which they can access quite directly. Further strengthening of budget support (even earmarked for the sector) is not appreciated, e.g. due to the fear of a shift of political priorities towards other sectors. Donors' preferences are hence not necessarily matching those of the partner country or of partner ministries.

Within the existing joint funding mechanisms transparency is assured through the monitoring of agreed indicators, which in the end measure achieved results. In terms of exact figures ("who is contributing to what"), the contributions of donors cannot be separated, neither for the partner nor for the donor country's Ministry of Finance. However, "earmarking" tendencies within joint funding mechanisms are partly foiling the principle.

Due to the change of modalities interviews presented the view that donors' water & sanitation experts based in the country are not involved in day-to-day management as they used to be. While most of the donors meanwhile channel their financial support through governmental systems most of them still have water and sanitation officers permanently in the country. Being less busy with project and program implementation their involvement in micro management and the numbers of respective requests to the Ministry is felt to increase more than necessary (for instance the sector review process is considered to be micro-managed by donors).

Reaching decentralised levels: For reaching down to the local level donors would prefer using the respective national systems but these are not sufficiently established yet. Still the majority of funds is channelled through mechanisms using the national governmental system. As districts act under the national level the ministries have to deal directly with more than 100 districts. There is an ongoing discussion about introducing a regional administrative level, helping to assure that a certain proportion of funds actually reaches decentralised levels and is sustainably invested, but this remains a challenge.

Capacity of donors: It is considered a comparative advantage of a donor if contributions to the sector are based on practical experience. However, it is deemed equally important that donors have a clear understanding on how the public sector works, also in terms of financial management.

6.3.2 Ghana

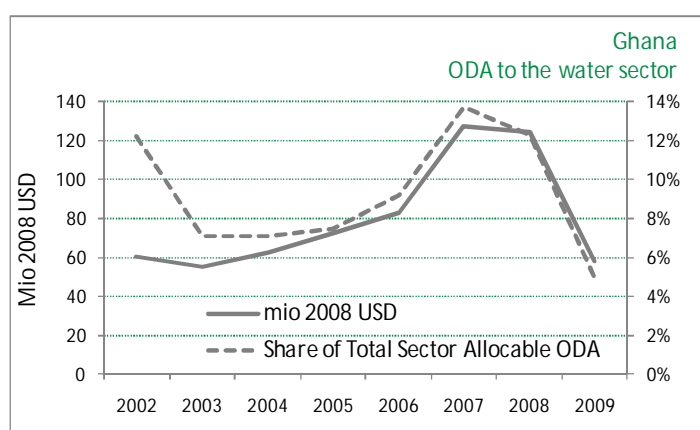
Short profile

Own investigation			
Overall framework			
National strategic framework available for the sector	National Environmental Health and Sanitation Strategy and Action Plan (NESSAP) (2010)		
Main Development Partners (DP's)	9 main DP's: Canada, Denmark, France, Netherlands, USA, EU, UNICEF, World Bank, WaterAid		
Number of EU-DPs > 1 Mio USD	6	EU ODA for water (2009)	18 millions 2008 USD
Number of main government agencies involved	6 Ministries of Finance, Local Gov., Rural Dev. & Environment, Water; 2 agencies/commissions, water company		
Parallel Project Implementation Units	Yes		
Parallel Monitoring & Evaluation systems	Yes		
Funding modalities in the sector			
Funding in the sector	No pooled funding		
General Budget Support	Yes (the Multi Donor Budget Support MDBS) The MDBS is cross sector budget support, there is no sector budget support. Currently 11 DP's are contributing (AfDB, Canada, Denmark, European Commission, France, Germany, the Netherlands, Switzerland, United Kingdom, World Bank and Japan).		
Sector coordination platform and lead donor arrangement			
Presence sector coordination platform	Yes, the Government of Ghana (GoG) – Development Partner (DP) Water and Sanitation Sector Working Group.		
Membership sector coordination platform	DFID, USAID/Ghana, CIDA –PSU, European Commission, The World Bank (Ghana Branch), GDC (KfW and GTZ), Embassy of Denmark, The Carter Centre, Agence Française de Développement, UNICEF, CONIWAS, AfDB, Water Aid, Netherlands Embassy, Environmental Health and Sanitation Directorate, MLGRDE, CWSA, WRC.		
Lead donor arrangement	Yes (since 2005) lead donor since 2010: CIDA with support from UNICEF and IRC		
Existence of SWAp	No, but a roadmap towards a SWAp has been developed in 2006.		

