

Factors behind the Poor Integration of the Water and Sanitation Sector in PRSPs in Sub-Saharan Africa

Final Report

by

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Acronyms

<i>HIPC</i>	<i>Highly Indebted Poor Country (Debt Relief Initiative)</i>
<i>BFP</i>	<i>Budget Framework Paper</i>
<i>MTEF</i>	<i>Medium Term Expenditure Framework</i>
<i>NGO</i>	<i>Non-Governmental Organisation</i>
<i>PAF</i>	<i>Poverty Action Fund</i>
<i>PEAP</i>	<i>Poverty Eradication Action Plan</i>
<i>PPA</i>	<i>Participatory Poverty Assessment</i>
<i>UPPAP</i>	<i>Uganda Participatory Poverty Assessment</i>
<i>PRS</i>	<i>Poverty Reduction Strategy</i>
<i>PRSP</i>	<i>Poverty Reduction Strategy Paper</i>
<i>SSA</i>	<i>Sub-Saharan Africa</i>
<i>SWAP</i>	<i>Sector Wide Approach</i>
<i>WSS</i>	<i>Water and Sanitation Sector</i>

Executive Summary

The Poor Integration of Water and Sanitation In PRSPs

Poverty Reduction Strategy Papers (PRSPs) and the associated processes are becoming increasingly important in setting the policy agenda within developing countries and focusing it on poverty reduction. For sectors, engagement in the PRSP process is becoming increasingly important, as PRSPs are increasingly a platform for mobilisation of resources, and scaling up activities nationally.

The Water and Sanitation Sector (WSS) however has suffered from poor integration into the PRSP and budgetary processes. This contrasts with sectors such as education and health which almost universally are lent greater priority in PRSP documentation, and are subsequently benefiting more in terms of resource allocations in budget processes. This report examines why this might be the case, by examining the integration of the WSS in PRSPs in three Sub-Saharan African (SSA) countries, Uganda, Zambia and Malawi, and comparing this experience to generic experiences in the education and health sectors. It also provides recommendations on how WSS actors can better align themselves towards the PRSP process, and take actions to help the sector gain priority in the PRSP and budget processes.

Factors behind a successful PRSP process

Successful PRSP processes rely on a combination of institutional capacity to develop and implement policy, and political commitment to poverty reduction itself. Different levels of institutional capacity and political commitment will result in different policy outcomes. Many SSA countries, however, have both weak political commitment and institutional capacity and this undermines the likelihood of a successful PRSP process.

Those countries which are further down the line in strengthening budgetary systems, and sectoral programming¹, such as Uganda have found it easier to develop and implement successful PRSPs. Donors can play an important role in building institutional capacity, and they can improve the incentive for government actors to engage in the PRSP process, by providing their support through budget systems. However in the context of weak political commitment, as in Malawi and Zambia, the incentive for sectors to engage in the process becomes undermined, even if the administrative capacity is there.

A major premise in the PRSP experiment is that the participatory process of developing a PRSP will help build political commitment. Donors and civil society can, through such participatory processes, help provide the external impetus to ensure poverty reduction remains on the political agenda. However there is no guarantee that this will be successful. The jury is out on whether participatory processes can build the levels of political commitment required for PRSPs to become instruments which actually deliver results.

Factors behind Success and Failure in the WSS

Malawi, Zambia and Uganda have many common features in the WSS, health and education sectors. There are, however important differences, and lessons to be drawn. In Uganda water and sanitation have got higher budgetary priority, benefiting from a

¹ Often referred to as Sector Wide Approaches (SWAPs)

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substantial proportion of HIPC debt relief, and the sector is better aligned with the PRSP than in Malawi and Zambia. Similarly health and education sectors have tended to gain higher priority than water and sanitation. Civil society have succeeded in raising the profile of water and sanitation in Zambia through the PRSP process, and ensured it was highly visible in the PRSP document, however this has not been followed through with increased budget priority, or better alignment of the sector towards the PRSP.

There are three common features which can be identified in those sectors which are better aligned with PRSPs that are not present in the Water and Sanitation Sectors in Zambia and Malawi:

- **Advancement of sector reforms, with clear costs and delineation of roles** – Uganda is further ahead than Zambia and Malawi in terms of the development of sector reforms (SWAPs) and the PRSP process itself. This combined with a strong budgetary process, which has a sector focus, has strengthened coordination within and between sectors. The Ministry of Finance has been important in pushing all sectors including the WSS to prepare strategic plans and this has subsequently enabled it to engage better in the PRSP process. The role in the water sector of local government and the ministries responsible for water and finance are all relatively clear in Uganda. In general the Health and Education sectors are further advanced in the development of SWAPs, and the fact that there tends to be less institutional fragmentation makes sector programmes more straightforward to develop. The development of SWAPs has provided important fora for dialogue and agreement over the actions within the sector to improve performance.
- **Political Commitment to Poverty Reduction and budgetary reforms** – the most important element is the greater political commitment to poverty reduction within government, which provided a supportive environment for decisions which are consistent with poverty reduction to be made, especially in the PRSP and budgetary processes in Uganda. Health and Education tend to have more powerful line ministries than the ministries responsible for water, and usually benefit from greater political support, because, *ex ante* they tend to have larger budgets and greater donor support. This puts them in a stronger position when lobbying for budgetary resources and engaging in the PRSP process than other sectors.
- **Greater On-Budget Funding:** the education and health sectors tend to have a far higher proportion of government's own revenues allocated to them, making the budget process more important for them to engage in, despite the uncertainties in budget implementation. Unlike WSS where the vast majority of funding comes from donors, they need to engage in dialogue with the Ministry of Finance. The Uganda WSS, since benefiting from HIPC, now has a far greater incentive to engage in the budgetary process, as donor funding is now in the minority, whilst Zambia and Malawi WSSs remain dominated by donor project support.

There is another important observation to make as to why the Uganda WSS received a large increased in funding. The timing of a Participatory Poverty Assessment, which revealed safe water as a key concern of the poor, coincided with Uganda's qualification for enhanced HIPC funding. This was used by the Permanent Secretary/Secretary to the Treasury of the Ministry of Finance as a justification for

allocating a substantial proportion of HIPC to the WSS. An **opportunity was seized by a key** “driver for change” in the PRSP and budgetary processes.

Despite heralding the Ugandan example in terms of alignment and prioritisation of the WSS within the PRSP and budget, it is also important to highlight that the WSS reforms in Uganda have yet to yield substantial improvements in efficiency and effectiveness. Sanitation appears to fare no better than in other countries. There is substantial potential for improvement, but the sectoral review processes are still nascent. The health and education sectors are also similar in many ways to the Water and Sanitation Sector. It has not proved necessary for them to carry out rigorous poverty analysis to gain priority in the PRSP and budget processes. However the conventional wisdom is that such expenditure is poverty reducing. The sectors, before SWAP type reforms suffer from inefficiencies resulting from multiple donor projects similar to the WSS. Often education and health are also plagued with problems to do with accountability.

The Uganda WSS and Health and Education Successes therefore point to four key observations:

- The most important recognition in this analysis is that the development of **national sector programmes** in the Water and Sanitation Sectors is very important to the integration of the WSS and PRSPs. Sector development strategies facilitate a sector’s engagement in the PRSP process and *vice versa* (the mutually reinforcing point above), and improve the chances of prioritisation in the budget process. Engagement in the PRSP process, however, is not a pre-requisite for the tackling of ineffectiveness and inefficiencies in the water and sanitation sectors, and these efforts should be pursued in the own right.
- The second is to do with the incentives **to engage in the Budget and PRSP process**. If the PRSP and budgetary processes, as it did in Uganda via the Poverty Action Fund, can demonstrate that strategic, pro poor interventions will generate more resources for a sector then a sector will be more interested in engaging in the process. Donors can also facilitate this by moving from project support towards budget support (first sectoral, then general) and ceasing to by-pass government systems.
- The third relates to real **political interest and commitment to poverty reduction** (including in the Ministry of Finance) which will promote WSS from a downplayed status as provider of basic services, to a key role as a cornerstone of improvements in the lives of poor people (a socio-economic multiplier).
- The final observation is to do with the **difficulty of addressing sanitation**. Sanitation is the responsibility of institutions in several sectors, and interventions appear to be given secondary priority within all institutions involved. The water sector does not appear to have the political power to tackle this lack of priority in other sectors. This actually brings into question the fundamentals of linking the sanitation sector to safe water supply.

Towards Better Integration of the WSS in PRSPs

The strength of the overall PRSP process, and the credibility of the Ministry of Finance, as the driver of the process are key in the ability of, and incentives for any sector to align properly with PRSPs. A credible PRSP framework includes an

institutional environment which provides incentives for alignment, clear roles and responsibilities of different institutions in planning, budgeting, implementation, accountability and review, and also standards for donor behaviour.

The strength of a national PRSP process will and does vary, and this is largely an external factor to WSS actors. Although sector alignment is more difficult in the absence of a strong PRSP process, as is the case in Malawi and Zambia, it is not impossible. A national sector programme in the context of a weak PRSP is better than the usual status quo of fragmented, inefficient donor projects. The three actions set out below have the potential of tackling some of the current problems in the water and sanitation sector, as well as facilitating better integration in the PRSP process:

- **Promoting sector programming as a means for getting the basics of national systems right** - Countries should be supported in the development of sector programmes, with SWAP type arrangements, which have an emphasis on the development of national systems for service delivery. This should include: *the systems for collective financing; countrywide mechanisms for implementation, monitoring and evaluation, where possible using governments' own systems; interpretation of institutions roles and responsibilities; and the development and costing of implementation of those sector programmes.* A key area of focus should be on a proper sequencing of implementation, starting with these **basic building blocks**, and then moving towards the more complex elements, such as specific technologies, demand responsive approaches and cost recovery, which tend to dominate the policy debate at present.
- **Aligning Donor Behaviour** - In the absence of a credible PRSP process, which is common in SSA countries, the importance of donors reorienting their behaviour towards the PRSP process becomes even greater. Sector donors need, firstly, to establish modalities for coordinating themselves, and joint sectoral review processes are good starting points for the building of a coherent dialogue with government. The donors should put equal weight on dialogue between sector agencies themselves and ministries of finance, as the custodians of the budgetary and PRSP processes. Policy and sector implementation discussions should be focused on the Ministry responsible for Water. Discussions on financing should be in consultation with the Ministry of Finance (with the sector involved). Ultimately donor support should be channelled through national budgetary systems, however that may not be possible or desirable initially. Even if donors are unwilling to move immediately to budgetary support, because of weak budgetary systems, it is possible for donors to consider supporting collectively – through basket funding – a single national programme, which the Ministry of Finance and sector agencies are responsible for implementing, and are involved in developing the financing modalities. Sector Donors can also play an important role in building the credibility of the PRSP process in sector agencies by using it as the starting point for discussions with the Government on water and sanitation issues.
- **Lobbying for Water and Sanitation Sector Priority in the PRSP and Budget** - In both the budgetary process and the PRSP process organised lobbying by domestic civil society and donors can build political preference for water and sanitation interventions, and raise the profile of the WSS. Where in country data does not exist, international evidence on the importance of

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water and sanitation interventions in poverty reduction provides a powerful message to policy makers.

- **Back to Basics in International WSS advocacy** - Often the WSS policy debate has been at a very sophisticated level, in terms of hi-tech policy innovation. The agenda should shift towards the development of national systems for service delivery and the basic building blocks need to be in place. Internationally donors should develop codes of conduct in dealing with developing countries in the WSS, especially in terms of supporting the development and implementation of national sector programmes, the implementation, the dos and don'ts of dialogue with government, and the sequencing of reforms. Donors should be encouraged to move away from direct implementation of donor projects, and develop mechanisms for collective action and financial support. International Donors and NGOs in the sector need to continue advocacy, and keeping Water and Sanitation high on the international agenda. There is also need for greater advocacy in terms of the impact of poor water and sanitation on health outcomes, and wider dissemination of quantitative analysis.

What future for Sanitation?

A major question remains about the best approach for Sanitation. The major challenge is that it is a cross cutting issue, and not a conventional sector, and cannot be tackled as a conventional sector programme. SWAP-type approaches are not proving effective instruments to handle cross-cutting issues. Several institutions in several sectors are involved in sanitation activities, and these activities tend to be given secondary priority by those institutions, even in water.

A strong PRSP process appears to be a potential alternative entry point of changing the way sanitation is handled. If the Ministry of Finance or any other central ministry with authority is driving for pro-poor reform, it could be a role for that ministry, not the ministries of water or health to ensure that sanitation activities get adequate budget and implementation priority within all sectors. It therefore may actually be rational to detach sanitation from the water sector, especially when there is a strong, evidence based PRSP process. A weak PRSP process, however, may not deliver such benefits.

Chapter 1: Introduction

1.1 Background

Access to safe water and sanitation is crucial for improving livelihoods of the poor. The international community recognised this, by including safe water for all as one of the Millennium Development Goals (MDGs), and a similar commitment was made for sanitation and the World Summit for Sustainable Development in Johannesburg. This importance of water supply and sanitation for poverty reduction, however, has been inadequately reflected in the development of Poverty Reduction Strategy Papers (PRSPs) in sub-Saharan Africa, both in terms of process and content². There is considerable variation in the way in which the water and sanitation sector is treated in PRSPs and in the sector's ability to command resources in national budget allocations. Levels of allocation for water supply and sanitation are almost always inferior to their needs. Sanitation especially appears to have been afforded little attention in PRSPs and little priority in national budgets. Conversely other social service sectors such as health and education have tended to gain far higher prominence in PRSPs, and correspondingly gained significantly in government (and donor) resource allocations.

The purpose of this report is to provide preliminary insights into the possible reasons for this lack of incorporation and/or integration of water and sanitation sector strategies and interventions in PRSPs in Sub-Saharan Africa (SSA), and provide proposals on how the situation can be improved, so that the importance of safe water and adequate sanitation is adequately reflected. The study is intended to support the work of the Water and Sanitation Programme – Africa (WSP-AF) on advocacy for water and sanitation in SSA PRSP initiatives, especially WSP focus countries.

1.2 The rising profile of PRSPs, and the lack of WSS priority

Poverty Reduction Strategy Papers and the associated processes are becoming increasingly important in setting the policy agenda within developing countries and focusing it on poverty reduction. For different sectors, engagement in the PRSP process and ensuring adequate coverage in the PRSP documentation is becoming important, as PRSPs are increasingly providing a platform for sector reforms and mobilisation of additional financial resources from donors.

The Water Sector however has suffered from a poor integration into the PRSP process. A recent WSP-AF desk review of the water and sanitation component in the ongoing PRSP Initiatives in 10 countries found that:

“Despite the importance of WSS in participatory poverty assessments (PPAs), WSS has received inadequate and limited attention in the PRSP initiatives, barring the case of Uganda.”³

This contrasts with sectors such as education and health which almost universally have significant mention in PRSP documentation, and have benefited from increased resource allocation in budget processes. However PRSPs continue to represent an opportunity for all sectors including the Water and Sanitation Sector to scale-up and increase their profile.

² WSP, 2001a,b; ODI, 2002;

³ WSP 2001a

1.3 Methodology

In order to understand when, why and how the water sector does or does not gain priority, this study investigates the PRSP processes from the perspective of the water sector, comparing the key differences in approach of three different countries and sectors.⁴

Zambia, Malawi and Uganda have had differing track records in macroeconomic performance, public sector reforms, and poverty reduction outcomes. Uganda is seen as a success story in the region, with high sustained levels of growth, and relatively successful reforms and achievements in poverty reduction throughout the 1990s was the first country to develop a PRSP, and access the enhanced HIPC debt relief in 2000. In terms of development Zambia has been on a declining path for over three decades, although the decline did slow in the 1990s – and much of this decline has been put down to fiscal indiscipline within government. Malawi broke free from one party rule to multiparty democracy in 1998, however economic performance has been unremarkable since, characterised by low growth and high inflation. Zambia and Malawi completed their full PRSPs in 2002, although they both accessed debt relief under the enhanced HIPC initiative in December 2000.

