

# Off-track, off-target

Why investment in water, sanitation and hygiene is not reaching those who need it most



A WaterAid report, November 2011

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Cover photo: WaterAid/Lotta Ljungberg

**Off-track, off-target**

Amadou, seven, waiting at the water point in Bamako district, Mali, because there has been a cut in the water supply. The low reliability and sustainability of water and sanitation services is a widespread problem in the world's poorest countries.

Back cover photo: WaterAid/Jon Spaul

Rakiya Abdullah next to her latrine, Sagnarigu, Tamale, Northern Region, Ghana.

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# Acronyms and abbreviations

<b>AICD</b>	Africa Infrastructure Country Diagnostic
<b>ANEW</b>	African Civil Society Network on Water and Sanitation
<b>AfDB</b>	African Development Bank
<b>AMCOW</b>	African Ministers' Council on Water
<b>AU</b>	African Union
<b>CSO</b>	Civil society organization
<b>CRS</b>	Creditor Reporting System
<b>DAC</b>	Development Assistance Committee
<b>FANSA</b>	Freshwater Action Network in South Asia
<b>GWCL</b>	Ghana Water Company Limited
<b>GLAAS</b>	Global Analysis and Assessment of Sanitation and Drinking Water
<b>GDP</b>	Gross Domestic Product
<b>GNI</b>	Gross National Income
<b>IHHL</b>	Individual Household Latrine
<b>IATI</b>	International Aid Transparency Initiative
<b>IDA</b>	International Development Association
<b>JMP</b>	Joint Monitoring Programme
<b>LDC</b>	Least Developed Country
<b>MDG</b>	Millennium Development Goal
<b>MLGRD</b>	Ministry for Local Government and Rural Development
<b>MWRWH</b>	Ministry for Water Resources, Works and Housing
<b>MOE</b>	Ministry of Education
<b>MOH</b>	Ministry of Health
<b>Nam Saat</b>	National Center for Environmental Health and Water Supply
<b>NGO</b>	Non-governmental organization
<b>ODA</b>	Official Development Assistance
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>PHASE</b>	Personal Hygiene and Sanitation Education Programme
<b>SWA</b>	Sanitation and Water for All
<b>SACOSAN</b>	South Asian Conference on Sanitation
<b>SCP</b>	Special Component Plan
<b>TSP</b>	Tribal Sub Plan
<b>UAP</b>	Universal Access Plan
<b>WSDP</b>	Water Sector Development Programme
<b>WASH</b>	Water, sanitation and hygiene
<b>WHO</b>	World Health Organisation



**Killer breeding ground: diarrhea is now the biggest killer of children in Africa and the second biggest killer of children worldwide. It is responsible for 2.2 million deaths each year. A site of open defecation in Dhaka, Bangladesh.**

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# Executive summary

Ending the global water, sanitation and hygiene crisis must now be recognized as one of the biggest international development challenges of the 21st century. Almost 900 million people worldwide live without access to clean water, and over two and a half billion people live without adequate sanitation. This crisis is the primary cause of diarrhea – the biggest killer of children in Africa and the second biggest killer of children in South Asia – and responsible for over two million deaths globally each year. Without a serious shift in approach, there is no sign that this unacceptable and avoidable tragedy of children dying before they reach the age of five is going to end anytime soon.

In Sub-Saharan Africa, access to sanitation is now the most off-track 2015 Millennium Development Goal (MDG) target. At the current pace it will not be met for two centuries. In developing countries, spending on water, sanitation and hygiene services is minimal compared to health and education, and the share of aid flows going to water and sanitation has fallen over the last 15 years. The unforeseen impact is that slow progress on this essential foundation for broader human development is holding back progress in health and education, despite increased spending in those areas. Furthermore, lack of access to water and sanitation is a major drag on economic growth, and costs African and Asian countries up to 6% of their Gross Domestic Product (GDP) each year.

The continued neglect leaves stark inequalities unchecked: five times more people in rural areas live without clean water than in urban areas; poor people in South Asia are over 13 times less likely to have access to sanitation than the rich; and poor people in Sub-Saharan Africa are over 15 times more likely to practice open defecation. The burden of collecting water falls disproportionately on women and children, and vulnerable and marginalized groups are left un-served or unable to afford services. To make matters worse the limited budgets available to fund water and sanitation in developing countries are particularly vulnerable to cuts following shocks such as the 2008 financial crisis and its aftermath.

Meanwhile, the water sector faces momentous challenges in the coming decades. Africa and Asia's urban population is forecast to double by 2030, with much of this growth in unplanned settlements, where high-density living conditions without adequate sanitation substantially raise the incidence of disease. Climate change increases the likelihood and intensity of extreme weather events, such as the 2010 and 2011 floods in Pakistan and the 2011 drought and consequent famine in the Horn of Africa, placing an even higher premium on building resilience to an uncertain future, including through sustainable access to water and sanitation.

*Off-track, off-target* explores why resources are not reaching those who need them most and why progress is slow, uneven and unjust. Political priorities lead governments to favor other sectors, focus on places already served, or exclude poor and marginalized groups. Inadequate information hampers policy-making and planning, and lack of transparency is an obstacle to good monitoring and scrutiny. Aid is not well coordinated, is only loosely targeted according to need, and its effectiveness is constrained by red tape and lack of alignment with government systems. The sustainability of services rarely receives the attention it requires. These factors in turn lead to weak capability to capture, absorb and spend funds effectively, and lead to a vicious cycle of low investment and poor performance.

The report recommends key actions for national governments, donors, international agencies and civil society to break the vicious cycle and get off-track countries back on-track to meet the MDGs. Strengthening planning and increasing resource allocation are essential starting points, but real results will only be delivered if these go hand in hand with improved targeting of investment to the countries and communities that need them most, and if these investments are built to last.

Above all, it is national governments in developing countries that bear primary responsibility for ending the scale and depth of water and sanitation poverty. Key steps they should take are:

- **Exert much stronger leadership of the sector, ensuring key institutions have appropriate resources and mandate with the required staff and skills in place at all levels.**
- **Substantially increase resources consistent with what is required to achieve the 2015 Millennium Development Goals and other high-level policy commitments:**
  - off-track countries in Sub-Saharan Africa should aim to spend at least 1% of GDP on sanitation and at least a further 2.5% on water supply.
  - off-track countries in South Asia should aim to spend at least 1% of GDP on sanitation.
- **Harness appropriate investment from households and the private sector to help address funding gaps and strengthen the sector.**
- **Place equity and sustainability at the heart of all approaches to delivering services.**

While actions at the developing country government level are critical in delivering the leadership and reform necessary to reverse the sector's ongoing neglect, they are not by themselves going to be enough. There is also a parallel effort required on the part of donors. Aid flows have to increase if the water and sanitation MDG targets are to be met in all regions. Aid has to go to where the need is highest: to the poorest and most off-track countries and states, to rural areas, to the urban poor, to marginalized groups. Excessive red tape should be cut, and funding provided in grant form to ensure affordability in the long term. There are also important actions that industrialized countries can take both to mitigate the negative impacts of financial volatility and climate change and address development funding gaps. Key steps donor governments and organizations should take are:

- **Double global aid flows to water, sanitation and hygiene to release an additional US\$10 billion per year in the run up to 2015 and beyond.**
- **Target aid on the basis of need: to Sub-Saharan Africa and South Asia in particular; to least developed, fragile and low-income countries; and to middle-income countries where need is high.**
- **Provide aid as grants rather than loans, and focus on communities in lower-middle-income countries where need is high.**
- **Reduce the burden of red tape on developing country governments and align aid with national policies and systems.**
- **G20 countries should consider innovative financing mechanisms, such as financial transaction taxes, carbon taxes, and international transport taxes as part of the funding solution and to mitigate the impacts of excessive financial volatility and dangerous climate change.**

Communities, civil society organizations (CSOs) and non-governmental organizations (NGOs) also have a critical role to play in making progress. They need to engage more actively in decision-making in order to generate bottom-up demand for change and hold governments to account for public investment in water, sanitation and hygiene. The UN General Assembly Resolution in 2010 that recognizes access to water and sanitation as human rights is an opportunity to strengthen the voice of those who do not have access to these services and to secure the necessary policy response from governments. Key steps civil society, NGOs and networks need to take are:

- **Stop neglecting water, sanitation and hygiene issues and actively engage governments in dialogue on sector policy and finance.**
- **Scrutinize public investment in water, sanitation and hygiene and hold governments and donors to account for progress.**
- **Support people without clean water and sanitation, in particular those with disabilities or special needs and marginalized or vulnerable groups, in claiming access to these basic human rights.**

Ending the water and sanitation crisis is ultimately a joint endeavor that requires concerted action and collaboration between governments, international organizations, civil society and the private sector. The Sanitation and Water for All (SWA) partnership brings many of the most important decision-makers together in one forum. It is the best opportunity in a generation to drive forward the political will, determination and leadership that is needed to end the crisis.

Governments, donors and civil society need to unite and:

- **Demonstrate high-level participation and support for the Sanitation and Water for All partnership which seeks to turn analysis into reform proposals, proposals into commitments, and commitments into actions.**

If we are to end the unacceptable attrition on children's lives brought about by water and sanitation poverty, national governments, bilateral donors, international agencies and civil society need now to bring about a step change in their approach. Let us make 2012 a turning point, the watershed when commitments become actions and this joint endeavor becomes a reality.

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## Section 1

# WASH sector status: off-track and off-target

## Awash with political commitments

There is no shortage of high-level political commitments to provide water, sanitation and hygiene (WASH) services to the world's poorest people<sup>1</sup>. The goal of “water and sanitation for all” was established over 30 years ago during the first UN International Decade of Water Supply and Sanitation (1980-1990). In 1990, the Delhi statement enshrined the principle of equity, calling for “some for all rather than more for some”. A decade later, Millennium Development Goal (MDG) 7 set a global target to halve the proportion of the global population without access to safe water. In June 2010, the UN General Assembly declared that access to safe and clean drinking water and sanitation are universal human rights essential to the full enjoyment of life and all other rights<sup>2</sup>. In May 2011, the Least Developed Countries (LDCs) committed to achieving water and sanitation for all by 2020.

### Box 1: MDG water and sanitation targets

MDG 7 addresses environmental sustainability, with a target (Target 10) to “halve by 2015 the proportion of people without sustainable access to safe drinking water and basic sanitation”. Almost all developing countries and donor governments committed to these targets at the UN Millennium Summit in 2000 and at the World Summit on Sustainable Development in Johannesburg in 2002.

Most developing countries have adopted further commitments at regional or national level in order to support progress toward MDG 7. In 2008, African Union (AU) governments signed the Sharm el Sheikh declaration, committing to increase the political priority given to water and sanitation and increase budgets and transparency for sanitation<sup>3</sup>. In South Asia, governments agreed to include sanitation as a basic right in constitutions when they signed the Delhi Declaration in 2008 and committed to increase funding toward sanitation at SacoSan IV in 2011. In Latin America, governments agreed at Latinosan in Foz de Iguazu in 2010 to prioritize sanitation in their national policies and committed to bringing sanitation to all citizens. The six WaterAid countries studied for this report all have national equivalents of MDG targets and many have set even more ambitious targets for achieving universal access (Table 1).

Table 1: National targets

Country	Political commitments	Date
Ethiopia	Universal Access Plan and Sanitation and Hygiene Strategic Action Plan to provide 98.5% of the population with access to clean water and 84% with basic sanitation (respectively). Ethiopia's MDG target for water supply is 63% (90% for urban and 57% for rural) while for sanitation it is 58% (81% for urban and 53% for rural).	End 2015
Ghana	MDG targets of 78% of population with access to water and 54% with access to sanitation.	2015
India	Universal access to clean water and sanitation.	Water by 2012, sanitation by 2012 (urban) and 2017 (rural)
Madagascar	Achieve MDG target: 65% access to clean water, 57.5% access to sanitation.	2015
Nepal	Three year plan to provide 100% of the population with access to water and sanitation.	2017
Tanzania	MKUKUTA II water targets for rural (65%), small towns (57%), urban (95%) and Dar es Salaam (75%) – and sanitation targets for rural (35%) and urban (45%).	2015

Source: national government documents

High-level political commitments are welcome but in many developing countries these have not yet translated into significant increases in public investment or the much-needed strengthening of public institutions, and poor people living without access to WASH have long since grown tired of empty rhetoric and broken promises. Meeting these commitments requires effective and credible planning backed by substantial increases in funding from governments and donors – in Sub-Saharan Africa alone there is an estimated annual funding shortfall of around US\$15 billion – targeted to ensure investments benefit those who need them most.

### Mixed progress and growing inequity

The 2015 deadline for meeting MDG targets for water and sanitation is little more than three years away and there is still a massive challenge remaining. The MDG Review Summit in 2010 reported that 884 million still lack access to clean water and 2.6 billion are still without sanitation. It concluded that while the global MDG drinking water target is on-track, due to progress in China and India in particular, large parts of the developing world remain off-track, and there is a growing disparity between regions. Sub-Saharan Africa has the highest number of people without access to water and only 20 countries in the region are on-track to meet the MDG water target<sup>4</sup>.

Figure 1: Progress to MDG and access to water facilities

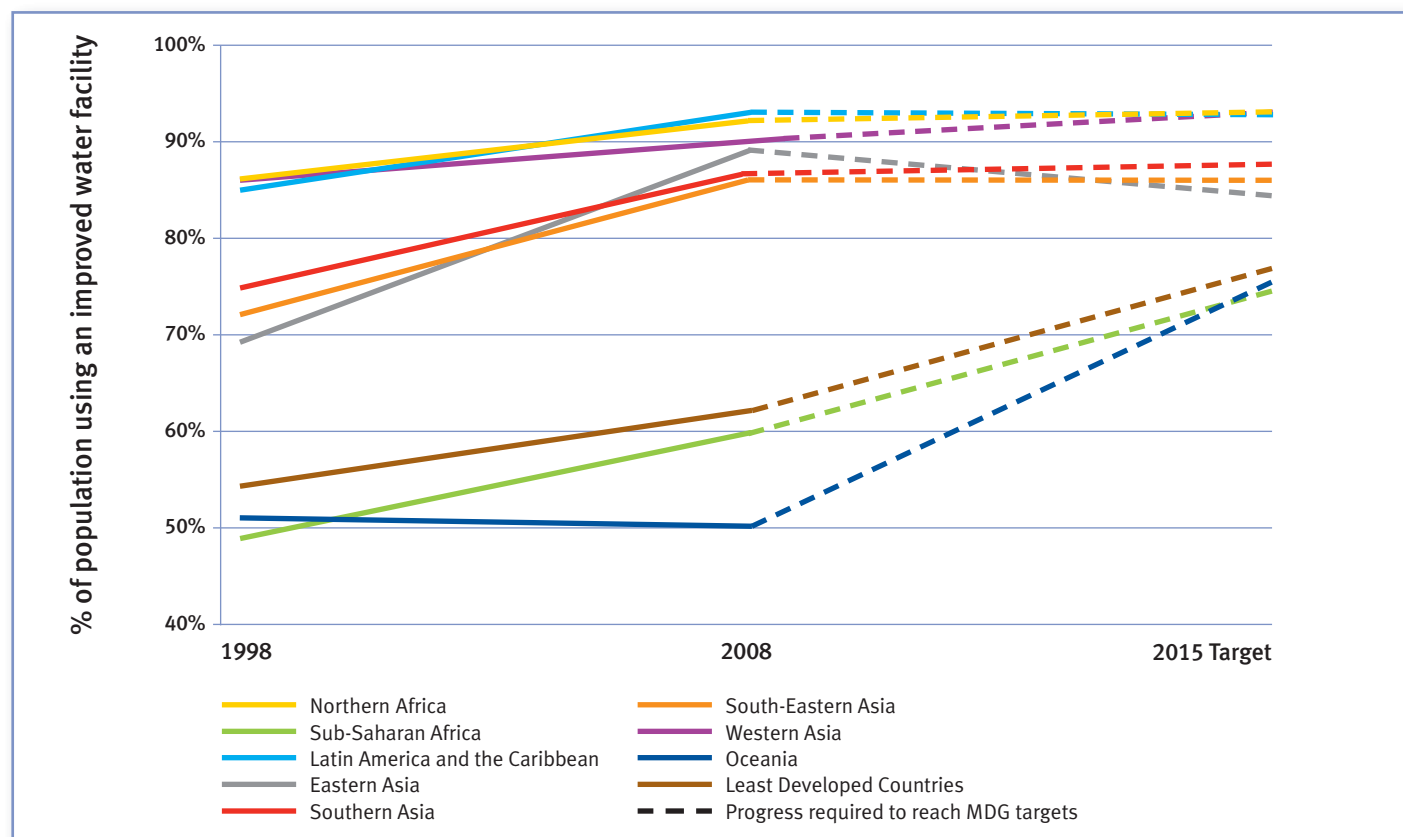
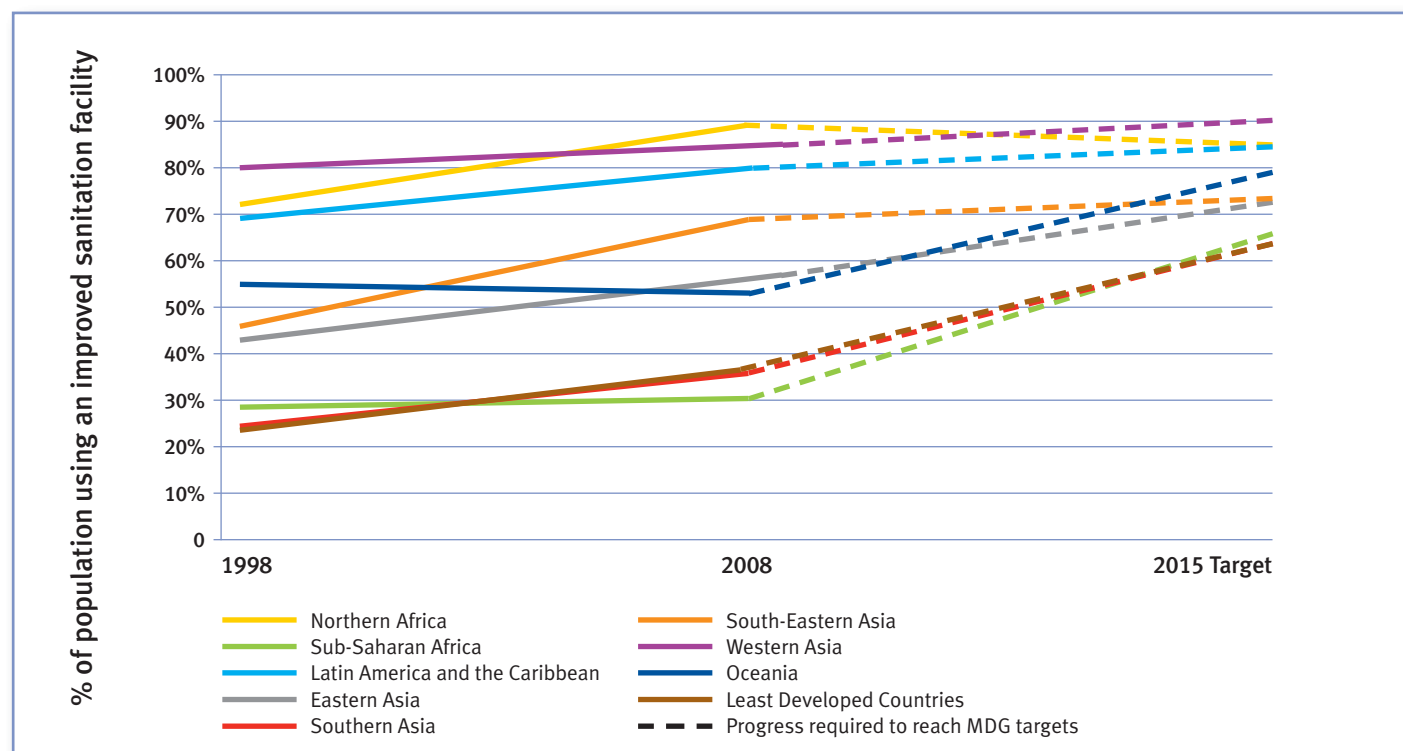


Figure 2: Progress to MDG and access to sanitation facilities



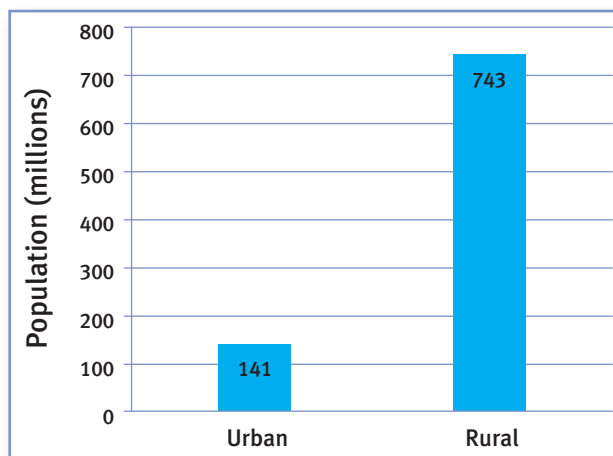
Source (both): WHO/UNICEF Joint Monitoring Programme, 2010 and UN MDG online database

Progress on sanitation has been even slower: despite all the commitments, sanitation provision has not kept pace with increases in population, and there are more people without access to sanitation in the world today than there were in 1990<sup>5</sup>. The latest projections show that the 2015 MDG sanitation target will be missed by as many as one billion people. At the MDG Review Summit it was noted that slow progress on WASH, particularly sanitation, in developing countries is holding back progress on all other MDGs<sup>6</sup>. Ultimately it is the world's poorest people that pay the highest price for the lack of progress. Diarrhea, 88% of which is due to inadequate WASH, is now the biggest killer of children in Africa and the second leading cause of death of children under five worldwide<sup>7</sup>.