GLAAS 2010 Report				
	Drinking-water		Sanitation	
	Urban	Rural	Urban	Rural
Policy adoption and implementation	Policy agreed by stakeholders, but not gazetted		Policy, but not agreed or gazetted	
Definition of institutional roles	Roles are defined and operational			
Annual review process	Review; Setting of new undertakings		Review; No setting of new undertakings	
Budget transparency	> 75% of funds on budget		< 50% of funds on budget	
Absorption rates of development aid	> 75 % used		50 - 75% used	> 75 % used

Fast Track Initiative	
Status of the process	<p>As there are still overcrowded as well as underfunded sectors, reprogramming and focussing is currently undertaken by DPs on an individual basis.</p> <p>A certain degree of incoherence between DPs local commitments and arrangements and initiatives/approaches coming from HQ level is noted.</p>
Participation in the DoL process	<p>Partner country is approving progress triggered by donor initiative.</p> <p>Positive signs are that the government of Ghana has drafted a new “aid policy” and that there is stronger/more active involvement on the sector level.</p>

Figure 17: Total ODA to the water sector in Ghana



Analysis

Status of the process: In Ghana a coordination group has been established and is further evolving, but some (new) donors are not yet interested in participating. Its strategic role still remains to be better developed which is partly due to the lack of a sufficiently established national strategic sector development plan. This deficit is also the reason why programmes are still set up mainly bilaterally and

no joint reporting and monitoring concept exists. By and large NGOs operate totally outside any coordination mechanism.

A sector lead donor arrangement meanwhile exists, fulfilling this role is seen as a demanding task. DoL develops according to historical geographic focal areas of donors and not based on an analysis of donor strengths. Several donors recently moved out of the water sector. Historically ODA to the water sector shows a very high variability, both in absolute numbers and in shares. This might be an indicator for a rather low level of national planning because this short term shifts probably result from large donor projects.

Ministry of Water together with Environmental Health and Sanitation department and the lead donor is co-chairing the Government of Ghana (GoG) – Development Partner (DP) Water and Sanitation Group. Thus the commitment in the water sector is exceptional since according to the Fast Track Initiative the partner country is “only” approving progress triggered by the donor community.

Emerging DoL is based on self-assessment of own expertise and historical patterns (geographic priorities; compare also with Burkina Faso). Spain, described as a new emerging partner who stepped into the sector without other DP’s knowing, is not yet participating in the sector coordination meetings. Negotiations happened directly with the GoG. A workshop on division of labour and the topic itself have been mentioned as agenda points for the GoG-DP Water and Sanitation Group.

Overall framework: There is no strategic sector development plan to align with and there is no overall monitoring and evaluation system. DPs have different report formats, indicators and monitor at different times, resulting in high transaction costs and no possibility for aggregation and comparison. The government is trying to launch annual sector reports.

Reaching decentralised levels: The role of local government is very weak, especially in terms of involvement in planning. A SWAp is formally ongoing but progressing very slowly because of little engagement and again the lack of a national plan.

Capacity development and Technical Assistance (TA) are not yet harmonized and are not part of the sector strategy. TA is rather crowding out capacities of ministries as the working conditions for consultants are better. The future challenge is how to better coordinate TA (under government lead) and organise TA in the sense of true capacity development.

