

Update on EU Aid to Water and Sanitation in Africa

Political Briefing Note

EU Water Initiative Africa Working Group
April 2011

Key Messages to EUWI AWG Partners

1. Increase funding to accelerate progress towards the water and sanitation Millennium Development Goal targets and better support African states' increased priority on water and sanitation.
2. Improve aid effectiveness in the water and sanitation sector through:
 - a. Effective implementation of the EU Code of Conduct on Division of Labour in Development Policy
 - b. Support to build African leadership and capacity development.
3. Renew commitment to the European Union Water Initiative Africa Working Group.

What are the main conclusions?

EU plays a key role for Water Supply, Sanitation and Hygiene (WASH) in Africa

- ➡ 59% of all reported aid for WASH in sub-Saharan Africa (SSA) comes from EU institutions and member states (MS). For basic water and sanitation, this share rises to 70%.
- ➡ 60% of EU aid to the water sector goes to African recipient countries, meaning that Africa is a priority recipient for the EU.
- ➡ An estimated 35% of water sector aid from the EU community to sub-Saharan Africa is allocated to sanitation.

Progress

- ➡ **EU aid towards water and sanitation has increased.**

The total EU disbursements of aid to water supply and sanitation in Africa have consistently increased between 2005 and 2009. The sum has almost doubled, from about USD 500 million in 2005, to USD 950 million in 2009. The share of this sum contributed by the European Commission (EC) has also increased for every year of this period.
- ➡ **Water sector policies of EU and African states are aligned.**

This is manifested in high-level initiatives such as the African-European Union Strategic Partnership on Water Affairs and Sanitation (2002) and the Africa-EU Statement on Sanitation (2008).
- ➡ **The share of EU member states' aid to LDCs in SSA has increased.**

The share of EU MS total aid to the water sector in SSA going to Least Developed Countries (LDCs) increased from 57% in 2006 to 75% in 2009. However, over the same period, this share for the EC has decreased from 66% in 2006 to 55% in 2009.

Challenges to be addressed

- ➡ **EU water sector aid is not targeted according to need.**

There is no obvious linkage between EU water sector aid received by African countries and their actual need, in terms of access to water and sanitation.
- ➡ **EU water sector aid is highly fragmented.**

From 2002 to 2008 the percentage of donor-partner relationships in which the donor contributed with less than 5% of the total water sector aid to the partner increased from 56% to 64%. Of all disbursements, 58% are less than USD 1 million and about 10 countries receive no disbursements larger than USD 1 million from any of their donors.
- ➡ **EU water sector aid shows a clear pattern of "donor darlings" and "donor orphans".**

18 African countries receive disbursements from at least six EU donors while at the same time eight countries receive disbursements from only two donors. EU aid allocations to water and sanitation in African fragile states is also very limited.
- ➡ **Several African countries are relying heavily on aid for investments in sanitation and are far from realising the eThekweni financing commitments.**

For 2010–2015 Mozambique plans to allocate USD 5 million per year to sanitation (0,05% of their 2009 GDP) while for Uganda the figure is USD 0,4 million (<0,01% of their 2009 GDP). The remaining part of their sanitation investments is expected to come from donors.
- ➡ **In-country division of labour (DoL) is very much driven by EU donors.**

Partner governments are involved to varying degrees, but rarely steer the process.

What is the purpose of this briefing note?

Background

In 2002 EU and African states initiated the Strategic Partnership on Water Affairs and Sanitation by signing the Johannesburg Declaration. Commitments were made to achieve the Millennium Development Goal on water and sanitation and to develop water resources management plans for African countries. Since then the Africa Working Group of the European Union Water Initiative has commissioned several studies to examine EU aid to sanitation and water in African countries as well as the effectiveness of this assistance. The purpose of this briefing note is to give an update on EU aid to the water and sanitation sector in Africa as it stands now, nearly ten years past the Johannesburg commitments. The briefing note aims to contribute with actionable findings and clear insights into the current situation in order to facilitate decisions on the way forward and a coordinated EU contribution to the UNCSD 2012.

Progress and challenges

As promised in Johannesburg, the EU has progressively increased its aid resources in the past years. African countries have also placed stronger priority on the water and sani-

tation sector, as manifested in the eThekweni and Sharm el Sheikh declarations. In addition, a joint platform for improved coordination on water-related aid, in shape of the EUWI AWG, has been created.