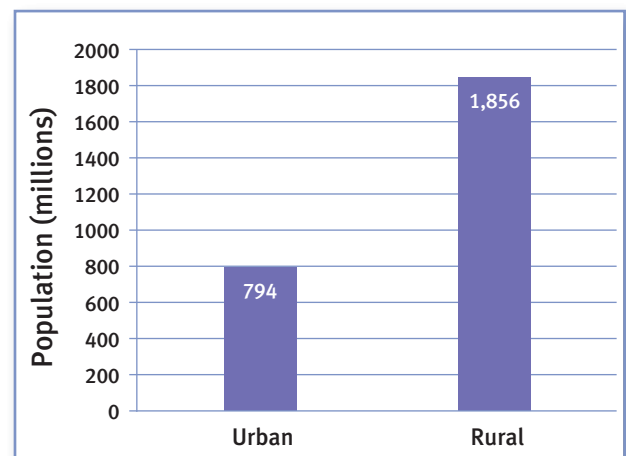
Global aggregate figures mask significant variations (Figures 1 and 2): Eastern Asia has made rapid progress on water access, but Oceania (the Pacific region) has regressed; Northern Africa is on track for sanitation, but progress in South Asia and Sub-Saharan Africa has stalled, and Oceania has regressed.

There are also significant differences in access levels in rural and urban areas and between rich and poor people. The rural population without access to clean water is over five times greater than that in urban areas (Figure 3). 94% of the urban population in developing countries has access to clean water, compared to 76% in rural areas, and 68% of the urban population has access to improved sanitation, compared with only 40% in rural areas.

**Figure 3:**  
Without access to water facilities, 2008



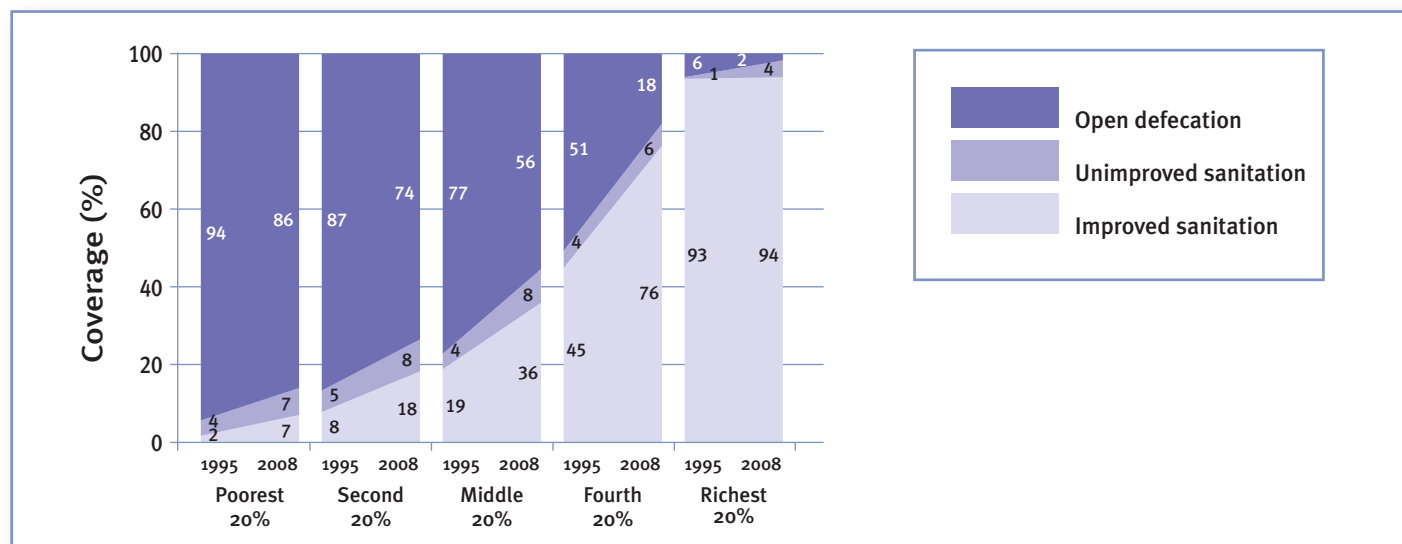
**Figure 4:**  
Without access to sanitation facilities, 2008



Source: WHO/UNICEF Joint Monitoring Programme, 2010

National averages can hide the large differences in access between rich and poor people, and these are particularly marked for sanitation in South Asia. Figure 5 shows that in this region, the poorest fifth of the population is over 13 times less likely to have access to improved sanitation<sup>8</sup>. In Sub-Saharan Africa rich people are more than twice as likely as poor people to have access to clean water, and almost five times as likely to have access to improved sanitation<sup>9</sup>.

Figure 5: Disparities in sanitation coverage across wealth groups in South Asia



Source: WHO/UNICEF Joint Monitoring Programme, 2010. Population weighted average for South Asia, based on surveys in Bangladesh, India and Nepal.

Gender inequality is also very marked. For families without a drinking-water source at home, it is usually women and girls who go to collect drinking water. Surveys from 45 developing countries show that this is the case in almost three-quarters of households<sup>10</sup>. This can involve several hours of walking and carrying water a day, reducing the time available for childcare, household chores or productive activity, and preventing children from attending school. Menstrual hygiene management has also been widely neglected in delivery of WASH services<sup>11</sup>. Lack of access to water and sanitation can also increase the risk for women of sexual harassment and rape, as they have to go to remote areas, often in darkness, to collect water or defecate.

Poor and marginalized groups are almost always the last to benefit from improved levels of coverage, despite the fact that both the costs of lack of access and the benefits from improved access are greatest for the poorest people<sup>12</sup>. Despite increasing numbers of people with disabilities, there is a distinct lack of funding for inclusive designs that increase access for disabled and older people. People living with HIV/AIDS require as much as five times more clean water than average, but this is frequently not available. WaterAid research in India illustrates how scheduled castes are denied access to water facilities and how scheduled caste children are not allowed to drink water from common sources at school<sup>13</sup>. Research from Nepal shows that certain remote villages in the Himalayas received no funding at all for WASH from the Government, donors or NGOs.

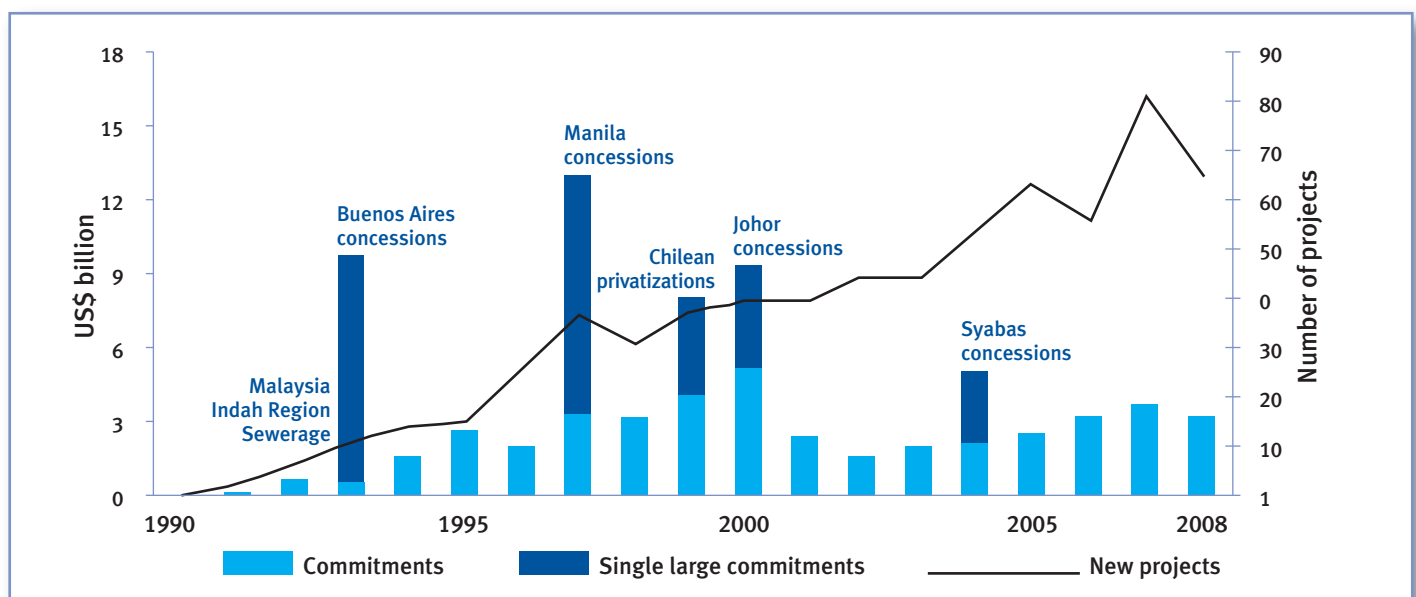
## Box 2: Inequity in WASH – unacceptable and avoidable

Improving equity in WASH is a common policy objective but rarely clearly defined. Equity is an ethical concept synonymous with social justice or fairness. Inequities are inequalities that are judged to be unfair in the sense that they are both unacceptable and avoidable. In terms of public policy, equity implies that available resources should be allocated on the basis of need, rather than means. Concepts of equity and fairness are common to all societies but approaches to achieving them differ. A common approach is to commit to achieving a minimum acceptable standard of access to WASH for all, regardless of disparities between groups. A more strategic approach however is to ensure that progress is shared and that disparities in access to WASH between more and less advantaged groups within society are minimized. For the purpose of this report we define progress towards achieving equity in WASH broadly in terms of efforts to end avoidable disparities in access between more and less advantaged groups.

## Public provision remains the norm with limited private sector investment

The water and sanitation sector exhibits significant network economies of scale, and it is typically more efficient to have a single supplier to a particular area. Historically, local natural monopolies have been in public ownership, and about 90% of the world's piped water is delivered by publicly-owned bodies, at both national and municipal levels<sup>14</sup>. Private sector participation in the sector has showed a steady increase in the number of projects per year over the past two decades with the largest private investments in middle-income countries. A series of large concessions in Argentina, Chile, India, Malaysia, and the Philippines contributed to a peak in private investment at \$13.2 billion in 1997, but a number of concessions ran into difficulties and investment has subsequently declined to less than \$3bn in 2008<sup>15</sup>.

Figure 6: Investment commitments v new projects (2008 US\$ billions)



Source: World Bank



**Off-track: almost 900 million people worldwide live without access to safe water and over 2.6 billion live without proper sanitation. Sub-Saharan Africa, South Asia and Oceania (the Pacific region) are the regions most off-track to achieve the MDG water and sanitation targets.**

Margaret Gambai, collecting water from an unsafe source, Kashishi village, Tabora, Tanzania.

Between 1998 and 2008 China attracted more than half of all water and sanitation projects with private participation in low and middle-income countries. Of a total of 552 projects, China implemented 291, representing more than US\$8.6 billion in investment commitments. About 60% of the private water projects in China are for sewage treatment plants. In South Asia, between 2000 and 2009 there were 12 projects in total, all of them in India and involving investment of \$400 million. In Sub-Saharan Africa there were 15 water and sanitation projects involving investments of US\$187 million in 13 countries. However, the rate of cancellation of private sector contracts for water supply in Africa has been much higher than elsewhere. Almost 30% have been terminated prematurely, and the number of active private operators has been reduced to four in South Africa, and one each in Cameroon, Cape Verde, Cote d'Ivoire, Gabon, Ghana, Mozambique, Niger and Senegal.

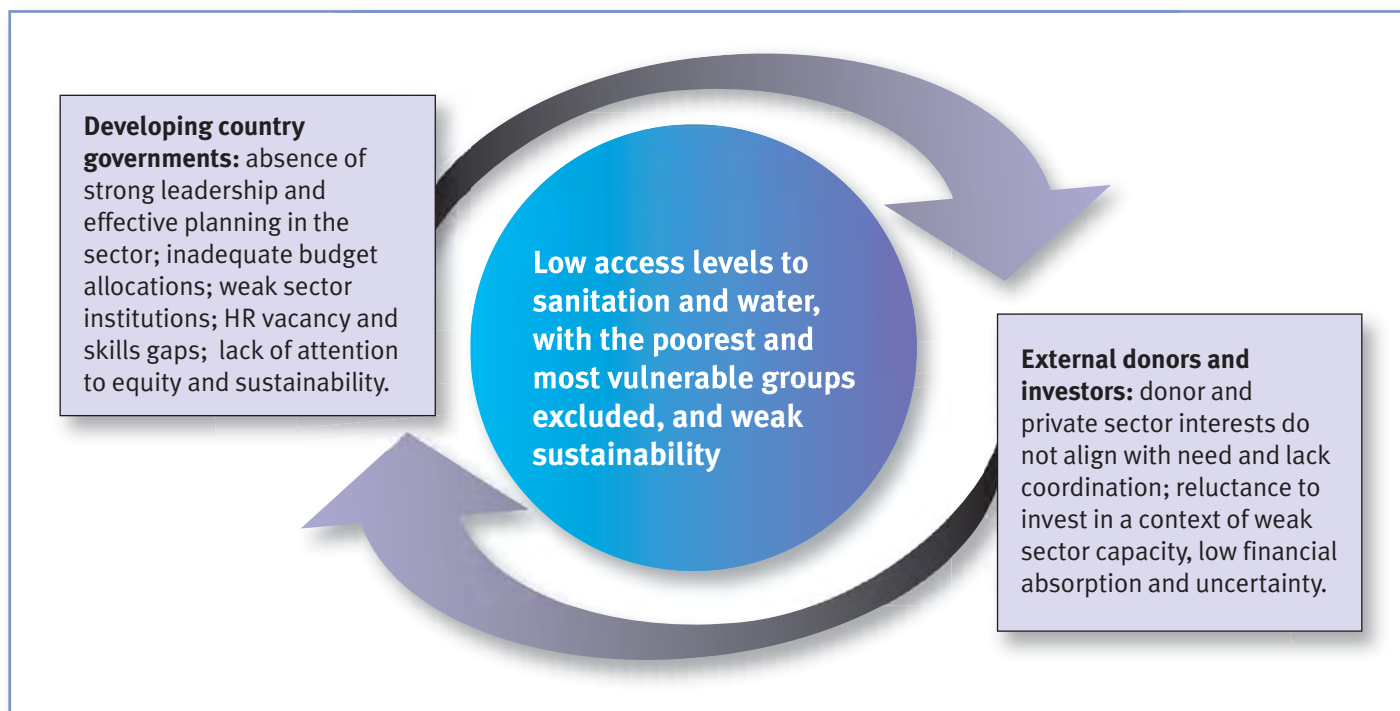
## Financial crisis aftermath threatens progress and sustainability

The scale of the challenge in meeting the WASH MDGs is further increased by the impact of the 2008 financial and economic crisis on developing countries and donors. The 2011 UN LDC Conference in Istanbul highlighted concerns about the impact of the 2008 international financial crisis on developing country government budget revenues, resulting in increasing fiscal deficits, for which the policy response has been to cut budget spending. The need for predictable flows of aid is thus all the more important in a recession. However, although industrialized (donor) countries regularly repeat their intention (first agreed in 1970) to allocate 0.7% of their gross national income (GNI) as overseas aid<sup>16</sup>, this is a distant prospect now for many EU countries, as they cut aid budgets in response to the current economic downturn and increased levels of public debt. Japan is likely to stay the biggest bilateral WASH donor, but the tragic 2011 earthquake and tsunami may well lead to reductions in its contribution to WASH<sup>17</sup>. Spending reductions to reduce US national debt also threaten disproportionately negative impacts on US aid budgets. There is a further risk that existing aid from donors will be delivered increasingly as lending rather than grants, adding to the problems faced by LDCs and others in achieving debt sustainability.

## Vicious cycle of low investment and weak performance

In many developing countries where the sector is weak, there is a vicious cycle of low investment and poor performance. Finance ministers, donors and the private sector are unwilling to increase investment in WASH in those countries, regions and communities that need it most due to concerns over sector performance and absorptive capacity<sup>18</sup>. Meanwhile, continued low levels of investment in the WASH sector in poorly performing countries, regions and communities further undermines already weak capacity to capture, absorb and spend funds effectively. The question of how to break the vicious cycle summarized in Figure 7 is a central focus of discussion in this report.





Figure 7: Vicious cycle of low investment and weak sector performance



## Populations without access increasingly concentrated

Achieving sanitation and water for all will depend heavily on progress in the 40 countries that account for 90% of the developing country population without access to water, and the 29 countries accounting for the same percentage of the developing country population without access to sanitation. Nine out of ten of these focus countries are located in Asia and Africa, and they include a mix of least-developed, low- and middle-income countries. While the LDCs and low-income countries should be priorities for external aid, some of the middle-income countries include very high numbers of un-served people and still require aid. Accelerating progress in these and other countries will require a combination of demand for change on the ground; political leadership at local, national and international levels; and coordinated action by national governments, donors, the private sector and civil society.

**Table 2: Countries accounting for 90% of the developing world population without access to water and sanitation**

Countries accounting for 90% of people in the developing world without access to water facilities (% share of developing country total)	Population without access to water (millions)	Countries accounting for 90% of people in the developing world without access to sanitation facilities (% share of developing country total)	Population without access to sanitation (millions)
China (16.9%)	148.4	India (31.7%)	818.4
India (16.3%)	147.3	China (23.4%)	607.3
Nigeria (7.3%)	63.6	Indonesia (4.2%)	109.2
Ethiopia (5.8%)	49.9	Nigeria (4.0%)	103.0
Indonesia (5.2%)	44.8	Pakistan (3.8%)	98.2
Dem Rep of Congo (4.0%)	34.9	Bangladesh (2.9%)	75.1
Bangladesh (3.7%)	33.2	Ethiopia (2.8%)	71.4
Tanzania (2.3%)	19.6	Dem Rep of Congo (1.9%)	49.5
Pakistan (2.0%)	17.9	Brazil (1.5%)	38.7
Sudan (2.0%)	17.7	Tanzania (1.3%)	32.4
Kenya (1.8%)	16.0	Sudan (1.1%)	27.3
Myanmar (1.7%)	14.4	Kenya (1.0%)	26.8
Afghanistan (1.6%)	14.1	Philippines (0.8%)	21.6
Mozambique (1.4%)	11.9	Vietnam (0.8%)	22.2
Madagascar (1.3%)	11.2	Ghana (0.8%)	20.4
Uganda (1.2%)	10.3	Nepal (0.8%)	19.8
Angola (1.0%)	8.9	Mozambique (0.7%)	18.7
Yemen (1.0%)	8.8	Afghanistan (0.7%)	17.1
Philippines (0.9%)	8.2	Madagascar (0.6%)	16.9
Niger (0.9%)	7.6	Uganda (0.6%)	16.6
Mexico (0.7%)	6.6	Mexico (0.6%)	16.3
Iraq (0.7%)	6.4	Côte d'Ivoire (0.6%)	15.8
Somalia (0.7%)	6.2	Burkina Faso (0.5%)	13.5
Brazil (0.7%)	6.0	Niger (0.5%)	13.4
Algeria (0.7%)	5.9	Iran (0.5%)	13.4
Morocco (0.7%)	5.9	Colombia (0.5%)	11.5
Cambodia (0.7%)	5.6	South Africa (0.4%)	11.7
Mali (0.6%)	5.6	Yemen (0.4%)	11.1
Chad (0.6%)	5.4	Cambodia (0.4%)	10.4
Vietnam (0.6%)	5.3	<b>Total 29 countries</b>	<b>2,327.7</b>
Peru (0.6%)	5.3		
Iran (0.6%)	5.3	 Least Developed Countries	
Zambia (0.6%)	5.0	 Other low-income countries	
Cameroon (0.6%)	4.9	 Lower-middle-income countries	
South Africa (0.5%)	4.6	 Upper-middle-income countries	
Ghana (0.5%)	4.2		
Côte d'Ivoire (0.5%)	4.1		
Papua New Guinea (0.5%)	4.0		
Senegal (0.4%)	3.8		
Burkina Faso (0.4%)	3.6		
<b>Total 40 countries</b>	<b>792.4</b>		

Source: WHO/UNICEF Joint Monitoring Programme, 2010



**Future challenges: rapid urbanization and growth of informal settlements is transforming the landscape of developing countries. Inadequate provision of sanitation and clean water in this context has huge consequences for public health and countries' development prospects.**  
View of the slum, Kamla Nehru Nagar, India.

## External changes present new challenges

There are also momentous changes underway in the world that will make it harder to make progress in providing water and sanitation. These include global warming and climate change, rapid urbanization and population growth.

In 2010 there were record greenhouse gas emissions, and according to the International Energy Agency, it is now unlikely that governments worldwide will be able to agree measures to contain the rise in global temperature below 2°C, which is judged to be the threshold for dangerous climate change<sup>19</sup>. This will increase the likelihood and the 2011 drought in the Horn of Africa.

The UN estimates that the global population passed seven billion in 2011 and forecasts it to reach nine billion by 2050, with two-thirds of people living in urban areas. In Sub-Saharan Africa, almost three-quarters of those living in urban areas are in informal settlements or slums, and the overall urban population in Africa is forecast to be three times as large by 2050<sup>20</sup> as it is today. The London School of Hygiene and Tropical Medicine has warned that the emergence of new pandemics is a real and imminent threat in the absence of safe sanitation and water in such environments.

Ageing populations also add to the challenge of achieving equity, as this will increase the numbers of disabled people in the world – currently one billion people or 15% of the global population, and this number is rising. The World Health Organisation puts safe water and sanitation at the center of helping to prevent disability and poverty<sup>21</sup>.

All of these external trends add to the urgency of acting on the issues raised in the following sections.



**Future challenges: climate change, caused by greenhouse gas emissions mainly in industrialized countries, increases the likelihood and intensity of extreme weather events such as flooding and drought. Effective planning backed by substantial funding will be needed to answer this challenge and build resilience for developing countries.**

The struggle to meet daily water needs during a drought in Niger.