6.3.3 Burkina Faso

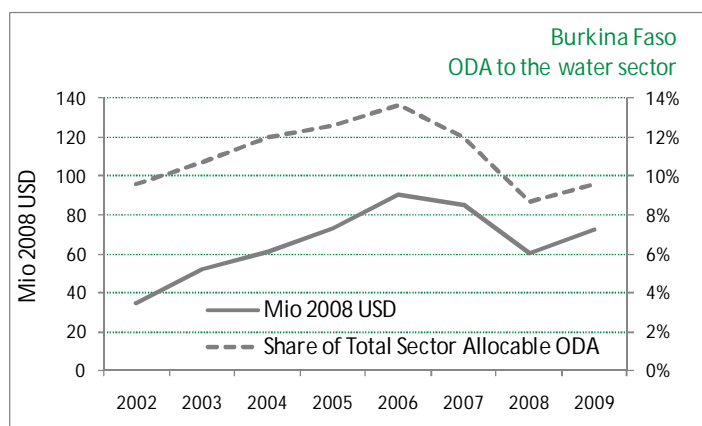
Short profile

Own investigation			
Overall framework			
National strategic framework available for the sector	Plan National d'Approvisionnement de l'Eau Potable et de l'Assainissement (PN-AEPA)		
Main Development Partners (DP's)	9 main DP's: Denmark, France, Germany, Japan, Sweden, the WB, the EU, UN-Habitat, UNDP, UNICEF, ADB		
Number of EU-DPs > 1 Mio USD	5	EU ODA for water (2009)	45 millions 2008 USD
Number of main government agencies involved	4 Ministries of Water (two directorates), Finance		
Parallel Project Implementation Units	Yes		
Parallel Monitoring & Evaluation systems	Yes, annual joint sector review exists (gaps like baseline for sanitation are currently being filled)		
Funding modalities in the sector			
Funding in the sector	<ul style="list-style-type: none"> • Project support; approximately 78% of all funds • Basket funding; 2% of all funds and only used by GTZ, DANIDA and AFD • Sector Budget Support; 20% of all funds and only received from DANIDA, SIDA and EU 		
General Budget Support	Yes		
Sector coordination platform and lead donor arrangement			
Presence sector coordination platform	Yes, the main groups at national level are: <ul style="list-style-type: none"> • Working group of DP's (Groupe des partenaires techniques et financiers (PTF) du secteur eau et assainissement) • NGO network (CCEPA) • Cadre Nationale de Pilotage (Decision making platform which validates and monitors progress towards the implementation of the PN-AEPA) • Cadre Partenarial (DPs contributing to Sector Budget Support) 		
Membership sector coordination platform	The 12 members DP's in the Groupe des PTF du secteur eau et assainissement are: the WB, the EU, DANIDA, the AFD, UNICEF, KfW, GTZ, JiCA, UN-Habitat, UNDP, the ADB and SIDA		
Lead donor arrangement	Yes; lead donor 2010 was the European Union (EU) with DANIDA as co-chair		
Existence of SWAp	n.a.		

GLAAS 2010 Report				
	Drinking-water		Sanitation	
	Urban	Rural	Urban	Rural
Policy adoption and implementation	Policy agreed by stakeholders, but not gazetted (positive trend)			Policy, not agreed or gazetted (positive trend)
Definition of institutional roles	Roles defined and operational	Roles defined and operational	Roles defined and operational	Roles defined and operational
Annual review process	Review and setting of new undertakings (positive trend)			
Budget transparency	> 75 % of funds on budget			
Absorption rates of development aid	50 - 75 % used		> 75% used	< 50% used

Fast Track Initiative	
Status of the process	<p>DoL process has not yet seriously started. Comparative advantages have not been identified and there is no agreed definition of sectors / cooperation areas between government and donors as a basis for DoL.</p> <p>The donor community has initiated a mapping study of interventions as basis for analysis of comparative advantages and discussions on DoL. Although all ODA-donors are basically participating place in the DoL process there are no concerted reprogramming activities in the light of DoL.</p>
Participation in the DoL process	Partner country is approving progress triggered by donor initiative. For the government potential benefits from DoL are not clear and it is hence not very actively promoting DoL.

Figure 18: Total ODA to the water sector in Burkina Faso



Analysis

Status of the process: Most DP's are working in more than five sectors and there is a concentration of aid in certain sectors, one of which is the water and sanitation sector (Mapping exercise 2010, first preliminary results). Existing DoL efforts are organised on a somehow geographic basis but a mapping exercise has shown that there is a concentration of aid in the Southwest of Burkina Faso, less funds are going to the north of the country.

Although Water & Sanitation is a relatively active sector, the respective DoL process is in its early stage. In 2007/2008 water and sanitation was selected as a priority sector by the government. This resulted in new donors entering the sector and in the confirmation of commitments of old donors. Donor coordination in the sector is already developed (e.g. working group of sector donors that meets monthly, rotating lead etc.).

Overall framework: The PN-AEPA (Programme National d' approvisionnement en Eau Potable et d' Assainissement; 2006) provides a clear strategic framework to guide the water and sanitation sector. However, according to the GLAAS Report 2010 the rural sanitation sector is lacking behind regarding policy adoption and implementation. ODA to the water sector rises continuously while its shares stay rather constant on a high level (about 11%). Despite the still existing organisational shortcomings in the sector this seems to reflect a quite well planned growth with constant support from donors.

Funding modalities in the sector: DPs signed a MoU to show alignment to PN-AEPA. Based on that in 2010 a partnership framework was signed and sector budget support was initiated (20 % of all funds). This was a reaction on the fact that little funds from the general budget were going into the sector due to national prioritisation. However, the step was put under question as the sector is probably not yet ready to e.g. monitor the usage of funds (which are mostly used for hardware). A basket fund receives 2 % of all funds. It was initiated to fill e.g. the gap in advisory services.

Approximately 78 % of all funds still have project character (however, according to ODA data on a constant basis).

This leads to the impression that the introduction of new funding modalities (SBS, basket fund) on top of existing project modalities without stopping the old ones actually leads to more (and more complicated) procedures. The Water Directorate wants to phase out project support. The preferred modality would be sector budget support which would indicate basic confidence in the government's budgeting process.

Reaching decentralised levels: The sector review process includes decentralised levels. Before the bi-annual meetings at national level there are meetings at regional level (13 regions) to feed information into the process. Five permanent thematic working groups (M&E, sanitation, IWRM, finance and decentralisation) meet every 2-3 months and follow up issues. In the implementation process the regions have the implementing role and only coordination and policy development is done at national level.