Uganda provides a good example of a strong PRSP process, and in particular how sector policies and programmes can be integrated into PRSPs.⁵ The water sector in Uganda has gained a relatively high priority in PRSPs as compared against the more representative situations of Zambia and Malawi, where the water sector has had limited success in gaining priority in PRSP and resource allocation in budgetary processes. However, in all three countries sanitation has been all but ignored. The education and health sectors, which overall have been more successful in gaining priority in PRSPs, and subsequently budget allocations are compared with the situation in the water and sanitation sector. Both domestic political priority to these sectors, backed up by donors enthusiasm to support change in these sectors has been crucial in their success. It is important that the reasons behind this success are understood, and whether any implications can be drawn which are relevant to the Water and Sanitation Sector.

From this analysis, we draw out the common factors which have contributed to, or undermined, the Water and Sanitation Sector in PRSP processes. Institutional, political and external factors all influence the character of the sector and the priority lent to it within countries' PRSP processes. Those sectors with clear policies and structures for service delivery, often developed through SWAPs, tend to be more successful in engaging in the inter-sector policy debates, and hence PRSP processes. Civil society can play a role of raising the profile of the WSS in the PRSP process. The behaviour of donors especially and to a lesser extent civil society in these processes is shown to be important in providing the right incentives for alignment and integration.

The study also suggests the types of actions that are needed to improve the sector's integration, and raise its profile in PRSPs and resource allocation, and furthermore how advocacy for better integration should be designed at the macro-regional (or even internationally for donors, NGOs etc.) and country levels in view of the analysis.

⁴ This comparison is provided in detail in the Annex 2 and 3

⁵ Berke 2002

The bulk of the analysis in the study is based on information from a desk review of PRSP and WSS sector documentation. The study also draws from the preliminary findings of joint ODI in collaboration with WaterAid on strengthening design, finance and delivery of water and sanitation in PRSPs, and other relevant research, including that by the Water and Sanitation Programme Africa. PRSP documentation, and work by the Strategic Partnership for Africa (SPA) on the integration of Sector Programmes and PRSPs has also been used.

1.4 Characterising the PRSP process

The PRSP initiative is in its infancy, and it is very difficult to define what a successful PRSP is, and what impact it can and should have. The PRSP process is not just the preparation of a government strategy document, but is also at the heart of efforts to redesign the aid relationship between developing countries and donors and to improve the allocation and targeting of resources towards poverty reduction. Instead of accepting prescribed policies, developing country governments are required to go through agreed processes to develop their own strategies for reducing poverty, which result in the preparation of a PRSP, and ultimately its implementation.

From a donor perspective, PRSPs are intended to help strengthen links of donor support to a government's own poverty reduction agenda, in particular debt relief under HIPC, Bank and Fund concessional lending, but also providing a broad framework for all external assistance. The high donor-dependency of SSA countries reinforces the importance of the PRSP process for a country.

Robust assessment of the status and causes of poverty, inter-sector collaboration, and broad stakeholder participation are all considered important elements in the development of PRSPs. PRSPs are meant to influence government activity, through linkage to a government's budgetary allocation and implementation processes, often through the development of medium term expenditure frameworks (MTEFs). Monitoring is a key element of the PRSP process, through annual progress reports on implementation and a suggested full participatory update every three years.

Ultimately the PRSP initiative will need to be judged in terms of its contribution to the achievement of poverty reduction results. However the extent to which it can be seen as successful is more difficult at this juncture. The success can be looked at in terms of the content of the PRSP with regard to quality of strategy, the institutional ownership and the subsequent systems put in place for monitoring and evaluation. It is the actual changes in the implementation of government programmes and the influence of the associated outputs on poverty reduction outcomes which are of most importance. Especially important, therefore, is the link of the PRSP to budgetary process and the alignment of sectoral programmes towards PRSP goals.

PRSPs are being promoted in countries where governments have had a long and sustained lack of commitment to reform, and weak accountability. Booth et al (2002) observe that:

“The gamble on which the PRSP approach is based is that if governments are obliged to discuss poverty and what they are doing about it with their citizens,

they are likely to regard it more seriously, and to be held to account more effectively.”⁶

The likelihood of success in the PRSP process is based on the interplay between the institutional capacity to deliver on PRSP goals and the political commitment to poverty reduction.⁷ A Government with institutions which have the technical capacity to develop appropriate policies is necessary but not sufficient to deliver poverty reduction. Political commitment is also crucial – this does not just refer to the need for elected politicians, but also that the leaders and individuals in government institutions have a preference for poverty reduction, and a capacity to understand the implications of this on policy and action. A combination of institutional capacity and political commitment to poverty reduction will result in an increased likelihood of success in PRSP development and implementation.

The Institutional Capability to deliver reforms in Uganda, Malawi and Zambia

Uganda, throughout the 1990’s developed a reputation of good performance in the development and implementation of macroeconomic, expenditure and sectoral reforms, driven by a strong Ministry of Finance, albeit supported by technical assistance and capacity building. Subsequently the development of the Poverty Eradication Action Plan (PEAP), Uganda’s PRSP, was technically sound, as there was a basis of poverty diagnosis, sector strategies, and results orientation already established. Sector strategies and plans were first developed in the roads and education sectors (largely due the high political and donor attention to them), and these informed the original PEAP in 1997. These were followed by sectors such as Health and Agriculture, where the poverty focus was increased. The PEAP process has helped reinforce the poverty dimension of sector development plans, whilst sector plans enhance the quality of strategy in the PEAP. However that is not to say that there is adequate capacity throughout government – sector agencies and local government need continued strengthening to prepare and deliver policy, and the understanding of pro-poor sector reform processes remains fairly narrow.

Although Zambia’s PRSP document represents a credible strategy for reducing poverty, much of the detail remains to be worked out. The administrative capacity remains weak within government, and remains highly centralised which means that the capacity for implementing services locally is especially weak. Key ministries such as Health, Education and Community Development also need strengthening.⁸ The strategies laid out in Malawi’s PRSP are also sound, although the document is less well presented than others. Whilst Malawi has a record of developing policy documents relating to poverty reduction, (e.g. 1994 Poverty Alleviation Plan and the 1998 vision 2020) they have never been backed up with any action planning, let alone implementation, and there remains limited capacity. In both cases, the PRSP process has enhanced inter-sectoral dialogue and greater coherence in policy making –the challenge remains to elaborate on the agreed policies and plans.

Can Political Commitment be strengthened through participatory process?

Political commitment to reform is crucial to a successful PRSP process. In Uganda, poverty has been high on the political agenda since the mid 1990s, and the strong

⁶ “PRSP institutionalisation Study – final report”, Chapter 1 p58

⁷ Morrissey (2002)

⁸ IMF and IDA (2002b), Seshemani(2002 b)

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commitment from the Executive has contributed significantly to the reorientation of government action towards poverty reduction from the mid to late 90s. In fact the original PEAP prepared in 1997 was a wholly government owned document, although the approach was jointly conceived between the Ministry of Finance, donors and the Executive.

In countries where political commitment is weak, it is hoped that the PRSP process can help build this political commitment to implementation within institutions and in the political arena. The theory is that the process of broad participation in developing PRSPs will put poverty and reform higher on the agenda. External actors, such as civil society and donors, can potentially play an important role in developing political commitment. A premise is that Civil Society groups, if representative, should be concerned with issues of poverty reduction, and are in a good position to lobby for it to be high on the domestic political agenda. A collaborative process between NGOs and sector ministries will also help get specific sectoral concerns embedded within government.

Although political commitment is difficult to define or measure, it can be said that Malawi and Zambia have had a history of relatively weak political commitment to reform, and that this has been demonstrated by a lack of discipline when implementing macroeconomic and public expenditure reforms.

Although poverty reduction has been part of the political rhetoric in Malawi since the 1970s, this has rarely been followed up with the required effort for planning or actions. This is not simply due to an inherent lack of technical capacity, but also a lack of political demand for more detailed strategic planning or actual implementation. This means that the technical capacity is likely to remain weak. There remains pessimism over the possibility of implementing the PRSP in both countries.

The process of developing PRSPs has generally been participatory in Zambia and Malawi. Zambian civil society groups appreciated their participation. In Malawi, the process of preparing the PRSP has been one of the most participatory processes of policy making in its history, including many arms of government and civil society. This in itself is arguably a significant achievement. Malawi has shown some initial promising signs that a broad participatory process can prove fruitful in this respect, however there are concerns that the final PRSP document has not reflected the true nature of the dialogue (the PRSP process is considered the most participatory since the start of multiparty democracy). Although, in Zambia, civil society was involved in initial consultations there was disappointment with the reluctance of government to involve them in decision-making, especially with respect to the content of the final PRSP and the budget process.⁹

The cases of Malawi and Zambia highlight the risks involved, and the importance of whether what appears a genuine consultative process, is translated into representative decisions and actions on the ground. In many countries there is widespread apathy among populations who feel they are being continuously assessed and consulted but with no tangible results. Levels of participation in government initiatives often decrease rapidly over time with declining confidence in the capacity and commitment

⁹ "The PRSP: Implementation and Priorities – A Civil Society Perspective" Civil Society For Poverty Reduction, p8

of government to deliver. If politicians and institutions are not fundamentally interested in pursuing poverty reduction goals, or the will of civil society and donors declines, then participation may not deliver the intended results.

1.5 Integration of Sector Programs with PRSPs

From a sectoral perspective, the integration of different sectors within the PRSP process is crucial if a PRSP process is to influence policy and yield pro-poor results. Sectors are where PRSP strategies are actually implemented. It is therefore important that sector programmes are aligned with PRSPs, and *vice versa*. The underlying institutional and political factors mentioned previously are complicated by the fact that government and donors are made up of multiple stakeholders with different interests.

“Integration” or “alignment” of PRSPs with sector programmes can actually be interpreted in different ways. Here we define them as :

- Cooperation with sector ministries and central ministries (e.g. Finance) in both PRSP preparation and the development of sector programmes
- Common strategic planning systems, where sector planning influence PRSPs and PRSPs influence sector strategy and planning, including a common expression of poverty reduction goals; and strategies both in sector strategy and PRSP document
- Common systems for implementing reporting, monitoring and evaluating the implementation and impact of sector programmes with clear delineation of roles between sector and cross cutting agencies.

Often the prevailing incentives are for misalignment not alignment. Berke 2002 argues that:

“An important underlying factor that favours misalignment [*between sectors and the PRS*] and duplication of structures, at least in the African Context, is the weak collaboration between different ministries, programmes and projects.”

This is not to say that alignment cannot be fostered. In Uganda the PEAP cycle is in its third iteration and at each point sector plans have informed the PEAP and the PEAP has subsequently informed the sector plans – these processes are increasingly seen to be mutually reinforcing. Despite the Malawian PRSP process suffering from a major credibility crisis at the outset, due to lack of participation in the preparation of the Interim PRSP, synergies between sectoral planning and the PRSP emerged later on, especially in Health and Education. This indicates a certain level of political commitment to the reform process. However the WSS has not benefited from such synergies in Malawi and Zambia. In Zambia, the weakness of the WSS sector is reported to lie “at the centre”,¹⁰ with more strategic thinking at district level. This lack of central coordination seems to be a factor in the sector being unable to hold its own in inter-sectoral rivalries.

¹⁰ Report of [Professor Seshamani] (2002), which is the source for information on Zambia unless otherwise stated.

The importance of credible, comprehensive budgetary systems

The PRS process is usually driven by the Ministry of Finance. The nature of the relationship between the Ministry of Finance and sector ministries is usually defined by the credibility of the budget process, and the predictability of budget disbursements.

A major challenge in implementing a PRS is actually translating the identified strategies into a prioritised set of expenditure allocations in the budget, which are then disbursed and implemented by sectors. If a Ministry of Finance does not run a credible budgetary process, where sectors are engaged in decision making, and budget disbursements are predictable, sectors are unlikely to engage in a PRSP process (the incentives for engagement are discussed below).

Budgetary management in Sub-Saharan Africa (SSA) tends to be weak, and this includes Malawi and Zambia.¹¹ Expenditure allocations are often based on unrealistic revenue projections, and do not reflect true political priorities, which means that the budget has to be revised during budget implementation, and institutions often receive funds which bear little or no relationship to the original budget. Sheshamani (2002b) reports that:

“it is not uncommon in Zambia to observe substantial differences between patterns of allocation approved by Parliament and those of actual disbursements. Ministries headed by political “heavyweights” can end up receiving significantly higher levels of disbursements than their approved allocations, at the expense of other Ministries.”

This has profound implications, as the budget should be the mechanism by which a government implements policy, and ensures its priorities are adhered to.

Uganda has had a relatively robust budgetary process for several years, where there are credible medium term (3-year) expenditure ceilings provided to sectors, and a relatively high degree of budget predictability.¹² A Poverty Action Fund protects the allocation and disbursement of priority PEAP programmes in the budget. This has helped maintain the confidence of donors, who are increasingly channelling their aid as budget support through the budgetary system.

Clear rules of the game provide incentives to engage in the PRSP Process

If the benefits of engaging in the PRSP process are evident at the outset, then sectors are more likely to get involved. The PRSP process is only likely to be taken seriously if the Ministry of Finance makes clear, and also has the authority to make clear, that the PRSP is the focal point for government policy and planning, and all future budgetary allocations (including any donor funds). Poverty reduction can then established as a theme which government departments generally must take into account, and in effect the PRSP becomes government-wide approach. The role of sector-wide programming in this process must also be recognised because it enables the establishment of coherent and costed strategies for the achievement of poverty reduction objectives.

¹¹ In Malawi MTEF and other budgetary reforms have had little impact, and have been implemented with little discipline. Zambia is in the process of developing an MTEF and Integrated Financial Management Systems, however the budget and disbursements remain unpredictable.

¹² This is not true for the last financial year (2002/3) pressures from increased defence expenditures has resulted in substantial cuts elsewhere in the budget. It remains to be seen whether this is a one off lapse, or will be repeated.

The Poverty Action Fund (PAF) in Uganda provides an explicit incentive for sector programmes to gain priority in the PEAP, since those sectors which meet specific poverty reduction criteria and qualify for PAF funding are guaranteed full budget disbursement and greater budget priority.¹³ Conversely the PRSP in Malawi and Zambia was regarded by many as ‘just another policy framework’ for which the budgetary implications, and thus incentives for engagement by different sectors, remained unclear.

A combination of clear lines of accountability, a credible budgetary system focused on implementing the PRSP, should therefore provide incentives for Sector Institutions to engage in and align themselves with the PRSP.

Donors undermining budgetary systems

The incentive for alignment is often further undermined, however, by the fact that donors tend to have a history of working directly with line ministries, using off-budget projects as the means of funding sector programmes. We will see that this is especially true in the water and sanitation sector. Sector Ministries are driven by a desire to maximise their sector resources, and their control of and benefits from those resources. They often feel they are better served by donor projects than the Ministry of Finance, as donors provide more predictable sources of funding.

Donors correspondingly oblige by offering project support. Projects are a means for donors interested in a particular sector for pushing their own personal agendas/ways of doing things and establishing their own systems of accountability. Berke (2002) argues rightly that:

“This direct link between donors and Sector Ministries establishes extra-governmental lines of funding and accountability that are sometimes stronger than the intra-governmental links. Over time, this phenomenon has fostered an uncooperative culture within the government, and has weakened institutional links between Central and Sector Ministries.”

The government budget ends up only reflecting a small part of a sector’s financing, and the Ministry of Finance ends up only controlling a minority of many sectors real budgetary resources. Ministries of Finance wield little control over, and find it difficult to monitor, project funding. Donor budget numbers tend to be very unreliable, with donors running often inconsistent financial years with the recipient country. Even when donor project financing is recorded in the national budget, in practice the resources still flow independently of government financial systems. The exchange of information on donor project disbursements is often imperfect between donors, line ministries and the ministries of finance. In addition donors also use completely off-government channels such as NGOs, which is often very difficult or impossible for the recipient country to get accurate data on.