**Low-priority: multiple high-level political commitments have so far failed to generate the funding needed to reach hundreds of millions without clean water and proper sanitation. There are more people without adequate sanitation today than there were in 1990. Pascoa Maulate at the swamp where she goes to the toilet, Manhau, Quelimane, Zambezia, Mozambique.**

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## Section 2

# Challenges for governments: a low-priority, vulnerable sector with sustainability at risk

## Developing countries assign low priority to WASH

During 2010, WaterAid undertook a series of studies looking at different factors affecting national-level resource allocation in developing countries. All the countries reviewed are signatories of the Millennium Declaration and have plans in place for improving access to water and sanitation that imply substantial increases in public spending on the sector. However, the actual resources budgeted and spent diverge significantly from this.

Research by the World Health Organisation (WHO) estimated the total spending required each year to meet the MDG targets for water and sanitation in developing countries was US\$18 billion, with the cost of maintaining existing services US\$5.4 billion<sup>22</sup>. Recent estimates of existing spending on the sector in developing countries are US\$14-16 billion<sup>23</sup>, and although these do not include household expenditure (which could be double the cost) they point to a significant shortfall in available funds – from both public and private sources.

An in-depth study focusing on the need for water and sanitation infrastructure in Sub-Saharan Africa by the African Union, African Development Bank, World Bank and others estimated a financing requirement of US\$22.6 billion a year. This compares with existing spending of US\$7.9 billion, leaving a gap of around US\$15 billion<sup>24</sup>. The study estimated that on average countries in Sub-Saharan Africa needed to spend 3.5% of GDP each year on WASH to achieve the MDGs, of which 2.6% was needed for water and 0.9% for sanitation. For low-income countries in Sub-Saharan Africa total WASH needs were much higher than the average and ranged between 7 and 12% of GDP.

Figure 8 shows general government allocations (including on-budget allocations from donors) to the water and sanitation sector as a percentage of GDP compared with allocations to the health and education sectors. Figure 9 shows the same WASH data for the African countries only, set against the e-Thekwini 0.5% of GDP (yellow arrow) and the estimated average levels of spending needed from general government and other sources to achieve the MDGs in Africa, which as a percentage of the annual national economic output are 0.9% for sanitation (green arrow) and 3.5% for WASH overall (red arrow).

Although government allocations and spending on WASH in each country each year involves many factors, including the existing state of the sector, coverage of the population, affordability, donor plans, private sector and household contributions, this comparison across countries supports the argument outlined in the vicious cycle that developing country governments are not doing enough.

Figure 8: Government expenditure by sector as % of GDP, 2009

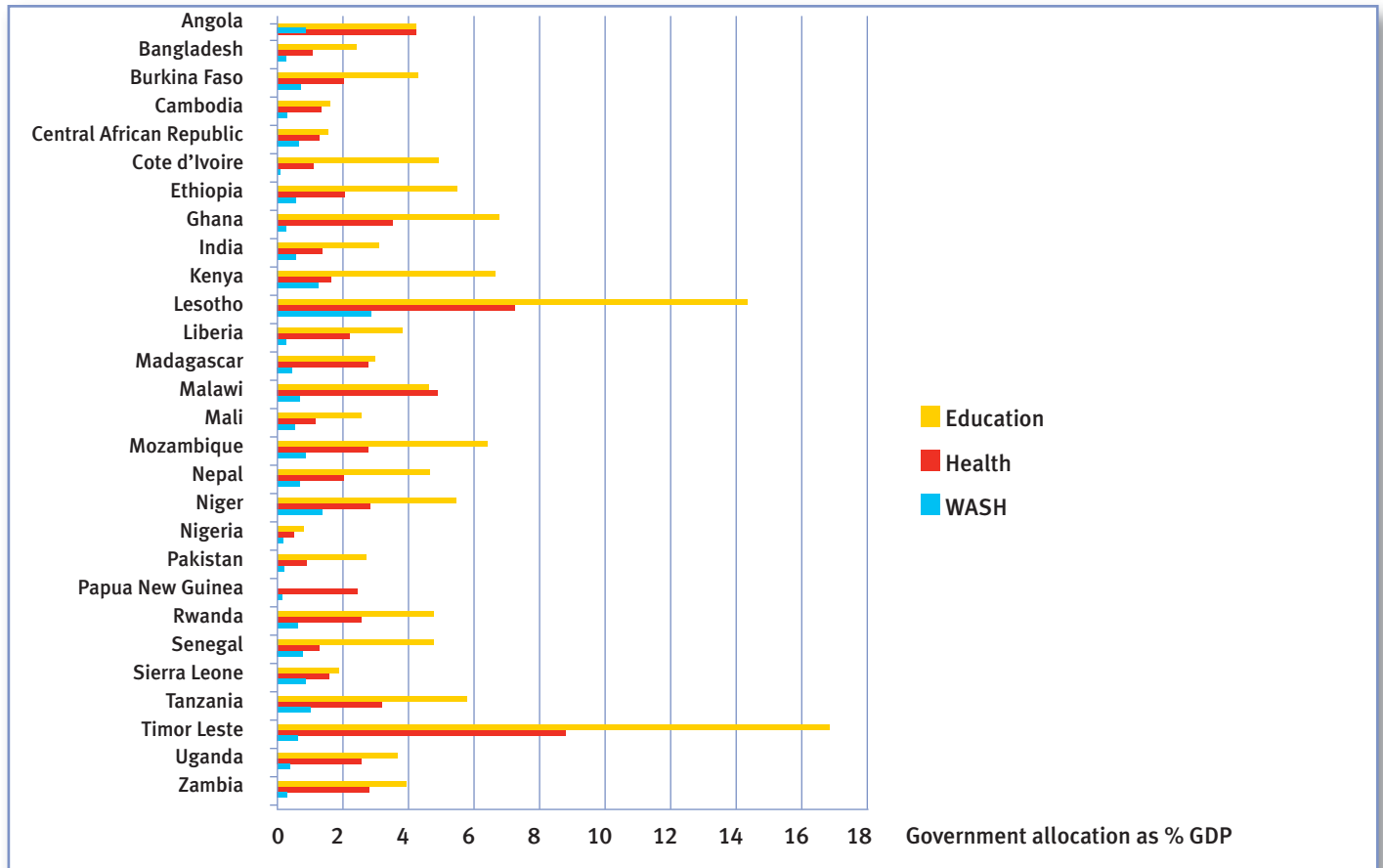
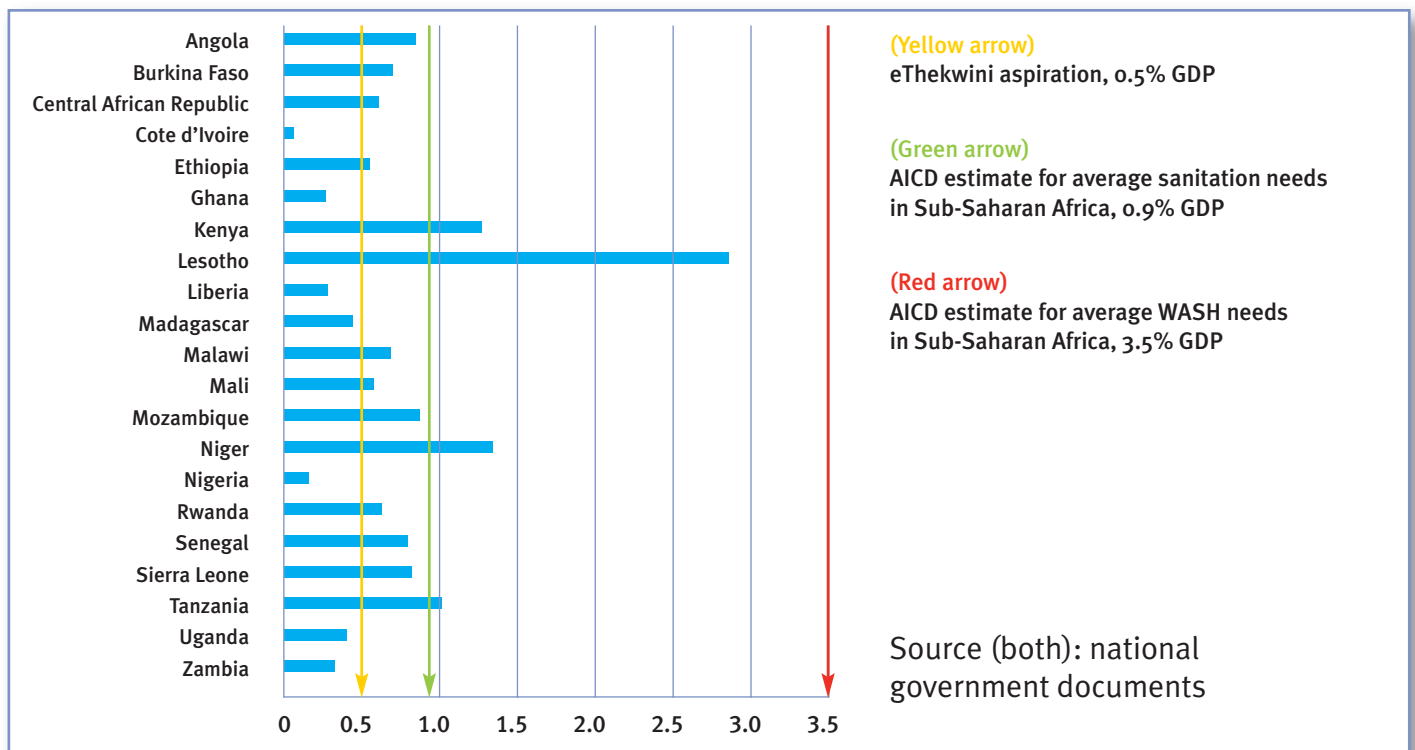


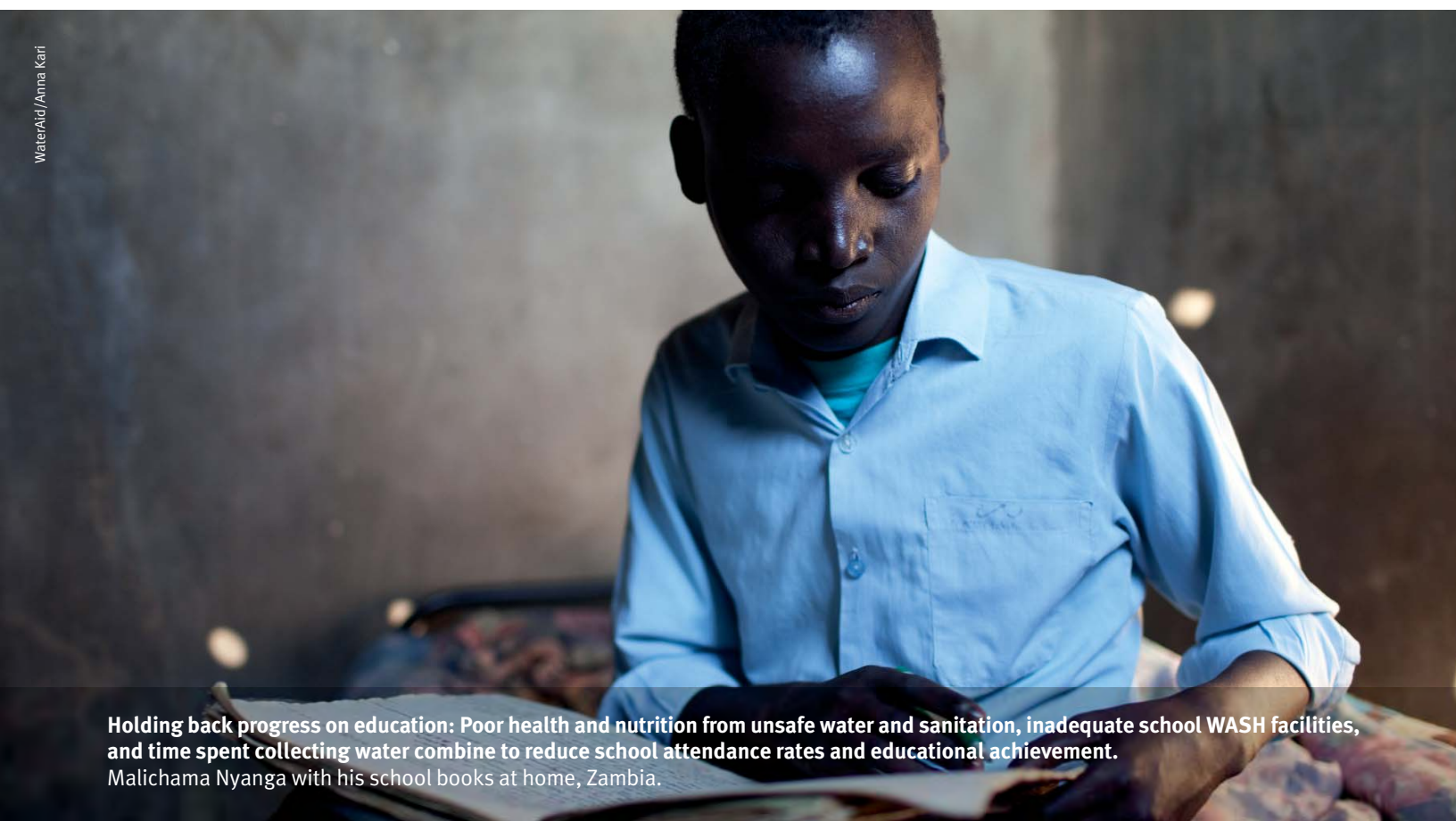
Figure 9: Government WASH expenditure in African countries as % of GDP compared with commitments and benchmarks, 2009



Similarly, the optimal annual levels of investment in WASH, health and education can only be determined on a country-specific basis, though for all the countries shown, central government allocations to WASH have been considerably lower than those to health and education. Funds allocated to education averaged over 10 times more than those for WASH activities and health averaged over five times more than WASH. Of the African countries shown, none met the eThekweni aspiration to allocate government spending of 0.5% of GDP to sanitation. Even for those that allocated more than 0.5% of GDP to the sector, the available data suggest that this was mostly spent on water.

Analysis of political economy highlights the lack of influence of WASH sector ministries with the Ministry of Finance, and in particular with the budget process. Lead ministries, particularly those responsible for sanitation, tend to be less powerful than their counterparts in health and education in terms of their ability to engage in successful policy advocacy. This has an impact on the priority accorded to the sector and its ability to obtain resources in the budget process. Just as importantly, it affects decisions on funding made after the budget has been set, and it is often these decisions that determine actual levels of expenditure across sectors in low-income countries facing financial constraints.

This cross-country comparison is reinforced by the individual case studies conducted by WaterAid country programs. In Ethiopia the Universal Access Plan (UAP), developed in 2005 and revised in 2010, includes targets to provide 98.5% of the population with access to water. The sanitation and hygiene strategic action plan developed in 2010 aims to provide 84% of the population with basic sanitation by 2015. However, the UAP has not been funded with the levels needed to meet the national target. This is particularly the case for sanitation funding: over the five years to 2010, the per capita budget envisaged in the UAP for sanitation was Ethiopian Birr 60<sup>25</sup>, while the actual spending was only Birr 1. WaterAid in Ethiopia estimates government spending on sanitation was only 0.05% GDP in 2009.



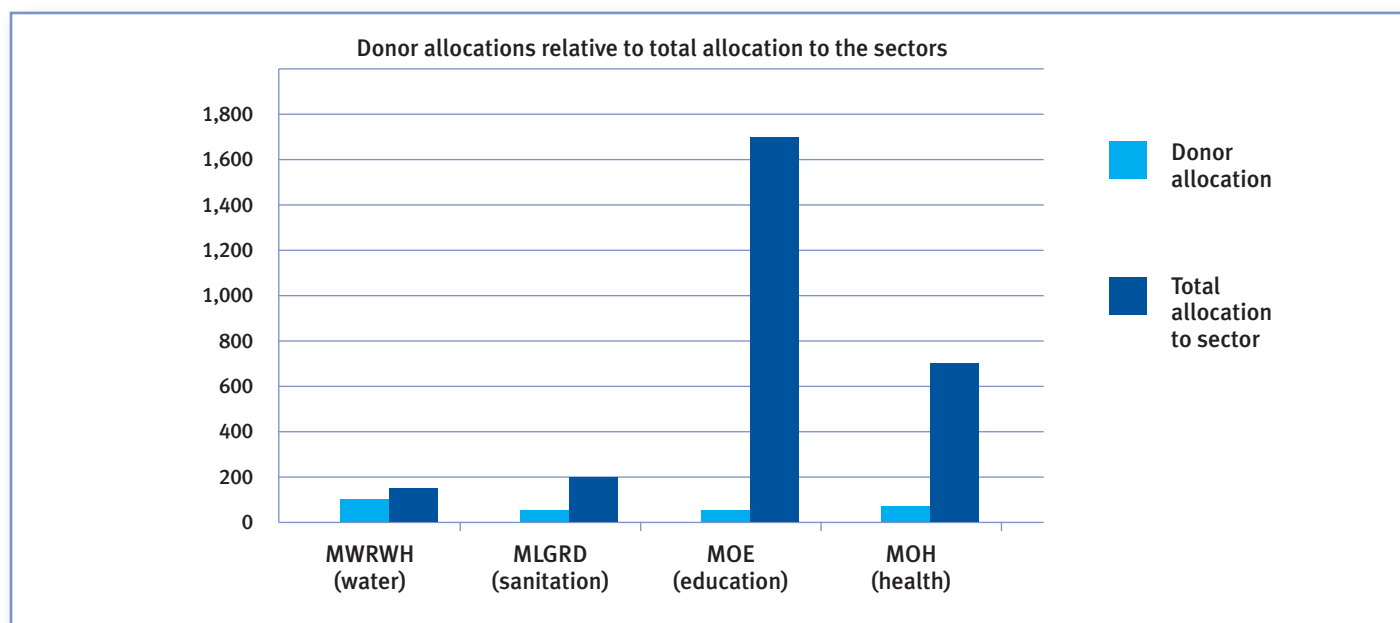
**Holding back progress on education: Poor health and nutrition from unsafe water and sanitation, inadequate school WASH facilities, and time spent collecting water combine to reduce school attendance rates and educational achievement.**  
Malichama Nyanga with his school books at home, Zambia.

In Nepal there is a similar story of the WASH sector receiving low priority when compared with other parts of the budget. Over the financial years 2007-08 through 2009-10, the proportion of the national budget going to water and sanitation has remained stable at about 3.2%, while other social services have risen over the same period from under 4% to over 10% of the budget. Despite repeated outbreaks of cholera and a high level of child mortality, sanitation remains a significant challenge. Although the budget for sanitation has increased over the last two fiscal years, from Rupee 50 million to 70 million (about US\$700,000 rising to US\$1 million), to achieve the sanitation MDG target, WaterAid in Nepal estimates that an annual budget of Rupee 1 billion is required, or a fourteen-fold increase from current levels<sup>26</sup>.

In Tanzania, the Water Sector Development Programme (Sector Wide Approach) has been through a turbulent year. Donors stopped releasing funding to the basket in April 2010. The Government of Tanzania has also not met its financial commitment to the program. Funds provided by the Government were around two-thirds short of its original commitment for financial years 2007-08 through to 2009-10. This shortage of funds has led to a financial crisis in the water sector and caused a serious delay in program implementation, with work halted in some cases<sup>27</sup>.

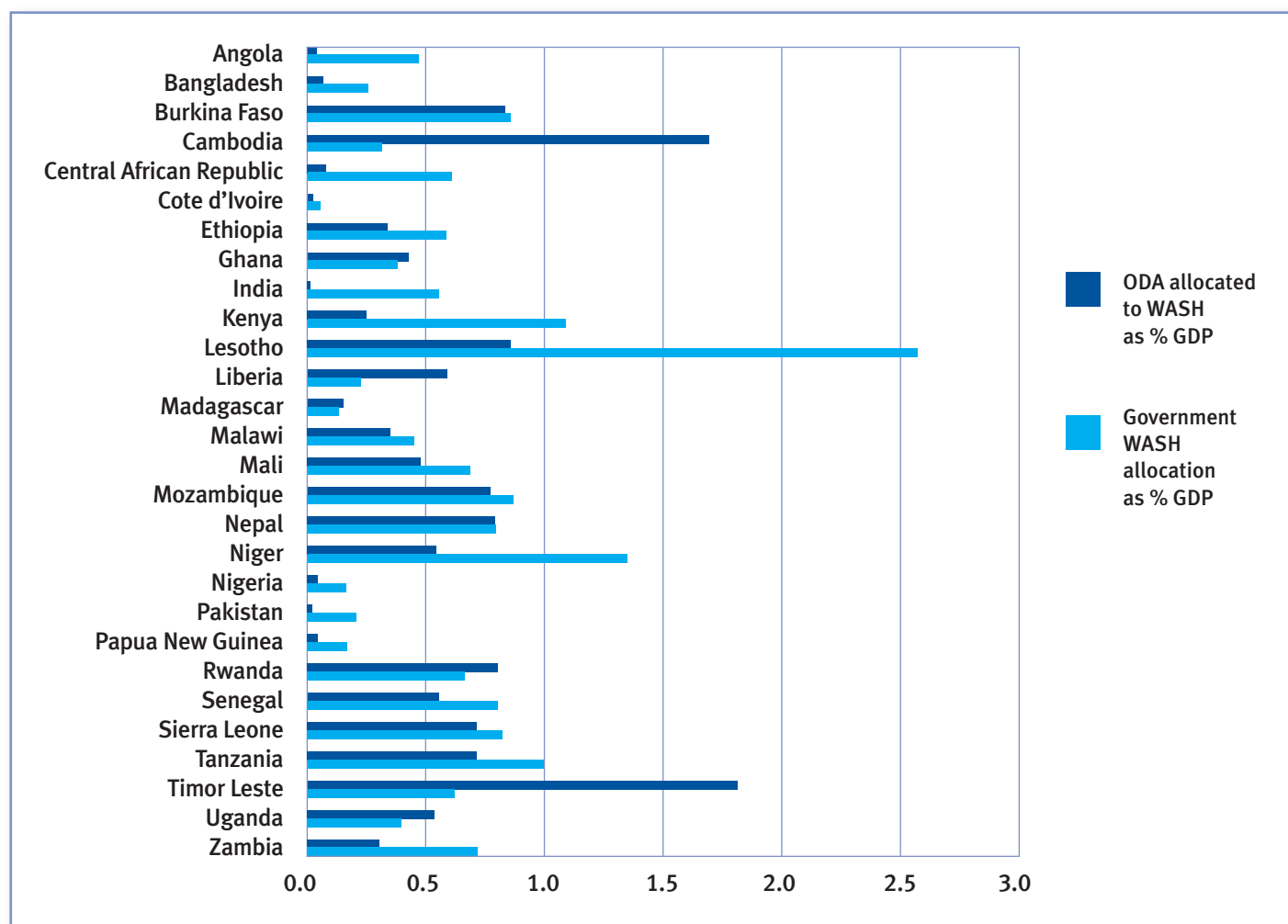
In Ghana, the WASH sector is dominated by donors, with very little funding from the Government. Donors provided 78% of funds for the Ministry for Water Resources, Works and Housing (MWRWH) in 2010, and 38% for the Ministry for Local Government and Rural Development (MLGRD), which is responsible for sanitation. By comparison, the donor shares of funding for the Ministry of Education (MOE) and Health (MOH) were 5% and 15% respectively (see Figure 10). The data suggest a relative neglect of the WASH sector compared to health and education in terms of the Government of Ghana's (though not donors') prioritization and raises questions as to whether the national government can effectively exert leadership over the sector.