As an experiment funds are transferred directly to six of the thirteen regions of Burkina Faso and small amounts are directly transferred to 100 communes.

6.3.4 Mozambique

Short profile

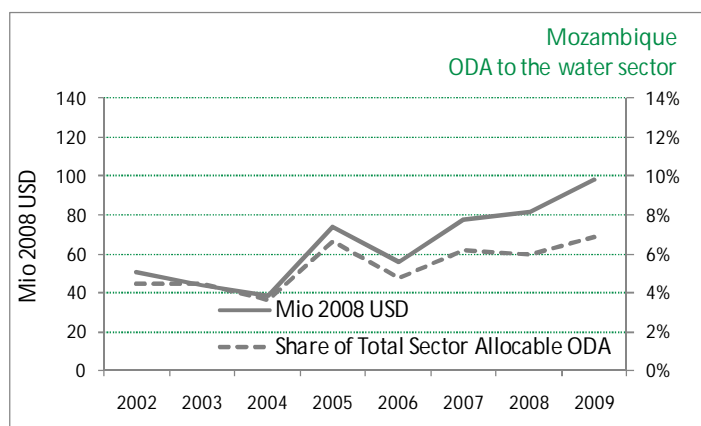
Own investigation			
Overall framework			
National strategic ¹⁸ framework available for the sector	National Water Policy (PNA) Strategic Water Sector Plan – Rural Water Supply and Sanitation (PESA – ASR)		
Main Development Partners (DP's)	10 Denmark, France, Germany, Netherlands, Sweden, USA, Unicef, EU, World Bank, AfDB		
Number of EU-DPs > 1 Mio USD	7	EU ODA for water (2009)	74 millions 2008 USD
Number of main government agencies involved	2 Ministry of Public Works and Housing (National Water Directorate) Provincial Directorate for Public Works and Housing (Water and Sanitation Departments)		
Parallel Project Implementation Units			
Parallel Monitoring & Evaluation systems			
Funding modalities in the sector			
Funding in the sector	•		
General Budget Support	Yes		
Sector coordination platform and lead donor arrangement			
Presence sector coordination platform	•		
Membership sector coordination platform			
Lead donor arrangement			
Existence of SWAp			

¹⁸ Despite repeated efforts it was not possible to conduct the in-country assessment for Mozambique for health reasons. Information in the respective table has been retrieved from the web-site of the WashCost programme (<http://www.washcost.info>)

Fast Track Initiative	
Status of the process	The majority of donors (except WB and United Nations due to their specific mandate) intend to concentrate and limit the number of sectors where they are active. However, in reality it is often difficult to stop activities in non focal sectors due to overall policy directives (e.g. food crisis/agriculture, energy crisis/biofuels, preparation Copenhagen conference/environment).
Participation in the DoL process	From the DPs side there is a strong commitment to DoL. The partner country is mainly approving progress triggered by donor initiative. The EC is particularly subject to the multiplication of the facilities to give a response to specific needs, and thus to non focal sectors, which makes it more difficult to implement DoL.

GLAAS 2010 Report				
	Drinking-water		Sanitation	
	Urban	Rural	Urban	Rural
Policy adoption and implementation	Policy agreed by stakeholders, but not gazetted		No policy	Policy agreed by stakeholders, but not gazetted
Definition of institutional roles	Roles are defined but not operational			
Annual review process	Review, but no setting of new undertakings	Review and setting of new undertakings	No review or setting of new undertakings	
Budget transparency	More than 75% of funds on budget			
Absorption rates of development aid	Between 50% and 75% used			Over 75% used

Figure 19: Total ODA to the water sector in Mozambique



Analysis

In the last few years Mozambique has put significant effort in establishing sound planning principles and also in developing respective tools. It has also been eager to establish decentralisation on the regional and the district level which all have defined roles in planning and implementation. Tools to support the planning process have also been developed for individual sectors, e.g. for water, which is also a part of the national poverty reduction strategy.

All planning processes are closely linked to the budgeting process and impressive 75% of all funding to the sector are actually on budget.

Linking the sophisticated planning system to the operational level has not yet reached a satisfying level.

So while there are still deficits in fully implementing the developed tools and procedures, a lot of donors have been attracted to the water sector and total ODA for water is constantly increasing (both absolutely and relatively).

