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Rethinking governance in water services

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Acronyms and Abbreviations

BS	Basic Services
CAR	Capability, Accountability and Responsiveness
CAP	Country Assistance Plan
CBD	Community-Based Development
CBO	Community-Based Organisation
CDD	Community-Driven Development
CGA	Country Governance Assessment
CS	Civil Society
CSO	Civil Society Organisation
DAC	Development Assistance Committee
DBS	Direct Budget Support
DFID	Department for International Development
DOC	Drivers of Change
DRA	Demand-Responsive Approach
DRC	Democratic Republic of Congo
EPRDF	Ethiopian People's Revolutionary and Democratic Front
ERM	Environmental Resources Management
FS	Fragile State(s)
GWP	Global Water Partnership
HH	Household
HIPC	Heavily-Indebted Poor Countries
IDC	International Development Committee
IFI	International Financial Institute
INGO	International Non-Governmental Organisation
IWRM	Integrated Water Resources Management
JMP	Joint Monitoring Programme (WHO/UNICEF)
LG	Local Government
LI	Low Income
MBA	Membership-Based Association
MDG	Millennium Development Goal
MDTF	Multi-Donor Trust Fund
MoF	Ministry of Finance
NGO	Non-Governmental Organisation
NSP	Non-State Provider
O&M	Operation and Management
OBA	Output-Based Aid
ODI	Overseas Development Institute
OECD	Organisation for Economic Cooperation and Development
PEM	Participatory Expenditure Management
PETS	Public Expenditure Tracking Surveys
PFM	Public Financial Management
PR	Poverty Reduction
PRBS	Poverty Reduction Budget Support
PRSP	Poverty Reduction Strategy Paper
PS	Private Sector
PSP	Private Sector Participation
RM	Revenue Mobilisation
SGA	Sector Governance Assessment
SIWI	Stockholm International Water Institute
SSPP	Small-Scale Private Provider
SWAps	Sector-Wide Approaches
UK	United Kingdom
UN	United Nations
UNCESCR	United Nations Committee on Economic, Social and Cultural Rights
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
WHO	World Health Organisation
WRM	Water Resources Management
WS	Water Supply
WSP	Water and Sanitation Program
WSS	Water Supply and Sanitation

1. Introduction

The purpose of this working paper, a think piece on governance in water services, is twofold. First, it aims to provide a basis for discussion and debate as to how the Department for International Development (DFID) should improve its approach to governance in water services.[1] Second, it aims to develop a more comprehensive and structured approach to the analysis and the development of governance in water services by applying DFID's current governance thinking at the sector level. The paper therefore draws on internal DFID governance thinking, terminology and approaches and is, in this first version, targeted primarily at a DFID audience interested in governance, basic services and water.

The paper suggests that it is vital that efforts in basic services such as water are more closely aligned with the development of approaches to governance in DFID country programmes. The essence of the argument is that water services needs to engage in a broader governance agenda integrated with other basic services and mutually reinforcing areas of governance. It argues that water sector debates to date have neglected the political aspect that determines governance outcomes. If the underlying processes are to be shifted in favour of pro-poor service delivery, it is vital to understand the incentives facing the major actors in the sector and how different interests are contested. This agenda, and the necessary thinking and tools to achieve this, have been established in mainstream DFID governance initiatives and need now to be adapted and applied in the formulation of DFID's efforts to improve governance in basic services.

To hasten progress towards better water services for the poor, Millennium Development Goals 10 (MDG) was established *to halve by 2015, the number of people without access to safe drinking water*. Its importance is underlined by its linkages to other goals, especially those focused on poverty and hunger, infant mortality and gender equity. Recent reports suggest that there has been some progress overall but it has been much slower than expected (World Health Organisation (WHO) & United Nations Children's Fund (UNICEF), 2006). Furthermore there are significant regional disparities. The lack of progress in the poorest countries is a particular cause for concern. In sub-Saharan Africa, for example, the total number of people without drinking water actually increased by 23% over the 15 year period 1990 to 2004.

In the face of population growth and urbanisation many countries are effectively 'running to stand still'. There is also evidence that the next stage of improvements will be significantly harder to achieve – the quick wins in improving water services have been won. In those countries *on track* for the MDG, the challenge becomes one of targeting regions, communities and households that have been marginalised from benefits to date, as well as sustaining quality and reliability of services. In those *off track* countries, many of which fall within or close to the definition of 'fragile states', the challenge is about saving lives as well as gradually increasing access and addressing historical inequalities in the delivery of water services.