Figure 10: Ghana – Government and donor allocations across social sectors, GH¢ million



Source: WaterAid analysis of Ghana Government 2010 data

Figure 11: Comparison of donor funding with national allocations



Source: national government documents and OECD Creditor Reporting System database

Ghana is not an isolated case in being highly dependent on external funding. Figure 11 compares reported donor funding to the sector with the national allocations from Figure 8. It shows that donor aid to the WASH sector as a percentage of GDP is higher than government budget allocations for WASH in Cambodia, Ghana, Liberia, Madagascar, Rwanda, Timor-Leste and Uganda, indicating both a donor-dominated sector and also that significant amounts of aid to the WASH sector in these countries are not recorded in central government budgets and accounts, or are off-budget. In Burkina Faso, Mozambique and Sierra Leone, the data show donor funding for the WASH sector is of the same order of magnitude as government spending, which again implies that the sector is predominantly donor-financed, or that there is significant off-budget funding. By contrast, donor funding is relatively low in Angola, Bangladesh, Central African Republic, India, Kenya, Nepal, Nigeria, Pakistan and Papua New Guinea.

## National expenditure on WASH uneven and unpredictable

As well as indicating that the sector is neglected in terms of financing, the cross-country analysis shows that allocations are uneven and unpredictable, as well as vulnerable to external events. For example, the 2008 international financial crisis hit developing countries hard, reducing growth rates, exports and capital inflows. This led to reduced government budget revenues and increasing fiscal deficits, for which the policy response was to cut budget spending. Recent analysis shows that two-thirds of developing countries cut budgets in 2010 to one or more of the priority pro-poor sectors of education, health, agriculture and social protection<sup>28</sup>. Of the 28 countries reviewed here, more countries reduced their budget allocation to the WASH sector in 2009, as a percentage of GDP, than maintained or increased it. The picture is the same for 2010, with more countries showing a reduction in WASH sector allocations. Table 3 highlights in red where allocations have fallen relative to the previous year.

Table 3: Variations in annual government spending on water and sanitation<sup>29</sup>

Water and sanitation expenditure, % of GDP			
Country	2008	2009	2010
Angola	0.48%	0.86%	0.65%
Bangladesh*	0.26%	–	–
Burkina Faso	0.86%	0.71%	1.85%
Cambodia	0.32%	–	–
Central African Republic	–	0.62%	0.21%
Cote d'Ivoire	–	0.06%	–
Ethiopia	0.60%	0.56%	0.46%
Ghana	0.38%	0.28%	0.29%
India* <sup>30</sup>	0.57%	0.54%	0.45%
Kenya*	1.10%	1.28%	0.86%
Lesotho*	2.59%	2.88%	2.57%
Liberia*	0.23%	0.28%	–
Malawi*	0.46%	0.69%	0.40%
Mali	0.69%	0.58%	0.41%
Madagascar	0.14%	0.46%	0.28%
Mozambique	0.88%	–	1.53%
Nepal*	0.80%	0.70%	0.79%
Niger	–	1.36%	1.13%
Nigeria	–	–	0.18%
Pakistan	0.22%	0.20%	–
Papua New Guinea	–	–	0.17%
Rwanda	0.67%	0.64%	0.59%
Senegal	–	0.81%	–
Sierra Leone	–	–	0.83%
Tanzania	1.01%	1.03%	0.94%
Timor Leste	–	0.63%	2.03%
Uganda	0.42%	0.41%	–
Zambia	0.73%	0.33%	0.56%

\*Fiscal years: green = increase in expenditure projections, red = decrease

Source: national government documents

In some cases, the fluctuations in allocations will reflect the “lumpiness” of capital investment, for example a large project coming on stream may cause a sharp increase in one year, or a project coming to a close could lead to a fall. This would all be consistent with good planning and financial management, but other factors identified include adjustments to original budgets, delays in release of funds by finance ministries, and changing donor priorities or timescales<sup>31</sup>. Cash budgeting systems (where public spending reacts swiftly to any fluctuations in tax or other government revenues), which are common in many countries, add to the unpredictability of funding from finance ministries. Budgets that fluctuate as much as those of countries reviewed mean that the sector cannot effectively plan over time, impacting negatively on the sustainability of essential WASH services.

## Sustainability of services often at risk

As well as leading to slower progress in extending access, the low priority allocated to the sector by national governments undermines the sustainability of services delivered. The evidence suggests that water and sanitation infrastructure provided by governments, donors or NGOs has in many cases fallen into disrepair and ceased to work as intended or at all. In Nepal the official figure for access to clean water is 80% of the population, but when the functionality of water points is taken into account, the coverage falls to as low as 53%<sup>32</sup>. In Malawi, the Joint Sector Review identified that only 63% of water points were functional. In Uganda, the Government estimates functionality of water points at 80%, with very old boreholes, low water quality, low aquifer yields, and problems in securing sufficient community financing among the causes for failure of established water points. Part of the problem is that governments have not been able to influence donors and NGOs to provide support for recurrent expenditure, as well as new investments. Donors in many cases are prepared to provide capital expenditure for new investments, such as new sanitation infrastructure or new handpumps, but they do not consider operation and maintenance to be their responsibility, rather that of the government or communities. Recent research in rural areas in Ghana has identified many villages with a history of repeated capital investment with short life spans, while increasing expenditure on maintenance and direct support could have led to a substantial decrease in overall costs. It would be more cost-effective for example to replace every handpump every five to ten years, than to wait for them to fail and put at risk a borehole, which is 20 times as expensive to repair or replace<sup>33,34</sup>.

## Slow pace of decentralization undermines progress

In many developing countries decentralization reforms got underway in the 1990s with the aim of transferring decision-making to local governments to make service provision more responsive to community needs. WaterAid research has shown that the implementation of decentralization has not matched the policy commitments however<sup>35</sup>. In the 12 countries studied, nearly two-thirds of capital expenditure for water and sanitation was outside of the local government budget and their direct control, increasing the risk of duplication and inequitable coverage. The study found that local governments’ own expenditure on water and sanitation barely reached \$6 per capita per annum, with little scope for effective new investment and maintenance.



**Holding back progress on gender equality and productivity: In much of rural Africa and South Asia, women and children spend several hours a day collecting water, often from unsafe sources.**

A girl collects water from an unsafe source, Moramanga, Madagascar.

## Section 3

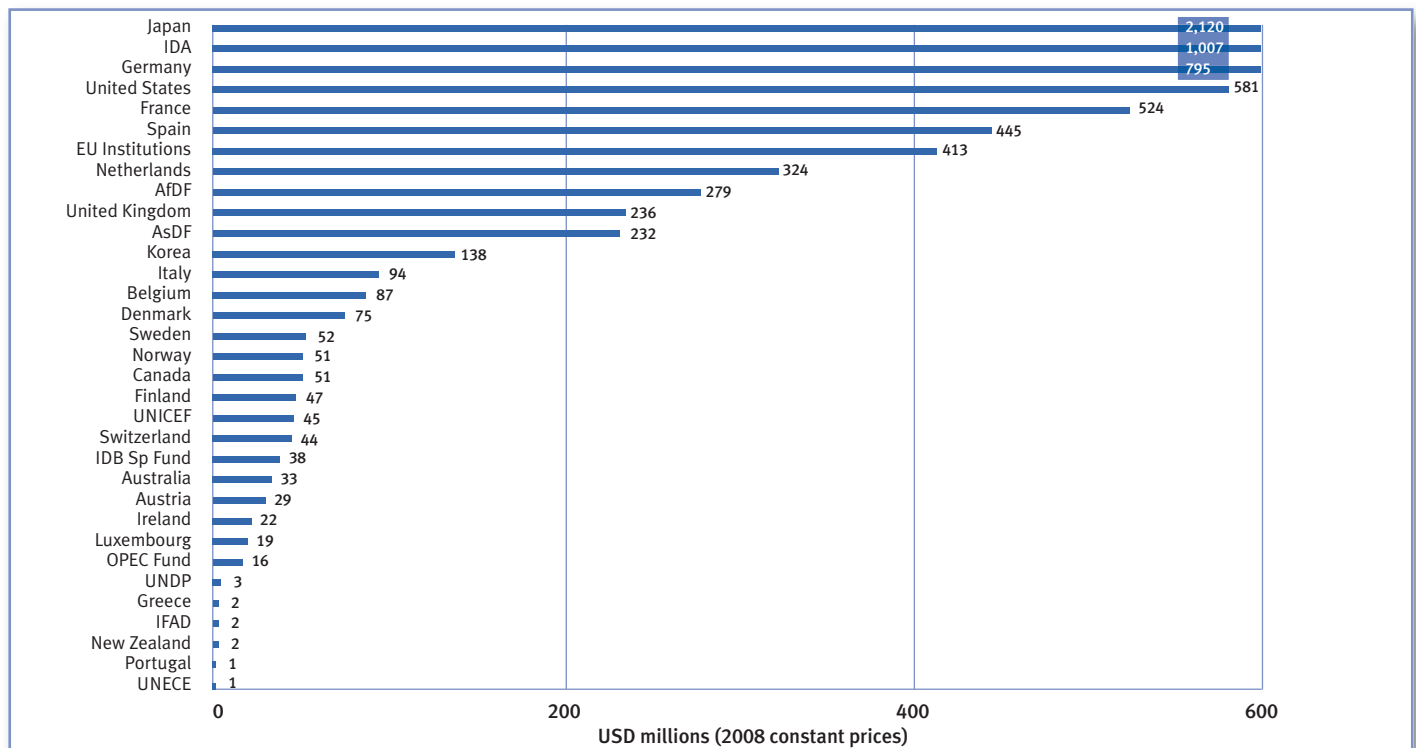
# Challenges for donors: insufficient, unpredictable and off-target funding

## A contracting share of total aid for WASH

Aid to the WASH sector has shown a steady increase over the last three decades, rising from US\$2 billion in 1980 to US\$8.8 billion in 2009<sup>36</sup>, and over this period remaining between 3.5% and 8% of total aid flows. Although the G8 Summit and the launch of the Evian Water Action Plan led to an increase after 2003, both in total aid to WASH and in relation to other sectors, the overall picture of the last decade has been one where WASH aid has fallen relative to other sector aid. Global aid has risen steadily to US\$128.7 billion in 2010, but WASH aid as a share of global aid has steadily fallen. It was over 8% of total aid in the mid-1990s, but by 2009 had fallen to below 5.5%.

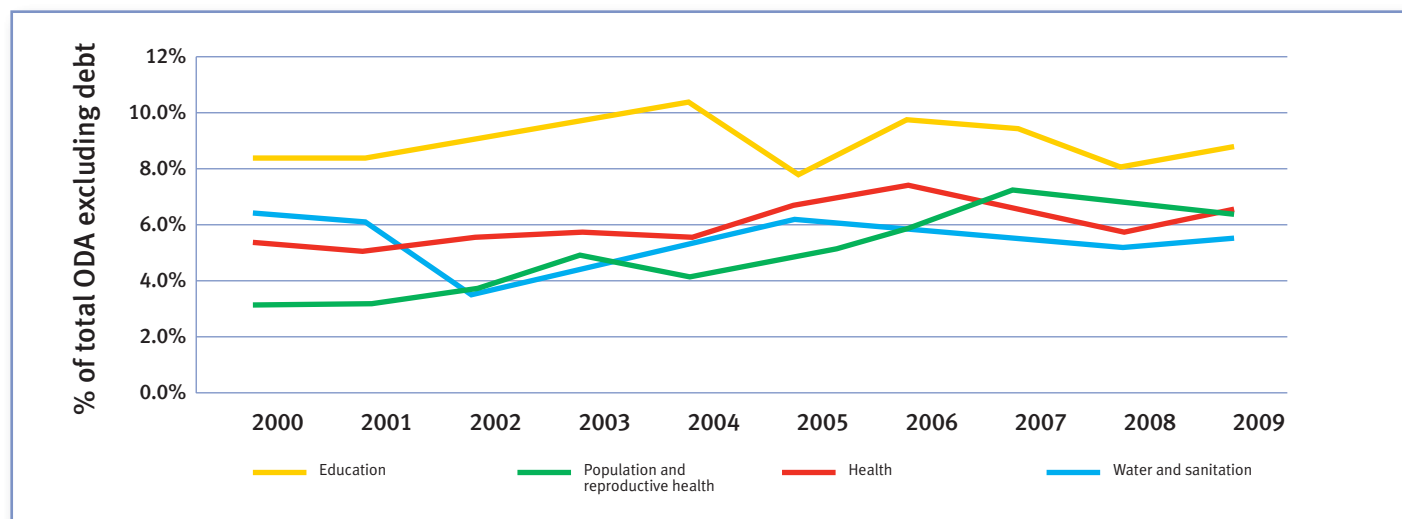
G7 countries are the largest bilateral donors to WASH, with Japan committing an annual US\$2.1 billion over 2007-09, Germany US\$795 million, the USA US\$581 million, France US\$524 million and the UK US\$236 million. The International Development Association (IDA) is the most significant multilateral donor to the sector, committing an annual US\$1 billion over 2007-09.

Figure 12: Water and sanitation aid per donor, 2007-09 annual averages



Source: OECD Creditor Reporting System

Figure 13: Sector commitments as a % of total ODA



Source: OECD Creditor Reporting System

Figure 13 shows how Organization for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) donor priorities have shifted away from WASH and toward other social sectors, despite the fact that many developing countries remain seriously off-track to meet the MDG WASH targets. In the absence of a rational needs-based approach to global aid allocations, frequently changing donor priorities are leading to unbalanced inputs, and skewed and sub-optimal outcomes. Furthermore, the declining share of aid budgets going to WASH threatens to undermine the potential impact of aid allocations to other social sectors, including health, education and nutrition. This is indicative of a wider problem around the targeting of aid and sector allocations where there has been a complete absence of effort to establish an integrated approach to building basic social services. Clean water and proper sanitation are the foundations of human health and wellbeing, but collectively donors are failing to grasp this fundamental point.

## WASH aid volumes insufficient to address the scale of need

Although donor funding to the sector has increased over the past decade, it falls far short of what is required if the MDG target on sanitation is to be met globally, and if the MDG water target is to be met in all regions. Aid funding will need to be a significant part of the financing gap discussed in Section 2, but at current levels its global contribution is minimal in comparison. The AICD study focusing on the need for WASH infrastructure in Sub-Saharan Africa estimated a funding gap of US\$15 billion to meet the MDGs. This is now three years old, and the gap will certainly have increased. While African governments, households and the private sector will all need to close this gap if the MDGs are to be met, donor aid will need to increase substantially from its current level of US\$2.3 billion a year to Sub-Saharan Africa.

Although there are positive examples of donors increasing their aid to WASH, including the African Development Fund's substantial increase to US\$280 million<sup>37</sup>, and Australia's increase from A\$45 million in 2008-09 to A\$175 million in 2010-11 and its plans to increase further to A\$350 million by 2014-15<sup>38</sup>, others such as Sweden, Norway and the Inter-American Development Bank Special Fund have reduced their WASH aid budgets over recent years<sup>39</sup>.

The UK, which as recently as 2009 announced its intention to increase its WASH funding for Africa to £200 million a year, spent only half that amount worldwide in 2010-11<sup>40</sup>.

## WASH aid weakly correlated with need

The top ten aid recipients over the past decade are in most cases not the poorest countries or the most off-track for MDG targets. The list (Table 4) is dominated by middle-income countries<sup>41</sup>, with many LDCs, where need is high, not featuring at all<sup>42</sup>. All too frequently those countries capturing most WASH aid reflect the broader strategic interests of donor countries. India and China were top 10 recipients for WASH aid for nine and eight years respectively, which is consistent with the fact that these two countries are home to the greatest number of people without water and sanitation facilities. By contrast Malaysia, an upper-middle-income country, was the second biggest recipient of Official Development Assistance (ODA) in both 2000 and 2005, despite the fact that access to water and sanitation already stood at 92% and 97% respectively in 2000. Iraq has been in the top 10 since 2004, reflecting G7 prioritization of post-war reconstruction, and attracting US\$3.7 billion of aid in just six years.

Table 4: Top 10 recipients of WASH aid globally, US\$ million (% of total WASH aid)

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>China</b> 628 (12%)	<b>Vietnam</b> 409 (9%)	<b>Vietnam</b> 308 (10%)	<b>India</b> 356 (8%)	<b>Iraq</b> 999 (18%)	<b>Iraq</b> 805 (12%)	<b>India</b> 729 (10%)	<b>India</b> 1029 (15%)	<b>Iraq</b> 604 (9%)	<b>India</b> 747 (9%)
<b>Malaysia</b> 427 (8%)	<b>India</b> 353 (7%)	<b>China</b> 255 (8%)	<b>Vietnam</b> 272 (6%)	<b>Vietnam</b> 554 (10%)	<b>Malaysia</b> 774 (11%)	<b>Iraq</b> 711 (10%)	<b>China</b> 617 (9%)	<b>Vietnam</b> 534 (7%)	<b>Vietnam</b> 741 (9%)
<b>Peru</b> 338 (7%)	<b>Nepal</b> 324 (7%)	<b>Yemen</b> 233 (7%)	<b>China</b> 257 (6%)	<b>Ghana</b> 365 (7%)	<b>India</b> 622 (9%)	<b>Vietnam</b> 483 (7%)	<b>Tanzania</b> 378 (5%)	<b>Mozambique</b> 328 (4%)	<b>Iraq</b> 421 (5%)
<b>Morocco</b> 244 (5%)	<b>OPT</b> 305 (6%)	<b>Dem Congo</b> 136 (4%)	<b>Tanzania</b> 250 (6%)	<b>Nigeria</b> 281 (5%)	<b>China</b> 583 (8%)	<b>Bangladesh</b> 381 (5%)	<b>Kenya</b> 323 (5%)	<b>India</b> 309 (4%)	<b>Azerbaijan</b> 321 (4%)
<b>Mexico</b> 196 (4%)	<b>Morocco</b> 275 (6%)	<b>India</b> 123 (4%)	<b>Kazakhstan</b> 207 (5%)	<b>Brazil</b> 200 (4%)	<b>Nigeria</b> 237 (3%)	<b>Indonesia</b> 304 (4%)	<b>Bangladesh</b> 285 (4%)	<b>Morocco</b> 267 (3%)	<b>Burkina Faso</b> 299 (3%)
<b>India</b> 182 (4%)	<b>Senegal</b> 260 (5%)	<b>Uganda</b> 105 (3%)	<b>Sri Lanka</b> 203 (5%)	<b>China</b> 187 (3%)	<b>Vietnam</b> 225 (3%)	<b>Morocco</b> 278 (4%)	<b>Vietnam</b> 217 (3%)	<b>Ethiopia</b> 24 (3%)	<b>Turkey</b> 277 (3%)
<b>Jordan</b> 181 (4%)	<b>China</b> 257 (5%)	<b>Jordan</b> 81 (3%)	<b>OPT</b> 165 (4%)	<b>Tunisia</b> 175 (3%)	<b>Indonesia</b> 202 (3%)	<b>China</b> 272 (4%)	<b>Iraq</b> 213 (3%)	<b>Dem Congo</b> 239 (3%)	<b>Tunisia</b> 273 (3%)
<b>Vietnam</b> 169 (3%)	<b>Egypt</b> 166 (3%)	<b>Chad</b> 80 (3%)	<b>Uganda</b> 118 (3%)	<b>Morocco</b> 133 (2%)	<b>Jordan</b> 157 (2%)	<b>Ethiopia</b> 206 (3%)	<b>Dem Congo</b> 202 (3%)	<b>Sri Lanka</b> 239 (3%)	<b>Dem Congo</b> 221 (3%)
<b>OPT<sup>45</sup></b> 131 (3%)	<b>Burkina Faso</b> 149 (3%)	<b>Egypt</b> 79 (2%)	<b>Jordan</b> 117 (3%)	<b>Ethiopia</b> 123 (2%)	<b>Egypt</b> 148 (2%)	<b>Afghanistan</b> 196 (3%)	<b>Ethiopia</b> 196 (3%)	<b>Indonesia</b> 212 (3%)	<b>Bangladesh</b> 216 (2%)
<b>Zambia</b> 118 (2%)	<b>Bangladesh</b> 146 (3%)	<b>Nigeria</b> 74 (2%)	<b>Macedonia</b> 107 (3%)	<b>Benin</b> 123 (2%)	<b>OPT</b> 133 (2%)	<b>Costa Rica</b> 148 (2%)	<b>Panama</b> 186 (3%)	<b>Jordan</b> 177 (2%)	<b>Jordan</b> 206 (2%)

Upper-middle-income countries  
Lower-middle-income countries

Other low-income countries  
Least Developed Countries

Source: OECD Creditor Reporting System

Morocco and Jordan, which are middle-income countries, appear five and six times despite enjoying relatively high levels of access. Sub-Saharan Africa, the continent where the proportion of those living in WASH poverty is greatest, has in more recent years had only two or three countries included in the top 10 of aid recipients<sup>43</sup>.