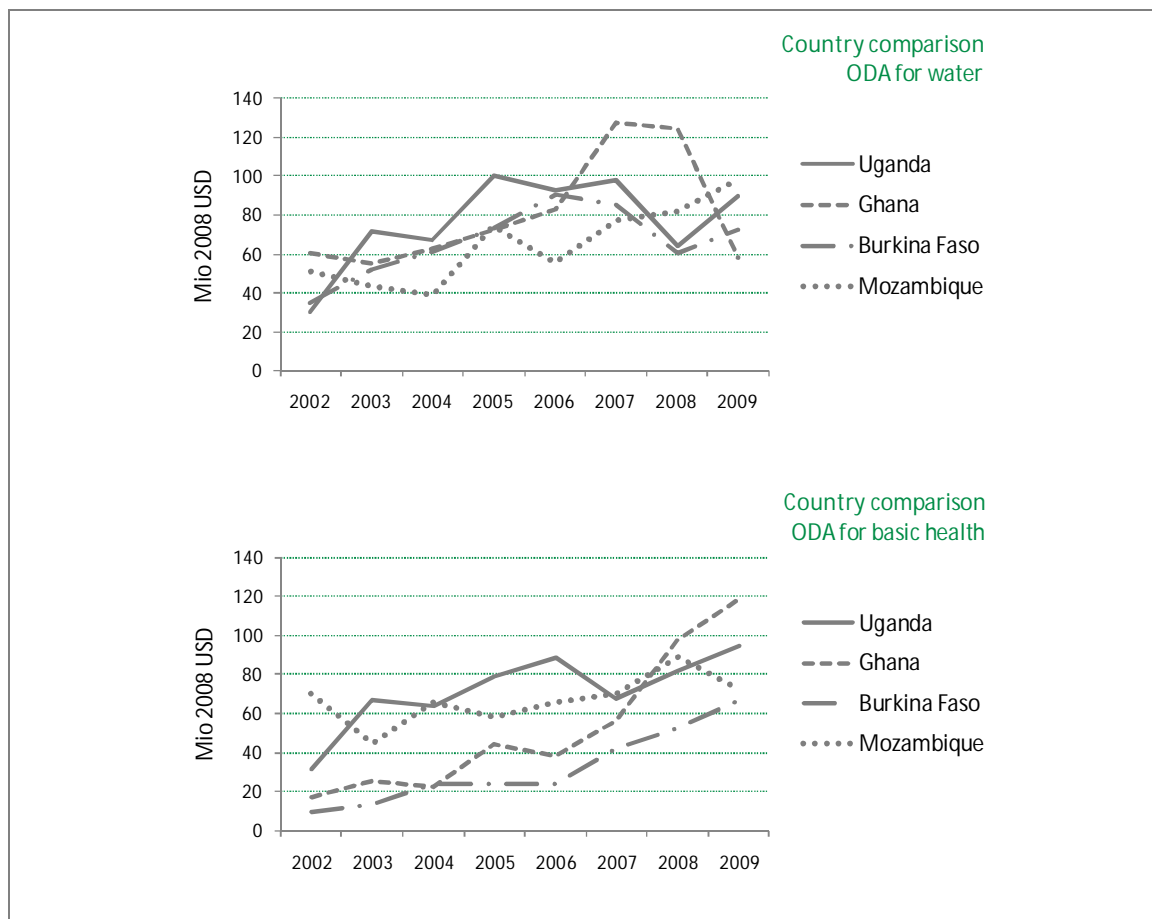
6.4 Cross-country analysis

Information from the four countries included in this study indicates similarities between them but shows also differences which cannot always be easily explained. Activities to enhance “Aid Effectiveness” commonly exist on the country level. Overall they are rather driven by the Paris Agenda or, even better, by actual need and demand in the countries than by clearly EU initiated efforts. The exact ambition of the EU CoC and its implementation is not so well known. Overall the strategic approaches for improving AE on the national level could be strengthened, both by governments and donors and especially within the EU donor group a more effective, inclusive and coordinated approach should be promoted.

With respect to participation in the DoL process the aspect of commitment from the partner countries is interesting. Uganda is the only country where government plays an active role in putting the DoL process into action. Ghana and Mozambique reduce their ambitions to approving donor driven developments while Burkina Faso seems to be even hesitant to enhance DoL between different donors (an attitude which actually is also supported by the behaviour of donors).

The comparative analysis of the four country profiles shows many common features which comes a bit as a surprise, bearing in mind the different “stages” the countries have reached in the water sector (e.g. according to the role of the policy framework or the level of donor coordination). The various situations in the sector seem to be reflected in the role ODA for water played over time (see also the respective figures in the country short profiles).

Figure 20: Development of water and basic health in different countries



In all countries the changes of absolute ODA for water are largely reflected in the shares water received compared to the total sector allocable aid (TSA). This means that the total aid develops relatively much more stable than aid for water. However, the actual development of ODA varies significantly between the four analysed countries. While the sector in Mozambique and Burkina Faso shows a quite constant growth Ghana experienced strong variations within one or two years. Ghana is also the country where ODA for water reaches the highest share of nearly 14% of TSA. Changes over time in Uganda were also significant but happened at a much slower rate.