It is increasingly recognised that future efforts to improve levels of access will depend on addressing the underlying crisis of *governance* in water services. Recent studies show a direct correlation between the countries most lacking in water services and those with poor governance (United Nations Development Programme (UNDP) 2004; United Nations 2005). A review of sixteen countries in Africa revealed dysfunctional sector policies and institutions as well as insufficient investment in water services (Water and Sanitation Program (WSP), 2007). Even if additional finances can be leveraged in those countries which are currently *off track*[2], it is unlikely to translate into improved service outcomes unless wider governance issues are also addressed (Camdessus et al, 2003). However, improving governance in water services is not just about government systems and capacities, it is about a range of non-state agents and their interaction with government. It is about engaging civil society and establishing a functioning social contract between the government and its citizens to bring about

[1] The exploratory nature of some aspects of this work, and the existence of three other background papers in this set (Water Resources Management (WRM), sanitation and finance), suggests the need to limit both the scope and content of this paper. The paper will therefore focus on water services specifically rather than the broader governance-in-water agenda.

[2] The countries with the lowest levels of access to water receive much less aid. Only 12% of total aid to the water sector in 2000-01 went to countries where less than 60% of the population has access to an improved water source (UN, 2006).

effective basic services. And it is ultimately about the progressive achievement of agreed rights to water.

Section 2 of this paper briefly reviews the so-called 'crisis' of water governance and highlights the fragmented nature of current policy debates and the lack of a coherent unifying framework and agenda for action. It is noted that debates on specific aspects of governance have generally been treated in isolation and the linkages between them and the wider governance context frequently overlooked. This analysis underlines the need to develop a more structured and comprehensive approach to governance in water services that is cognisant of political drivers of change and more closely linked with wider governance agendas beyond the sector.

Section 3 considers how DFID might recast its approach to developing governance at sector level, by establishing greater linkage between DFID governance thinking and approaches adopted in water services. Progress being made in relation to the broader country governance agenda in DFID has resulted in a number of frameworks and approaches that present a comprehensive picture of the range of dimensions of governance, assisting country programmes to identify and prioritise issues for the development of the Country Assistance Plan (CAP) and emerging program interventions. But despite the heightened dialogue on governance in recent years, the concepts developed have not yet been systematically applied at the sector level. This, it is argued, is a missed opportunity.

Section 4 therefore provides a detailed analysis of how the DFID Capability, Accountability and Responsiveness (CAR) framework could be adapted and applied to the water services sector, while Section 5 considers how a political economy approach – the Drivers of Change – might apply to sector analysis and programme design. Identifying the limitations and overlaps inherent in these DFID governance frameworks, Section 6 goes on to outline how these might be linked and recommends field testing in order to translate this think piece into action. The paper concludes in section 7 with a short discussion on how a water Sector Governance Assessment (SGA) might be taken forward within DFID.

2. The water crisis as a crisis of governance

It is increasingly recognised that the so-called 'water crisis' is essentially a crisis of governance (UNDP 2004; United Nations (UN) 2005, 2006). In water services this manifests itself in the fragmented institutional structures, the lack of clarity of roles and responsibilities, questionable resource allocation, patchy financial management, low capacity of implementing organisations; and in the pervasive leakage of sector resources, weak accountability of politicians, policy-makers and implementing agencies, unclear or non-existent regulatory environments, and unpredictability in the investment climate for private sector actors (UN 2006). Many of these problems are rooted in a general lack of knowledge and awareness of rights and responsibilities (there are very few Non Governmental Organisations (NGOs) and Civil Society Organisations (CSOs) lobbying on water issues as compared with health and education). As a result water often trails other basic services in getting on the poverty reduction agenda, even though it is predominantly the poor that lack access, and in addressing concerns surrounding equity and pro-poor service provision (United Nations 2005).

In many developing countries the governance of the water sector as a whole is in a state of confusion and dysfunction with little responsiveness or accountability to citizens (Tropp, 2005). The lack of institutional clarity is a well known aspect of government failure. *It is proving extremely difficult for many governments to effectively confront the many intertwined issues concerning water. Not only is it difficult for departments within national governments to collaborate effectively, but problems are compounded when many management decisions have to be taken at sub-national and community levels, as the linkage and cooperation between different levels of government is often tenuous at best.* But when considered in the light of governance, *the challenges for government agencies to link to NGOs and the private sector for resolving water issues further complicate management and decision-making* (UN, 2006).