Analysis of total WASH flows reinforces the inequity of aid targeting. Over the past decade, LDCs have received only 30% of total WASH aid, with middle-income countries receiving between 50% and 60% of total aid flows. These patterns of poor targeting hold at the individual donor level as well as at the aggregate global level. The USA for example spent more than eight times as much per person in countries where over three quarters of the population had adequate sanitation than in countries where sanitation coverage was less than this. This was despite a legal mandate to designate priority countries in which “the need for increased access to water and sanitation is greatest”<sup>44</sup>. A proposal for improving targeting by donors is discussed in Section 5.



WaterAid/Anna Kari

**Holding back progress on health: people living with HIV/AIDS require as much as five times more clean water than average, but this is frequently not available.**

Regis Sicheunga, who is HIV positive, holding her medication, Hambale, Chipenbele, Zambia.

## WASH aid biased to large systems and adding to debt burdens

WASH aid shows a continuing bias towards large systems rather than to basic systems, targeting urban areas rather than rural ones<sup>46</sup>. Large systems, defined by the OECD Creditor Reporting System, include water treatment plants, pumping stations, large scale distribution systems, and large scale sewerage and waste water treatment plants. Basic systems include rural water supply schemes using handpumps, small distribution systems, latrines and the promotion of household and community investment. Many developing countries are experiencing rapid urbanization including growth of small towns, but, while the balance between rural and urban needs is shifting, the majority of those who are currently un-served still live in rural areas. Over the past decade, investment in basic drinking water and sanitation systems has been overshadowed by large-scale investments that have mostly benefited urban areas. Basic systems accounted for approximately 40% of total assistance in 2002 but by 2008 the proportion allocated to them had fallen to less than 20%. While the appropriate mix between large and basic systems is highly country specific, increasing overall levels of investment in basic systems is clearly essential in order to address the needs of the un-served rural majority.

The bias towards large systems is also contributing to an increasing risk of unsustainable debt for LDCs. Over 2007-09, 67% of total assistance to large systems was provided in the form of loans (up from 64% over 2000-02). Grants are critical however for building new services for those currently un-served and extending access to poor and marginalized groups. The bias to lending in the sector makes it more difficult therefore to extend access to the un-served poor population, especially in urban areas. It also adds to the macroeconomic problems of debt sustainability that have plagued low-income countries for decades; in 2008, LDCs paid a total of US\$6.03 billion in debt service, substantially reducing the scope for public sector investment and capacity building<sup>47</sup>. There has been a strong shift to loans in South and Central Asia; between 2000-02 and 2007-09, commitments towards water and sanitation aid in grant form grew by just 3%, while by contrast, loans have grown by 275% over the same period<sup>48</sup>. There is a major difference in the approach of different donors, even within the G7; Japan and France provide 89% of their aid in the form of loans, while the UK provides all its aid in the form of grants.

## Donors lack coordination and transparency

The evidence from the case studies suggests that despite examples of donors participating in national coordination and harmonization platforms, there is much more that needs to be done to improve coordination and transparency. Ethiopia and Mozambique have 20 donors simultaneously providing resources to the WASH sector; Burkina Faso, Tanzania, Uganda, Kenya have 18; and although in these cases a lead donor has been identified, for other countries such as Niger, where 15 donors are active, there is no lead donor. Issues around financial absorption, discussed below, show that procurement and reporting compliance is reducing the efficiency of the sector in Ethiopia. In Madagascar there is considerable fragmentation with 10 donors active and generally working outside of government systems. As non-DAC donors such as China, Brazil, India, Saudi Arabia and the United Arab Emirates<sup>49</sup> begin to increase their activity in the sector, effective donor coordination, DAC and non-DAC, becomes an even more urgent priority.

The growing role of non-DAC donors also increases the importance of clear and transparent reporting of aid. Lack of transparency on aid allocation and disbursements is a general problem, which the International Aid Transparency Initiative (IATI) is seeking to address, but donor reporting on WASH is especially poor. Sanitation is the most off-track MDG sector but donor reporting makes it very difficult to disaggregate water supply from sanitation aid flows. This is important because the lack of accessible data about where aid resources go has a direct bearing on the rationality and accountability of decisions on where WASH resources go. As Figure 11 (p25) shows, it is also difficult to establish how much donor funding is “off-budget” or does not go through national government budgeting and accounts<sup>50</sup>. This makes policy-making, monitoring and evaluation all the more difficult. Donors and governments need to commit to working together to strengthen sector financial reporting and improve transparency over WASH budget allocations and expenditure.

**Off-target funding:** the majority of aid from donors is going to middle-income countries, with choices often influenced by donors' own strategic interests, rather than where need is highest. Least-developed countries received only 30% of total WASH aid over the past decade.

A child in the dirty water of the Crocodile River that flows through Kroo Bay, the largest slum in Freetown, Sierra Leone.



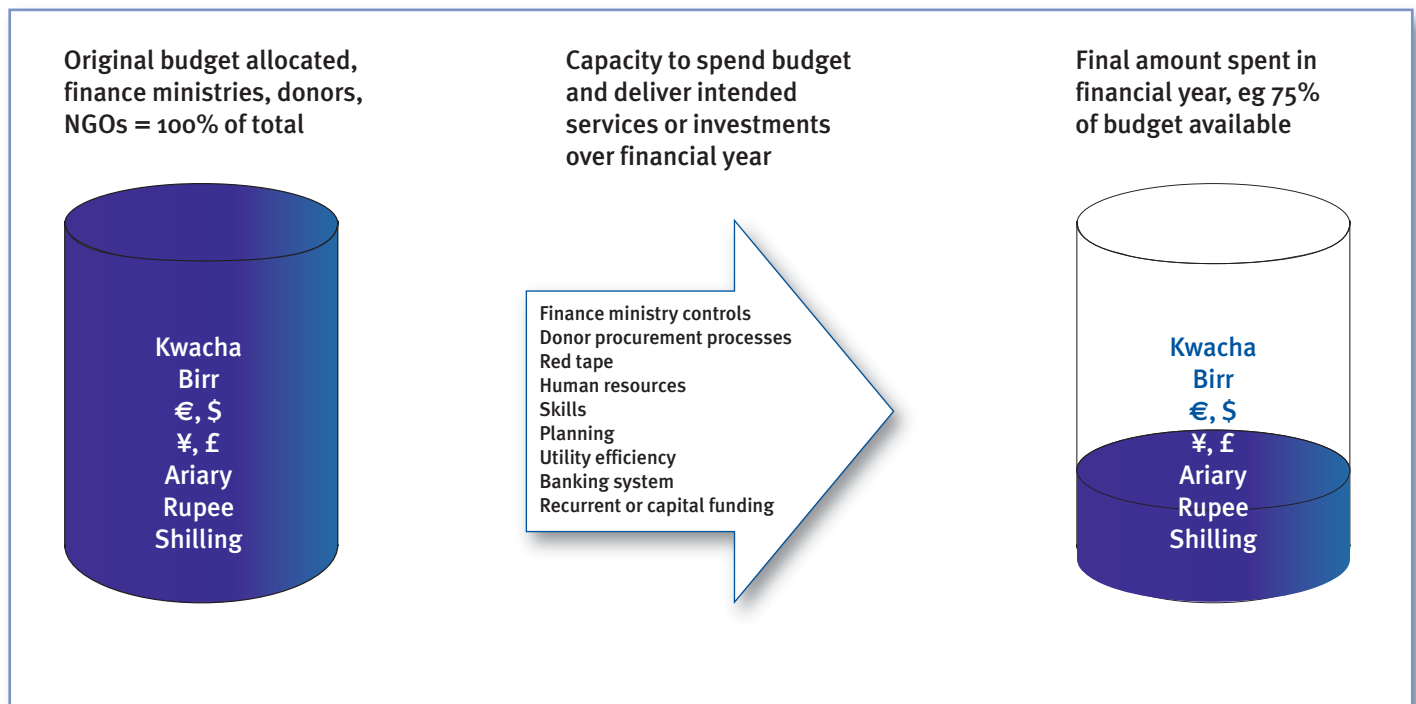
## Section 4

# Challenges for donors and governments: funds unspent and badly targeted

## The challenge of financial absorption

The vicious cycle described in Section 1 includes the concern often expressed by donors and others that the ability and capacity of developing countries to absorb funding in the WASH sector is weak<sup>51</sup>. Efficient absorption is a critical component of a healthy WASH sector, enabling scarce financial resources to achieve the development, rehabilitation and maintenance of services. At one level, absorption can be analyzed by considering actual spending against the original budgets allocated. The factors affecting absorption can vary considerably, and include issues such as: the quality of planning, the efficiency of procurement systems and the burden of reporting requirements; the availability of skilled human resources, such as engineers, planners and local authority officials; the roll out of decentralization (responsibility and funding transferring from central to local government), new capital or replacement equipment; or the capacity of the private sector (Figure 14).

Figure 14: Financial absorption



Our research considered available data for several countries. It shows that in some circumstances allocated funds are spent as intended without any evident difficulties of absorption. In Ghana for example the provision of water supply in urban areas is the responsibility of the Ghana Water Company Limited (GWCL), with funding a shared responsibility between the company, water and sanitation service users, and central government. Central government makes service and investment allocations based on domestically-raised resources and funding from donors, as well as funds released from debt relief<sup>52</sup>. For the years 2006 to 2009, actual spending exceeded planned spending, with the rate of absorption over twice as high as originally planned for government resources (GH¢' 15.3 million spent compared with GH¢' 6.6 million planned), and significantly over 100% for donor resources (GH¢' 292 million spent compared with GH¢' 227 million planned)<sup>53</sup>.

Data from Uganda suggest that funds are being absorbed. For the second half of the last decade, the sector has improved the rate of spending of funds released by the finance ministry from 95% to over 99%. A shift from monthly to quarterly releases, the introduction of performance contracts for Water Ministry Accounting Officers, and the practice of not allocating in the subsequent quarter resources not spent in the previous one all acted as incentives to spending (if not for the achievement of value for money)<sup>54</sup>. Data from Rwanda show that the sector has generally managed a similarly high rate of financial absorption, with actual spending more than 100% of what was budgeted in each of the years 2006 and 2007<sup>55</sup>. One of the factors that contributed to an effective process for the distribution of resources has been the Common Development Fund, set up by the Government of Rwanda to support its decentralisation policy, and which allocates and monitors government and donor funds for Kigali city and the districts.



In Malawi, actual spending exceeded allocations in the years 2005-06 and 2007-08, while there was an underspend in 2006-07. This period coincided with the transition from the first to the second National Water Development Plan, and this may explain the underspend, which was then compensated for with an overspend in 2007-08<sup>56</sup>. Actual spending in 2009-10 slightly exceeded budgeted funds, with Kwacha 5.3 billion spent against a budget of Kwacha 5.2 billion.

In Nepal there has been significant variability in the absorption of total funds to the sector during the past decade (Table 5). However, this variability is almost completely explained by fluctuations in the capital budget rather than the recurrent budget. A period of armed conflict and political instability led to reductions in overall WASH sector allocations, which are now gradually recovering, but despite this uncertainty, recurrent spending (mainly on staff and administration costs) has been effectively absorbed throughout the period. Capital spending has fluctuated however, between a low of 53% of the capital budget and 79% in 2006-07.

**Table 5: Nepal – planned and actual spending on WASH, 2003-2008, US\$ million**

Year	Planned spending recurrent	Actual spending	Planned spending capital	Actual spending capital	% absorbed recurrent	% absorbed capital	% absorbed total
2003-04	6	5	40	24	<b>83%</b>	<b>60%</b>	<b>64%</b>
2004-05	6	6	42	31	<b>100%</b>	<b>74%</b>	<b>76%</b>
2005-06	7	7	61	29	<b>100%</b>	<b>48%</b>	<b>53%</b>
2006-07	8	8	75	57	<b>100%</b>	<b>79%</b>	<b>78%</b>
2007-08	8	n/a	67	n/a	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

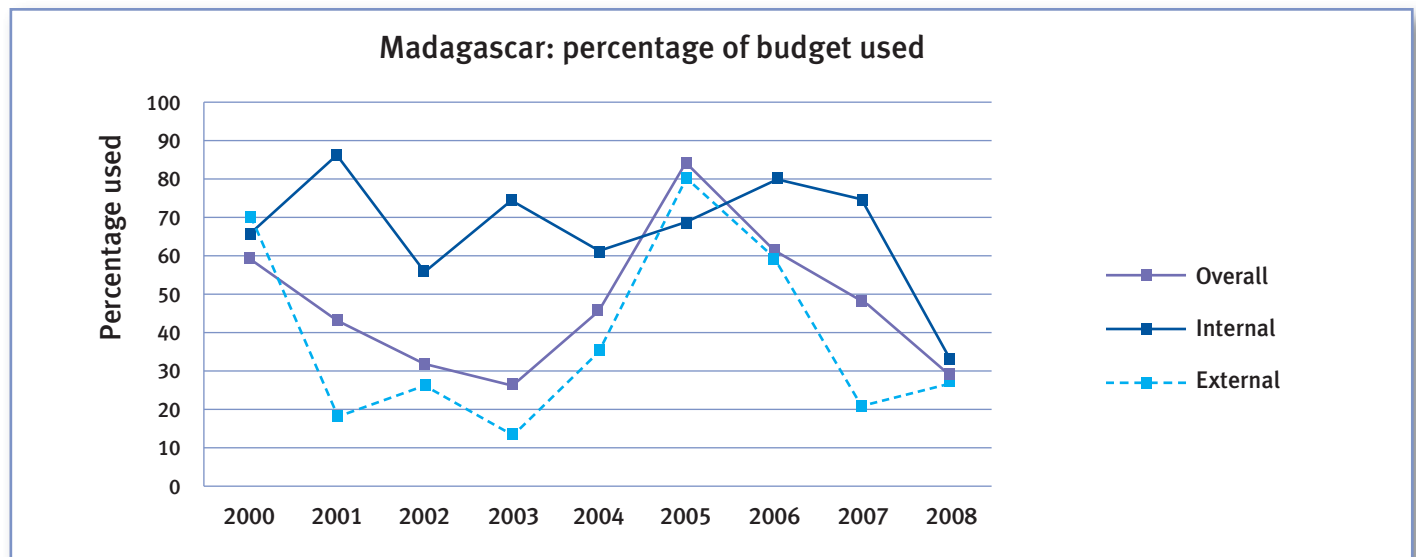
Source: WaterAid, Nepal Government documents

The evidence from Ethiopia shows that most of the funds allocated by central government are spent, whereas donor funds are subject to delay or underspending. Channel 1a is the general transfer of money through block grant to the regions and then on to local governments. The national WASH coordination office reported that spending of the government budget is generally not less than 90% each year. However, the average spending of donor funds released through Channel 1b in the form of special purpose grants is rarely more than 50%, with complex procurement and reporting systems in particular challenging capacity at local level. The Ethiopian study considers Channel 1b spending against budgets in 2009-10 in three regions, Oromiya, Amhara and Southern Nations and Nationalities Peoples and finds that, during the first six months, only 15% of funds were spent in the first two regions, and 18% in the latter one.

A particular bottleneck is evident in the case of the African Development Bank (AfDB), which requires all local governments in Ethiopia to file expenditure reports. The failure of just one local authority, of the 122 financed by the AfDB, to report leads to the withholding of funds to all authorities. During the first six months of 2009-10 only 13% of the AfDB budget was spent, and some bilateral donors spent less than 1% of their budgets<sup>57</sup>.

Madagascar shows similarities to the experience of Ethiopia with internal allocations having higher rates of absorption than external funding. Excessive donor requirements are seen as part of the problem. It also illustrates how absorption of funding from the external sector can be very volatile. External funding has been severely cut back as a result of the recent political crisis, but the data shed light on the period before 2009. Figure 15 shows that from 2000 to 2007 the absorption of internal government funding has generally been between 60% and 80% of the budget allocated, while external, principally donor funding, has fluctuated between 10% and 80%.

Figure 15: Madagascar – comparison of internal and external funding absorption rates



Source: WaterAid, World Bank

In Tanzania, the Sector Wide Approach has experienced slow disbursement of funds to local authorities due to weak coordination and communication (and potentially, conflict of interest) between the Ministry of Water, the Ministry of Finance and the Bank of Tanzania. The special audit report documents examples of the Treasury withholding funds budgeted for local authorities, until the local authorities followed up with the Ministry of Water. Paradoxically, ear-marked donor funds have seen faster release than those in the central basket, which has suffered from non-alignment of World Bank and national procurement processes.

The Ghana study illustrates how the experience in one country may differ considerably by subsector. While in an urban context, actual spending exceeded the original budget, in a rural context absorption rates were only a third of budgets allocated<sup>58</sup>. In the case of the Government, low actual spending was a result of budget cuts or reduced releases of approved budgets. For donor funds, actual disbursements were lower than projected because the prolonged project approval processes resulted in disbursement delays. Slow progress in decentralization may also explain some of the difference in absorption rates between the urban and rural subsectors. Rural areas contain the higher level of WASH poverty, so this lack of absorption is impacting on equity outcomes.

A recent report from the Comptroller and Auditor General in India identified US\$2 billion of unspent aid money in 2010<sup>59</sup>. Although detail has not been available beyond a reference to weak planning, the India case study confirms that financial absorption is a problem that has affected the Total Sanitation Campaign in certain states<sup>60</sup>. In Uttar Pradesh, only 63% of the funds released were utilized in 2005-06, although that improved to 83% in 2006-07. Findings from Chhattisgarh highlight the slow release and use of centrally available funding, with over half of the 16 districts experiencing delays in opting for the second instalment. The research shows that the reasons for the low utilization include: states unable to match central government grants, deficiencies in the process of decentralized planning, shortages or short tenure of key staff, delay in the flow of funds, as well as multiple reporting requirements.

In South Sudan complicated rules for procurement delayed the release of money from the multi-donor trust fund and only a quarter of funds pledged were actually delivered over a period of five years to 2010. World Bank-led projects designed to deliver schools, roads, water supplies and airstrips were held up by red tape despite the urgent need on the ground. Only 30% of the population in the capital Juba had access to safe water, with access to sanitation even lower, yet projects could not get underway. Competitive procurement rules had up to 62 separate steps, and the Government did not have the capacity to navigate the complex procedures<sup>61</sup>.

The case studies point to a number of conclusions on financial absorption: (i) high absorption rates appear to be a good indicator of the overall health and efficiency of the sector; (ii) comparison of the WASH sector with other sectors suggests that generic issues such as the quality of public financial management or progress on decentralization impact across all basic service sectors; (iii) capital budgets are more likely to be underspent than recurrent budgets, so the relatively capital-intensive nature of the WASH sector places it more at risk to absorption constraints<sup>62</sup> – the research found that in Yemen, procurement processes also contributed to sector-specific absorption problems<sup>63</sup>; (iv) donor funds are much more susceptible to delay and underspending than national funds. With the majority of donor funds allocated to capital budgets, this overlaps with (iii), but the evidence shows that donor procurement and reporting requirements are too burdensome on already strained government capacity; (v) the case studies of Madagascar, Nepal and Yemen illustrate fragile state contexts, where the challenges for effective absorption are greater across all sectors.

## Equity delayed, equity denied

In 2009-10 WaterAid conducted extensive research into World Bank funded water supply programs in cities in Ghana, Burkina Faso and Tanzania<sup>64</sup>. This complemented earlier research by WaterAid on the Asian Development Bank<sup>65</sup>. The World Bank projects were implemented over the last decade, and although in all cases they led to significant extension of water connections, there was a limited focus on equity outcomes and the incentives placed on the utilities did not give adequate attention to effective pro-poor targeting.