As a comparison the figure above also shows the developments of ODA to basic health. While the absolute numbers and also the growth rates are comparable to those for water the development happens with much less variation in all four countries.

ODA for water includes large infrastructure projects which might be an explanation for some of the shown variability. But still this kind of analysis might also be seen as an indicator for the level of planning and government leadership of sector development. Quick changes in ODA disbursements for water are probably not accordingly reflected in the national budgets and it might be useful to explore if the respective national systems are sufficiently prepared to take up the so funded activities on a sustainable basis.

In all four countries quite a few (significant) donors are active, comprising several EU members. However, an active water sector, even when including a functional sector dialogue or some kind of donor coordination mechanism, does not automatically mean good DoL practice (e.g. Burkina Faso). Also coordinated monitoring and evaluation still seems to lacking behind and of the four examples only Uganda succeeded in harmonising M&E efforts to the extent that parallel systems no longer exist.

A sudden change in sector prioritisation by national government can lead to new donors entering the sector (e.g. Burkina Faso) without appropriate analysis of actual need or sufficient coordination with existing donors, thus contradicting DoL efforts. Some incoherence between commitment of DPs at local level and initiatives coming from HQ level (which have been mentioned e.g. Ghana) might link to this problem.

In all countries a mix of financing modalities exist, from projects to general budget support. This fact is not problematic as such since there can be good reasons for the use of each modality. However, it is not always clear why certain modalities are used. Overall it seems the applied “modality mix” is rather representing donor preferences reacting on specific circumstances than the result of strategic planning, taking into account specific strengths and prerequisites of each modality.

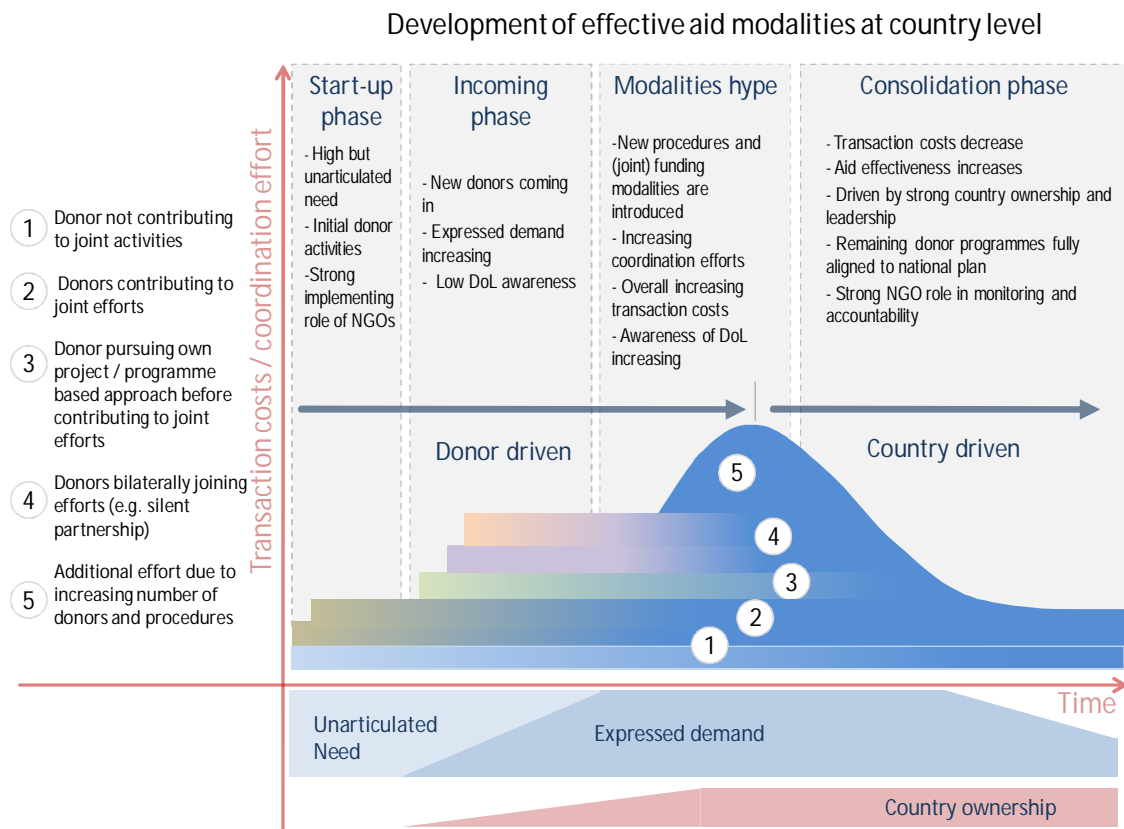
Absorption rates according to the GLAAS appear surprisingly low. Only Uganda reports to use more than 75% of available funds in all categories (supply / sanitation, urban / rural). All other countries use in at least one category less than 75%. If this actually reflects reality there would be definitely room to improve. Budgeting resources for issues where they cannot be used reduces overall efficiency. The respective funds are not available where they could be used and it normally causes considerable administrative effort to revise budgets accordingly later on.