Over the past few decades the water sector has been successful in developing the technical solutions it needs but it has only recently begun to come to terms with issues of governance. There is a now a growing recognition that increasing the focus and depth of future efforts on the governance of the sector – in all its dimensions – is critical if poor people are going to gain access to better, more sustainable services. This forms the basic starting point for this paper.

Box 2.1: Governance: Concepts and meanings

The term governance is now used widely by aid agencies but it has been defined in a variety of different ways. It originally served to connect debates on politics and administration which equated governance with government, but the focus has subsequently been broadened beyond government to encompass relationships between a range of state and non-state institutions. As such the term now refers broadly to 'power and authority and how a country manages its affairs' and 'encompasses all the mechanisms, processes, relationships and institutions through which citizens and groups articulate their interests and exercise their rights and obligations' (DFID, 2007a).

The emerging governance agenda is thus a broad one which reflects its multi-dimensional nature and diverse theoretical origins in different disciplines. Key themes which are directly relevant to the governance in water services agenda include:

- *Changing role of government*. The role of the state is increasingly challenged at local, national and international levels with increased involvement of non-state actors in activities which have hitherto been considered the exclusive preserve of government. It is important to note therefore that the appropriate role of government in relation to different spheres of governance – including water – remains subject to ongoing debate and discussion.
- *Institutional complexity*. Governance concerns the function and interplay of institutions in the broadest sense including social networks and markets as well as state institutions. It is important to recognise that while institutions of governance may operate according to formal rules and procedures, outcomes are also shaped by informal norms, rules and expectations. There is a general consensus that governance is about establishing
- effective relationships, networks and partnerships to coordinate the activities of state, communities, private sector and civil society bodies towards collective societal goals.

- *Centrality of politics*. The particular value of the term governance is that it focuses attention on the formal and informal 'rules under which power is exercised in society' and highlights the conflicts inherent in decision-making processes. Current thinking suggests that governance needs to be understood as a product of social and political contestation and bargaining between multiple different actors. This has been accompanied by a growing focus on participation and empowerment of marginalised groups or individuals.

In its popular usage the term governance is associated with 'doing things right' and in recent years efforts have been made to define general principles of 'good' governance. These have been variously combined in different governance frameworks used by bilateral and multi-lateral donors. While these frameworks, which emphasise certain universal aspects of governance, provide a useful diagnostic tool, they have been criticised for masking the fundamentally contested nature of governance processes and the complex and dynamic forms it takes in particular contexts. The key challenge which this paper seeks to address is to understand how general governance processes interact with sectoral governance processes at different levels.

2.1 Current work on water governance

2.1.1 Wider debates on water governance: getting beyond basic principles

The emerging agenda for governance in water services needs to be understood within the wider context of recent more general debates on water governance. While governance has been central to the language of development for some years, it is only recently that the water sector has turned its attention to the governance agenda. This follows a general shift in sector focus during the 1990s away from supply-driven, infrastructure-led solutions towards demand-based approaches with greater emphasis on the role of institutions and economic and social instruments.

Following the establishment of the Dublin Principles in 1992 there has been a global effort to promote a set of universal principles for good water management enshrined in the concept of Integrated Water Resources Management (IWRM). However, critics have argued that the resulting narrow technical interpretation of water management in aid policy serves to depoliticise what are in fact highly political processes. Furthermore that the failure to understand the inherent conflict between technocratic and democratic decision making processes lies at the heart of many failed aid projects in the water sector. Hence the growing interest in 'water governance'.

The Global Water Partnership (GWP) define water governance in very broad terms as *'the range of political, social, economic and administrative systems that are in place to develop and manage water resources, and the delivery of water services, at different levels of society'* (Rogers & Hall, 2003). Many other agencies have subsequently adopted the same definition, including the World Bank. The emphasis on the politics is further emphasised by Stockholm International Water Institute (SIWI) which simply states that water governance *'determines who gets what water, when and how'* (Tropp, 2005).