Donor integration will improve the chance of sector alignment

Donor behaviour plays an important role in ensuring the integration of sector programmes and PRSPs, especially where sectors are majority donor funded. A

¹³ Williamson, 2003

multiplicity of donor modalities and projects will keep the sector institutions content, whilst undermining the efficiency of the sector as a whole and its effectiveness in achieving poverty reduction goals. If the donors in the sector do not acknowledge the sovereignty of the PRSP process, then there will be little change in the incentive to engage or align. Similarly if donors shift their mode of support from individual projects to direct budget support, and engage in national PRSP and sector policy process, as is increasingly the case in Uganda, the PRSP and budgetary processes become increasingly important for sectors to engage in.

Establishing the right incentive environment is difficult, especially in the context of weak political commitment and institutions and uncoordinated donors. As we shall argue in later chapters, it may be more effective for donors to buy collectively into a single government owned solution of average quality, than five multiple donors pursuing different cutting-edge solutions. However this requires a fundamental shift in donor behaviour. Donors must take the lead in coordinating themselves, whilst they must also be prepared get involved, alongside civil society, in political lobbying and capacity building as well as providing conventional technical support.

1.6 Chances of success in Malawi, Tanzania and Uganda

Those countries which are further down the line in implementation of MTEFs, and sectoral programming and budgeting (SWAPs), such as Uganda have found it easier to develop PRSPs. However, the strengthening of budgetary systems, establishing clear, credible rules of the game in the PRSP process, and changes of donor behaviour all rely on a degree of commitment to the goal of poverty reduction within institutions and in the political leadership itself.

Zambia and Malawi both have relatively weak political commitment and institutional capacity and this limits the likelihood of success in future. So what are the chances of success in both, and for the PRSP process translating into action on the ground? The PRSP process in Zambia in particular, shows that capacity can be built in the Ministry of Finance to prepare PRSPs, and that this could be replicated when translating this into the preparation of detailed strategies. Despite the weakness of the PRSP in Malawi, the process itself has benefited the sectoral planning processes.¹⁴ Sectoral planning and SWAPs in Uganda have been reinforcing the PEAP and vice versa since 1997 and Malawi has shown potential in Health and Education. The jury is out on whether the participatory processes in Malawi and Zambia have built political commitment at all. In the context of weak political commitment, the incentive for sectors to engage in the process becomes undermined, even if the administrative capacity is there, and this has to be born in mind when considering the case of the WSS in Zambia and Malawi.

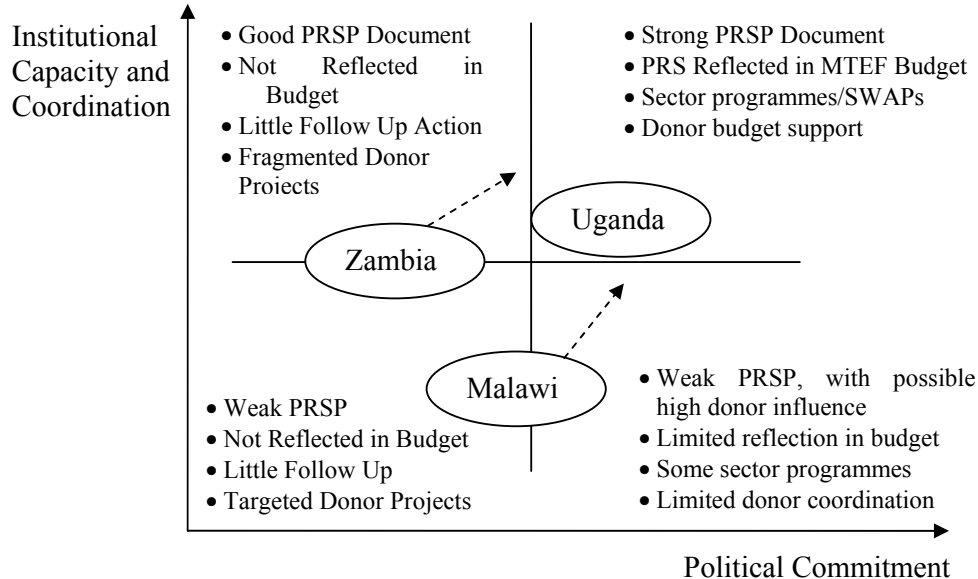
However it is only in Uganda where the benefits of an express political commitment, to poverty reduction and developing technical capacity to develop policy, have had significant effects in terms of government action to date.

The diagram below shows how different levels of institutional capacity and political commitment can result in different policy outcomes. Donors can play an important role in building institutional capacity; however the diagram shows that this, in itself is

¹⁴ Jenkins and Tsoka (2001)

unlikely to prove successful. The behaviour of donors and to a lesser extent civil society in this environment becomes crucial in building political commitment, since they can help provide the external impetus to ensure poverty reduction remains on the political agenda. This will maximise the chances for success, however there is no guarantee that this will be successful.

Diagram: Institutional Capacity & Commitment to Poverty Reduction



However despite these national factors, over which sector actors may have little control, actions can be taken at the sector level to improve the efficiency and effectiveness of sector implementation. Sector donors can begin to integrate their sectoral project support into the budget systems and push the government for sectoral reform in the context of the PRSP. This can help build sectoral capacity and commitment to poverty reduction, even in the context of weak national commitment. However it requires donor coordination to a degree that, as we shall see, has not been seen to date in the Water and Sanitation sector in Malawi and Zambia. It also requires some political preference for achieving sector goals, even if it is not there in central institutions.

Chapter 2: PRSPs, Sectors and Water & Sanitation

2.1 The Lack of Priority of the Water and Sanitation Sectors

The Millennium Development Goals relating to water and sanitation reflect a general acknowledgement that access to safe water and sanitation is a basic right and fundamental to poverty reduction. The links to child mortality, food security and income generation has been studied extensively.¹⁵ Even in the absence of clear poverty-linked diagnosis in individual countries, the case for safe water and sanitation in poverty reduction remains a strong one – it is a case made repeatedly by the poor themselves through participatory poverty assessments. Whilst widely recognised within governments in general, this conceptual understanding has not been given much emphasis in sector strategies and PRSPs. In theory PRSPs should represent an opportunity to *increase* the profile of the water and sanitation sector, because of its central importance to poverty reduction, however this has not yet been realised.

Factors that have been identified by the water and sanitation sector itself to explain the phenomenon of weak integration and low priority include *inter alia* the cross cutting nature and institutional fragmentation of the water and sanitation sector, its perceived inefficiency, and the poor sustainability of past sector interventions. Weak poverty diagnosis and Monitoring & Evaluation, are also cited as more intractable reasons. In fact the reasons rolled off tend to read like a familiar list of the problems in the sector more generally – which may or may not be common to other sectors which have gained from the PRSP process.

However it may be dangerous to draw general conclusions – Uganda has many of the commonly observed problems but has managed to garner significant support for the Water sector (although sanitation continues to drop below the radar). The intention of this chapter is to compare how the sectors in Uganda, Malawi and Zambia, and also the Health and Education sectors are treated in PRSPs and the associated processes.

2.2 The Water Sector in Uganda, Malawi and Zambia PRSPs

Countries engaging in WSS reform in SSA have tended to use a fairly standard set of principles and approaches, consistent with what is advocated by the donor community, including cost recovery, user financing of operation and maintenance and decentralised responsibility for the delivery of rural water and sanitation services, and engagement of the private sector in service delivery.

Despite this, the WSS is treated differently in PRSPs as the table below shows. Countries either treat it as a social sector or as a productive sector. Although targets are set for safe water and sanitation coverage, which are often more ambitious than the MDGs, the strategies for achieving those targets are often muddled and unclear. PRSPs treatment of the water sector falls far short of being strategic, however, more often than not this reflects the lack of strategic thinking within the sectors, not those preparing the PRSP. The concept of costings and allocation of funds tends to be mixed up, and the link between the PRSP and the budget remains unclear.

Here we briefly compare strategy content, costing and finance of the WSS in PRSPs.

¹⁵ See Gleick, PH. (1996) Lovell, C. et al (1998) ODI (2003)

Strategy

In both Malawi and Zambia the sector is treated primarily as a productive sector. The treatment of the water sector in Malawi is brief, with a single paragraph being given to irrigation, safe water and sanitation respectively. Therefore there is little evidence of strategic thinking above and beyond pre-existing sectoral strategies. Zambia treats the water and sanitation sectors in more depth, but the relevant section reads more like a statement of the existing situation, than a clear strategy of the way forward. The sector is also not considered a PRSP priority. In neither paper is the linkage to the poverty reduction and the implications for budget allocations clearly articulated. This reflects a lack of strategic thinking.

Conversely, in Uganda the Water and Sanitation sector is treated primarily as a social sector, as the provision of safe water and sanitation services is seen as a key intervention in the objective of improving the quality of life of the poor. Water resource management and water for production are mentioned, under different pillars of the PEAP consistent with their more direct link with productive outcomes.

Table 2. Overview of Water and Sanitation Sector in PRSPs & Budget			
	Uganda	Malawi	Zambia
Categorisation of Sector	Mostly Social, with some elements are productive	Infrastructure	Infrastructure
Treatment of Water Sector In PRSP Narrative	W&S treated as a social sector as one of 7 national priorities, under “ <u>Improving Quality of Life of People</u> ”, alongside education and health; and is also linked to “Improving Economic Growth” Water for production features under “Improve Ability of Poor to Earn Income”	Water and Sanitation is given cursory (less than 1 page) mention under the pillar of economic growth, as a <u>Rural Infrastructure</u> Investment. Little analysis of the current status of the sector, past experience and existing constraints. Relative priority of WSS and links with investment in other sectors unclear.	The Water and Sanitation sector is elaborated in relative detail in the PRSP, however there is no clear cohesion in the strategy. - treated as “ <u>Infrastructure</u> ” with transport, roads, energy (in the first draft had been designated as a cross-cutting theme); - emphasis on institutional strengthening at various levels; - expressed focus on rural and peri-urban areas;
Use of Poverty Diagnostics	Participatory assessments revealed safe water and sanitation to be a key priority of the poor. No evidence of quantitative poverty diagnostics used.	WSS ranked as one of the top three priority issues identified in consultation with poor communities. No evidence of quantitative poverty diagnostics used.	The water sector is mentioned as being 1 of the two highest priorities of the poor. No evidence of quantitative poverty diagnostics used.
WSS Indicators in PRSPs	Number and proportion of population within ½ km to safe water by location; number and proportion of population with good sanitation facilities.	Area under irrigation per ADD; community dams rehabilitated; households with access to potable water; reahabilitation of boreholes (%functional); Construction of new boreholes, rehabilitation of rural piped water supply schemes; households with sanitary excreta disposal;	Access to safe drinking water; access to improve sanitation; dams constructed; weirs constructed; dams/weirs rehabilitated; eprloaration wells drilled; groundwater maps produced; D-WASHE committees strengthened and trained; volume of treated water; water points provided; average distance to safe water facility

Table 2. Overview of Water and Sanitation Sector in PRSPs & Budget			
	Uganda	Malawi	Zambia
Selected Targets	- focus on safe water target: 100% coverage by 2015 (more than international targets)	- increase safe water access from 65% to 84% by 2005 - 7,500 new boreholes and rehabilitation of 2,000 existing by 2005 - households with good sanitation from 81% to 100% by 2005	- aim in 3 yrs to extend services to 2.5m rural and 2.5m peri-urban residents although not time-frame - targets of 100% urban and 75% rural safe water, and 100%, 80% sanitation coverage by 2015,
Costing/Financing of Water Sector in PRSP	The Water Sector Costings in the PEAP were based on the Sector Plans, (as were the targets), and these amount to USD126 million over 5 years. However given funding levels these unaffordable	WSS interventions are costed at receiving 13% of the Pillar funds; or only 2% of the total PRSP budget. No reference to other sources of sectoral funding.	WSS only 3.5% of PRSP investment budget, and not considered a PRSP financing priority.
Water Sector in the MTEF/Budget	- Funds tripled between 1998 and 2001; HIPC funds have flowed since 1998; for WSS currently USD 30-35 mill. p a.; or from 1.4% of the budget in 1998 to 2.5% in 2003/4 - There is a funding gap of approximately \$25million per year to meet ambitious targets. - Sanitation neglected, despite link to primary healthcare. No specific allocations, within PHC conditional grant.	This has not been translated into significant changes to budgetary allocations. Targeting of WSS funds likely to be poor - more for “hardware” (mostly boreholes) than “software”; by political constituency more than need; little to support increased sanitation access	budget declining in recent years

Source: Country PRSPs and various country documents

Targets, Costing and Financing

There is a tendency for over-ambitious water targets to be set, and this is rarely linked to the availability of resources. Costing remains weak in PRSPs. Costing often actually refers to allocations of resources, and not the cost of achieving results.¹⁶ The Water and Sanitation Sector is usually given a very limited priority in the PRSP financing arrangements, this is certainly borne out in the cases Zambia and Malawi. The only legitimate costing of achieving sector targets is for rural water in Uganda and these were clearly not affordable at current rates of expenditure.

The costings in the Zambia PRSP appear more like expenditure allocations, as they bear little relation to any sector targets. The Malawi PRSP makes claims that the allocations are costings, however the breakdown between capital and recurrent costs and how these relate to sector targets remains highly ambiguous. In both countries it is clear that the Water and Sanitation Sector is given a very limited priority in the PRSP financing arrangements.

Allocations in the MTEF and Budget

In SSA interventions in the Water and Sanitation sector are dominated by infrastructure development. The bulk of investments are funded through donor

projects. This results in the sector getting an apparently low budgetary allocation even in Uganda, with only 2.5% of the government budget going to the sector (although this has increased from less than 1.5% of a rapidly increasing MTEF). In Zambia sector budgetary allocations have been satisfactory but these have not been reflected in actual disbursements which have generally fallen short of the approved allocations, making for flat or declining trends in spending on the sector (3.12% in 1996; 1.51% in 1997; 2.40 in 1998; 2.10% in the first 6 months of 1999). Public expenditure management processes in Zambia are reported as being far from robust.

2.3 Common Problems in WSS in relation to PRSPs

There are several arguments which have been put forward as to why the water and sanitation sector is poorly integrated into PRSPs and their low prioritisation in Financial Allocations. Here we group them into three generic areas, and examine them in turn:

- **Ignoring the Link between Water and Poverty Outcomes** – although widely acknowledged to be important in poverty reduction, and despite the results from participatory research, neither water and sanitation sector reforms nor their sections in PRSPs appear to be explicitly and effectively linking water sector outputs to poverty reduction outcomes.
- **Poor Sector Performance** service delivery in the WSS sector tends to be regarded as inefficient and unsustainable due to low functionality of facilities coupled with high infrastructure costs. Service delivery is also frequently inequitable, with high political capture of water resources. Finally there is generally a low capacity for absorption of funds within the sector.
- **Weak engagement by the sector in the PRS process** – the water sector appears reluctant to engage in active lobbying in either the budget cycle or PRSP process.

Here we argue that the interplay between the prevailing weak political commitment to reform, policy and institutional weaknesses, and poor external donor coordination (and to a lesser extent civil society) help to reinforce these three weaknesses. It is however the latter two that undermine the integration of the WSS in the PRSP and budget processes most.

2.4 Linking WSS Strategy to and Poverty Reduction Outcomes and Evidence

A workshop in June 2002 to discuss water and sanitation and PRSPs in Africa concluded:

“The challenge is to progress from general recognition of the importance of water to the prioritisation of specific packages of interventions linked to poverty outcomes in health, gender, food security and income.”¹⁷

The development of sector programmes which are strongly related to poverty reduction in the WSS are important tools for improving the effectiveness of sector interventions in their own right. Ensuring the right strategies and prioritisation of interventions for addressing poverty reduction outcomes should also help in gaining currency in the wider PRSP process itself, however, this does not appear to be borne out in practice.