An example for possible reasons why available funds are not used are heavy and unclear rules like procurement procedures (mentioned in Uganda and Burkina Faso). They are finally leading to low disbursement rates. Where procedures are circumnavigated either by DPs or by the government itself (e.g. Burkina Faso), necessary revisions are not done and required capacity to work efficiently with improved rules is not built.

Donor coordination is happening and lead donor arrangements exist in all four countries. The related effort is everywhere considered big, resulting in rotating arrangements (on an annual basis). This obviously hampers continuity of support to the sector development and long-term arrangements would be preferable. It would be a specific issue within the DoL agenda to agree on a donor taking the sector lead for a longer period without crowding out the specific know-how of others.

The Fast Track Initiative’s questions on “measuring impact of division of labour processes” seem to be difficult to answer in all countries. Probably it’s still too early to measure impact e.g. in terms of reduction of transaction costs. Looking at the country studies it seems that the introduction of new aid modalities is not necessarily linked to additional funds but normally involves a higher total management effort.

Figure 21: Change of aid modalities over time



This probably results from the fact that neither the partners nor the donors can easily switch their system in one step. Normally at least historical activities have to be concluded according to existing managing procedures and often new modalities are introduced only for testing. An example is Burkina Faso where many modalities are applied in parallel and sector budget support has been introduced as an experiment.

Also Division of Labour as a part of aid effectiveness requires effort to be established and this effort adds to ongoing activities. Only after a period of promoting DoL, developing a set of necessary tools (such as donor mapping, strengths analysis), discussing conclusions and finally implementing the jointly agreed decisions real wins in terms of reduced transaction costs can be expected.

If the burden of this phase is underestimated and the necessary resources (funds and staff from donors and partners) are not provided it will at least take longer before positive effects can materialize. In the worst case the development partners will lose interest in the process and go back to business as usual.

The figure above suggests typical phases of introducing new aid modalities (including DoL) in partner countries. Not all of them have necessarily to develop with all aspects but most likely a phase of significantly increasing effort will be part of the process. Looking at the country cases it seems quite probable that strong ownership by the partner country is key for finally achieving positive results.

7 Conclusions

The following brings together major aspects of the four work packages to provide an overview of the situation in the water sector with respect to aid effectiveness and division of labour. Building on that in the following chapter activities to further enhance effectiveness of aid for water are suggested.

7.1 Key aspects

- ① Division of labour is internationally acknowledged as being an important contribution to increased aid effectiveness with OECD and EU being key players for bringing DoL forward.
- ① The majority of respective activities are still restricted to in-country DoL, tackling the cross-country dimension of DoL and analysing how it could influence targeting of aid has been started only recently.
- ① The EU (Council and Commission) produce and commission valuable documents on DoL and start useful initiatives which show a clear logic in their historical evolution. However, they are not so well communicated, neither within nor outside the EU. Since according to EU rules many documents have a binding character only for EC staff their practical impact seems limited.
- ① A leading role of the EU (e.g. through its country delegations) in implementing DoL has not become visible. European donors on the country level are not specifically well aware of EU documents and do not generally show especially good coordination amongst them.
- ① Water experts in donor head offices seem to have an advisory role, their influence on decisions in the partner countries varies between different donors. With “water” being an infrastructure sector but for sustainability very much depending on a strong “soft” component sector experts are confronted with the fact that it might be especially subject to donor tendencies to refocus their activities on “flagable” results. This might be a drawback for achieved improvements in putting more efforts in issues such as sanitation, awareness raising, capacity development or sector governance.
- ① An analysis of the water sector in Africa supports the picture of a highly fragmented aid structure as presented by the OECD for global aid. Too many donors are supporting too many activities in too many countries but the vast majority of them are too small to be relevant.
- ① Decisions on establishing donor-partner relationships do not appear to follow a clear logic but are probably the result of complex considerations on the donor side.
- ① For improving cross-country DoL (as suggested e.g. by the EU CoC on DoL) some of the many existing donor-partner relationships will have to be ended. For managing this process an international dialogue system on a high level would be helpful to develop shared views of partners and donors. Improvements in cross-country DoL of ODA for the water sector can be expected only afterwards.
- ① Like many aspects of aid effectiveness (and according to OECD Good Practice Principle 1) in-country DoL needs strong partner country leadership. This cannot be found yet in a satisfying number of partner countries. Reasons for that can be lack of capacities, missing aid management systems or unclarity about positive effects. In countries experiencing DoL already it does not yet follow an external analysis of comparative advantages of donors or strategic planning of the process (e.g. as suggested in the EU Toolkit).
- ① It is still difficult to demonstrate positive impact of DoL in the partner countries.