The stated principles of good water governance follow those of good governance in general and build on core concepts of *equity, efficiency, participation, decentralisation, integration, transparency* and *accountability* (UN, 2003). GWP propose two broad sets of principles which underpin effective water governance: that approaches be transparent, inclusive, coherent and integrative, equitable; and performance/operations be accountable, efficient, responsive, sustainable (Rogers & Hall, 2003). These principles are self-evidently desirable, but in order to understand how they play out in practice it is necessary to look at the instruments through which the principles are typically applied. The mainstream 'instruments' in the implementation of water policy are summarised in Box 2.2.

Box 2.2: Instruments of water governance

Policy instruments	
Technical	Measures used in resource assessment and design of structures used to control, store and supply water for different purposes.
Economic	Measures used to encourage efficient and responsible allocation and use of water resources including pricing, charges, subsidies and penalties.

Administrative	Information systems, maps/models, plans, guidelines and other decision support and management tools.
Legal	Measures which prescribe, restrict or prohibit different water uses including abstraction/discharge permits, codes of conduct and minimum standards.
Institutional	Regulatory bodies, management arrangements, planning procedures, coordination and partnership mechanisms
Social/Participatory	Measures to increase awareness of water issues and mobilise users to participate in planning, management and financing of water resource development.

The above reflects a general tendency in the water sector to reduce things into component parts. An associated danger is that implementers frequently lose sight of the bigger picture and how the different components fit together into a coherent whole. For example, the 'Toolbox' approach to IWRM presents an 'a la carte' menu of options which can be mixed and matched at will, whereas success frequently depends on combining components in a more systematic manner. Similarly, while the definition and principles of 'good water governance' emphasise the primacy of social and political processes, interpretations in policy and programming to-date have tended to remain narrowly focused on individual technical and administrative components of water management (Cleaver et al, 2005).

2.1.2 Governance in water services: Linking up single issue-based debates

Policy debate on governance in water services can be viewed as an extension of wider debates on water governance. Debates in recent years has been dominated by major policy and institutional reforms associated with the ongoing shift towards demand-based approaches (e.g. changing institutional roles and responsibilities and sector financing arrangements), but have frequently become fragmented and polarised around single issues (e.g. payment for water services or private sector participation) which are more frequently the subject of ideological debate than objective analysis. Box 2.3 highlights some key areas of recent debate relevant to the emerging governance agenda and attempts to group them in relation to the broader policy instruments noted above.

Box 2.3: Governance in water services: Unconnected debates

Policy instruments	Related Water Supply (WS) sector debates
Technical	Service levels and quality: Equity of access has been established as an important guiding principle but the need to tailor services to the needs and priorities of poor water users and capacity constraints operating at a local level has often been sidelined. Similarly there has been little acknowledgement of the inherent trade-offs between universal access and universal standards and the need for dialogue on how best to incrementally improve access on an equitable and sustainable basis.
Economic	Economic and social good: The issue of payment for water services is central to sector governance but national level debates on water pricing have frequently become confused. While the importance of demand management, water pricing and pro-poor targeting (including social tariffs) is widely recognised there has been little attention to raising awareness and building popular consensus around the logic of user financing as a corollary of better services. Establishing transparent procedures for setting and applying tariffs and defining 'affordability' in different contexts remains a key challenge.
Administrative	Capacity building: The focus of recent policy reforms (Demand-Responsive Approach (DRA)) and budgetary reforms (Poverty Reduction Strategy Papers (PRSP)) has been on fostering stronger linkage between policy, budgeting and service delivery systems but there is a general disconnect between new policies and capacity for implementation in developing countries. Furthermore internal sector governance reforms designed to clarify institutional roles and responsibilities, reform fiscal transfers between different levels of government and strengthen transparency and accountability have been insufficiently linked with broader government reform initiatives upon which they depend e.g. decentralisation and public sector reform.
Legal	Rights and entitlements: The human right to water is recognised in the United Nations