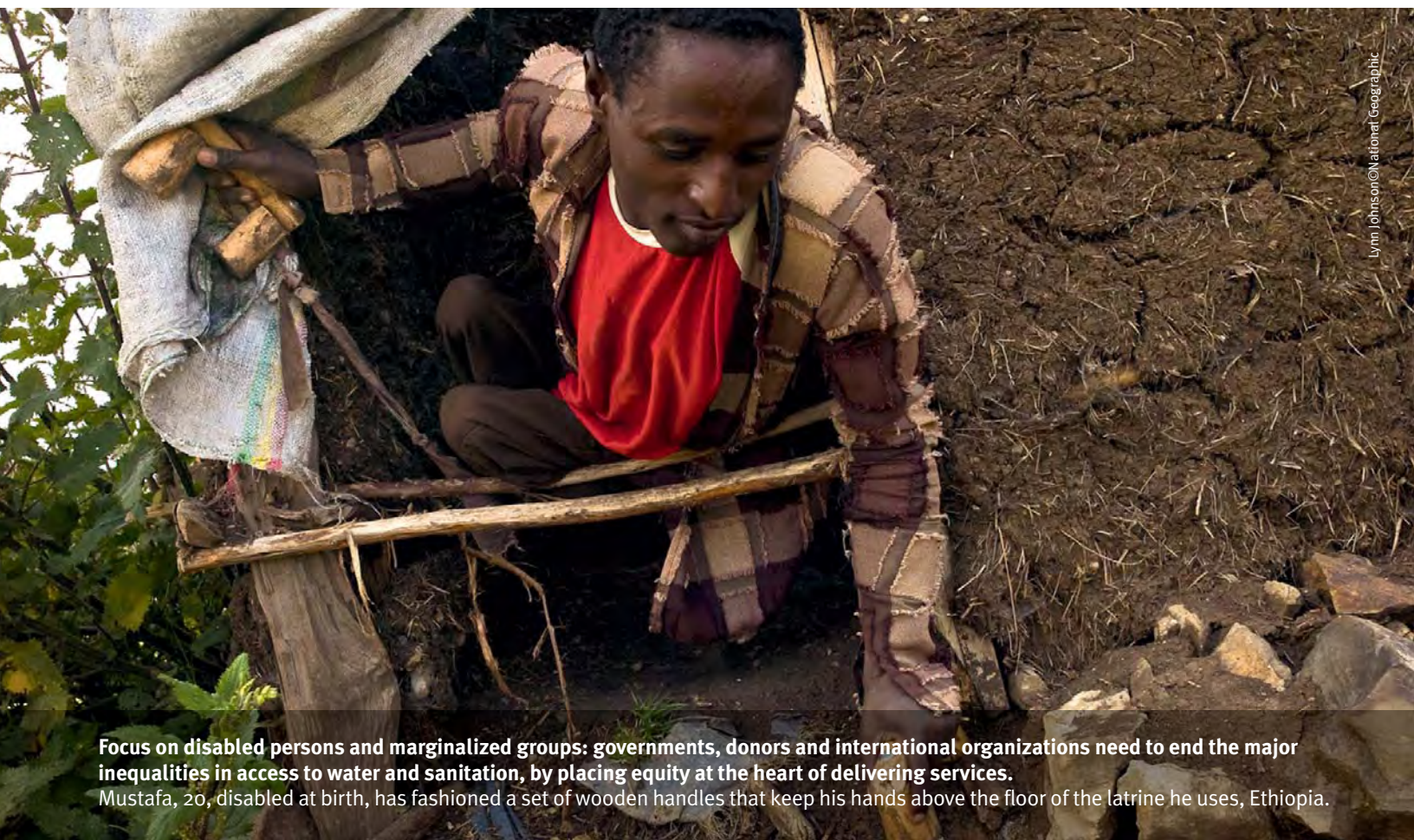
The research identified three critical bottlenecks impeding the effectiveness of investments in successfully reaching poor communities. These were:

- (i) No systematic pro-poor targeting of services, with a predominant focus on financial and technical analysis, and an absence of poorer communities in planning, design and implementation.

- (ii) Distortionary on-lending practices of national governments and weakly designed and implemented subsidy and investment regimes. Donor grants were loaned at concessional rates by the World Bank, but then they followed an interest rate escalator as sovereign authorities released the funds at still higher interest rates to sub-sovereign bodies and utilities<sup>66</sup>.
- (iii) A failure to maximize the potential for realizing pro-poor benefits. Ouagadougou, Accra and Dar es Salaam do not have city-wide strategies for inclusion. There was no detailed assessment or social economic analysis of the needs and capabilities of low-income communities, and no systematic monitoring of the IDA projects' social objectives.

Research in other countries also shows that equity receives low priority in the delivery of WASH services, and although in many cases criteria for equitable allocations exist, they are rarely followed in practice.

In Ethiopia, the Ministry of Finance allocates budgets to regional bureaus on the basis of a national equity formula that reflects population size and relative need. The regional bureaus in turn allocate budgets according to a regional equity formula<sup>67</sup>. In practice however, the Universal Access Plan (UAP) lacks sufficient ownership at regional and local levels, and as a result national water and sanitation targets are seldom reflected in regional and local government plans. The regional equity formula also lacks specific criteria to target needy communities or poor and marginalized groups. Sanitation and hygiene are assumed to be part of the health sector budget, but as it has no separate budget line, the formula makes no adjustment for sanitation and hygiene needs.



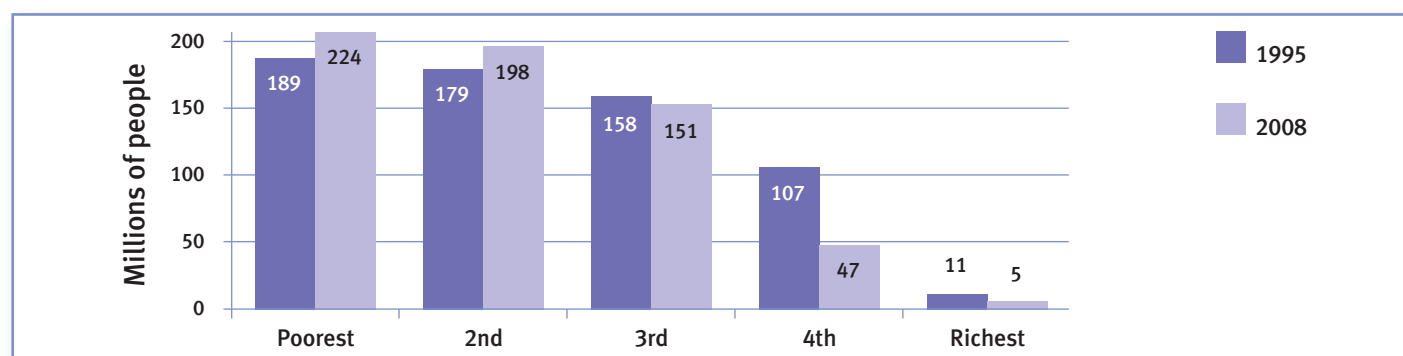
**Focus on disabled persons and marginalized groups: governments, donors and international organizations need to end the major inequalities in access to water and sanitation, by placing equity at the heart of delivering services.**

Mustafa, 20, disabled at birth, has fashioned a set of wooden handles that keep his hands above the floor of the latrine he uses, Ethiopia.

In Tanzania, the formula-based system used by local government is a step towards achieving equity and has led to more transparent and accountable planning and budgeting, but the formula has not been consistently applied and there is an absence of good data<sup>68</sup>. There have also been significant discrepancies between the formula-based and the actual allocation, with districts with low access rates receiving insufficient allocations and others getting more than the formula provides<sup>69</sup>. The Water Sector Development Programme (WSDP) has also allocated 60% of its funding towards urban services, while the highest poverty levels are in rural areas.

According to the WHO/UNICEF Joint Monitoring Programme (JMP) India provided over 200 million people with access to sanitation between 1995 and 2008; however, the progress has been highly inequitable, with the poorest households barely benefiting. Only five million from the poorest section benefited compared with 43 million and 93 million from the richest sections. Figure 16 illustrates progress in reducing the total number of people practising open defecation. While the top three quintiles have seen reductions in open defecation (by six million, 60 million and seven million respectively), total numbers have actually increased for the poorest sections of the population (by 35 million and 19 million respectively). Results from the Government of India 2008-09 National Sample Survey Office (NSSO) survey indicate a more positive trend, however, with 15% of the population living in the lowest quintile in rural areas having access to improved sanitation in 2008. The NSSO indicates that the poorest section of the population in rural areas is four times less likely to have access to improved sanitation than the richest section, which has just under 60% access. The NSSO data confirm that inequality of access to sanitation is a serious concern, but suggest that progress is being made.

**Figure 16: Progress in reducing open defecation in India by wealth group, 1995-2008**



Source: WHO/UNICEF Joint Monitoring Programme, 2010

There are also significant disparities at state level in the progress made in implementing the Government's Total Sanitation Campaign. Whereas every rural household in Sikkim and Kerala has access to sanitation, and states such as Tamil Nadu, Maharashtra, Gujarat, Haryana and West Bengal have seen big improvements to access since 2001, in Bihar 73% of rural households lack adequate sanitation, and across India almost a third of the rural population does not have access<sup>70</sup>.

The Nepal study found that allocations did not reflect or adjust to some of the large existing inequities. Within the urban context the major Melamchi project<sup>71</sup> absorbs significant funding that would otherwise be available for less well served urban areas, and allocations to local government did not respond sufficiently to the large inequities at local government level, where clean water access ranged from 48% in the lowest local authority areas to 96% in the

highest. Some remote village development committees received no funding from the Government or from NGOs over the five years to 2010. Yet while some remote villages receive no funding, others are overfunded relative to need. In the district of Baglung in west Nepal, the 40 planned schemes in the pipeline have the capacity to increase coverage by over 90,000 people, while the remaining population to serve is only 25,590 people.

In Madagascar, the study considered the region of Atsinanana in the east of the country, which has low access levels<sup>72</sup>. In theory, the Ministry of Water adopts three main criteria for the allocation of funding: population without access, technical feasibility and the burden of water-related diseases. However, in practice, the allocation of funds shows a bias towards urban areas rather than rural, with the funding heavily concentrated in two out of the six districts in Atsinanana – Toamasina I and II. These two urban districts receive significantly more funding than the town and rural community of Mahanoro, which is the most populated district. This illustrates that although basic criteria exist for allocation, they are not being followed in practice. New tools are being developed to improve the quality of targeting (see next section), but due to a lack of supporting information these have not yet been applied.

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## Section 5

# Getting on-track and on-target: investing in WASH where it is needed most

The preceding sections have identified important trends and challenges facing the sector. This section proposes a number of actions required to address these challenges. The scale of the task is substantial – the recent African Ministers’ Council on Water (AMCOW) country status overviews of 32 countries in Sub-Saharan Africa shows that for the water MDG target to be met, people gaining access must rise from 12 million currently to 40 million a year. For sanitation, the number of people gaining access needs to increase from seven million to 61 million a year. Although there is greater access to clean water in the countries in South Asia, governments face a similarly Herculean task if they are to achieve sanitation targets.

## Strengthening sector leadership

Across the countries considered, an essential overarching step towards breaking the vicious cycle outlined in Section 1 and improving performance is to strengthen sector leadership. The two most important elements of this are high-level political leadership from national governments and engagement and advocacy from communities. Without these critical components in place, there is a high risk that the sector will remain weak, subject to poor value for money or, worse still, corruption, with services benefiting those in power and/or wealthier people. Put simply, national governments need to implement their high-level commitments, and civil society organizations and communities need to engage with governments to demand change and claim their rights to sanitation and water. Donors, international agencies and NGOs should stand ready to support the leadership of national governments and communities<sup>73</sup>.

Effective planning is a vital part of good leadership. Countries need to develop clear, actionable, and accountable plans. An effective plan should include analysis of sector needs and challenges, sector objectives, clear legal and institutional arrangements and agreed frameworks for performance monitoring. It should be country-led and country-owned, backed by sufficient domestic resources, with donors prepared to support both with additional funds and technical assistance.

Uganda is a good example of how strong sector leadership at multiple levels led to substantial improvements in the delivery of rural water supply in the late 1990s. Laos is another example of how strong policy and institutional change, including support from donors for the creation and capacity building of the National Center for Environmental Health and Water Supply (Nam Saat), led to an increase of rural sanitation access from 10% to 38% from 1995 to 2008<sup>74</sup>.

At global and national levels, the Sanitation and Water for All partnership is a golden opportunity to strengthen sector leadership in countries that are off-track on the MDGs, bringing together ministers from finance, water and sanitation, donor countries, civil society representatives, and international development agencies<sup>75</sup>. The partnership held its first high-level meeting in April 2010, and secured pledges of increased funding to the sector of up to US\$1 billion. It supported the development of a compact between the Government of Ghana and its citizens, and SWA partners visited Liberia in May 2011 to support sector planning. At an individual and community level, the UN General Assembly recognition of water and sanitation as human rights in 2010 presents significant opportunities. It is also an example of how local political engagement and advocacy, as occurred in Cochabamba in Bolivia, can have a major global impact<sup>76</sup>. Regional networks such as the African Civil Society Network on Water and Sanitation (ANEW) and the Freshwater Action Network in South Asia (FANSA) have an important role to play in building national WASH coalitions that can effectively hold governments and donors to account.

Government and civil society leaders also need to focus on the major challenges that will face the sector over the coming decades, including demographic change, rapid urbanization and climate change. These present substantial risks to progress in the sector, and need to be factored into policy and planning. They can however also represent opportunities. Access to water and sanitation, for example, is a way of reducing vulnerability to climate change, so it is a key adaptation measure, and there is a significant amount of climate change adaptation funding available globally<sup>77</sup>.

## Establishing equity as a core indicator of WASH sector performance

The MDG targets have been effective in focusing attention on improving average levels of access, but there has been much less attention on the extent to which services are equitably distributed across the population. Equity of outcomes across populations is a rare occurrence in the WASH sector.

Two of the case studies however, include examples of potentially good practice. In Madagascar, the Ministry for Water and Sanitation has been working since 2008 to implement the Water and Sanitation National Plan, which for the first time will include targeting criteria focusing on the poor and vulnerable. Called the BPOR<sup>78</sup>, it is being developed in the two regions of Atsinanana and Menabe, with the intention of extending it to the rest of the country. Local communities and stakeholders are involved in its development, and it uses targeting criteria that prioritize the areas where the poorest communities live, together with remote areas and areas with high population densities.

The India case study includes a focus on the treatment of scheduled tribes and scheduled castes. Under the Constitution of India, provisions have been made under the Tribal Sub Plan (TSP) and the Special Component Plan (SCP) for scheduled tribes and scheduled castes respectively<sup>79</sup>. Together, these two groups constitute almost a quarter of India's population or about 250 million people. The Government of India initiated the TSP in 1974 and the SCP in 1979 to ensure that constitutional guarantees and entitlements were met. They include fixed minimum amounts of budgets from central and state governments that must be spent on scheduled tribes and scheduled castes. Although the policies that have been in place since the 1970s have met with problems in their implementation, in particular with the stipulated minimum spending not being consistently delivered, this equity-based framework nevertheless serves as an important example for other countries.

For rural drinking water and sanitation, the Department of Drinking Water and Sanitation (a separate ministry since July 2011) reports quarterly on the progress made in districts dominated by scheduled castes and tribes. State governments are obliged to spend up to 35% of their rural WASH allocations on these communities, with expenditure reported on two separate budget lines.

In Pakistan, the needs of women, children and people with disabilities hold priority in policy, planning and implementation processes (although this is not always delivered in practice). The constitution of South Africa provides protection for vulnerable and marginalized groups. In Mali, the West Africa Water Initiative is a good example of how local tradesmen and materials can be used to make simple adaptations to water and sanitation equipment to ensure that people with disabilities are able to access water and sanitation independently. Other countries can learn from these examples and use the 2010 UN declaration on water and sanitation as a human right to incorporate protection of vulnerable, marginalized groups in their constitutions and legal and policy frameworks, as in the case of India and South Africa. All countries should be seeking to mainstream equity in their policy, planning and implementation processes.

Effective regulation is also an important contributing factor to achieving equity in the delivery of water and sanitation services. Regulators set the framework within which utilities operate, including the cost of connections, what documentation is required to apply for them, and the level of tariffs. All of these have a direct bearing on the ability of the poor to access services. The regulators' mandate, the framework they use with service providers, and their openness to civil society scrutiny and advocacy, all need to be aligned with an effective pro-poor approach<sup>80</sup>.



**Promoting hygiene: it is essential that new investment in water and sanitation is accompanied with hygiene education and sensitization.** Robda (right) and her family stand proudly outside their latrine. Robda is a hygiene promoter who works with 70 families and the students at Silinga school, Ethiopia.



**Placing sustainability of services center-stage: this means ensuring continuing support from local and central government.**  
Shiva Datta Sharma, caretaker, working at the tapstand, Tangmang, Parbat, Nepal.

## Placing sustainability of services center-stage

In situations where service coverage is very low, it is clear that an emphasis on capital investment is appropriate. As coverage rises however, recurrent expenditure needs to increase too. Fewer new systems need to be brought on-stream, while a greater number of existing systems need to be operated and maintained to provide continuing service. Recurrent expenditure needs to increase significantly, while capital expenditure also needs to continue to extend services to growing populations.

Inadequate spending on operation, minor maintenance and more extensive capital maintenance results in existing services falling out of operation as quickly as new services are provided. Simple country-level financial modeling of capital and recurrent expenditure, in a context of rapidly growing populations, shows that coverage statistics can easily stagnate and then start to fall if recurrent spending is insufficient. In rural water, there is frequently a fundamental flaw in approach. The 2010 Global Analysis and Assessment of Sanitation and Drinking Water (GLAAS) report, using data from Hutton and Bartram, indicated that the capital and recurrent costs of rural water typically lie in the ratio 25:75. However, the relatively small capital cost of providing an improved service is generally considered to be unaffordable by rural communities – it is therefore subsidized to the extent of 90-100% – while responsibility for the much larger recurrent costs are handed over to users to finance. As a result, rural water supply systems do not last as long as they should.

The irony is that governments, donors and NGOs tend to be willing to make the smaller, generally easier capital investments, while service users in developing countries are left to pick up the much larger financial commitments and more onerous management tasks involved in keeping services working.

Responsibility for recurrent expenditure in rural water and sanitation is largely left to communities and households. It is increasingly clear that revenue raised by communities is often barely sufficient for operation and minor maintenance, and seldom enough to cover the larger repairs or replacement of assets which are described as capital maintenance. Even in the urban environment where the opportunities for economies of scale and for cross-subsidies are greater, tariffs and revenues may be insufficient to provide for adequate asset management. The very notion of asset management – the planned maintenance of physical assets in order to assure on-going service – is generally restricted to urban services, while in the rural environment each water supply point or system is generally managed and maintained individually under a community/user financing model.

A major conceptual shift is needed in WASH financing. The present focus on raising coverage statistics through capital expenditure alone will not succeed. The WASH sector needs to embrace the notion of long-term, long-lasting services, rather than simply delivering temporary physical assets. This means achieving the right balance between capital and recurrent expenditure, and governments and donors being willing to play their part in capital maintenance through planned asset management.

Achieving sustainability also means developing good, alternative models for operations and maintenance. This needs to include the development of the right skills and incentives for communities and appropriate support from local government and the local private sector.

## Increasing and improving national government spending on WASH

National governments need to take a much stronger lead. An important first step is that finance ministries match high-level government statements with national resource allocation that is equal to the task of delivery. This is critical both in terms of providing the necessary funding to extend coverage, as well as an essential condition for countries to take ownership and leadership of their sectors. The size of the funding gap varies, but the Africa Infrastructure Country Diagnostic (AICD) estimates that to meet the MDG target the region needs to spend on average 0.9% of GDP each year on sanitation. For water supply, they estimate a cost of around US\$15 billion annually – over four times more than current spending of US\$3.6 billion, and equivalent to an average of over 2.6% of GDP. On average for Sub-Saharan Africa this means spending up to 3.5% of GDP on WASH if the MDG targets are to be met, with low-income countries needing to reach much higher levels even than this<sup>81</sup>.

Decisions on allocations need to take into account many factors, critical among which is affordability. However, although all African Union governments committed in 2008 to annual public spending of 0.5% of GDP on sanitation, in almost all cases they are not doing this. They need to move immediately to do so, and reach higher levels wherever possible. A similar step change is needed for water supply, and all off-track countries in Sub-Saharan Africa should aspire to reach at least the 3.5% GDP benchmark of spending on WASH, with 1% GDP exclusively for sanitation.

At the South Asian Conference on Sanitation (SACOSAN) IV in April 2011, South Asian governments committed “to increase available funding and spend the available funds within the timeframe set”. They will need to do this as an urgent priority if they are to provide access to sanitation to the 700 million South Asians who still defecate in the open. With most countries in the region off-track for the sanitation MDG target, SACOSAN reporting an estimated cost to the region of over 5% of GDP from poor sanitation, and with barely three years to the 2015 target deadline, all off-track South Asian countries should allocate a minimum of 1% of GDP to sanitation.

The quality of spending needs to be improved as well. The discussion of absorption shows that absorption rates vary depending on the type of spending (eg staff costs, capital expenditure, transfers to service providers or other levels of government) as well as the source of expenditure (eg domestically financed or donor financed). Where absorption rates are not high, there is an important role for governments to identify sector blockages and be prepared to act swiftly to address them. This may mean improving planning, speeding up the transfer of fiscal responsibility to local government, training and capacity building at district level, or challenging donors to simplify procurement and reporting processes.

Improving the quality of spending also means ensuring there is a flexible approach to the use of resources to ensure they are used for maximum impact. In a post-conflict country, such as Liberia, this may mean prioritizing funding of national water point mapping to ensure basic data is available to inform policy-making<sup>82</sup>. In another country it might mean switching between capital and recurrent spending if human resource and skill gaps are the main bottleneck, with the need to recruit or retain critical skilled personnel<sup>83</sup>. It could involve increasing recurrent funds for hygiene promotion and education. In another context it might be directing funds for rehabilitation, operation and maintenance rather than for new investment, to address the value for money issues raised by the WASHCost work in Ghana and the sustainability issues

discussed above. Uganda is an example of where the Government is focusing on how to improve sustainability, with an aim of achieving 100% functionality<sup>84</sup>.

## Increasing aid and targeting it more effectively

Industrialized country donors signed up to the WASH MDG targets in 2000 and 2002 and have consistently confirmed their commitment to them, most recently at the MDG Review Summit in September 2010. Their support is urgently needed, but it must be targeted on the basis of need, and as an essential supplement to domestic resources, particularly in low-income and fragile country contexts<sup>85</sup>. The funding gaps identified above cannot be met by households, the private sector and governments alone in the countries involved – all the more so in the case of fragile states. While it is important that governments strengthen their investments in the sector in order to assume leadership and responsibility, unless donors are prepared to substantially increase their support to the sector, the inevitable consequence will be stalled progress on the MDGs regionally and failure to achieve the sanitation target globally.