Nonetheless, many African countries are still far from achieving the Millennium Development Goal targets to halve by 2015 the proportion of the population without access to improved water and sanitation. At current rates of progress, SSA will not reach the water target until 2035 and the sanitation target in 2109. The undertakings to ensure more effective aid and to work towards sector wide approaches and budget support mechanisms also leaves a great deal to be desired. Many African countries are also lagging behind on adopting an integrated approach to water resources management.

The briefing note starts with an overview of the main achievements of EU aid to the water and sanitation sector in African countries and identifies areas where further improvement is needed. It also highlights actions required by African states, the EU and its member states to address these challenges. It concludes with recommendations on how the EUWI AWG can better contribute to improved water resources management and increased access to water and sanitation for the people of Africa.

The European Union Water Initiative Africa Working Group (EUWI AWG)

The EUWI AWG is the regional component for Africa of the EUWI and it promotes an effective joint (Africa-Europe) contribution to the achievement of water and sanitation related MDGs in sub-Saharan Africa. Most of Africa is not on track to reach the Millennium Development Goal targets for water and sanitation by 2015. Therefore, the EUWI

AWG will make increased efforts to support the implementation of the eThekweni and Sharm el Sheikh Declarations as well as the implementation of the work programme of the African Ministers' Council on Water (AMCOW) and work for strengthened partnerships between European and African stakeholders.

What is working well?

The total EU (Commission and member states) disbursements of aid to the water sector in Africa have consistently

increased between 2005 and 2009. The sum has almost doubled, as shown in figure 1, from about USD 500 million in 2005, to USD 950 million in 2009. The proportion of funding from the EC compared to the EU member states has also risen steadily from 24% in 2005 to 35% in 2009.

The EU is the largest donor to the water sector in countries in sub-Saharan Africa, contributing with 59% of total aid. Africa is also the priority recipient of EU water sector aid, receiving 60% of the total.

When it comes to targeting poor countries, the share of EU member states' total aid to the water sector in SSA going to Least Developed Countries increased from 57% in 2006 to 75% in 2009. However, over the same period, this share for the EC has decreased from 66% in 2006 to 55% in 2009.

Both European and African countries have recently shown a stronger will to improve access to water and sani-

Aid to the Water Sector in sub-Saharan Africa

Constant 2008 USD millions

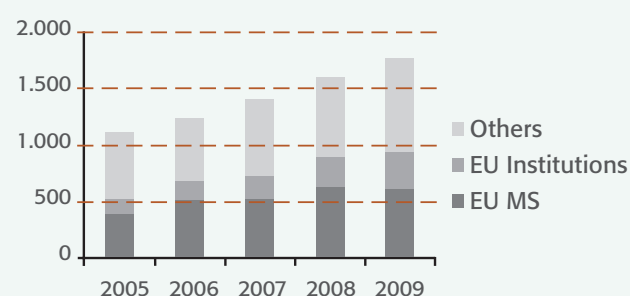


Figure 1: Aid to the Water Sector in sub-Saharan Africa

tation for African people. With sanitation being one of the most off-track MDG targets, it is especially promising that the donor policies on sanitation of EU member states are consistent and well aligned with the sanitation policies of AU member states. This is a considerable achievement that sets the stage for donor and recipient countries to support and implement national sanitation plans. EU member states and the institutions are intent on improving aid effectiveness through an agreed division of labour across and inside recipient countries.

In 2011, the EU Water Initiative has helped initiate a series of improvements to the aid reporting system for water and sanitation projects that were conducted in 2010. Beginning from the this year, it will now be possible to track aid for water and sanitation separately. This will increase the visibility of sanitation projects, allow for better follow-up and help ensure that this sector does not continue to be neglected.

What is not working well and suggestions for improvement

Aid effectiveness and targeting of aid

EU member states, together with other OECD donor countries, have committed themselves to the principles of ownership, alignment, harmonisation and managing for results for improved aid effectiveness. For the EU member states, an important way of implementing this agenda is through division of labour, as stated in its Code of Conduct on Division of Labour in Development Policy. It is also agreed at the global level that the Millennium Development Goals shall guide the fight against poverty. For the water sector, the current trend among EU donors is that these policies are not adhered to.

There is no obvious linkage between EU water sector aid received by African countries and their actual need, in terms of access to water and sanitation. The ten African countries receiving the largest sums of aid from the EU are not the ones with the lowest current levels of access to water and sanitation.

Cost-effectiveness of disbursed funds also does not appear to be a determining factor on donor priorities. EUWI AWG data show widely differing patterns for Uganda, Burkina Faso and Mozambique in terms of both the prevalence of open defecation and the cost-effectiveness of sanitation, neither of which seem to correlate to the levels of aid they receive.