¹⁷ WSP 2002a

Linking Strategy to Poverty Reduction Outcomes on Qualitative Grounds

It is apparent that, at the time of the drafting of the PRSP, none of the 3 countries had conducted any rigorous analytical work linking the water sector with poverty reduction outcomes. The fact that the WSS is treated solely as an infrastructure sector in Zambia and Malawi speaks volumes about the level of thinking of those conducting the analysis of the sector in terms of poverty. Placement as a social service makes more sense – water and sanitation has its most direct impact on health and nutritional outcomes. These are also more politically powerful arguments than the productive ones.

A factor in this is may be that the water and sanitation sector has not developed what one could call its own poverty reduction outcome, to use as a base for arguing its case in PRSPs. Safe water coverage, or latrine coverage are outputs. These WSS outputs contribute, *inter alia*, to improved health outcomes, nutritional outcomes, and productive outcomes and in most cases in PRSPs the linkage is not made explicit. Health and education services obviously contribute to their own sector outcomes, however they also contribute productive outcomes. This means that it is more of a challenge for the WSS, as a cross-cutting sector, to negotiate its priority in terms of poverty reduction. Education may contribute to health and vice versa, but that is not a big issue in the PRSP. There do exist indicators such as use of safe water or use of latrines, or the maintenance of the safe water chains which do reflect more sector specific outcomes, however they are rarely mentioned in PRSPs or policy documents. Interestingly the water sector is moving away from its previous focus on supply and coverage targets towards a new emphasis on demand-based approaches, which is what these indicators reflect. This trend arguably obscures the fact that water access is a fundamentally basic need. This argument is somewhat misleading as, in practice, proposals for PRSPs and budgets, have not reached the sophistication of using sector outcomes as a negotiation tool. The indicator of “safe water coverage” (an output), is potentially as powerful as “literacy rates” (an outcome) in terms of negotiating budget bids, but even this does not appear crucial in gaining PRSP priority.

Upon examination of health and education in PRSPs, countries have not used rigorous quantitative analysis to justify how chosen strategies will actually maximise the impact on poverty reduction outputs or outcomes either. Other sectors do present better arguments articulating the linkage of sector interventions to poverty in a qualitative manner, however, and at this stage in the evolution of PRSPs, this is probably more important. Whilst it is easy to develop qualitative arguments for investment in Water and Sanitation (the links to health, welfare and nutrition are clear and straightforward to argue), Water Sector professionals are generally more comfortable dealing with technical issues and perhaps less used to having to articulate the linkages with social objectives than their counterparts in health and education.

Evidence does not mean automatic priority in PRSPs – Seizing the Opportunity

In addition to the capacity to analyse the link between sector strategies and poverty reduction, there is a need for strong mechanisms for inter-sectoral coordination, if active research into linking strategy and policy to pro-poor outcomes is to yield results, and changes in policy. It may actually makes more sense, at a technical level, for capacity for rigorous quantitative analysis of the linkage between policy and poverty outcomes, is carried out in one place, possibly by the Ministry of Finance or another appropriate cross-cutting body. However sector ministries also need capacity

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to argue their corner in terms of their contribution to pro-poor results. This is important for the development of effective sector strategies, and for arguing for space in the PRSP process.

In Zambia, Malawi and Uganda evidence supported the importance of the water sector in poverty reduction - Participatory Poverty Assessments (PPAs) have revealed that safe water is a very high priority for poor communities. This is mentioned in both Zambia's and Uganda's PRSPs but not Malawi's. So why has the WSS not gained into PRSP and budgetary priority, except in Uganda?

The answer is not technical, but relates to political commitment, combined with a certain element of chance. The results of the participatory research, which had been coordinated by the Ministry of Finance, came out at the time Uganda learnt of its qualification for additional relief under the enhanced HIPC initiative. When he learnt about Uganda's qualification, the Permanent Secretary of the Ministry of Finance (not water) immediately announced $\frac{1}{3}$ of enhanced HIPC funds would be allocated to WSS using UPPA as the justification. Whilst evidence was used, it is significant that there was no involvement of the water sector in UPPAP, and the decision was in no way due to lobbying by WSS actors. In Zambia and Malawi, despite similar PPA results, there was no driver for change, and a less supportive political environment, to allow the opportunity to be seized.

If evidence is to impact on the choice and priority of different sectors, the institution carrying out the research needs political clout. There will be little demand for the analysis of poverty, or potential for it to be used in decision making, unless there are champions for pro-poor reform, like Uganda's Permanent Secretary in the Ministry of Finance, who had substantial political weight. In addition Ministers and the Executive in a country need to be prepared to make and/or support decisions made on the basis of such evidence. A weak political commitment within institutions or the Executive, to poverty reduction means that the policy response to poverty analysis is likely to be weak. How indeed does a politician's present the idea of poverty reduction to his/her constituencies, in a country where most of its citizens are poor? It may be that s/he will find it instinctively more attractive to talk of growth and its future benefits (hence the focus on WSS as a component of infrastructure), rather than dwell on existing deprivation. This means that advocacy efforts to build political commitment to poverty reduction, and specifically the importance of water and sanitation as a social good as well as a productive good are just as important as establishing technical capacity for poverty analysis. Once this political bullet is bitten, and such political commitment is established, those sectors with greater technical capacity to interpret their strategy's impact on pro-poor results will be in a better position to argue their corner.

The role of donors in supporting poverty diagnostics linked to strategy formulation

Donors directly supporting the Water and Sanitation Sector have tended to provide technical support specific to the sector – focusing on engineering. The type of support lent to the sector has not supported poverty analysis or strategy formulation. Such support would help improve the effectiveness of sector policies. Even if this does not necessarily matter hugely in terms of integration with the PRSPs, it does, however, matter hugely in its own right. Currently donors support central capacity building for sound poverty monitoring and analysis, whilst trying to build the political commitment to its use as well. In addition sector donors should advocate for sector

institutions to take notice of this analysis, use it and understand its link with poverty reduction.

At a sector level it is fairly important that institutions understand quantitatively their importance in poverty reduction, however its importance can be overstated. This will help once a legitimate PRSP process is established, driven by a Ministry of Finance with political commitment to poverty reduction. The sector will be in a better position to gain legitimate priority. However of far more importance is the existence of developing a SWAP with a sector development strategy or plan, which costs the achievement of sectors goals, and sets out the institutional and financing framework for implementation as we shall argue below.

A new way to look at Sanitation?

The Ministry of Finance in Uganda has started to look at the issues from the perspective of poverty reducing outcomes and this has the potential to yield benefits for the water and sanitation sector. Recent analysis¹⁸ on infant mortality found that sanitation was one of the biggest causes (and a lesser degree water). The analysis has resulted in a task force being formed to address the issue, bringing line ministries together to work out a concrete plan of action to coordinate mandates, roles and actions. The task force has not, as yet, yielded results, as the analysis and its formation is recent. This shows the potential for translating analysis on outcomes into policy proposals, followed by strategy and action.

It is also crucial to note that the Directorate of Water Development has not been attending the task force meetings regularly, and there has been little or no interest shown by them in the process. One could speculate as to how differing professional attitudes and cultures (e.g. between for example engineers working within water ministries on the one hand, and civil servants from other professional and disciplinary backgrounds on the other) may affect motivations and interest in this kind of analysis and following it up with engagement and strategising with other departments. It also shows that sectors need concrete incentives to engage in the process. If this particular initiative is to be successful, the task force needs to be backed up by the possibility of resources

These types of initiative have not happened in Zambia or Malawi. Why not? The importance of safe water and sanitation in relation to infant mortality and poverty reduction was established decades ago. The analysis by the Ministry of Finance in Uganda is therefore not a revelation. What is significant is that the Ministry of Finance in Uganda takes its poverty reduction mandate seriously and has both the power and resources to mobilise agencies to address priority issues. It also may prove to have the political power to push through activities such as sanitation which are less interesting to sectors. This authority is lacking in Malawi and Zambia.

2.5 Poor Sector Performance/Inefficiency

Whether or not sector performance is weak and inefficient may be subjective, but there is certainly a perception that the water and sanitation sector is inefficient, and that there is substantial inertia to change this. This view is often prevalent in the donor community and in the Ministry of Finance, especially in Uganda. This affects the willingness of the Ministry of Finance to consider bids for increased budgetary

¹⁸ Ministry of Finance (2003)

funding. Given the Ministry of Finance is also responsible for the PRSP process, this is also likely to have affected the priority of the WSS in the PRSP process.

A summary of common critiques to the WSS in the PRSP context are as follows:

- **Poor value for money** – water and sanitation services are delivered at a higher cost than necessary i.e. too few of the inputs of the sector go on service delivery, and when they do inappropriate, costly technical solutions are used. Also donor projects tend to be very intensive in terms of technical assistance, result in high transaction costs with government, and blur lines of accountability. There is also an urban bias towards service delivery where unit costs are higher, and an apparent enthusiasm of implementers for expensive piped water systems designed to achieve high-profile results (for a few) as opposed to a differentiated approach which favours incremental improvements to existing services at each level at which they currently obtain).
- **Poor Sustainability** – government pays insufficient attention to ensure that once constructed, water and sanitation facilities remain functioning (through proper maintenance) and in use. Neither government nor communities seem able to cover the cost or provide the skills for adequate operation and maintenance of systems, despite substantial efforts to build capacity in this area (there have been pioneering efforts by NGOs and international institutions with significant lessons learnt, however these have not been successfully scaled up nationally).
- **Inequitable provision of services** – the poor do not always necessarily benefit from the provision of services, and there is evidence, born out in Malawi, that the distribution of point sources is sometimes inequitable.¹⁹. Often there is significant political capture in the location, and also the type of technology used in construction of water points. Weak monitoring and evaluation tools mean that it is difficult to target

There is a wide literature of the problems in the water and sanitation sector, and the types of reform being promoted to address these problems. The possible gains in improving the efficiency and effectiveness of water and sanitation sector interventions are substantial, even given the difficulties in integration of the water sector with PRSPs. More funding is not the solution for the WSS, unless it is accompanied by efficiency gains – it is like pouring water into a leaking bucket.

Such problems are also by no means unique to the WSS. Poor value for money, sustainability and inequity have been concerns in health and education. There has tended to be a bias in terms of allocations in these sectors towards secondary and tertiary healthcare and education. This is both seen as an ineffective allocation of funds and inequitable since the rich tend to benefit more from these services. Infrastructure projects have tended to be inexplicably costly. Often governments are unable to meet the recurrent costs of delivering services. For example health centres may not have adequate staff, and schools adequate teachers. Donor projects also add similar inefficiencies to the water and sanitation sector. Although the education and health sectors suffer from similar problems to sanitation and water (more so before the development of SWAPs), there are two major differences to bear in mind. Firstly, at the policy level there is one clear ministry responsible for policy (i.e. the Ministry of

¹⁹ Sugden et al 2003

Health or Education), which means there are fewer institutional rivalries. Secondly, government institutions tend to dominate service delivery, and there are comparatively substantial budget allocation for staff and operational costs from the government budget.

The purpose of the analysis here is not to repeat the conventional arguments for poor WSS performance in detail, but to see how the interplay of policy, politics and external actors conspire in such a way to reinforce the poor performance and hence low priority of the sector in PRSP and budgetary processes. In places, however, we challenge the conventional wisdom of policies being promoted, which are often technically sound when assessed in isolation, but appear less rational in the context of the political economy of the institutions and donor agencies involved.

Fragmentation of implementation in Water Supply in Zambia and Malawi

The reasons behind the poor performance of the sector can be traced to the fragmentation of implementation, to which donors must accept a substantial proportion of the blame. The water sector tends to be less fragmented at the policy level, except in Zambia where there institutional rivalries between the ministries responsible for water and local government further undermines implementation.

In any given country there tend to be many donor-funded projects within the water sector each with slightly different systems of accountability, implementation, monitoring and accountability. These projects often all have their own resident foreign technical assistance, own fleet of vehicles, have their own interpretation of sector policy, and their own rules for accountability. There is often more than one implementer in a given area, and none in another. This contributes to weak monitoring and evaluation systems in all three countries, and undermines the ability of sector institutions to target resources to where they are most needed. Reporting is often done on a project by project basis, and different projects have different systems, and lines of accountability may be blurred. This adds two problems – the sector is unable to demonstrate whether or not it is performing well and whether interventions are being equitably distributed. It also undermines the ability of managers to make decisions which are more equitable and efficient. These combine to reduce sector capacity to justify itself in terms of budget/PRSP priority.

In Zambia, donors reportedly find it easier to implement projects with the Ministry of Water Development as opposed to the Ministry of Local Government, despite the latter being responsible for managing rural water sector implementation. In Malawi, a very large proportion of water sector investments are carried out via the Malawi Social Action Fund, and National Water Development Project (NWDP), both of which are extra budgetary. Although theoretically overseen by the Ministry of Water Development, MASAF and NWDP activities tend to be poorly integrated with other interventions in the sector and not always in line with national water policy. Area-based donor projects also contributes to further fragmentation. Donors tend to engage with institutions, and establish arrangements that are easy to work with, rather than acknowledging the prevailing government policy and institutional arrangements.

Despite or perhaps because of, the large number of donor projects, patronage WSS is common – it is widely acknowledged that politicians and technocrats in the water sector have significant influence over the location of water points and choice of technology, and in the absence of robust and uniform criteria for the assessment of

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equity and choice of technology, this is likely to continue. Large piped water systems may not be the most efficient way of spending resources, but they are both effective vote winners and command higher rents. This entrenches the urban bias in budgetary allocations, and also helps define priority in project negotiations. Similarly boreholes are preferred to other low cost technologies in rural implementation.

The benefits of SWAPs in the Uganda Water Sector

The rationale for sector programmes and sector wide approaches becomes clear in this context. Their purpose is to rationalise and harmonising interventions behind government policy, through developing systems for financing implementation nationally, put in place uniform systems of monitoring and reporting and reviewing implementation, and establishing mechanisms for donor coordination. Importantly they provide a powerful mechanism for making donors move towards channelling their support in a uniform way, through government systems. SWAPs in Health and Education, particularly in Uganda, have shown what can be achieved in setting up coherent sectoral planning and implementation systems. Increasingly donors have been using budget support as their means to finance implementation.

National sector programmes also serve another important function, especially in the context of implementing PRSPs through the budget. They illustrate the channels and make clear the implementing institutions if increases in budgetary allocations were received. This is especially important in the context of decentralisation, where the systems are often not in place, and there is always concern over how capacity will be built. At the time enhanced HIPC funding was announced, Uganda already had a strategy/reform document for the rural water and sanitation sector, which set out the preferred financing modalities. This enabled the Ministry of Finance to allocate funds, confidently knowing the financing modality that would be used. It has also enabled donors to start talking about how to move from project support towards budget support using these systems. This level of thinking is entirely absent in Zambia and Malawi.

However now that those channels are in use, attention shifts to how efficiently and effectively funds are spent. Monitoring and evaluation, including systems to measure sector performance, becomes crucial for justifying increased funding. This is becoming increasingly important in Uganda where there is significance concern over the value-for-money of sector investments. A major argument for the unwillingness of government to decentralise funds in Uganda was the lack of capacity in Local Governments. The channelling of greater funds to local governments, has, in itself attracted capacity. It also forced government to take action to address the capacity gaps, rather than just talk about them, through more coherent methods of mentoring and provision of technical support. However it has yet to be proved that decentralisation is a more efficient and effective way of delivering WSS services, especially if there are potential economies of scale, which cannot be realised with 56 separate district implementing separate WSS programmes.

Poor performance in Sanitation throughout

Sanitation remains a low priority in all three countries. This can be directly traced to the institutional arrangements at the policy and implementation levels. Sanitation is fragmented at every level. Households are responsible for their own sanitation activities. The Health and Education Sector are responsible for their own institution's sanitation, plus the health sector tends to be responsible for community health

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education, education – schools health education etc. etc.. Even if given adequate priority, sanitation activities will always be a secondary function in these sectors. Strong frameworks for inter-sector collaboration are therefore required, however as argued earlier, it requires a champion with political authority to gain the priority it deserved.