7.2 Recommendations

EUWI AWG (with AMCOW, SWA)

- ① Collect and disseminate evidence on drivers, efforts and impact of DoL in the water sector in partner countries;
- ① Develop “Good Practice Principles” and standard prerequisites for implementing water sector DoL in partner countries;
- ① Initiate discussions on the effects of existing fragmentation of aid in the water sector as a contribution to addressing the issue across sectors;
- ① Organise an experience sharing/learning event on DoL in the water sector in an African sub-region;
- ① Support sector experts to strengthen their role in their institutions (e.g. by providing information on ongoing political processes in the EU with specific relevance for the sector, facilitation of exchange with relevant Council and EP groups, and lobbying for the “soft” side of the water sector);

SWA

- ① Initiate a competitive advantages assessment of water donors in a partner country as an example;

EC

- ① Improve dissemination of produced material on DoL;
- ① Promote examples of “good practice” for donor coordination and DoL;
- ① Strengthen the facilitating role of EU delegations to take a lead in coordinated DoL processes;
- ① Analyse and explain the influence of the new EU external relationships policy according to the Lisbon treaty on the country level;

Council (with SWA, Africa Union)

- ① Establish EU donor-partner dialogue (e.g. within EU-Af Strategic Partnerships) on implementing cross-country DoL with the aim to reach out to other donors;

AMCOW (with SWA, EUWI)

- ① Explore the interlinkage between SWAp, aid information systems, competitive advantages analysis of donors and DoL in the water sector in several case studies;
- ① Develop example ToR for sector lead donor arrangements.

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9 Annexes

9.1 International Good Practice Principles for Country-Led Division of Labour and Complementarity

Principle 1: Partner Country Leadership

“The division of labour process should be led by the partner country in dialogue with donors, and in a transparent manner that enables parliaments to fulfil their mandate and enables the participation of civil society and the private sector.”

Principle 2: Rationalise Aid

“Development results can be improved when donors individually and collectively rationalise their activities at the country level.”

Principle 3: Optimal Use of Development Resources

“Partner countries and donors should commit to avoiding duplication and fragmentation and ensuring the optimal use of development resources in the locations, sectors and thematic areas where they work and in the aid modalities through which they channel their assistance.”

Principle 4: Flexibility and Pragmatism

“Negotiations are a necessary component of the division of labour process, and therefore flexibility on both sides is required. All actors are committed to pragmatic and workable solutions.”

Principle 5: Capacity Development

“As division of labour aims at more effective use of aid, donors should commit to harmonise and better co-ordinate their support for capacity development for overall aid management by the partner country.”

Principle 6: Neutral Impact on Aid Volume

“The impact of a division of labour process on overall country aid volume should be neutral.”

Principle 7: Monitoring and Evaluation

“Partner countries and donors should monitor and evaluate the added value of division of labour.”

Principle 8: Communication

“Partner countries and donors should communicate the added value of division of labour.”

9.2 Country studies guiding questions

The following questions were used to structure interviews both with country and donor representatives.

- 1) Why is your country engaged in the water sector (why is it not)?
Has this decision been taken only on the country level or has it been influenced by the headquarter level?
- 2) Are you aware of the EU Code of Conduct on the Division of Labour?
What do you think about it?
Do you feel this is going well in this country generally and specifically in the water sector?
- 3) Are there current discussions of donors pulling out of the sector or planning to step in?
- 4) Are you aware of what other donors are doing?
Do you have regular personal, informal contacts?
Is there a formal donor coordination mechanism? Are you part of it?
Is such information available to the interested public?
- 5) If a coordination mechanism exists - How does it work?
 - a) Are there regular meetings, in which intervals?
 - b) Who invites, facilitates and sets up the agenda?
 - c) Are there formal, written arrangements?
 - d) Is there a joint financial mechanism (e.g. basket fund)? How does it work?
 - e) How are governmental representatives involved? How is it linked to national programmes?
- 6) Are financial flows into the sector transparent?
How does ODA (projects, basket fund, sector budget support, general budget support) link to national budgetary resources?
What is the planning period for your county's financial commitments?
- 7) Are the donors involved in the monitoring of the sector performance and /or the sector programming (e.g. SWAp)? Official active involvement or passive commenting of reports?

9.3 Country reports