WASH aid frequently does not flow to those countries most in need. It is inevitable that donors will be to some extent influenced by wider strategic concerns, but despite their mandates to reduce poverty, there is little consensus on how best to target WASH aid between countries. Low-income or least-developed country status is a key consideration, but so is individual poverty, and over the past 20 years a growing number of the world's poorest people now live in middle-income countries such as India, China, Nigeria, Pakistan and Indonesia<sup>86</sup>. It is important also to take account of the burden of WASH-related diseases, which is much greater in some countries than in others. In addition to the availability of domestic sources of finance, donors need to factor in existing aid flows to the WASH sector. WaterAid has developed a tool that shows how different criteria (income, access, disease) can

Table 6: Targeting on the basis of WASH needs

Country	Access to sanitation (relative)	Population without sanitation (absolute)	% DALYs <sup>87</sup> WASH-related	000s of deaths WASH-related	Needs assessment (out of 8)
Ethiopia	12%	71.4 million	19.3%	193	8
Burkina Faso	11%	13.5 million	22.2%	45	8
Afghanistan	37%	17.1 million	19.8%	105	7
Congo (Kinshasa)	23%	49.5 million	18.8%	194	7
Niger	9%	13.4 million	25.6%	72	7
Ghana	13%	20.4 million	14.6%	36	7
Madagascar	11%	16.9 million	17.5%	30	6
Benin	12%	7.6 million	18.8%	18	6
Mali	36%	8.1 million	20.9%	40	6

Source: WaterAid, based on WHO/UNICEF Joint Monitoring Programme, 2010

be combined and different weightings applied in order to support donor decision-making. Based on this methodology, the low-income countries most in need of donor funding for sanitation are set out in Table 6<sup>88</sup>. A red cell indicates that the country is among the most in need in that category compared with other low-income countries (and scores 2), and amber indicates that it is in the second group of most in need for that category (and scores 1).

The five countries with the largest absolute numbers of people without sanitation – India, China, Indonesia, Nigeria and Pakistan – are all middle-income and account for over 1.7 billion people without sanitation. Tackling WASH poverty on this scale is of global importance, and donors need to be ready to support the anti-poverty initiatives of governments in these countries. This is likely to include direct funding for delivery, technical assistance, support for civil society NGOs and networks, as well as advocacy for increased priority. The UK’s International Development Committee recognized the high value of donor funding to India, despite its low middle-income status, and advocated for the UK to switch substantial amounts of its aid currently earmarked for the health sector into sanitation<sup>89</sup>.

Our analysis also shows that the ability to effectively absorb aid is closely related to donor progress in improving aid effectiveness, in particular coordination, harmonization and alignment with country systems. Donors are reviewing progress made against indicators of aid effectiveness agreed in Paris (2005) and Accra (2008) and recent reports show that progress has been much slower than expected<sup>90</sup>. WaterAid’s experience on the ground confirms that progress has been particularly slow in the WASH sector<sup>91</sup>. The 2007 European Union code of conduct which seeks to improve the division of labor among European donors is encouraging, but European donors only account for 40% of WASH aid and other donors need to follow suit.



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WaterAid/Lea-Louise Jansson

**Human rights: the United Nations General Assembly recognized water and sanitation as basic human rights in 2010. Governments should respond proactively to this, with civil society, NGOs and donors ready to support unserved populations in claiming their rights.**

Lordes Artur, at her latrine in need of repair, Bairro Luís Cabral, Maputo, Mozambique.

## Harnessing household contributions and private sector skills and capacity

It is difficult to gain accurate data of household contributions to WASH services, but estimates in Sub-Saharan Africa suggest that the majority of the expense of new investment in sanitation is met by households<sup>92</sup>. In India, the cost of construction of Individual Household Latrines (IHHLs) in the Total Sanitation Campaign is expected to be met by Above Poverty Line households, while for Below Poverty Line households, the cost is shared between the Government of India, the state and individual users, with the exact ratio depending on the unit cost of the facility. Effectively harnessing appropriate household contributions and ensuring the local private sector has the skills and capacity to meet investment and operational needs are important elements of establishing a healthy and sustainable WASH sector.

Lesotho and Burkina Faso provide some successful examples. The National Sanitation Programme in Lesotho is dedicated to sanitation promotion and private sector training. Households directly employ private latrine builders trained under the program, which has increased sanitation coverage from 20% of the population to 53%. The Sanitation Strategic Plan in Burkina Faso is another example of how contributions from households and the local private sector can be effectively stimulated. The sanitation marketing approach has enhanced construction services offered to households by small providers and stimulated household demand for improved sanitation facilities. About 700 masons and social workers have been trained since the beginning of the program. The national utility provides materials free to households, equivalent to a 30% subsidy, with the households financing the rest. A sanitation tax on the water bill helps finance the subsidy<sup>93</sup>.

While private provision of water and sanitation services in developing countries has been dominated by a handful of multi-national companies, including Suez, Veolia, RWE and Saur, other companies, not specializing in WASH services per se, are involved with the sector through product promotion and use and through their corporate and social responsibility programs. For example, the pharmaceutical company GlaxoSmithKline's Personal Hygiene and Sanitation Education Programme (PHASE) has promoted hand-washing in 16 countries since 1998. Consumer product provider Procter and Gamble worked with UNICEF to provide water and sanitation facilities in elementary schools in Vietnam and educate children, parents and teachers about hygienic practices. International beverage firm Diageo has worked with NGOs in investing in the sector in southeastern Ethiopia and in Addis Ababa. Consumer goods firm Unilever has set ambitious targets to change the hygiene behavior of one billion consumers across Asia, Africa and Latin America by promoting the benefits of hand-washing with soap<sup>94</sup>. These various activities can all contribute towards ending the global water, sanitation and hygiene crisis, but need to be coordinated with the efforts of national governments and international donors in order to maximize potential benefits.

## Strengthening financial reporting and transparency

The research further underlines the lack of quality information on sector finance previously identified by others<sup>95</sup>. Many developing country governments are currently unable to determine overall levels of spending in the sector, particularly where significant spending takes place off-budget (eg through directly funded donor or NGO projects) and spending by local service providers is not fully reflected in central government budgets and accounts. Furthermore, published information on budget allocation and expenditures frequently fails to

disaggregate capital from recurrent, and water from sanitation. This is a major constraint to investment planning, which both undermines the ability of the sector to obtain resources from finance ministries and impacts negatively on donor perceptions of the sector. This lack of basic data to inform decision-making on resource allocation to WASH is a significant contributor to the current vicious cycle of low investment and poor performance.

Globally, there is no comprehensive source of data and information on national government allocations to the water and sanitation sector, and the diverse institutional structures further complicate cross-country data collection and analysis. Adding to the complexity is the fact that ministry structures can change over time, and that donor reporting categories do not align with the reporting formats and approaches used by developing country central governments.

Although there are good examples of reporting and transparency, including Nepal and Rwanda, these are the exceptions rather than the norm<sup>96</sup>. Donor reporting on allocation and disbursement of WASH aid also faces significant limitations. They should take steps to improve the quality of reporting and the transparency of their funding to the sector as a matter of urgency.

It is also vital to strengthen the Global Analysis and Assessment of Sanitation and Drinking Water (GLAAS) and the WHO/UNICEF Joint Monitoring Programme. These are the principal mechanisms for tracking progress in the sector and together seek to build the entire global picture of inputs and outcomes. They are critical components to good policy-making at national and international level.

### Box 3: Lessons from Rwanda

From the ruins of years of war and genocide, Rwanda has moved to improve household access to sanitation faster than any other country in sub-Saharan Africa. The Water and Sanitation Programme of the World Bank identifies three key elements that stand out from Rwanda's experience that other countries can adapt and learn from.

**Turning crisis into opportunity.** In the immediate aftermath of the war, the Government, donors, relief agencies and NGOs embarked on a massive housing reconstruction program that brought improved sanitation facilities to hundreds of thousands of people. It shows how progress and reforms in other sectors, in this case land and housing reform, can unlock gains in the sanitation sector.

**Formalizing traditional elements into administrative frameworks.** Rwanda has been very successful in translating national targets and policies into action on the ground. Harnessing the tradition of *Imihigo*, where two parties commit publicly to the achievement of a task, the Government was able to reach right down to the smallest administrative unit in each village. The Ubudehe program based on the tradition of mutual assistance enabled the Government to reach poor households. Empowering the role of women in Rwandan society also proved a critical step in making progress.

**Forging strong political will.** The Government identified sanitation as a key element of the national poverty reduction strategy and followed this through with unprecedented support from the top that was reflected in turn at local government and lower levels of administration.

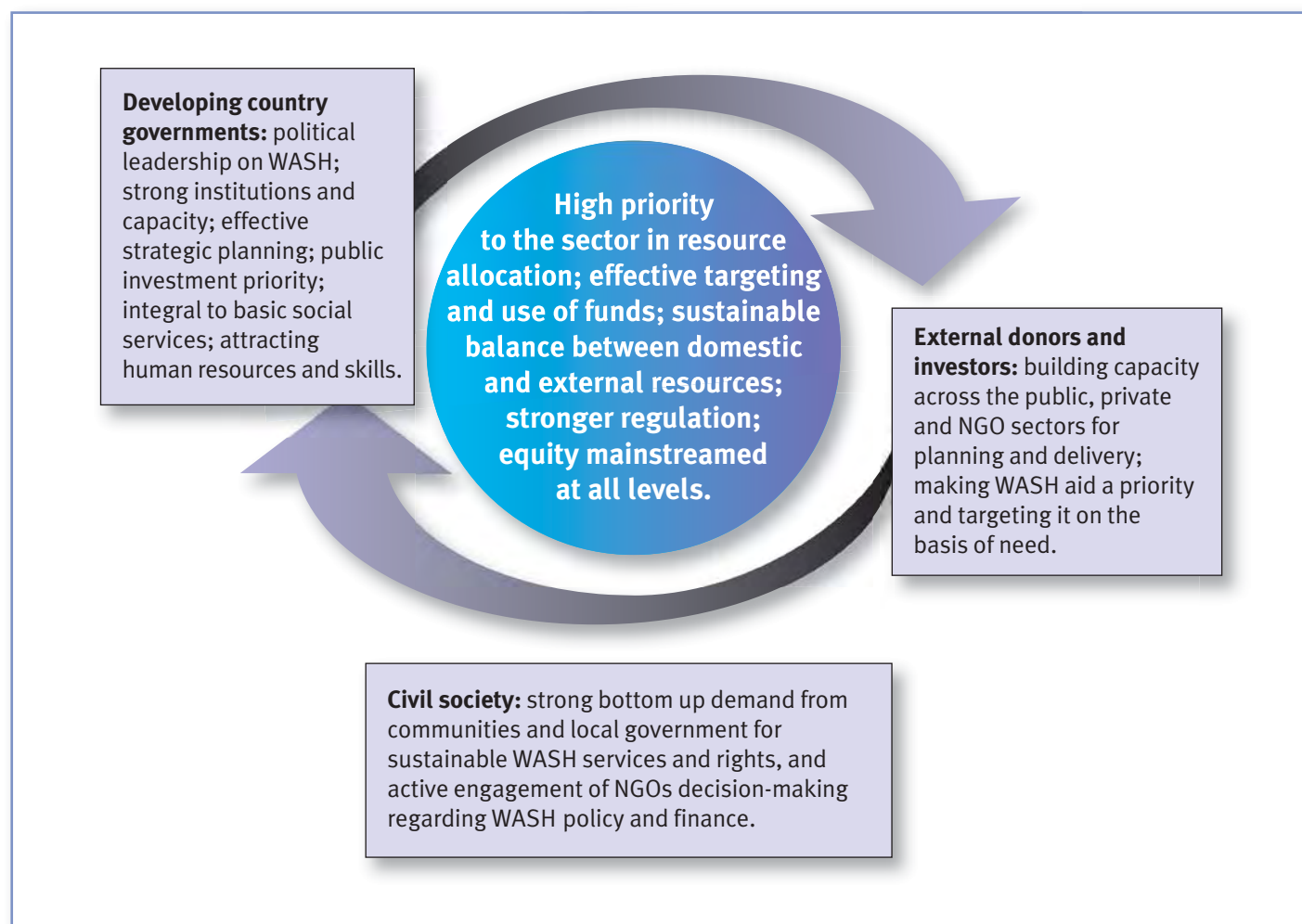
Source: Jain N (2011) *Getting Africa to meet the sanitation MDG, lessons from Rwanda – Water and Sanitation Programme*.

## Section 6

# Conclusion and recommendations

Improving access to water, sanitation and hygiene has significant health and economic benefits and yet many developing countries remain off-track for meeting agreed MDG targets for water and sanitation. With just over three years to go until the 2015 deadline, governments and donors need to redouble their efforts to improve access in those countries that are currently most off-track towards MDG WASH targets. Although each country has its own unique set of circumstances, the previous analysis points to some key recommendations likely to lead to breaking the vicious cycle set out in Section 1 and deliver the scale, quality and speed of progress that is so urgently needed. Figure 17 summarizes how these factors can help turn the vicious cycle into a virtuous one.

**Figure 17: Towards a virtuous cycle of increased investment and improved performance**



## Key policy recommendations

### 1 Strengthening sector leadership should become an urgent priority for governments and civil society

High-level political leadership on WASH, and particularly sanitation, is essential in order to get off-track countries back on-track to achieve their MDG WASH targets and address major challenges facing the sector over the coming decades. National governments need to exert stronger leadership over the sector and drive improvements in performance by strengthening institutions and planning and addressing bottlenecks, including staff and skills shortages. Civil society organizations and communities also need to engage more actively in WASH sector decision-making in order to generate bottom up demand for change and to enable people to claim their human rights. International donors and NGOs need to be ready to support emerging WASH leaders within both government and civil society. At a global level, WASH sector stakeholders need to show leadership in wider debates on improving aid effectiveness and ensure that appropriate priority is given to WASH issues in global aid allocations.

- **National governments should exert stronger leadership on water and sanitation, ensuring relevant institutions are fit for purpose and the required staff and skills are in place at all levels.**
- **Governments need to develop clear, actionable, and accountable plans, which include analysis of sector needs and challenges, sector objectives, clear legal and institutional arrangements and agreed frameworks for performance monitoring.**
- **Civil society organizations and networks should stop neglecting water, sanitation and hygiene issues, actively engage governments in dialogue on policy and finance, scrutinize public investment in the sector and hold governments and donors to account.**
- **Governments need to set policies for future major challenges facing the sector, including population growth, rapid urbanization and climate change, and incorporate these in their planning and delivery of services.**
- **Governments, donors and civil society should demonstrate high-level participation and support for the Sanitation and Water for All partnership that seeks to turn analysis into reform proposals, proposals into commitments, and commitments into actions.**

## 2 Equity and sustainability need to be at the heart of service delivery

Governments typically focus on providing access to the better-off, politically powerful or those who are easiest to reach. Poor and marginalized groups are frequently last in line. Globally, gender disparities are also very marked; for families without a water source at home, it is usually women and children who go to collect it. The MDG target also does not provide incentives to achieve equity within populations. Growing inequalities in access to WASH are unacceptable and avoidable and sector stakeholders need to commit to reducing them<sup>97</sup>. The 2010 recognition of access to water and sanitation as human rights is a landmark decision, and governments should respond to this proactively, with civil society, NGOs and donors ready to support unserved populations in claiming their rights<sup>98</sup>. Countries such as India and South Africa incorporate protection of vulnerable and marginalised groups in their constitutions; others have legislation to protect people with disabilities. Achieving equity is in turn dependent on ensuring the sustainability of services provided, and this needs to be a strong focus and priority for governments, donors and civil society.

- **Governments, donors and international organizations need to tackle wealth, gender and other inequalities in access to water and sanitation as an integral part of their policy, planning and delivery of services.**
- **Governments, donors, utilities and NGOs should build core systems for sustainable service provision, with adequate funding for maintenance, rehabilitation and post-installation support.**
- **Connection charges and tariffs need to be affordable for the poor on a sustainable basis, and not a barrier to the realization of the basic rights to water and sanitation.**
- **Governments should incorporate the protection of vulnerable and marginalized groups in their legislation and policy frameworks, and implement WASH services on this basis.**
- **Civil society, international NGOs and donors should support people with disabilities and special needs, indigenous peoples, and marginalized and vulnerable groups in claiming their rights to water and sanitation.**



**Virtuous circle: effective political leadership and community engagement are the critical components for creating a virtuous circle of improving access and achieving equity and sustainability.**

Village waste collectors collect solid waste using a bicycle, Kurumpanai village, Tamil Nadu, India.

### 3 Funding to the sector needs to be substantially increased

National governments in developing countries and donors need to recognize that their allocations to the sector fall far short of what is required to deliver the MDGs and meet other high-level political commitments, and that slow progress on WASH is holding back both social and economic development. Estimates show that the funding gap in Sub-Saharan Africa alone is as high as US\$15 billion a year, and although these data are less certain, the financing gap across all developing countries is likely to be several times that amount. Increasing overall WASH spending to 3.5% of GDP and sanitation to 1% are very large changes from current levels—but this is the scale of change that is needed if the MDG targets are to be achieved in all regions and LDCs are to get on course for universal access by 2020. Increasing cost recovery and utility efficiency, contributions from households and the private sector need to be a significant part of funding solutions, but it is governments in particular, supported by donors and international agencies, that need to provide the lead and the lion's share of the step change in funding. This will also help secure a sustainable balance between domestic and external resources.

Donors need to recognize that the ongoing shift from grants to loans risks undermining efforts to extend access to poor people as interest rates escalate along the delivery chain and service providers increase tariffs. Industrialized countries also need to act to mitigate the impact of financial volatility and climate change. Implementing financial transaction taxes, currently being considered by the G20, and carbon taxes, as in several European and other countries<sup>99</sup>, can dampen financial volatility, accelerate moves to a low-carbon economy, and help meet global funding gaps in water and sanitation and other critical development areas.

- **Governments, donors and international organizations should substantially increase the resources available to the sector consistent with a realistic assessment of what is required to achieve the 2015 MDGs and other high-level commitments.**
- **Off-track countries in Sub-Saharan Africa should spend at least 1% of GDP on sanitation and at least a further 2.5% on water supply. Off-track countries in South Asia should spend at least 1% of GDP on sanitation.**
- **Acting collectively, donors should at least double global aid flows to the sector, providing an additional US\$10 billion per year in the run up to 2015 and beyond.**
- **Aid should be provided increasingly in the form of grants rather than loans to ensure affordability at country, state and community level.**
- **G20 countries should consider innovative financing mechanisms, such as financial transaction taxes, carbon taxes and international transport taxes, as part of the funding solution and to mitigate the impact of excessive financial volatility and dangerous climate change.**

#### 4 Resources to the sector need to be better targeted

There is significant scope to improve the targeting of resources to the WASH sector. Priority regions for donors should be those most off-track: Sub-Saharan Africa and South Asia in particular for sanitation and hygiene. Although populations are relatively small, the Pacific or Oceania region also needs to be a priority for donors to reverse the downward trend in access. Priority countries should be least developed, low-income and fragile countries. However, addressing the absolute numbers identified in Table 2 is also critical, and this will mean providing substantial aid for middle-income countries as well. There needs to be a sharper focus on providing access in rural areas and for poor people in urban areas (rather than improving services for those already well served), and policy and planning needs to take into account the rapid urbanization underway and the expansion of informal settlements that this will bring.

Governments and donors – in particular the top 10 bilateral donors who dominate the sector – must establish commonly agreed criteria for targeting WASH investments on the basis of need, and use tools such as water point and sanitation mapping currently being developed, for example by governments in Malawi and Tanzania, to support equity in delivery. The budget targeting approach being developed in two regions in Madagascar also illustrates good practice in improving targeting of government resources. WaterAid's research has shown that there is much that multilateral development banks can do to improve their targeting of resources to poor areas and groups. They should develop and use social, health and geographic indicators as an important mechanism for improving their pro-poor targeting.

- **Governments, donors and international organizations should set out and adhere to clear and explicit criteria for targeting their resources to the people and areas of greatest need.**
- **Priority regions for donors should be Sub-Saharan Africa, South Asia and the Pacific.**
- **Priority countries should be least developed, fragile and low-income, but donors should provide significant aid to middle-income countries where WASH needs are high.**
- **Governments should use tools such as water point and sanitation mapping and budget prioritization, as developed in Madagascar, to target resources on the basis of need.**
- **The focus should be on providing basic services for rural areas and poor urban areas.**
- **Key donor agencies including the World Bank and African and Asian development banks should use pro-poor geographic and socio-economic indicators for monitoring their performance.**

## 5 Resources must be used more effectively

The research shows that there is scope to make more effective use of resources that goes beyond improving targeting. This includes adjusting the type, scale and timing of funding to the demands of the situation, and working to improve coordination and alignment between key institutions both in government and externally. Finance and lead ministries need to be flexible in their funding to enable financial absorption constraints and other blockages to be addressed and for sustainability to be prioritized. Lead ministries need to strengthen planning and coordination across different government institutions, and use resources as necessary to build sector capacity and drive improvements in sector performance. They should also seek to harness the contribution to the sector of households and the private sector to address funding gaps.

As the 2011 Busan High Level Forum on aid effectiveness approaches in November, traditional WASH donors must coordinate better among themselves and work with non-traditional donors, in order to ensure that resources are allocated efficiently and predictably to enable recipient governments to plan investments more effectively. In countries where the sector is weak, rather than bypassing government systems, donors need wherever possible to provide targeted support to government in order to establish and strengthen sector planning processes and build capacity to absorb and spend scaled-up investment effectively. The post-2015 international aid architecture needs to reverse the current neglect of sanitation by developing a more rational approach to aid allocation on the basis of need and adopting an integrated approach to investment in basic social services.