Although it can be directly linked to the institutional set up, the reason for low priority for sanitation is also political. The interest within institutions is weak. Doctors are interested in curing, engineers in building water systems – no-one is interested in toilets. Latrines don't win many votes – to some extent water points do, as do health centres, and classrooms. Only with significant political backing will institutions start taking the issue seriously. SWAPs cannot address this – since they are largely driven by sectoral interests and sanitation suffers from low priority across sectors – unless they are guided by strong mechanisms for inter-sector coordination towards the achievement of a common set of poverty reduction goals. This requires a strong PRSP process.

The absence of costed sector strategies and programmes

There is a perception that the sector is well financed within government, given the fact that investment in the sector, in all countries bar Uganda now (though not previously), tends to be dominated by donor funding through a large number of projects. Government funding is limited to the counterpart contribution to these projects. Given these perceptions, and the absence of costed investment plans in the cases of Zambia and Malawi, the sector is in a poor position for lobbying for additional funding from the budgetary process. A costed sector development strategy is useful from the point in budgetary negotiations, since it shows the cost implications of reaching national targets, and provides justification for increasing funds.

The Ugandan Health and Education sectors constantly compare their allocations to the requirements for meeting targets in their respected strategies. The Ministries of Health in Zambia and Malawi have also costed the delivery of healthcare packages. They have also always had significant budget allocations, and are dependant on government funds. This means that they are in a better position to take advantage of the PRSP process, and have a greater vested interest in ensuring that they do not lose out.

The importance of donor coordination

Donors have to take a substantial amount of blame in terms of the perception of and actual inefficiency in the sector. As noted above, accountability and efficiency are all undermined by the existence of multiple donor projects often with different modalities for implementation, reporting and accountability. Projects are technical-assistance intensive. Projects also tend to be area based, which means that other areas of the country may go uncovered.

The water and sanitation sector donors in Uganda have begun to organise themselves only after the increases in government funding made them the minority player in the sector – and they could no longer justify behaving in an uncoordinated manner. Supporting the development of SWAPs, including sector development plans, and financing strategies alongside the PEAP is crucial. These provide a hook on which donors have been able to provide their support and coordinate themselves. However sectors are only going to take this seriously if donors make commitments that they are

only going to provide support through SWAP type mechanisms in future. There is a huge potential for this improve the efficiency of water sector interventions, although they have yet to yield concrete results. The reduction in transaction costs between donors and government, better monitoring and evaluation systems and reduced fragmentation in the delivery of services are potentially substantial. The issue of alignment within the sector is as important as alignment between the sector and the PRSP process, and requires a fundamental change in behaviour from donors.

2.6 Engagement by the WSS in PRSP and Budgetary Processes

Poor sector performance has made it convenient for Ministries of Finance not to give priority to the water sector in either the Budget or PRSP process, despite the importance with respect to poverty. However one of the most fundamental problems is the weak engagement of WSS institutions in the PRSP process and budgetary processes themselves.

Comfort of WSS actors in the Status Quo

The prevailing institutional and financing arrangements in the Zambian and Malawian water and sanitation sector is comfortable for those involved. It is also convenient for the members of the ministries responsible for water and sanitation to be ignored by the ministry of finance. These ministries manage substantial donor funded projects, benefit from the perks of managing such projects, and practice substantial autonomy within government, with the only rigorous lines of accountability being to donors. Donors provide a direct source of funding, with potential for more if rules are adhered to. Line ministries don't mind the fact that there are multiple projects, as each comes with its own perks.

Donors also find it easier to deal directly with the WSS line agencies than the Ministry of Finance. When Donor projects are designed there is often a strong influence from the donors preferred modality for service delivery, with donors keen to test their own new ideas, rather than adhere to government. Donors can also limit the scope of projects to clearly defined objectives and activities, which are easily controlled and achieved, and where success can easily be demonstrated to their line managers. Wider national objectives do not have to be taken into consideration when evaluating the success of a project.

Therefore, from the perspective of the sector and donors before alignment the status quo is often far from unsatisfactory, provided that there are a few centrally managed donor funded projects. There is therefore little incentive for the sector take the actions needed to improve performance.

Weak credibility of the PRSP process

If the PRSP process is weak, and the possible benefits of engagement in the PRSP process are unclear to sector institutions then they will not engage in the process, especially if it threatens to upset the status quo. The absence of strong mechanisms for inter-sectoral coordination, and an authoritative central ministry will mean that WSS institutions can get away with ignoring the PRSP process.

In Malawi several poverty plans had come and gone, without any follow up, and impact in terms of resources. The budget processes in Malawi and Zambia are weak, and there is uncertainty in resource flows, even if ministries manage to negotiate higher budget allocations. In Zambia, the institutional rivalry between the Ministry

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of Local Government and Housing and the Water Ministry further undermines the incentive to engage, as each risks losing its position. The institutional arrangements for sanitation are even more problematic, as several actors are often involved, spread across institutions in several sectors. Sanitation is not a political priority, and a secondary priority in the institutions responsible for health, education or water sectors. This always leads to the marginalisation of sanitation.

Until 1998, and the formation of the PAF in Uganda there appeared little incentive to engage in the PRSP or budgetary process, despite better budgetary management. Even after the WSS qualified for PAF in 1998, and gained substantial increases in funding, full engagement did not occur. Only after the HIPC windfall in 2000 did the DWD see that there might be significant benefit in engaging fully. It was at this point that government became the major source of finance for the sector. As there has been little action in terms of budget reallocations on the basis of the PRSP in Malawi and Zambia, central government staff may not feel they have suffered from low PRSP priority.

	Ministry of Finance	Line Ministry	Donors
Perspectives and Interests	<ul style="list-style-type: none">• Represents national priorities• Guardian of macroeconomic stability and availability of resources• Control over budgetary resources	<ul style="list-style-type: none">• Driven by sectoral interests (maximum for my sector)• Need oriented approach to fulfil the transferred task	<ul style="list-style-type: none">• Support only policies and programmes that are state of the art within their organisations• Maximise influence over sector policy
Subjective Advantages of Non Alignment (weak budgetary process)	<ul style="list-style-type: none">• Avoidance of disputes with line ministries	<ul style="list-style-type: none">• Work on own agenda• More flexibility and freedom when not integrated with national system• Direct access to funding• Compliance with donor procedures might lead to additional donor funds within own ministry and area of influence.	<ul style="list-style-type: none">• More influence and flexibility in short term• Quick and efficient delivery of funds to the target groups• Quick results in the field• High influence on sector policy and sector guidelines• Adaptation to own reporting and accountability requirements

Source: Berke 2002

Engagement by civil society

Civil society can be an important ally in raising the profile of the WSS in both the PRSP and budgetary processes. In Zambia, the activities of civil society groups succeeded in opening up the debate on water and in making government include a section on water in the PRSP. Without this effort, water/sanitation would not have been so visible in the PRSP. However it must be noted that during that time the overarching Civil Society for Poverty Reduction (CSPR) group's critique of the PRSP, as part of the wider PRSP process, did not include water or sanitation. When the CSPR was established, no NGO active in the water sector was involved with it. Conversely Malawi both did not have a civil society champion strong enough to

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advocate for the WSS, nor any multi-stakeholder alliance in water (involving CSO, donors, etc.) that could have championed the WSS in the PRSP process. Even the donors were uninterested, or perhaps fatigued by the track record of weak sector performance.

Ironically the WSS NGOs and civil society actors in Uganda only organised themselves collectively into UWASNET (Uganda Water and Sanitation Network) after the WSS had gained priority in the PEAP and increased funding through HIPC. This was a reaction to the increased profile and funding to the sector. Subsequently UWASNET has facilitated constructive dialogue between government and the NGO community, and has proved a positive force in encouraging the further alignment of the sector towards PEAP.

WSS engagement requires action from Ministries of Finance and Donors alike

WSS actors are only likely to take engagement in the PRSP and budgetary processes more seriously if both the Ministry of Finance and Sector Donors change their behaviour, and clearly make it in the interests of the WSS to engage. This brings us back to the arguments highlighted in section 1.5 – the need for Ministries of Finance to establish clear rules of the game in the PRSP process and strengthen budgetary systems, whilst donors need to coordinate themselves better, increase the profile of the PRSP process in their dialogue, and move towards supporting the sector through budgetary support. One way of promoting this is through the development of SWAP-type processes.

2.7 Conclusions

The examination of the cases of Malawi, Zambia and Uganda yield more similarities than differences, however the differences that exist from comparing the water sector in the three countries, and against the experience from the Health and Education provide important lessons for the integration of the Water and Sanitation Sector in PRSPs.

Why is there better alignment in Uganda?

There are three main areas of difference which resulted in the Water Sector getting higher budgetary priority in Uganda, and better alignment in the PRSP:

- **Greater advancement of PEAP and Sector reforms, with clear costs and delineation of roles** – Uganda is further ahead than the other two countries in terms of the development of sector reforms (SWAPs) and the PEAP process itself. The PEAP process is already in its third iteration. There has been over six years of PEAP informing the sector reforms and vice versa. This combined with a strong budgetary process, which has a sector focus, has strengthened intra- and inter-sector coordination. The Ministry of Finance has been central to pushing all sectors including the WSS to prepare strategic plans, and develop SWAP arrangements. The WSS investment plans have subsequently enabled it to engage better in the PRSP process. The role in the water sector of local government, and the ministries responsible for water and finance were all made relatively clear, having been elaborated on in the WSS investment plans and supported by similar institutional relationships in other sectors such as health and education.

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- **Political Commitment to Poverty Reduction and budgetary reforms** – the most important element is the greater political commitment to poverty reduction within government, which provided a supportive environment for decisions which are consistent with poverty reduction to be made. The formation of the Poverty Action Fund in Uganda showed that Government was prepared to realign budgetary allocations on the basis of the 1997 PEAP. This provided impetus for sectoral reforms oriented towards poverty reduction, and this relationship was strengthened with the revision of the PEAP in 2000.
- **Seizing the Opportunity** – the timing of the UPPAP findings coincided with the qualification for enhanced HIPC funding. This provided an opportunity for a key “change champion” in the Ministry of Finance, who was committed to poverty reduction goals/policies, to make the decision to increase funding to the sector. The fact that there was also a channel for funds to be directed to Local Governments via conditional grants also provided a channel for increased funding.

It was the government’s support to the sector through the PEAP and increased allocations in the budget, alongside the development of sectoral investment plans that have encouraged sector donors to coordinate themselves within the sector. The development of the SWAP in the water sector has provided an important forum for dialogue and agreement over the actions within the sector to improve performance. This contrasts with the Zambian situation where it is reported that the necessary combination of political will and efficient management to make an effective link between allocations, disbursements, actual spending and physical outputs that will eventually translate into welfare outcomes was lacking.

However there is an important caveat. Despite heralding the Ugandan example in terms of alignment and prioritisation within the PRSP and budget, it is also important to highlight that the WSS reforms in Uganda have yet to yield changes in efficiency and effectiveness. To date sanitation appears to fare no better than in other countries, although this may now change with the task force on infant mortality. There is substantial potential for improvement, but the sectoral review processes are still nascent. In a presentation to the Public Expenditure Review in July 2003 on value for money in the sector, the Minister responsible for Water, Lands and Environment admitted there were substantial inefficiencies and problems in sector performance. It was a frank admission, which he was able to make because there is a collective process with an agreed set of actions for improving performance, in which donors civil society and government are all engaged. Because of this process in which they have a stake, donors are continuing to fund the sector.

Key Differences with other sectors

Throughout the above analysis we have been giving cross comparisons with and anecdotes about the health and education sectors, as examples of better integrated sectors with higher priority in PRSPs. Higher priority does not necessarily mean that the sectors have always gained increased share in budgetary funding however.

The Health and Education Sectors are similar in many ways to the Water and Sanitation Sector. It has not proved necessary for them to carry out rigorous poverty analysis to gain priority. Education and Health interventions cannot to be said to be wholly efficient or effective. Cross-country research has revealed little impact of

public expenditure on health or education outcomes. However the conventional wisdom is that such expenditure is poverty reducing. The sectors, before SWAP-type reforms, suffered from similar inefficiencies resulting from multiple donor projects, (although, to a certain extent they still do). Education and health are often plagued with problems to do with accountability and payroll. For example Public Expenditure Tracking Surveys in Uganda in 1996 demonstrated in the early 1990's that only 13% of grant funds intended for schools actually reached them. Whilst highlighting a severe problem, this also enabled the sector to take action and now over 90% reaches schools.²⁰

The Health and Education Sectors have had little or no need to lobby their case for priority in the PRSP and the budget. They almost automatically gain priority, regardless of poverty analysis or inefficiency. There appear to be three key reasons for this:

- **Political Priority and Commitment:** Health and Education have more powerful line ministries than the ministries responsible for water, and usually benefit from greater political support, because, *ex ante* they tend to have larger budgets and greater donor support. This puts them in a stronger position when lobbying for budgetary resources and engaging in the PRSP process than other sectors and means that the government lines of accountability are always going to be more important, and that they are going to be put under more scrutiny. These sectors are also given more priority by the donor communities both internationally and within individual countries. Consequently donors have been more proactive in ensuring that sector wide approaches are initiated and established in these sectors. The international priority lent to the two sectors has also led to the two Global Funds being created.
- **Greater Proportion of On-Budget Funding:** The Education and Health sectors tend to have a far higher proportion of government's own revenues allocated to them, making the budget process more important for them to engage in, despite the uncertainties in budget implementation. Unlike the Water and Sanitation Sector where the vast majority of funding come from donors, they need to engage in dialogue with the Ministry of Finance.
- **Advanced development of SWAPs:** That Health and Education sectors tend to be further advanced in the development of SWAPs, and this appears to have put them in a better position when engaging with the Ministry of Finance on the basis of PRSPs. The fact that there is less institutional fragmentation means that it is easier to develop sectoral development strategies and develop SWAPs,

Four Observations for the WSS

The successful integration of the WSS into PRSPs relies for the most part on the relationship between the Ministry of Finance, the lead Ministries responsible for Water and Sanitation and Donors, whilst civil society can play an important role in increasing the profile of the sector in the PRSP debate. The relationship of the sector ministry to the ministry of finance and local governments is also important in a decentralised context.

The Uganda WSS and Health and Education Successes therefore point to four key factors:

20 Dehn, Reinikka, and Svensson. 2003.

- It must be recognised that the **development of sector-wide approaches (SWAPs)** in the Water and Sanitation Sectors is very important in the integration of the WSS and PRSPs. Sector development strategies facilitate a sector's engagement in the PRSP process and *vice versa* (the mutually reinforcing point above), and improve the chances of prioritisation. It is also important to note that engagement in the PRSP process is not a pre-requisite for tackling ineffectiveness and inefficiencies in the water and sanitation sectors, these efforts should be pursued in the own right. In addition, sector strategies need to define the roles of, and mechanisms for, financing local governments. Linking the sector with poverty reduction outcomes and using rigorous poverty analysis is not as important with respect to PRSP integration as one may think, especially when the basic mechanisms for service delivery are not in place..
- **Secondly incentives to engage in the Budget and PRSP process are important.** It appears that once a sector has gained a significant share of on-budget resources, then it has more incentive to engage in the PRSP and budgetary processes, otherwise a vicious circle of little central government support followed by weak engagement and integration ensues. If the PRSP and budgetary processes can, as it did in Uganda via the PAF, demonstrate that strategic, pro poor interventions will generate more resources for a sector then sectors will be more interested in engaging in the process. There needs to be, as-it-were, a “**government-wide approach**” to poverty reduction led/coordinated by the Ministry of Finance. Donors can also facilitate this by moving from project to budget support (first sectoral, then general) and by ceasing to by-pass government systems.
- The third relates to the need for real **political interest and commitment to poverty reduction** (including within the Ministry of Finance) which should promote WSS from a downplayed status as provider of basic services, to a key role as a cornerstone of improvements in the lives of poor people (a socio-economic multiplier). Even if this is lacking in the wider PRSP process, it should add value to the effectiveness of sectoral reforms.
- A final lesson is to do with the **difficulty of addressing sanitation**. Even SWAPs appear to have failed to address sanitation in Uganda. Sanitation is the responsibility of institutions in several sectors, and interventions appear to be given secondary priority in all institutions involved (for example the Health sector gives priority to curative services, the Education sector to teaching maths and science, and building classrooms). The Water sector does not appear to have the political power to tackle this lack of priority in other sectors. It also tends to treat Water sector interventions with a higher priority than sanitation interventions. This actually brings into question the fundamentals of linking the sanitation sector to safe water supply, since if sanitation activities are located within a sector where they are likely to be of secondary importance they are likely to be treated with even less priority outside that sector.

