

Aid Effectiveness and the High Level Meeting 2014

This note sets out some of the ‘first cut’ thinking on integrating the ‘aid or development effectiveness’ principles into the theme of ‘smart investments’ for WASH at the SWA HLM for 2014. The idea is to develop the relevance of aid effectiveness principles and to articulate these in a way that is useful for both Ministers of Finance from developing countries, development cooperation ministers and heads of development agencies.

Suggested opening themes by WB Chief Economist (or equivalent)

The Bank’s Chief Economist sets out benefits of access to WASH services in ways that have relevance to Finance Ministers. The presentation develops ideas on how WASH access can optimise investments across development outcomes – viz girls’ access to education, primary health care and reductions child morbidity and mortality, economic growth etc.

The point can then be made about the costs attached to uncoordinated and unplanned investments in WASH and the opportunities for well-coordinated aid. The costs include: how non-functionality and lack of attention to sustainability puts investments at risk, and, how multiple project development and reporting mechanisms deplete precious government capacity. On the opportunities side: how using aid to build country systems and leverage private sector investment can magnify the impact of aid.

A necessary condition to optimising investments and achieving universal access consistent with the post-2015 framework can only be realistically accomplished by both countries and their development partners focusing on the system-building and sector governance agendas.

Key points for making the Aid Effectiveness argument include:

Improving the effectiveness of aid is about the impact of development cooperation on the performance of a sector. In the WASH sector this means: ensuring aid enhances the capacities of governments in developing countries to deliver and sustain safe, reliable water services and long-term behaviour change for hygiene and sanitation – rather than having aid agencies deliver those services on behalf of government.

The need for Aid Effectiveness:

- Over the last years it has become increasingly apparent that sector investments, including those of donors, fall short of ensuring universal access for all, for ever;
- Despite billions of dollars of aid and government spending, a substantial percentage of water and sanitation systems are not working, or are providing a sub-standard level of service;

- Yet, smart aid has helped build the institutions that deliver and manage services and has crowded in private sector and commercial finance to the WASH sector.

The following trends are working against Aid Effectiveness:

- Most external support agencies are mainly to “build new infrastructure” for “new beneficiaries” (GLAAS 2012).
- Developing country governments also allocate most of their investments to putting in place new infrastructure.
- Fiscal austerity in OECD countries is in danger of putting short-term impact before long-term sustainability by interpreting “value for money” as maximizing immediate beneficiary numbers at the cost of system strengthening – the trade-off needs to be better understood

A changing and more complex aid landscape is further fragmenting an already fragmented sector leading to multiple uncoordinated approaches to sector development, duplication and inefficiency.

The following trends have potential to enhance Aid Effectiveness:

- While the global aid architecture has become more fragmented over the past decade there are many new modes of investment emerging ranging from results based mechanisms through to social impact investing. Understanding which work well, how and why provides new avenues for sector investment.
- While the appetite for general budget support has waned there is a resurgent realization that the systems strengthening of the early- to mid-2000’s had a significant impact on building core state functions of: planning, budgeting, expenditure management, procurement, civil service management and decentralized service delivery.

Improving Aid Effectiveness will require developing countries to:

- Demonstrate leadership in coordinating and implementing all sector investments based on national development goals as well as defining and monitoring minimum levels of services;
- Develop financing strategies that clarify how service costs will be sustainably financed by national tax revenues, tariffs and through external transfers, and ensure this happens;
- Fund sector strengthening, including policy development and comprehensive planning, as well as infrastructure;
- Put in place regular performance assessments (Joint Sector Reviews etc.)
- Put the case for more WASH aid to be channelled as general or sector budget support to deliver the best development outcomes.

Improving Aid Effectiveness will require donor countries to:

- To complement the building of infrastructure with the building of sector capacities that take into account all aspects of running services including: policy making; management; service monitoring and regulation; maintenance, repair and replacement of hardware; training and skill development;
- To align planning and financial allocations with national WASH sector strategies;
- Support countries in developing national monitoring systems and joint reviews that are based on mutual accountability that monitor the effectiveness of the sector - rather than investing in instruments that exclusively monitor aid-supported programs and projects.

At global level, all actors must provide an enabling environment for effective country support, which entails:

- Reaching agreements on the “division of labor” among donors and development agencies in support to countries;
- Reaching agreements on better targeting of aid to the most off-track countries and fragile states, and the most marginalized within those countries;
- Advocating for enhanced political priority for WASH (as opposed to building infrastructure and systems);
- Engaging non-traditional donors more actively in the aid effectiveness debate.

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