Instead of an increase in the number of large aid contributions, there is increased fragmentation. From 2002 to 2008 the percentage of donor-partner relationships in which the donor contributed with less than 5% of the total water sector aid to the partner increased from 56% to 64%. Of all disbursements, 58% are less than USD 1 million and about 10 countries receive no disbursements larger than USD 1 million from any of their donors.

The EU Code of Conduct on Division of Labour stipulates that EU donors should address the situation of "orphan" partners and limit the number of partner countries to which they allocate aid. Currently, 18 African countries receive disbursements from at least six EU donors while at the same time eight countries receive disbursements from only two

donors. EU aid allocations to water and sanitation in African fragile states is also very limited. On the donor side, scope for limiting the number of partner countries is also visible. Most EU donors disburse water sector aid to at least five, but often between seven and 15 partners.

The alignment with partner countries' financial systems in the water sector shows weak progress. Only 29% of European aid to the sector is provided through sector budget support and the rest is provided through separate programmes and projects. For total aid from the EC as well as the European Development Fund, the figure is 32% (no data available for water sector only). Many donors still also use Programme Implementation Units.

In this respect, no evidence of a positive trend towards more focused or better targeted aid for water can currently be found. A clear implementation strategy for aid effectiveness is not visible, with deficits both in terms of planning and processes (especially for cross-country Division of Labour).

The challenges of achieving a division of labour in development policy among EU donors appear to have strong political reasons. Reducing support for a partner country is a very political decision for all donors with a variety of influencing factors. Such a step requires strong mechanisms to bring together donors and partners on a high political level, who will need to be presented with a well defined SWOT analysis of donors and partners. None of this seems to exist today.

A shift towards increased sector budget support and support to develop institutions will require increased individual capacity and training at donors' country offices. This entails additional costs, and in times of results-based management and reduced overheads, it is a challenge to get budget approval to do this. Taking the lead for a sector in a country costs money, time and effort, which often results in a situation where the lead donors change on an annual basis. This, in turn, gives each lead donor a short time frame to make progress.

Actions required...

...by EU and its member states

- A1 Improve targeting of aid within Africa by considering additional factors (e.g. other donors presence, needs in terms of coverage and fragile states and cost-effectiveness of disbursements).
- A2 Reduce aid fragmentation by reconsidering aid disbursements contributing less than 5% to the partners total sector aid.
- A3 Establish a joint donor fund to cover the additional costs for the donor taking the lead in the sector, in order to promote longer lead donor terms.
- A4 Urgent coordination is needed to address the low level of use of partner country systems for the delivery of aid.
- A5 Promote the use of relevant indicators for the targeting of aid.
- A6 Enhance donor self-coordination through strategically improving the performance of EU donors and disseminating positive results to donors and partners.
- A7 Initiate cross-country DoL by making use of existing political instruments within the Africa-EU partnership and by inviting others to join this dialogue.

... by African states

- A8 Request donor-partner dialogue regarding cross-country and in-country division of labour.

Leadership capacity of African states

The process of in-country division of labour between donors is still very much driven by EU donors with partner governments who are involved to varying degrees, but rarely steer the process. This may be due to the fact that partner governments either do not have the resources for taking the lead or are not convinced of the added value.

Too often activities started in the name of DoL add to existing procedures without leveraging new funds to actually lead them. This result in diminished overall aid effectiveness. It is also common to find implementation hampered by decentralisation policies that delegate responsibilities to unprepared local governments. Other factors that hinder partner countries from taking the lead is that non-EU countries, vertical funds and multilateral donors are seldom involved in division of labour processes, since they have been EU triggered and that there is no comparable data on donors' performance.

Several African countries are relying heavily on aid for investments in sanitation. In Mozambique, 86% of the planned allocations to the sanitation sector for 2010–2015 are aid, and EU donors contribute with the major part. For

Uganda, this number is 97%. The contribution per year from their own budgets is planned to USD 5 million and USD 0,4 million, respectively. This corresponds to 0,05% of the 2009 GDP for Mozambique and <0,01% for Uganda. Thus, these countries are still far from the goal set in the eThekweni declaration: to allocate 0,5% of GDP to sanitation and hygiene investments.

National policies on subsidies for sanitation vary extremely widely and do not necessarily align with sanitation outcomes. In 2008, Uganda provided zero subsidies, Mozambique a little over half, with Burkina Faso providing full subsidy of the capital costs for rural sanitation. The absolute numbers of rural people practicing open defecation have fallen substantially between 2000 and 2008 only in Uganda; this juxtaposes with very low subsidy arrangements and low unit capital costs for latrines. Conversely, Burkina Faso appears to show the opposite trend, with an increase in rural people practising open defecation in the light of high unit capital costs and high subsidies on government-sponsored programmes (as of 2008).