Chapter 3: Towards Better integration

3.1 Describing the Overall PRSP Framework with Sector Alignment

The strength of the overall PRSP process, and the credibility of the Ministry of Finance as the driver of the process, are key in the ability of, and incentives for, any sector to align properly with PRSPs. A credible PRSP framework includes an institutional environment which provides incentives for alignment, clear roles and responsibilities of different institutions in planning, budgeting, implementation, accountability and review, and also standards for donor behaviour.

The Ministry of Finance and incentives for alignment

Berke (2002)²¹ argues the right incentives for alignment would prevail if the Ministry of Finance and relevant cross cutting institutions were to:

- “Increase the predictability and timeliness of disbursements by narrowing the gap between allocation and actual disbursements
- Increase planning security by turning the MTEF into a real management tool
- Increasing the coverage of the budget, i.e. including all resources and expenditures of budgetary nature in the budget
- Increase budget allocations to sectors with high national priority
- Introduce performance measures in the budget to reward complying sector ministries”

These are all reforms that, ideally, need to be driven by the Ministry of Finance, as they are effectively budgetary reforms, and over which sector institutions do not control. However in this analysis we have to take into account the situation where the Ministry of Finance does not have the political backing to carry all these reforms through, or the capacity, as is the case in Malawi and Zambia.

The right institutional framework for alignment

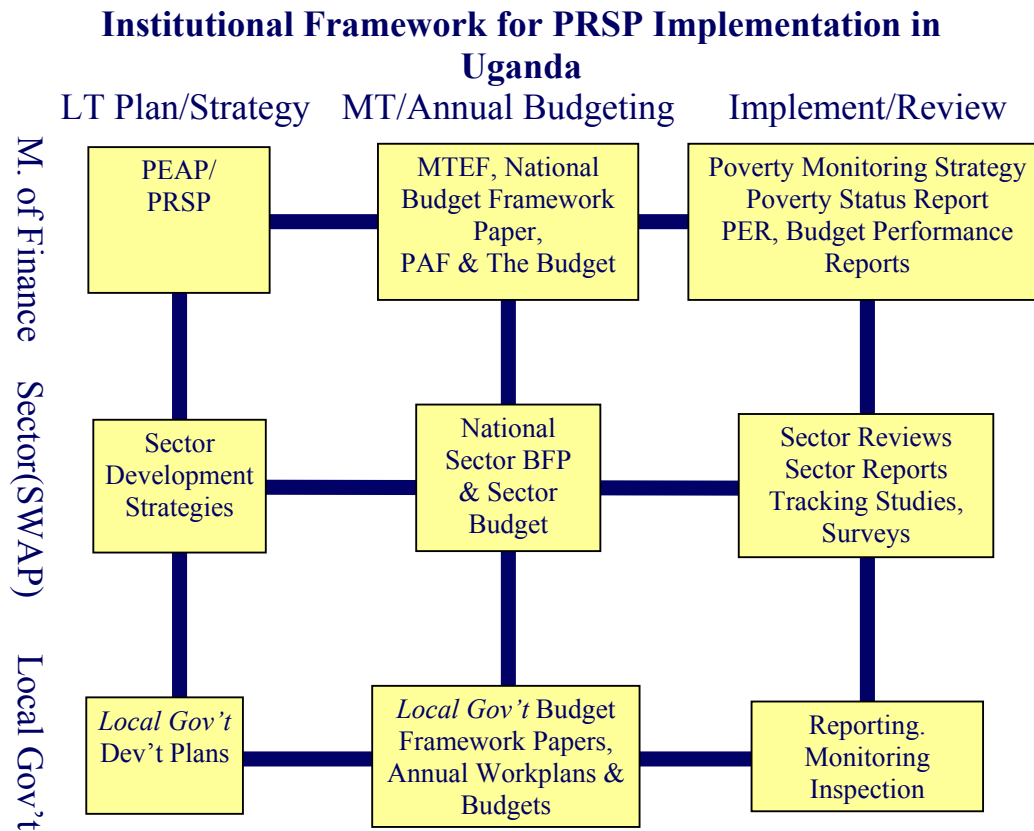
An institutional framework where roles and responsibilities in strategic planning, budgeting and budget implementation are clear is important. The Water and Sanitation sectors also bring in the added complication that local governments tend to be the implementers for the bulk of service delivery. Clear mandates for the Ministries of Finance, Line Ministries, and Local Governments in the process are therefore important:

- **The Ministry of Finance**²² is responsible for the development of the PRSP, managing the overall planning framework, projection and management of revenues, allocation of government resources between sectors, oversight of implementation by sector ministries and local governments, the level of decentralisation of financing service delivery of the actual mechanisms for financing Local Governments, and aggregate fiscal control.
- **Sector Ministries** are responsible for the development of sector policies and development plans, preparation of medium term budgets, preparation and implementation of ministry budgets, policy guidance and monitoring of Local Authorities.
- **Local Governments** are responsible for the management of locally-raised and devolved funds, and the actual delivery of services.

²¹ p14. Further elaboration is given on p 15 to 18

²² Roles relating to local authorities may be the responsibility of the Ministry of Local Government

The diagram below shows the Ugandan situation, which closely matches the responsibilities outlined here.



Within the institutional framework, the alignment of lines of accountability with government systems is very important. Local Governments should be primarily accountable to their council, but also to the Ministry of Finance. Line Ministries should be accountable towards Parliament and the Ministry of Finance. The Ministry of Finance is accountable to Parliament. Donors are accountable to their own Parliaments for the effective use of resources. Although the Government is not accountable to them, it should allow engagement of donors in decision making process.

The role of donors and civil society

In such a framework donors need to align themselves towards the implementation of the PRSP and engage in the national and sector process whilst respecting the lines of accountability within government. Donors need to engage in the policy making, implementation and review processes without dominating, promoting learning and supporting the building of technical capacity. They need to ensure that at the very least their projects and project disbursements are reflected in the budget accurately. However they also need to set out frameworks for moving towards collective financing mechanisms and ultimately budget support through government systems.

3.2 Actions by the Water and Sanitation sector stakeholders in country

The emphasis of the PRSP process is for the development of home-grown country-owned strategies. We are therefore concerned first and foremost with what can be done by the actors within the Water and Sanitation Sector of that country, including government, donors and civil society to ensure better alignment with PRSP processes.

However sector alignment is more difficult in the absence of a strong PRSP process, without political backing, and where the Ministry of Finance is weak. And this is the case in many SSA countries, including Malawi and Zambia. Therefore what is recommended here is not contingent on there being a strong PRSP process, but it acknowledges that a strong PRSP process will enhance the development and implementation of SWAPs, and that SWAPs will facilitate the engagement and alignment of sector programmes with PRSPs. A non-aligned national sector programme is better than the usual status quo of fragmented, inefficient donor projects.

Using SWAPs as a means for getting the Basics of National Systems Right

SWAPs should not necessarily be about reforming Water Sector Policy. Policies tend to have been reformed in SSA countries on the basis of relatively sound principles. The purpose of SWAPs should be for the government to develop its own interpretation of national policy in consultation with stakeholders, and

- Assess the costs of implementing sector programmes and achieving targets countrywide, and agree on the most efficient and effective strategy for implementation.
- Develop and agree the systems for collective financing, implementation, monitoring and evaluation, nationally wherever possible using governments own systems.

Sequencing SWAP Implementation

The implementation of national service delivery systems in a SWAP should be carefully sequenced, starting with the basics. Below is the example of Rural Water Supply:

1. Basics

- Allocating Funds between Local Authorities
- Mechanism for inter government transfers to Local Governments
- Basic Planning, Implementation and Reporting systems for Local Authorities
- Development of guidelines for Local Governments
- Minimum criteria for Local Government Capacity
- Strategy for Building LG Implementation Capacity
- Tracking studies and simple performance indicators

2. Mid Range

- Community involvement in planning
- Introducing Equity into Planning
- Simple Monitoring and Evaluation Systems for budget implementation; (quantitative performance measurement)
- Enforcement of Community Contributions

3. Advanced

- Comprehensive performance Assessment (incl. qualitative and value for money measures)
- Technology Selection
- Incentive Frameworks
- Private Sector Involvement

If the Ministry responsible for water commits to achieving too much, it is bound to fail. Expectations must be realistic. The most significant gains can be made from getting the basics right. The sequencing of actions in the implementation of national systems is therefore important. Only once the financing systems and implementation structures, and other basic elements are in place, should focus shift towards the finer elements of policy – including the enforcement of demand-responsive approaches and private sector involvement. The box shows a possible generic sequencing for rural water and sanitation. It is important to emphasise here that this is not questioning the

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importance of the technical solutions to ensure, *inter alia*, sustainable service delivery, but is placing these solutions within a broader framework for national service provision, and improving implementation iteratively through effective use of tools such as M&E systems and performance assessment.

The establishment of sectoral review processes are good starting points for the development of SWAPs and for building a coherent dialogue between government donors and civil society. They are also important for agreeing the sequencing of the implementation of national service delivery mechanisms. Getting the basics right does not mean a retraction of principles, but agreeing a rational way forward that will maximise the efficiency gains, in terms of value for money, equity and sustainability over time.

Aligning Donor Behaviour

Just because a PRSP process is underway does not mean that WSS will want to engage in it. Water and Sanitation Sector institutions will only engage in the PRSP process if it is in their interests to do so. The most important factor within this is the credibility of the PRSP process, in the way that it will benefit the sector in terms of improved, and more predictable share, of the budget. However in the absence of such a credible process (which is common) the importance of donors reorienting their behaviour towards the PRSP process, and the development of a SWAP aligned towards the PRSP **is essential**.

Donors need, firstly, to establish modalities for coordinating themselves. In such groups they should try and agree common lines on issues. Dialogue between donors and government should be through the donor groups and not on a bilateral basis. Sector review processes should be used as the forum for discussing and agreeing actions with government – both the Ministries of Water *and* Finance. The donors should also put equal weight on dialogue between the sector and the ministry of finance, as the custodian of the budgetary and PRSP processes.

Policy and sector implementation discussions should be focused on the Ministry responsible for Water. Here donors should not dominate sector discussions, but use it as a forum for raising concerns and promoting learning.

Discussions on financing should be in consultation with the Ministry of Finance (and with the sector involved). Donors should try and agree that ultimately, support should be channelled through national budgetary systems; however that may not be possible initially. Therefore a starting point for donors would be to be open on the amounts they are providing to the sector via projects, and their long term financial intentions. SWAPs do not necessarily mean a move towards budgetary support. Even if donors are unwilling to move to budgetary support, because of weak budgetary systems in the countries involved, significant benefits can be made in moving towards collective action. It is also possible for donors to consider supporting collectively, through basket funding, a single national programme, where the funds are disbursed to the programme by donors, but the Ministry of Finance, and Sectors are all aware of the modalities. It is important, however, that if donors decide that they cannot provide budgetary support the reasons for this should be made clear, and the safeguards that Sectors and the Ministry of Finance need to put in place to deal with this are clear.

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Sector Donors can also play an important role in building the credibility of the PRSP process in sector agencies by using it as the starting point for discussions with the Government on Water and Sanitation issues. This can be done as part of the dialogue in the SWAP type approach. Discussions of the linkage with poverty reduction are important in their own right, and also for facilitating engagement in the PRSP process. Again this does not always have to be done in the context of budget support.

The role of donors, NGOs and within actors on the development of Sector Policies and the broader PRSP is also important, especially in a situation where there is limited political commitment to reform.

Lobbying for Water Sector Priority

Donors and Civil society can play an important advocacy role in keeping the water sector high up on the political agenda. In both the budgetary process and the PRSP process organised lobbying can build political preference for water and sanitation interventions. This lobbying is best carried out within each country. Where in country data does not exist, international evidence on the importance of Water and Sanitation interventions should be highlighted.

Unfortunately the WSS has the same credibility problem within donor agencies as within government. Donors are reluctant to lobby hard for a sector in the budget process which is demonstrably inefficient, which was apparently the case in Malawi. This again brings us back to the importance of improving efficiency of interventions through SWAPs type interventions.

If donors feel the sector has been given limited priority in the PRSP, then this should remain high on the agenda of cross-sectoral and budgetary discussions with the Ministry of Finance.

Progress Even in the Context of a Weak PRSP process

It is important to note that the development of SWAPs will facilitate stronger engagement in the PRSP process, and engagement in the PRSP process will strengthen and inform the development of SWAPs. The PRSP is a useful starting point, for SWAP-type reforms since it provides the basic principles of a government owned strategy.

They are potentially mutually reinforcing, though the rationale of SWAPs, like PRSPs is country ownership of strategies and processes, donors can and do play an important part in initiating and enabling SWAP processes to take place. Donors need to take clear cooperative actions, and make it clear that they want the government in question to initiate the process, keeping high on the agenda of any discussions. Even if they feel government does not have the best modalities, donors need to show support for them.

3.3 Back to Basics in International WSS advocacy

In many ways there needs to be a “back to basics” campaign by WSS actors in the international WSS community. Often the policy debate has been at a very sophisticated level, with the agenda focusing on new technologies, mechanisms of cost recovery, demand responsive approaches, private sector engagement etc., etc.. If the agenda is shifting towards the development of national systems for service

delivery the basic building blocks need to be in place. This is a message that should be made strongly to donors involved in countries on a bilateral basis.

Developing donor codes of conduct and practical policy tools

There is inadequate consensus and poor understanding of what good donor practice is, and what the right policy tools and actions required for moving towards a SWAP in the Water and Sanitation Sector. This results in inertia to change in the donor community as well as in government. Internationally donors should develop codes of conduct in dealing with developing countries in the WSS, especially in terms of SWAP implementation, the dos and don'ts of dialogue with government, and the sequencing of reforms. Donors should be encouraged to move away from direct implementation of donor projects, and develop mechanisms for collective action and financing, but often there is confusion about what the different types of instrument available are. Terms such as budget support, basket financing and the like are all interpreted in different ways.

A next step, in developing WSS donor codes of conduct would be to develop a set of practical policy tools for donors and government that map out the generic steps that would need to be taken to move from current project support towards supporting collectively national service delivery systems via Sector Programmes and SWAP processes. The policy options in different environments need to be laid out. This would help create a collective understanding for WSS donors, and provide a hook for donors within countries to coordinate themselves where there is weak leadership from within countries.

More country specific WSS poverty analysis for international advocacy

International Donors and NGOs in the sector need to continue advocacy, and keep Water and Sanitation high on the international agenda. There is also need for greater advocacy in terms of the impact of poor water and sanitation on health outcomes, and wider dissemination of quantitative analysis emphasising Water and Sanitation as a social goods instead of productive goods. There is therefore some currency in actually piloting quantitative analysis of the impact of water and sanitation on health in individual countries, as a means for developing replicable tools for WSS actors, and providing weapons for international WSS advocacy.

3.4 What future for Sanitation?

A major question remains about the future of Sanitation. Throughout this report we have talked about the Water and Sanitation Sector as a single sector. However the package of WSS reforms has certainly failed in the context of sanitation. Sanitation gets lost institutionally when directly linked to the water sector. Water can be treated as a sector because there is usually a single lead institution responsible for water supply nationally, and the skills required for water supply development are relatively straightforward.

The problem with sanitation is that it is a cross cutting issue, and not a sector per se, and SWAPs are not necessarily effective instruments to handle cross-cutting issues. It is therefore valid to question the approach of linking water to sanitation. As stated earlier several institutions in several sectors tend to be involved in sanitation activities, but these activities tend to be given secondary priority by those sectors.