	Committee on Economic, Social and Cultural Rights (UNCESCR) but progress in operationalising the right to water in practice has been slow; links to property (rural) and contractual (urban) rights are often ambiguous. Furthermore it has proven difficult to define a minimum standard of entitlement for basic needs and an operational definition of the right to water in different national contexts which provides a concrete basis for poor and marginalised groups to negotiate improved access. The South African experience has shown just how difficult it can be to translate policy into practice where capacity for implementation at decentralised levels of government is weak.
Institutional	Decentralised service delivery: There is growing recognition that sector governance arrangements need to include civil society and private sector – including the informal sector – as well as government. Pluralism is a fact, but has yet to be fully embraced in sector policy and programming. At the same time experience has shown that Private Sector Participation (PSP) is not a panacea and that success depends heavily on effective regulation (a notoriously weak area of governance in poor countries). Similarly, increased involvement of CSOs as intermediaries in rural areas has raised many questions about legal status and authority vis-à-vis local government. The challenge of decentralisation, devolution and delegation has generally been underestimated.
Social/ Participatory	User participation: The principle of participation is now well-established but debates continue over the relative importance of voice or choice and the role of user associations. The general trend has been towards demand-based approaches which seek to provide a menu of different service options but there is often a mismatch between expressed demand and use preference. In other words communities or their representatives tend to go for the best available option (rather than the most appropriate) which poor and marginalised groups within the community may not be able to afford. This has challenged the assumption that user participation will automatically lead to more equitable outcomes.

Each of the above represents an important aspect of governance in water services and in recent years there has undoubtedly been a lot of very useful work in relation to each. However, the main cause for concern from a governance perspective is that they are generally treated in isolation and the linkages between them are often overlooked. The result is a rather disparate set of ad hoc debates which have rarely been connected together in a coherent manner.

Following the Camdessus report which clearly identified governance issues as a major constraint to scaling-up water sector investment (2003), there has been an increased effort to 'benchmark' water sector performance. For example, Environmental Resources Management (ERM) (2005) undertook a study of 13 countries for DFID which sought to identify common characteristics of those that are on- and off-track for achieving the water MDG Target 10. Seven generic elements of governance reform were pre-identified as contributing to the government's ability to deliver sustainable water services (see Box 2.3) and then used for analysis[3]. However the limitations of this type of approach are clearly acknowledged and the study concluded that donor engagement in the water sector requires a much more detailed understanding of the drivers of change for sector reform.

Another recent governance-related study is the WSP initiative to benchmark sector performance in relation to Poverty Reduction Strategy Papers (PRSPs) using four sets of indicators relating to poverty diagnostics, sector reform, sector finance and monitoring and evaluation. These were then used to develop scores with which to rank and compare Heavily-Indebted Poor Countries (HIPC) countries in sub-Saharan Africa and map progress in each of the four areas (WSP Africa, 2007). Both of these provide a useful entry point for examining sector-wide governance issues and identifying broad areas for engagement but only provide a snapshot in time with little indication of wider trends and underlying drivers of change.

[3] It should be noted however that these elements were not intended as definitive indicators, but as a lens to view progress in the water sector and add depth to the Joint Monitoring Programme (JMP) figures.

Box 2.4: Elements of governance reform

- Good diagnosis of water-poverty-economy linkages
- Development of national policy frameworks for water
- Coordination of institutions within the sector
- Development of financing plans and budgeting
- Implementation through a process of decentralisation
- Engagement with and reaction to popular opinion and voice
- Monitoring and evaluation

Source ERM, 2005

2.2 Summary of key challenges faced

In summary the debate to-date relating to governance in water services has been highly fragmented and lacks a coherent unifying framework and agenda for action. The water sector tendency to reduce things into component parts has meant that sector stakeholders often lose sight of the bigger governance picture. The above principles and instruments provide a useful means for contributing to improved governance but all too often have been treated as an end in themselves. Hence the frequent uncritical application of cost recovery measures, community-based approaches, decentralisation, etc has not always resulted in desired improvements in the overall governance situation.

The challenges facing the sector have rarely been framed in terms of governance and there is currently no real consensus on how to approach issues of governance in water services. Efforts by government, donors and NGOs to improve different aspects of governance in water services have generally been carried out in an ad hoc manner with the result that well intentioned interventions have not been well linked and the governance sum has been limited to the component parts. Furthermore the linkages between sectoral performance and the wider governance context are frequently overlooked.

Ignored as a vehicle for governance and mainstream development reform, governance of water services is critical but presents an enormous challenge for future activity. Almost all of the aspects of governance defined by DFID in its recent policy paper (DFID, 2007) have direct resonance with current water sector debates (e.g. making water services work is central to making decentralisation work, water is a key issue in fragile states, water services are about rights, and require understanding of, and engagement with the debate over private sector participation in basic services). The commonalities and differences with other sectors are discussed further in Box 2.5.

Box 2.5: What is the nature of water that makes it a challenging governance agenda?