Actions required... **...by EU and its member states**

Facilitate the in-country division of labour by:

- B1 Exchange of information between country offices and donor headquarters.
- B2 Capacity development for strategic aid management in the partner country (including the installation of aid management systems).
- B3 Managing intra-governmental interests based on the fact that enhanced donor harmonisation and DoL processes tend to strengthen coordinating ministries (finance or planning) at the expense of line ministries.
- B4 Prevent the decline of sector dialogue quality due to reduced dedicated expert capacities of donors.
- B5 Strengthening partner leadership by exploring and disseminating prerequisites and benefits of country-led DoL and by building capacity in partner countries.
- B6 Encouraging external performance analyses of the different donors in a country to enable knowledge about strengths (and weaknesses) of individual donors with respect to national (sector) programmes. This will provide a sound basis for a partner government to take the lead in any DoL discussion.

... by African states

- B7 Strengthen national water sector management and assign clear responsibilities to the institutions involved.
- B8 Fulfil commitment under the eThekweni declaration to allocate 0,5% of GDP for sanitation and hygiene as well as other commitments aiming to prioritize the sector. Partner countries showing serious priorities for a sector are an important factor behind donor re-allocations between sectors within its total aid.

Monitoring of aid and water and sanitation coverage

Monitoring of aid allocations and coverage rates for water and sanitation in African countries pose challenges to both donors and recipients.

This year, OECD donors will for the first time disaggregate between water and sanitation allocations in its aid reporting for the projects that took place in 2010. Nonetheless, the nature of the different aid modalities (in particular, programme-based aid and contributions to multilateral organisations) means that only a proportion of aid going to sanitation and water can actually be identified at the point of outflow of funds from the donors. Another persistent challenge is that future allocations of European aid to African countries cannot be predicted using systems currently in place.

Recipient countries, such as Mozambique, Burkina Faso and Uganda, all face problems in WASH sector monitoring in general and with sanitation in particular. Financial disbursements to sanitation programmes at the country level cannot, in most cases, be monitored and it is not possible to link disbursements directly to either outputs or outcomes in sanitation, particularly for rural areas.

Furthermore, in many developing countries reliable data on actual coverage are rare. According to the WHO GLAAS study almost half of the surveyed countries do not have an annual sector review process.

Actions required... **...by EU and its member states**

- C1 Actively support the development of national monitoring systems in the partner countries and strengthen further integration between the donor and the recipient sides.
- C2 Ensure correct reporting of disaggregated water and sanitation aid to the OECD-DAC by disseminating information to programme managers on the new reporting requirements.

... by African states

- C3 Develop and implement monitoring systems for water and sanitation coverage and introduce annual sector review processes.

Concluding remarks on the role of EUWI AWG

The actions required are strongly linked to the EUWI AWG work plan

The actions listed in this briefing note are closely connected with the implementation of the work plan of the EUWI AWG, which is also designed to support the work of the African Ministers' Council on Water (AMCOW). The EUWI AWG can

be used as a platform to coordinate between EU member states and provide a communication channel between them, the EC, AMCOW and other partners. The specific links between the four activity areas of the EUWI AWG work plan 2011 and the actions required for improved EU aid to the water sector in Africa are shown in table 1.

EUWI AWG Activity Areas	Links to Actions Required
1: Support to implementation of declarations, notably the eThekweni, Sharm el Sheikh and Johannesburg declarations.	B2, B7, B8, C3
2: Promote aid effectiveness & efficiency in the water and sanitation sector in Africa, e.g. by supporting the development of strategies for targeting of aid.	A1, A2, A4, A5, A6
3: Strengthening partnerships and stakeholder involvement between EU Commission, EU Member States and African Partners	A3, A7, A8, B3, B4, B6, C1
4: Communicating AWG activities and results for increased knowledge sharing.	A6, B5, C1, C2

Table 1: Links between EUWI AWG work plan and actions required

Governance of the EUWI AWG will be strengthened

A recent review of the governance structure and operations of the EUWI AWG has brought forward important recommendations for the group to continue functioning well.

It's key recommendations were to:

- Seize current opportunities for increased political engagement on water in Europe.
- Increase focus on resource mobilisation and aid-effectiveness and find opportunities to leverage resources at country-level.
- Identify a new European co-chair during 2011.
- Involve more EU member states in the management of the AWG and take a more active part in AWG activities.

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