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Sanitation is an intervention which, unlike water is almost entirely aimed at improving health outcomes. The recent work in Uganda on infant mortality gives an interesting opportunity for a different approach. The problem was turned on its head by starting with the question “what does government need to do to reduce child mortality.” From that angle different solutions may fall out. Sanitation arrangements in the home become the most important angle. A strategy for public sector actions which ensure that sanitation practices are upgraded in the home does not even need to include the ministry responsible for the delivery of safe water. Ensuring good household sanitation is an ongoing activity, whilst the construction of a safe water point is a one off event which requires its own special training/mobilisation. It requires health education and health inspection – both these come from under the policy mandate of the Ministry of Health, and in a decentralised environment would be the responsibility of the local government. This should not ignore the fact that the water, education and community development sectors have important sanitation functions.

The PRSP process appears to be a potential entry point for changing the way sanitation is handled. If the Ministry of Finance is the driver for pro-poor reform, it should be the responsibility of the Ministry of Finance, not the Ministries of Water or Health, to ensure that sanitation activities get adequate budget and implementation priority within the sectors concerned.

De-linking sanitation from water

It may actually be rational to de-link sanitation from the water sector, especially when there is a strong, evidence based PRSP process. An authoritative cross cutting ministry, such as the Ministry of Finance, might be far more successful in ensuring that sanitation gets the priority within sectors it should command in the context of poverty reduction.

Chapter 4: Conclusion

The interaction between the Water and Sanitation Sector and PRSP processes is complex, and defined by the relationships between Ministries of Finance, the Ministries responsible for Water and Sanitation, Donors, and civil society; the relative political commitment to reform and poverty reduction; and the technical capacity of the relevant institutions.

We have shown that the Water and Sanitation Sector has been left somewhat flat-footed since the PRSP processes began. In many cases the Water and Sanitation Sector has not had the incentive to engage proactively in the PRSP process, either because of vested interests in the status quo, or the lack of credibility in the process, often due to a weak Ministry of Finance. Generally, the Water and Sanitation Sector has moved more slowly towards Sector Wide Approaches than other sectors such as health and education, which means that the WSS has been less ready or willing to engage. This has resulted in Water and Sanitation not getting due priority either in PRSP documentation or in financial allocations.

WSS sector reforms have so far focused on issues such as cost recovery and autonomy of the service provider / utility with inadequate emphasis on broader fiscal and governance reforms (especially including M&E) and lack of strong links to decentralization. The consistent message coming through is that without the incorporation of these broader inefficiency reforms, inequity and lack of sustainability will continue to plague the sector and its continued engagement, incorporation and emphasis within PRSP documents and processes will remain weak.

The PRSP process does, however, provide a genuine opportunity for greater coherence in sector programmes, and also greater priority for the sector in national allocations, given its strong impact on poverty. The development of SWAPs, provided expectations are realistic, and the basic building blocks required for national service delivery are the primary focus for improving the efficiency of sector interventions, are important in their own right, as well as for sector engagement in the wider PRSP process.

Donors have an important role to play in facilitating both the SWAP process and the integration with PRSPs. The use of donor projects as instruments for financing service delivery is both inefficient, and creates inertia in the sectors for change. Donors need to make it clear that they intend to provide their assistance in a more programmatic way using government systems. Donors and Civil society also have important lobbying roles to keep poverty high on the national agenda, and on the agenda of the sector ministries itself. This has the potential of building greater political commitment to the sector in relation to poverty reduction.

Finally Sanitation remains a perennial problem. The sector wide approach may not be the appropriate way forward, because of its cross sector nature. Sanitation needs a champion with authority over other ministries and institutions to ensure activities take place. Ultimately it may be necessary to de-link sanitation from the water sector and put its coordination under the control of a central Ministry such as Finance or Local Government.

The overall picture is one of opportunity for the Water and Sanitation Sectors. However this opportunity requires substantial change in donor practice as well as government practice, and a shift in priorities from the development of new innovative technical solutions to the basic building blocks for the development and implementation of WSS services.

Annexes

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Annex 2: Characteristics of PRSP Processes in Uganda, Malawi and Zambia

	Uganda	Malawi	Zambia
	<i>Administrative Capability</i>		<i>Average</i>
Role of Evidence in the PRSP Process (Participatory Assessments)	Significant capacity for Poverty Monitoring has been developed, this includes the use of Household Surveys, Participatory assessment, and information on service delivery. This is information used fairly systematically to justify policies strategies in the PEAP.	The PRSP uses household survey data, although there is less information than in Uganda and Zambia. There is also limited qualitative data, and the Poverty profile reflects this. This is also not analysed in the context of government policies and programmes.	There is fairly good poverty profile, based on rich information from surveys and participatory assessment. However there is weak capacity within government for poverty analysis, and the linkage between policy and poverty is not deep in the PRS. A National Poverty Action Plan in 2000 seems to have been ignored in the PRSP process (see Annex 3 below)
Quality of strategies	The PEAP is a comprehensive strategy with (on paper) a balanced approach to poverty reduction. The sectoral strategies behind each of the four PEAP pillars are strong where elaborated, and strongly linked to policy and evidence.	The PRSP is a comprehensive framework, focused on policy.	Although there is a sectoral emphasis and broad set of objectives, these have not been fully developed into programmes.
Use of targets and results and monitoring	The use of targets and results is relatively well developed, with a comprehensive set of indicators for the four PEAP pillars, which is backed up by a Poverty Monitoring Strategy.	An appropriate set of indicators are used, however the targets only focus on the medium term. There is a sound cross-sectoral monitoring and evaluation structure, engaging all levels of government, and civil society. Economic data collection is weak.	The core goals and targets in the are unclear, and are incomplete. Where they exist some of the targets appear overambitious. There is an institutional arrangement for monitoring which has not been worked out in detail.
Costing and Financing of PRSP	The PEAP was partially costed on the basis of sector investment plans. The costing revealed that the achievement of PEAP targets was not affordable, however this did not result in any adjustment and or prioritisation	The grounds for the costing of the PRSP is unclear, and the presentation is very confusing. The costing does not appear to be on the basis of achieving targets as in Uganda, nor does it appear to be too strictly linked to the availability of resources as in Zambia.	There is a good effort to prioritise allocations in the PRSP, linking to the availability of resources. However this is referred to as “costing” which is not the case, as there does not appear to be any relationship between the targets and costing.
Political Commitment			
Engagement of Executive and Parliament in the Process	The original PEAP had significant backing from President Museveni, and this has fostered widespread government ownership. Although originally inactive, Parliament has been increasingly active in the PRSP and budgetary processes.	The strong participatory process is seen as a key involvement of the	Parliamentarians were involved in the PRSP process.
Integration of PRSP in policy and budgetary process	The PEAP is becoming increasingly central to government policy and planning processes. In particular stakeholders acknowledge the link	The PRSP is regarded as yet another national policy framework. The budgetary implications remain poorly understood, and given the poor record in PEM reform, are likely to remain so.	As yet, weak, but there is some hope that the recent change of government will engage in a change of mindsets.

Annex 2: Characteristics of PRSP Processes in Uganda, Malawi and Zambia

	Uganda	Malawi	Zambia
Engagement of Sectors in the PRSP Process/Linkage with sector programmes	Sectors were fully engaged in the PRSP process which was highly consultative. The strategies laid out in the PEAP are consistent with sector strategies, and plans where they existed, and the PEAP has influenced those developed subsequently.	The special PRSP Technical Committee is “driver” of the PRS process, combining National Economic Council, Ministry of Finance, Reserve Bank, chaired by NEC; reports to high-level Steering Committee: not clear, however, that inter-sectoral links have been forged. Within the WSS sector, poor co-ordination: 18 Thematic Working Groups, but none for WSS.	In Zambia, better appreciation of cross-cutting nature of poverty reduction now exists, but PRSs need “re-tuning of mindsets in line with the philosophy/principles of the new development concept”. Need to bring out WSS links to “social good” parts of PRSP and PRS process, e.g. health and educ. WSS sector actors poorly co-ordinated and organised to collaborate with other sectors.
	External Factors		
Engagement of Donors in the PRSP Process	Donors have been significantly involved in the PEAP process throughout, and are increasingly coordinating themselves around the PEAP preparation and implementation processes. However there is some danger that they are increasingly driving the policy agenda, and the PEAP becoming more of a technical rather than a political document.		The donors played a “significant” part in the PRSP process. They were well represented in Government Working Groups. They commented in detail on the first draft of the PRSP.
Engagement of Civil Society	Civil society play and active role in the PRSP process, and have always had a seat at the table. However it is difficult to pin-point how they have influenced the policy choices in the PEAP, or how their behaviour has been influenced by the PEAP	Civil society was engaged in the full PRSPs consultation. The results of the consultation do not appear to been adequately reflected in the final document. However, given the history of Malawi any kind of participation is remarkable, however there is a long way to go.	They also supported civil society in its efforts to participate (via backing to the Civil Society Poverty Reduction, CSPP, network).

Annex 3: Factors influencing the Integration of Water and Sanitation Sectors in the PRSP and Budget

Uganda		Malawi	Zambia
Introduction	Institutional/Policy Arrangements		
Status Sector Policy and Reform	<p>A National Water Policy was finalised in 1999. The policy is divided into water resource management, and water supply. The latter includes the commons principles of cost recovery, demand responsive approaches and private sector inclusion. There is limited mention of sanitation in the policy. The policy was finalised whilst Uganda started reforming the water sector (in 1998) with studies for the rural and then urban water and sanitation sub-sectors, followed by WRM and Water for Production. A strategic investment plan for the rural water sector was finalised in 2002. The development of this plan facilitated moves towards the development of a SWAP, with an annual sector review process now in place, as a reaction to the more strategic thinking of government. This is helping coordination.</p> <p>Key concerns remain about the inefficiencies in the sector, the capacity of local government implementers, weak monitoring and evaluation and the low priority of sanitation. Despite the increases in funding, many donors are concerned about the lack of result.</p>	<p>The National Water Policy reflects the recent global shift in water policy towards the adoption of demand-responsive approaches (DRA). This implies major changes in the roles of government and other sector stakeholders and decentralisation of management and financing responsibilities. Despite major sector reviews in 1998 and 2001 progress in institutionalising and implementing paper reforms (Implementation Manual, 1999) has been extremely slow. Arguably ‘business as usual’.</p> <p>Key issues include: poor sectoral coordination and management information systems, lack of adherence to standards and guidelines, inadequate beneficiary participation, limited capacity for regulation and M&E, lack of coherent policy for sanitation, and de-linking WRM and WSS.</p>	<p>The principles set out in the 1994 National Water Policy reflect a number of recent international trends in water policy, eg. adoption of privatisation and commercialisation of urban water services delivery, implying a substantial change in the role of government, full-cost recovery (though implemented “gradually”), community-based management and capacity-building to support it, etc.</p> <p>Key issues include: separation of WRM and WSS (see below); operation of sectoral “blinkers” without coordination between line ministries, including between the Dept of Water Affairs and social ministries, such as health and education; limited capacity for regulation and M&E, lack of coherent policy for sanitation.</p>
Institutional Setting for Water Sector	<p>The role of the Directorate of Water Development (DWD), which is part of the Ministry of Water Lands of Environment, is responsible for policy, monitoring and evaluation and managing water resources. Local Governments are responsible for service delivery in rural areas and rural growth centres, and this if funded through a capital development grant from central government. Major urban water projects remain funded by substantial donor funded projects.</p> <p>National Water and Sewerage Corporation is a parastatal responsible for managing large urban water systems. A</p>	<p>The GoM has supposedly adopted a ‘multi-sectoral’ approach to implementing water supply and sanitation programmes. Coordinated by Ministry of Water Development (MoWD), other key ministries include: Ministry of Health and Population, Ministry of Women, Youth and Community Services, Ministry of Local Government. Capacity for coordination and planning between line ministries remains weak. MoWD is tasked with coordinating water sector activities and estimating development expenditures.</p> <p>MoWD is in transition. Sector reforms combined with</p>	<p>Despite the reforms in the mid-1990s, the impression is of a fragmented sector. Responsibility for water resources management (“WRM”) and water supply and sanitation (“WSS”) are split between different ministries, as a means of solving perceived weakness, which has contributed to the fragmentation.</p> <p>There are no institutional structures in Zambia which have consciously been set up to provide WSS services specifically for the poor. The “social welfare” aspects of WSS are the responsibility of the Ministry of Community Development and Social Services. This</p>

Annex 3: Factors influencing the Integration of Water and Sanitation Sectors in the PRSP and Budget

	Uganda	Malawi	Zambia
Level of Decentralisation / Role of LG in Service Delivery	<p>National Water Policy Committee advises the Minister on Policy and Legislative issues.</p> <p>The responsibilities for coordination of sanitation are shared between DWD, the Ministries of Health, Education and Gender. DWD is responsible for some institutional sanitation alongside education. In the Ministry of Health, the Environmental Health Division, which has limited clout, has responsibility for sanitation. However little real priority is given to sanitation at the level of service delivery in local governments.</p>	<p>decentralisation imply changed role and responsibilities. Currently government is considering the possibility and institutional implications of treating water as a cross-cutting issue.</p> <p>The Sector is dominated by major government projects with external funding: National Water Development Project (NWDPP) and World Bank Malawi Social Action Fund (MASAF).</p>	<p>could represent a “pro-poor” vocation, but this ministry is noted to be politically marginal.</p> <p>Whilst institutional arrangements for the conventional urban sector are clear, this clarity does not exist for the peri-urban and rural sectors. Yet, the poor in Zambia are found predominantly in those peri-urban and rural areas. WSS is the responsibility of the local authorities, with the Ministry of Local Government and Housing being the parent body through its Dept. of Infrastructure Support Services.</p> <p>It seems that women’s views of the importance of water supply and sanitation are not reflected in institutional terms: the Gender in Development Division (GIDD) in the Cabinet office is not playing a role in the WSS sector.</p>
	<p>Local Governments are responsible for the provision of new infrastructure in the rural water sector and some small rural growth centres. Town councils also manage their piped water systems where they are outside the management of NW/SC. LG are responsible for the delivery of sanitation services through primary healthcare activities, education (infrastructure and hygiene), and community mobilisation.</p> <p>The capacity for the delivery of services by LGs has been built fairly rapidly, and is ongoing. This has been facilitated by the transfers from the centre which has attracted staff. DWD has set up regional technical support units which risk undermining the autonomy and accountability of district water offices.</p> <p>Water User Committees are responsible for planning implementation, operation and maintenance of rural WSS</p>	<p>In theory Malawi is currently undergoing a process of administrative and fiscal decentralisation. The Local government act was passed in 1998. The Decentralisation process is being piloted by Ministries of Health and Education. There is a legacy of patrimonial state and limited capacity of local government present major obstacles to genuine and effective decentralisation.</p> <p>To-date MoWD has remained highly centralised. Some limited devolution of responsibility for urban and peri-urban areas to regional water boards since 1995. Devolution of responsibilities for rural service provision to district-level is proposed from July 2003. MoWD arguably lacks both the capacity and desire to drive this through.</p> <p>The process of decentralisation and democratisation in Malawi is slow and continues to be resisted and</p>	<p>Since mid-1990s all WSS has been under the responsibility of the Ministry of Local Govt and Housing. The 1997 Water Supply and Sanitation Act devolved responsibility to local authorities and the private sector.</p> <p>There has been criticism from some commentators that central govt has “receded” too much from the sector, leaving a weakness in terms of the WSS reforms “at the centre” as compared with at district level.</p> <p>There is a concern that WSS provision in peri-urban areas, where much of the water-related poverty in Zambia is located (together with that in rural areas), will fall between stools, in that recent govt. policy and interest in commercialisation of water services, involving transfer of delivery to private utilities, focuses on urban centres - and especially cities rather</p>

Annex 3: Factors influencing the Integration of Water and Sanitation Sectors in the PRSP and Budget