- **Governments need to be scaled-up and agile with their funding to respond swiftly to barriers holding back the absorption and effective use of funds.**
- **Governments should seek to harness appropriate investment from households and the private sector to contribute to addressing funding gaps and to strengthen the sector.**
- **Donors should simplify and align procurement and reporting requirements to tackle the problem of financial absorption, and report systematically on progress against indicators of aid effectiveness established in Paris and Accra.**
- **Donors should build an integrated approach to supporting the basic social services and provide targeted and multi-disciplinary support to the most off-track countries.**
- **Traditional and non-traditional WASH donors must work together and establish a common framework for aid effectiveness and in-country cooperation at the 2011 High Level Forum in Busan, South Korea, that strengthens the principles established in Paris and Accra<sup>100</sup>.**

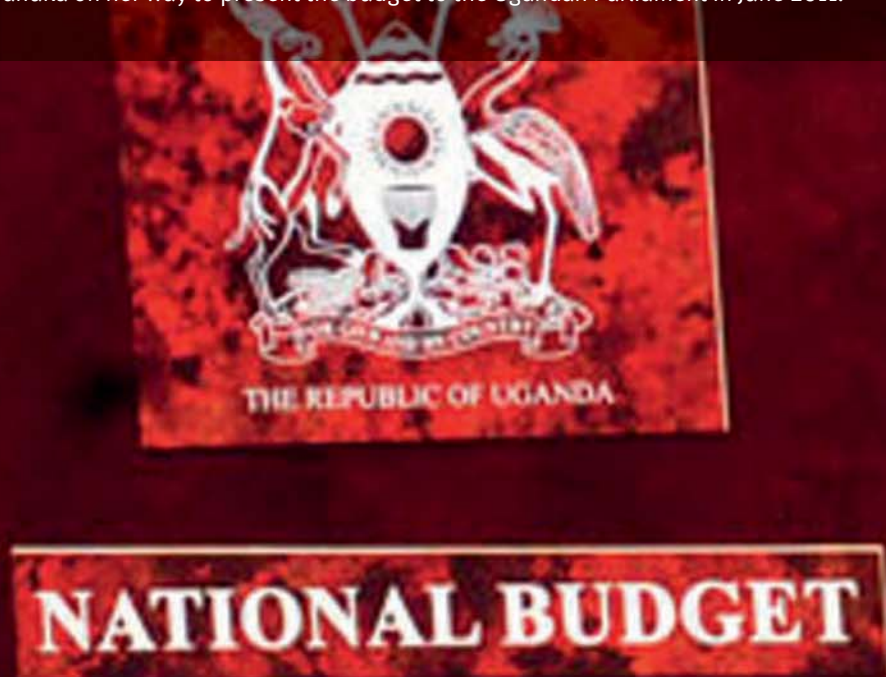
## 6 Governments and donors need to improve transparency and strengthen financial reporting

The quality of WASH sector financial data is very poor compared with other sectors and is a major impediment to effective planning and targeting of investments. OECD DAC donors need to work together to improve the quality of reporting on WASH aid under the existing Creditor Reporting System (CRS) codes, particularly for sanitation. WASH donors and governments need to work together to improve transparency of information on WASH budget allocations and expenditure so they can monitor where funds go and what results are achieved, as well as be held accountable for decisions relating to public investment. Effective policy-making and targeting can only be achieved when decision-makers and communities have an accurate picture of what is actually being planned and spent.

- **Governments should accelerate public financial management reforms to improve the transparency and accountability of budgets and spending in the sector, ensuring water, sanitation and hygiene spending are each separately and clearly identified.**
- **Donors should commit to improving the transparency and quality of reporting on WASH aid, identifying clearly whether aid is for water, sanitation or hygiene, for rural or urban areas, on-budget or off-budget, and reporting on any suspension or delay of funding.**
- **Global monitoring and transparency initiatives – including the UNICEF/WHO Joint Monitoring Programme, the UN Water Global Analysis and Assessment of Drinking Water and Sanitation (GLAAS), the International Aid Transparency Initiative and WASHWatch.org – merit significant support and strengthening on a long-term basis.**
- **Donor countries and international organizations need to commit to accountable and transparent decision-making processes, where the interests of poor people and intended users are fully represented at all stages.**

**Transparency and reporting: governments and donors need to improve the transparency and accountability of budgets and spending in the sector, including ensuring water, sanitation and hygiene spending are each separately and clearly identified.**

Maria Kiwanuka on her way to present the budget to the Ugandan Parliament in June 2011.





**On-track, on-target: ending the water and sanitation crisis will only be possible with a step change in approach from national governments, bilateral donors, international agencies and civil society. The Sanitation and Water for All Partnership offers a golden opportunity to achieve this.**

Girl drinking from a handpump, Kalyanpur slum, Dhaka, Bangladesh.

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# Endnotes

- 1 Although most of the commitments focus on water supply and sanitation, AfricaSan included commitments on hygiene.
- 2 64<sup>th</sup> General Assembly, Access to water by 2025, Plenary, 108th Meeting (AM), General Assembly adopts resolution recognising access to clean water, sanitation.
- 3 This reaffirmed the African Ministers' Council on Water (AMCOW) declaration in eThekweni to allocate at least 0.5% of gross domestic product (GDP) to fund sanitation and create separate public budget lines for sanitation and hygiene in their countries.
- 4 WHO/UNICEF Joint Monitoring Programme (JMP), Africa Snapshot 2010.
- 5 1990 is the baseline year for measuring the MDGs. There were 2.4 billion people without sanitation in 1990, compared with the latest figures of 2.6 billion in 2008.
- 6 UN General Assembly 65th Session (17 Sep 2010) Keeping the promise: united to achieve the Millennium Development Goals.
- 7 Child Health Epidemiology Reference Group of WHO and UNICEF, Lancet (June 2010).
- 8 See for example UNICEF (2010) *Narrowing the gaps to meet the goals* (the Government of India is challenging some of these findings).
- 9 JMP, *Progress on sanitation and drinking-water, 2010 update, comparison of WASH access levels between richest and poorest 20% of the population*.
- 10 JMP, p29.
- 11 WaterAid, SHARE, WSSCC, London School of Hygiene and Tropical Medicine (2010) *Menstrual hygiene management*, Briefing note, UK.
- 12 A study of the informal settlements in Nairobi showed poor people paying more than US\$6 per cubic meter for water during times of shortage – higher than water rates practically anywhere else in the world, and 20 times the amount paid for the same volume by those with piped connections. Mehrotra S and Morel A (2004).
- 13 In India a survey of 565 villages across 11 states shows denial of access to water facilities for scheduled castes in 45-50% of the villages.
- 14 OECD, Paris (2000) *Global trends in urban water supply and waste water financing and management: changing roles for the public and private sectors*.
- 15 World Bank, Private participation in infrastructure database: <http://ppi.worldbank.org>.
- 16 0.2% of this to LDCs; five countries have already met or surpassed the 0.7% target: Denmark, Luxembourg, the Netherlands, Norway and Sweden. In 2005, 15 members of the European Union agreed to reach the target by 2015. The UK has committed to reach the target by 2013.
- 17 The Japanese Government has finalized its first supplementary budget for post-disaster reconstruction efforts, and this will include a cut in overseas aid of Japanese Yen 50.1 billion (US\$612 million). Of the JPY50.1bn to be cut, about a half (JPY27.6bn) will come from the Ministry of Foreign Affairs aid budget, while the rest (JPY22.5bn) will come from the Ministry of Finance (Japan International Cooperation Agency loans).
- 18 Absorptive capacity is the ability to absorb and spend effectively to improve services on the ground.
- 19 Fatih Birol, Chief Economist of the International Energy Authority, [www.iea.org](http://www.iea.org).
- 20 UN Habitat (2010) *State of African cities*.
- 21 World Health Organisation, World Bank (2010) *World report on disability*.
- 22 Hutton G & Bartram J, WHO (2008) *Global costs of attaining the Millennium Development Goal for water supply and sanitation*.
- 23 Government and donor spending combined, but excluding household expenditure. Gleick P H, Cooley H and Morikawa M (2009) *Biennial report on freshwater resources*.

- 24 These are estimates made by the African Infrastructure Country Diagnostic (AICD), a partnership including the African Union, the New Partnership for Africa's Development (NEPAD), the World Bank, African Development Bank and others, set up after the G8 Gleneagles 2005 summit to assess the current state and future needs of infrastructure in Africa. Of the existing \$7.9 billion WASH spending, African governments account for \$4.1 billion and households \$2.1 billion, with DAC ODA and non OECD financing accounting for the remainder.
- 25 About US\$4 or 5.
- 26 WaterAid in Nepal reported in June 2011 that the Ministry of Finance is planning a ten-fold increase in the sanitation budget.
- 27 The World Bank mid-term review, which took place in April 2010, graded the progress of the program as unsatisfactory and shortly afterwards the key development partners suspended disbursements to the water sector basket.
- 28 Kyrili and Martin (2010) *The impact of the global economic crisis on the budgets of low-income countries*, Oxfam commissioned research.
- 29 These data are recorded on WASHwatch.org with additional detail. The data reflect budgeted funds, except in the cases of Burkina Faso, Ghana (2008 and 2009), India (2008), Mali, Madagascar, Nepal (2008 and 2009), Pakistan, Rwanda (2008) and Uganda. Budget donor funds are included for all countries except Angola, Cambodia, Cote d'Ivoire, India, Liberia, and Nigeria. For Ethiopia and India, both federal and state budgets are shown. For Nigeria and Pakistan only federal budgets are shown.
- 30 India data sourced from the Centre for Budget Governance and Accountability (2011).
- 31 Timely release (or disbursement) of donor aid commitments is an important determinant of aid predictability, yet donors frequently spend considerably less than they commit in each year. In 2002, disbursements to water and sanitation formed just 48% of total commitments to the sector. Although there has been some improvement since 2007, the value of disbursements as a proportion of commitments stood at just 71% in 2009.
- 32 2010 national data.
- 33 See IRC WASHCost project: [www.irc.nl/page/39103](http://www.irc.nl/page/39103).
- 34 The need to reflect socio-political considerations at the community level in planning for sustainability is also crucial. In Ghana, changes in traditional leadership in communities, or political leadership at the local assembly, has threatened the sustainability of facilities.
- 35 WaterAid (2008) *Think local, act local*. Countries researched were Bangladesh, Ethiopia, Ghana, Madagascar, Mali, Nepal, Nigeria, Philippines, South Africa, Tanzania, Uganda and Zambia.
- 36 Constant 2008 US\$.
- 37 2007-2009 annual average, an increase of over ten times AfDB aid in 2000-2002.
- 38 See [www.dfat.gov.au/facts/international\\_aid.html](http://www.dfat.gov.au/facts/international_aid.html) and [www.wateraid.org/australia](http://www.wateraid.org/australia).
- 39 Sida for example spent much less in 2010 than in 2009 and 2008 (SEK 321 million compared with SEK 600 million and SEK 500 million respectively), Sida (2006-2010) *Portfolio insights water and sanitation*.
- 40 Bilateral aid: written Parliamentary Answer from Parliamentary Undersecretary of State for International Development Stephen O'Brien to Lindsay Roy MP (24 May 2011).
- 41 Lower middle is shown in cyan and upper middle in dark blue.
- 42 See Table 4: no LDC features consistently over the decade, and LDCs such as Angola, Madagascar, Myanmar, Nepal and Sudan, with large un-served populations, do not appear at all.
- 43 The top ten recipients of WASH aid in Sub-Saharan Africa 2007-2009 are Democratic Republic of Congo (\$221m), Ethiopia (\$203m), Burkina Faso (\$144m), Ghana (\$65m), Angola (\$53m), Cameroon (\$50m), Benin (\$35m), Cote d'Ivoire (\$21m), Gabon (\$19m) and Burundi (\$17m).
- 44 US Public Law 109-121.
- 45 Occupied Palestinian Territories.
- 46 While it is difficult to disaggregate WASH aid flows to rural and urban areas, basic systems and large systems are generally used as proxies for rural and urban respectively.
- 47 The Ghana case study illustrates how debt relief from the HIPC (Heavily Indebted Poor Countries) initiative is freeing up funds for the Government to invest in WASH.
- 48 The largest recipients of WASH aid in South and Central Asia are India (\$695m), Bangladesh (\$216m), Sri Lanka (\$170m), Azerbaijan (\$122m), Pakistan (\$88m), Uzbekistan (\$74m), Afghanistan (\$65m), Georgia (\$49m), Armenia (\$37m) and Nepal (\$23m).
- 49 China for example has been active in the WASH sector in Africa over the past decade with significant water supply and infrastructure projects in Angola, Cape Verde, Mauritius, Mozambique and Nigeria. Saudi Arabia, as well as being active in North African countries over the past decades, has funded WASH projects in Guinea, Kenya, Mauritania, Mauritius and Senegal. Brazil has been a significant WASH donor in Angola and has worked with Japan in funding a major WASH project in Zambezia province in Mozambique. In 2009, the United Arab Emirates funded WASH projects in Afghanistan, Pakistan, Yemen and Kenya.

- 50 Off-budget funding by donors is where finance is disbursed directly to the implementing project, agency or to state or local government and is usually not recorded by the central government.
- 51 The concept of “financial absorption” essentially means the capacity of the sector to spend and use effectively the funds that are made available to it, whether from national treasuries, donor agencies or private sources.
- 52 Through the Heavily Indebted Poor Countries (HIPC) Initiative.
- 53 Source: appropriations acts, budget statements, Controller and Accountant General’s Department, Aid and Debt Management Unit of Ministry of Finance and Economic Planning.
- 54 For the years 2006-07 through to 2009-10 absorption was 95.2%, 99.9%, 99.9% and 98.0% respectively.
- 55 Actual spending relative to budget fell as a percentage in 2008 however, as the level of resources budgeted were sharply increased.
- 56 Data for 2008-09 were not available, although discussions with officials suggest spending was equivalent to the budget allocated.
- 57 Conversely, over 95% of UNICEF’s budget was spent in this year.
- 58 The Community Water and Sanitation Agency (CWSA) is responsible for WASH provision in rural areas, and it relies both on Government of Ghana and donor funding. Total planned spending for 2006-2009 by the Government of Ghana was GH¢’ 42 million, while actual spending was under GH¢’ 14 million (33%); total planned spending by donors was GH¢’ 235 million, but actual spending GH¢’ 76 million (32%).
- 59 This includes loans from the Asian Development Bank, which have not been drawn down.
- 60 The Total Sanitation Campaign was launched in 1999 with the aim of providing individual household latrines to all rural households.
- 61 Fiona Davies, OECD (2009) *Contracting out core government functions and services*.
- 62 This may reflect the fact that they are more subject to budget cuts from finance ministries with actual funds released less than originally-set budgets. It may also reflect the difficulties of delivering new and relatively complex projects or programs, compared with continuing to meet existing staff and administrative costs (recurrent spending).
- 63 Fiscal dependence on volatile oil and gas revenues has led to a high level of uncertainty over the release of budget funds, combined with weak public procurement processes and staffing. Although these affect other sectors, they appear to be worse in the WASH sector. Oxford Policy Management (2011).
- 64 WaterAid (2011) *Equity delayed, equity denied: improving the effectiveness of pro-poor urban water and sanitation investments supported by World Bank-IDA*.
- 65 WaterAid (2006) *Water for All? A Study on the effectiveness of the Asian Development Bank funded water and sanitation projects*.
- 66 This often results in end-users receiving the finance on commercial terms, and creates an incentive to increase tariffs and by-pass poor communities.
- 67 The woredas (councils) then allocate budgets to the various sectors, including the WASH sector.
- 68 Poverty data are only available at regional level and the routine monitoring data give a cumulative picture of water points built whether these are functional or not.
- 69 World Bank (2009) *Tanzania public expenditure review of the water sector*.
- 70 Accountability budget brief, Centre for Policy Research, Dharam Marg, Chanakyapuri, New Delhi (2011).
- 71 Asian Development Bank-led donor funded project of over \$300 million to provide sustainable water supplies to the Kathmandu valley by diverting water through a 26km tunnel.
- 72 22% with access to clean water and 54% with basic sanitation, according to Government standards (includes the country’s second city, Toamasina). There is considerable fragmentation in the sector, with 10 major donors active (including USAID, UNICEF, AFD, EU, World Bank, GRET, SHERRIT, JIRAMA, 1001 FONTAINES, WaterAid, the Red Cross and the Rotary Club ), but generally working outside government systems, with the majority of funds off-budget.
- 73 External agencies (donors, NGOs) play important roles in this context through facilitation, information and advocacy, but there are limits on how far this can generate change until both high-level and local political support for improved sector performance have developed.
- 74 Overseas Development institute (ODI) (June 2011) *Development progress stories*.
- 75 [www.sanitationandwaterforall.org](http://www.sanitationandwaterforall.org).
- 76 The Bolivian Government was significantly influenced by the events in Cochabamba and later instrumental in getting the right to sanitation recognised at the UN.
- 77 Special Climate Change Fund (\$133m), LDC fund (\$253m), Adaptation Fund (\$100m), Pilot Programme for Climate Resilience (\$1bn), Global Climate Fund (\$100bn).
- 78 Budget Programme par Objectif Regional (BPOR).

- 79 The TSP was introduced in 1974 during the fifth five-year plan to provide financial allocations in proportion to the population of scheduled tribes in the annual plans at the central and state level. Under TSP, all the ministries are to allocate 8.2% of their funding to scheduled tribes. The purpose was to bring about the rapid socio-economic development of tribal people and bring them at par with the general population, and since it was initiated a large number of schemes and programmes by governmental and non-governmental agencies covering almost all aspects of tribal life have been commissioned.
- 80 See for example, Sophie Trémolet (2006) *Building partnerships for development in water and sanitation: adapting regulation to the needs of the poor*.
- 81 Including donor funding and household expenditure.
- 82 This was recently conducted with the support of the Safe Water for Africa (SWA) partnership and the Water and Sanitation Programme of the World Bank.
- 83 At the Southern African Development Community (SADC) WASH conference, Maputo, May 2011, delegates reported the difficulties of retaining WASH sector engineers when the mining sector was able to offer much higher pay. Swaziland has only one design engineer, a major bottleneck to project implementation.
- 84 The Ministry for Water and Environment has approved a framework contract for the repair of boreholes, is procuring equipment designed to lower drilling costs, has increased its grant allocation for maintenance from 8% to 11% of the budget, and has submitted a project to the Ministry of Finance for the rehabilitation of over 12,000 non-functioning boreholes.
- 85 This also needs to increasingly include the efforts of non DAC donors such as China, Brazil and Saudi Arabia.
- 86 Institute of Development Studies (IDS) (2010) *The new bottom billion and the MDGs – a plan of action*.
- 87 Disability-Adjusted Life Years (DALYs): according to WHO, “One DALY can be thought of as one lost year of ‘healthy life’. DALYs for a disease or health condition are calculated as the sum of the Years of Life Lost (YLL) due to premature mortality in the population and the Years Lost due to Disability (YLD) for incident cases of the health condition.”
- 88 Aid per person without sanitation can also be added to illustrate which countries are receiving more or less support from existing donors.
- 89 UK International Development Select Committee (2011) *Report: the future of DFID’s programme in India*.
- 90 OECD (2011) *The evaluation of the Paris Declaration, Phase 2*.
- 91 This is backed up by a European Water Initiative (EUWI) study showing WASH suffers from fragmentation and a large number of small projects (EUWI, 2008) and the 2010 GLAAS report which highlighted the proliferation of different funding channels.
- 92 AICD, *Africa’s infrastructure: a time for transformation*.
- 93 Ibid.
- 94 [www.sustainable-living.unilever.com](http://www.sustainable-living.unilever.com).
- 95 GLAAS and the WSP/AMCOW country status overviews.
- 96 The Nepal Government budget documents record considerable detail of recurrent and capital and principal repayment spending, domestic and foreign donor funding, and spending by government ministries for water. Time series data are also accessible from the documents available on the Ministry of Finance website, [www.mof.gov.np](http://www.mof.gov.np). Rwanda has some of the best budget data available for the WASH sector on its Ministry of Finance website. As part of the annual budget process Rwanda publishes medium-term budget allocations for sector spending. These projections include recurrent budgets and both domestically and externally financed capital budgets. However, despite the availability of this data, it is not possible to have a full picture of what is spent, as the annual budget execution report excludes externally financed capital expenditures.
- 97 WaterAid is looking to share more widely in the sector methods developed for providing access for people with disabilities. It is also working to develop affordable solutions for menstrual hygiene management, [www.wateraid.org/documents/plugin\\_documents/briefing\\_note\\_disability.pdf](http://www.wateraid.org/documents/plugin_documents/briefing_note_disability.pdf).
- 98 WaterAid has adopted equity and inclusion as a core principle, intrinsic to a rights-based approach. The *Equity and inclusion framework* is an example of how NGOs can address issues of marginalization and exclusion, [www.wateraid.org/international/what\\_we\\_do/how\\_we\\_work/equity\\_and\\_inclusion/8349.asp](http://www.wateraid.org/international/what_we_do/how_we_work/equity_and_inclusion/8349.asp).
- 99 Although it focused on finance for climate change, many of the sources identified by the UN Secretary General’s Advisory Group on Climate Finance (AGF), [www.un.org/wcm/webdav/site/climatechange/shared/Documents/AGF\\_reports/AGF%20Report.pdf](http://www.un.org/wcm/webdav/site/climatechange/shared/Documents/AGF_reports/AGF%20Report.pdf), could also generate development finance, including through: public finance for climate change adaptation (access to WASH is a key element in building climate resilience), revenue from international transport (shipping and aviation taxes), and revenues from the auctioning of carbon market allowances.
- 100 OECD (2005, 2008) *Paris Declaration and Accra Agenda for Action*, [www.oecd.org](http://www.oecd.org).





WaterAid's mission is to transform lives by improving access to safe water, hygiene and sanitation in the world's poorest communities. We work with partners and influence decision-makers to maximize our impact.

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