	Uganda	Malawi	Zambia
	Under the demand driven approach to Rural Water Supply, communities are required to contribute to investment costs as well as O& M. In practice these committees are often inactive, and contributions to O&M are limited.	Undermined by vested interests. The executive also retains close control over civil society activities (NGO Bill).	than small towns (which also are in danger of losing out).
		Trends in social sector spending reveals variation in total % budget allocation to WSS is far greater than for health and education. There is no clear evidence to justify this variation.	
Factor 1: Linking Evidence, Policy and Implementation			
Poverty (Survey etc) and Budget Performance Monitoring	Household survey data includes information on use of improved drinking water and sanitary means. However at the time of the PEAP being finalised in 2002 there had been little rigorous statistical analysis by the water and sanitation sector on the impact on poverty outcomes. Recent analysis by the Ministry of Finance (2003) on infant mortality found out that sanitation was one of the biggest causes (and a lesser degree water). Further analysis reveals it to be sanitation and hygien practices in the home. Although households are required to have and use latrines, health education is limited and there are no quality checks on household sanitation, or penalties in lack of latrines etc (there used to be in the 1960's). This should be the responsibility of LCs, but they are not interested. The Ministry of Finance analysis has found that Sanitation is a major factor in Infant Mortality has resulted in a task force being formed to address the issue, bringing LMs together to work out a concrete plan of action for contact, to coordinate mandates, roles and actions. This shows the potential for action, and translating analysis into action, however it is crucial to note that DWD has not been attend the meetings at all,	Existing poverty data varies in quality and coverage and is difficult to access and disaggregate. Data collection techniques used and results obtained tend to reflect prevailing crisis conditions. Recent food crises have tended to overshadow all other issues. There has been significant decline in quality of national-level data in recent years. Water Boards have basic information on urban areas but WSS data for rural areas is extremely limited and inadequate for planning and budgeting purposes. New multi-sectoral systems for national-level vulnerability and livelihoods monitoring are under development. Extent to which these will address WSS issues remains unclear. Demand and needs assessment procedures are crude. Links between WSS and poverty data have not been made.	The Central Statistical Office (CSO) provides WSS data, eg. the data from the CSO on “ <i>Living Conditions in Zambia</i> ”, in 1998, including figures on percentage coverage of different types of water supply (protected and unprotected) and different types of sanitation facilities. These data have, the report says, been “used” by government, as well as academic and other analysts, but it is difficult to see how! It is possible to analyse CSO data to see how water-poor and other poor match in terms of affected groups: <i>UNICEF</i> commissioned such analysis. It seems that the government had not carried out this analysis itself. The picture which emerges is that the function carried out by the CSO in the WSS sector (and other sectors perhaps too) is one of observing, and passively monitoring, conditions and phenomena, without actively analysing and interpreting them. For example, there seems to be a lack of analysis of causes of conditions/effects, including analysis of cross-sectoral causes-effects. Yet, WSS was acknowledged (later in the PRSP process) as a cross-cutting theme, ie: recognition that WSS “causes” can have effects and impacts in other sectors (eg. health; education).

Annex 3: Factors influencing the Integration of Water and Sanitation Sectors in the PRSP and Budget

	Uganda	Malawi	Zambia
	<p>and there has been no interest shown by the Ministry. The Environmental Health Division of the Ministry of Health has been taking more interest, however. This has not yielded results, as the analysis is recent, however it shows the potential for action.</p>		<p>The analysis carried out for UNICEF by district, and type and level of deprivation, indicated a possible reason for the lack of integration of the water supply part of the WSS sector: deprivations in education and health are seen to be not “high”, but are more consistently and widely pervasive at “moderate” and “low” levels, compared with water supply which is noted as being a manifestation of “high” and “entrenched” deprivation in more of the 72 districts (compared with both health and education).</p> <p>This is perhaps a factor in the lack of integration of WSS in the PRSP: that the cross-sectoral outputs/benefits (in eg. the health/education sectors) of input investment in WSS are not recognised - to the extent an input in WSS has impacts in more than one sector or subsector, they can be called “multiplier” effects.</p> <p>A further consideration is that investment on WSS may be perceived/presented as predominantly focused on avoidance of negative impacts, as compared with creation of positive impacts (cf. and contrast education).</p>
WSS and Participatory Poverty Assessment	<p>In 1999 the Uganda Participatory Assessment Project revealed water as a key priority for the poor, and this has remained the case in the second UPPAP the findings of which are been finalised. Sanitation appears less of a priority for the poor, which is understandable, as it is unlikely to be a perceived need of the poor.</p> <p>This project was coordinated by the Ministry of Finance,</p>	<p>PPAs are a one-off but institutional structures for decentralised decision-making are also now in place (District Assemblies since 1999). Ensuring grassroots participation in district-level planning processes remains a significant challenge.</p>	<p>It is not clear how much the 1994, 1996, 1999 participatory poverty assessments were influential. The answer seems to be “little”: the focus on investment in WSS infrastructure belies the more holistic picture of poverty presented by the PPAs.</p> <p>The links between official surveys/research (including PPA’s) and budget allocations are unclear. For</p>

²³ Lentz, world learning

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	Uganda	Malawi	Zambia
	<p>in partnership with Oxfam. There was no involvement of the water sector in the first UPPAP, however in the second there was some involvement in the design of the research. Other participatory research has pointed to water sector interventions as being the only service that all the poor benefit from.²³</p> <p>UPPAP was crucial in triggering the increase in funding for the sector. When he learnt about Uganda's qualification of additional relief under the enhanced HIPC initiative, the Permanent Secretary of the Ministry of Finance (not water) immediately announced 1/3 of enhanced HIPC funds would be allocated to WSS using UPPA as the justification. It is important to note that Water Sector was not involved in this decision, and it was in no way due to lobbying by the sector.</p>	<p>The links between PPAs the PRSPs and budget allocations and expenditure remain unclear to many stakeholders. Furthermore there are discrepancies between the priority afforded to WSS in Village Action Plan consultations and in those conducted for the PRSP.</p>	<p>example, the PRSP process cut across the previous <i>National Poverty Reduction Action Plan</i> (NPRAP) process in the late 1990s, led by the (as noted above, marginal) Ministry of Community Development and Social Services. The Ministry had, after some consultations with stakeholders, including civil society and donors, generated a proposed NPRA Plan ready for approval by Cabinet in January 2000. The latter process was however overtaken by the arrival (via the international institutions - IMF/WB) of the PRSP mechanism. Although it was initially stated that the NPRAP would provide a reference point for the PRSP preparation, subsequent events showed that the process was started anew, with the Ministry of Finance and Economic Development now the overall coordinator of the PRSP.</p>
			<p>As noted above, links between WSS and poverty data have been made, not by government, but at the behest of an international organisation (UNICEF).</p>
			<p>Trends in social sector spending reveals a substantially lesser spend on WSS than on health and education. There was a major discontinuity between the <i>Public Investment Programme</i> 1995-1997, which allocated 25% to WSS, compared with 10% and 6% to health and education respectively, and the disbursements actually made under the Economic and Social Credit budget during two years in the same period.</p>
Monitoring and Evaluation and Decisions	<p>Monitoring information remains weak and unreliable. Water sector MIS, and budget reporting systems are in place. Information on safe water coverage remains unreliable, and figures vary from source to source. Functionality of water sources .</p>	<p>Capacity for effective targeting is extremely limited. To-date resource allocation within the water sector has remained highly centralised and un-transparent. Emerging data from water point mapping reveals massive inequity in resource allocation.</p>	<p>Capacity for M&E is limited. There will be little meaningful evaluation of the impacts of PRSP interventions until there is a robust chain of management from allocation, to disbursement, to spending to monitoring of outputs. As at June 2002, there was no mechanism for tracking expenditures</p>
Factor 2: Sector Performance			

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Sector			
Performance			
Administrative Capacity	<p>The sector remains inefficient. The capacity of DWD remains concentrated in the provision of infrastructure (i.e. engineers) rather than in the development of policy, mentoring and monitoring & evaluation. The capacity of the implementers in local governments have improved rapidly, however the systems for planning and implementing are not robust, and allow for significant political capture in implementation, which may often lead to patronage and inequitable service delivery.</p>	<p>Sectoral reforms and decentralisation entail new roles and responsibilities which many sectoral stakeholders are currently ill-equipped to take on. Effective reform requires extensive capacity building and training to establish new skills and competencies at different administrative levels. In particular improved coordination and standardisation of approaches and procedures in order to streamline sector activities.</p> <p>Capacity of newly decentralised structures (district authorities) is variable</p>	<p>Sectoral reforms and decentralisation entail new roles and responsibilities which many sectoral stakeholders are currently ill-equipped to take on. Effective reform requires extensive capacity building and training to establish new skills and competencies at different administrative levels.</p> <p>The capacity of newly decentralised structures (district authorities) is variable. The <i>WASHE</i> (Water Supply, Sanitation and Hygiene Education) concept, launched in 1996 has, for example, had some success in training district committees (<i>D-WASHE</i>) in some districts.</p>
Private Sector Involvement	<p>The private sector provides the vast majority of the infrastructure. However there are a limited number of private sector firms with the capacity to construct water systems/supervise contractors. There is also concern over conflict of interest, with staff from DWD also being involved in private sector firms in the sector.</p>		<p>Under the National Water Policy the functions of the National Water Supply and Sanitation Council (<i>NAWASCO</i>) formed in 1999, included: “advise the local authorities on commercially advisable institutional arrangements for the provision” of WSS and “...license utilities and other service providers. . .”</p> <p>Attracting external involvement in water utilities in sub-Saharan Africa is only feasible in limited cases, eg. central areas of capital cities: the international water companies consider Africa as a generally marginal “emerging market” and prefer to take on lesser risks and challenges in OECD countries, including the middle-income countries of Eastern Europe - and Latin America, where indeed the risks/returns are acceptable there.</p> <p>As to local utility companies, the Zambia study refers to the “experience of the commercialisation process so far...” which “...has not been very promising in view of a myriad of hurdles...” including “...government</p>

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Political Commitment	Factor 3 Incentives to Engage in PRSP process	Parliament and the Executive has supported the rising profile of the water sector, however they have not provided the impetus for the increase in funding, which was the Water Sector and the Ministry of Finance.	Frequent political statements on water and sanitation. Presidential fund (3000 boreholes). However role and importance in wider context of poverty reduction poorly understood and articulated in existing strategies and documents. Politicisation of resource allocation. Vested interests in inappropriate technologies. Significant discrepancies between sector inputs and outputs. Political interest in the sector is an 'unhealthy' one. Lack of genuine political commitment to sector reform and decentralisation processes.	<p>departments themselves being in the biggest defaulters on payment [for water services]; chaotic billing systems; small customer base making recovery of even operational costs difficult at times and largely unmetered connections... time will clearly be required to set up institutional arrangements which are satisfactory. And the impression of central govt. "receding" from the scene (see above) is not encouraging. It is felt that commercial utilities do not as yet have the ability to supply WSS services to the urban and peri-urban poor.</p> <p>The falling budget share which WSS has been receiving, and the much lower percentage for WSS as an "infrastructure" type (3.5% of total budget), compared with others (eg. roads 19.1% of total budget), as per the PRSP budget 2002-2004 suggests weak interest on the part of the executive.</p> <p>Any understanding of the role and importance of WSS in the wider context of poverty reduction is poorly reflected in PRSP costings.</p> <p>A question arises as to the degree of genuine political commitment to poverty reduction: the impression is of a macro-finance driven, rather than a social reform, process: ie: the priority being for the Ministry of Finance to unlock HIPC funds for the general budget (not specifically for poverty reduction).</p> <p>The executive home of the planning function has changed several time in recent years (after the whole concept of planning was brought back from a decade of political wilderness), tending to indicate that it is somewhat of a political "football".</p>

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	<p>The degree of convergence of the PRSP process with mainstream government and public expenditure management is low (which reinforces the impression of marginality to the M0F core business).</p> <p>There seems to be a substantial urban bias in the allocation of funds for WSS.</p>		
Engagement in the Budget Process			
Modalities of Donor Support	<p>Up until 1998 funded the sector through projects, however HIPC altered the balance, which funded large increases in the sector through the Government Budget via the Poverty Action Fund, which donors supported. Donors have since wanted to move towards funding the sector via earmarked budget support and DANIDA and SIDA have begun doing so?</p>	<p>Donor confidence in the MPRSP is low. Significant internal discrepancies in MoWD budget documents and failure to provide information requested to facilitate monitoring of spending and tracking results. Difficulties controlling use of funds within Ministries. HIPC funds temporarily frozen?</p> <p>Lack of donor agreement on policy and funding priorities between and within sectors. WSS is identified as a priority poverty expenditure but coordination of donor inputs to the water sector is weak. Limited prospects for effective SWAP.</p> <p>Donors frequently pursue individual projects which are separate from national budgeting processes and often apply different policies and strategies.</p>	<p>There is no information in the Zambia PRSP to show how much the WSS programmes are dependent on donor assistance, but past trends show that the water sector is even more dependent on donors than the economy as a whole, eg. in 2001 of a total capital expenditure estimate for water of K35 billion, of these slightly over K28 billion, or 80%, was estimated to come from external sources – K10 billion from the German and Japanese governments and the remaining K18 billion from HIPC resources.</p> <p>A key issue is then the manner in which external donors fund WSS, whether by funding “off public budget” projects which tend to by-pass and undermine sector reforms, or through sectoral support which reinforces efforts in the sector to address key reforms for achievement of poverty reduction.</p>
NGO/Civil Society involvement in the sector	<p>NGOs have formed an organisation UWASNET, which brings together the NGOs involved in the WSS. UWASNET is provided a seat at the table in sector discussions although their impact to date is difficult to ascertain.</p>	<p>High but often parallel to govt and thus outside of PRSP. Poor coordination leading to uneven resource allocation and duplication of effort. Inconsistency in standards applied and inappropriate technologies.</p> <p>NGOs as well as private sector often contracted by government as service providers but govt capacity to support and regulate different service providers is weak.</p>	<p>This was high, but often parallel to govt. and thus outside of PRSP. Start-up by civil society in the PRSP process was slow, so that there was ground to catch up, but the <i>Civil Society for Poverty Reduction</i> (CSPR), once formed, is perceived to have achieved a strong role in terms of participation in the process.</p>

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		Willingness and capacity to follow national policy and guidelines highly variable.	The key perception of NGOs was that the PRSP was categorising WSS under “infrastructure” with such things as roads, and that the government’s approach did not adequately deal with some of the major aspects of poverty – it was following a sectoral rather than thematic approach
			Despite a chapter in the text of the PRSP on water, WSS was not finally treated as a cross-cutting theme, but as infrastructure. Even the civil society’s proposal of themes to the government did not include sanitation.
			Civil society feels that its access to vital information and documents was limited. And when the process went beyond the preparation of the text to finalising costings (in the back of the PRSP document), there was a clear lack of consultation and participation – it seems that a glass ceiling operated at high level in the Ministry of Finance.
Role of NGOs and Donors in Sector Policy Formulation & Implementation	Traditionally the sector was funded through bilateral relations and there was little coherent policy debate with donors. Since 2000 there has been an annual sector review process through which donors and NGOs have conducted a more effective and coordinated dialogue with government.	Substantial NGO, civil society and donor involvement in Sector Reviews of 1998 and 2001 but not in the PRSP process which was largely separate and apparently de-linked from sector review findings. PRSP generally regarded as an ‘add-on’ which applies only to ‘additional HIPC resources’, rather than an overarching framework for <i>all</i> activities in the sector.	The heavy dependence in Zambia on donor funding of the WSS sector has been noted above. The Zambia report does not specifically report on the role of donors in sectoral policy formation and implementation, but the inference is of a predominantly project-based approach, at least on the part of some donors to the sector – although efforts are being made by the sector to organise itself, and it is hoped that these will be supported by donors, as part of a switch to funding based on budget support.
		Failure of NGOs, and other stakeholders to mobilise as a sector in response to PRSP process. Unlike health and education, water sector funding has not been so dependent on national budgeting processes in the past. Also Sectoral priorities were not sufficiently represented or championed and there is little sense of sectoral ownership over the resulting PRSP. Also some confusion between PRSP content and pre-existing water policy and strategy, esp. re: role of private sector.	