Water services shares some of the key challenges of governance in basic services in that:

- As a *service* sector, there is a lack of provider accountability – especially at the interface with users. As with most basic services, increasing access to services is easier to achieve than improving quality (Grindle 2004). Reforms relate to the performance of public officials within the water authorities. Union opposition, how water agency workers interpret their jobs, has a significant bearing on responsiveness and accountability and common with other interventions involving the poor, there is a perceived low status and 'non-professional' tag attached by agency workers to interacting with poor communities lowering incentive for pro-poor services (Joshi & More, 1997)
- As a part of the *civil service*, low capacity, low wages, lack of clarity of rules and regulations, and dysfunctional institutions make incentives structures and transparency weak
- As a sector receiving high levels of *development* funding projects, there are high levels of political manipulation, patronage, lumpiness, a tradition of reallocating resources, and internal donor pressure to disburse loans. As a part of the high risk construction sector (TI, 2006), water supply displays all the resource-allocation and procurement related corruption visible in interactions between public and private, and within the public sector more generally.

At the same time the characteristics of the water services sector influence its governance and political economy in specific ways:

- Water is *power*, and the sources of available water and control over sources is a key issue in water governance (Joshi and Moore 2000). Agencies and officials involved in all parts of the sector have historically seen enormous *discretion* in the allocation and selection of investments, and in the planning, design, contracting, implementation and monitoring of water interventions.
- Inequalities in the sector are marked. In 2000, more than 900 million urban dwellers (nearly a third of all urban dwellers worldwide) lived in slums. A slum dweller may only have 5 to 10 litres per day at his or her disposal. A middle- or high-income household in the same city, however, may use more than 50 to 150 litres per day.
- The water sector has been *aid dependent* in a large no. of countries for decades. Total aid to the water sector during recent years has averaged approximately US$3 billion a year. An additional US1-1.5 billion a year is allocated to the water sector in the form of non-concessional lending, mainly by the World Bank. Over 75% is allocated to WSS, and the bulk of this to urban projects. Only about 10% is allocated to support the development of water policy, planning and programmes (Organisation for Economic Cooperation and Development (OECD), 2004).
- The water sector is highly *monopolistic* and has many traits (such as high capital costs and economies of scale) that tend to keep it that way.
- The idiosyncrasies of the water sector financing are problematic. Water investment involves a large flow of mostly *public* money. Funding sources are often uncoordinated (donor, national and local funds), allocations and decision-making is non-transparent, and political interference is significant. The sector is also a costly one – assets are some 3-4 times higher than telecom and power.[1] The failure of sector financing in water, sanitation and irrigation, the sizeable and/or frequent transactions, and low expectations of the outcomes of sector investment result in a low-check, unaccountable environment.
- The sheer *complexity of state and non-state stakeholders*, systems, levels of service, institutional roles, responsibilities and relationships create a web of interactions and issues resulting inevitably in a severe asymmetry of information between user and provider/state. A multitude of service providers and a large number of systems result in a complexity of overall service delivery – utility, non-state providers, community management, and construction of individual supplies (informal and formal).
- Water services in *rural and urban areas* are significantly different and face different challenges.

› In urban areas, water tends to be networked infrastructure, responsibility lies with a utility or other organisation with the mandate for delivery, and population density establishes a market in which small scale providers can flourish and influence the political economy of water.

› In rural areas most often water sources are dispersed, district governments have responsibility for water, and the role of private actors is much smaller (Joshi and Moore, 1997; 2000).

3. Linking water services and governance

3.1 Why link the governance agenda with the governance-in-water-services agenda?

Despite current efforts to identify and develop a dialogue over key dimensions of governance in relation to water services, the bottom line is that these efforts have had little impact on sector thinking and activity. Governance in water services remains a piecemeal and ad hoc set of activities mostly focused on capacity building and supply-side reform – often leading to organisational rather than fundamental change in the power and relationships determining outcomes. Shifting the scope and nature of activity in governance in water services, refining and refocusing supply-side efforts, strengthening the non-state and demand side and emphasising the importance of governance in programme design is critical if DFID is to scale-up outcomes.

Box 3.1: DFID Policy Alignment? Governance in DFID water policy and action plan

Policy formulation

The DFID Water Action Plan (March 2004) describes the challenge, evidence and progress in reaching the MDGs in all parts of the water sector. It outlines the importance that the poor give to water, the importance of getting water into poverty reduction strategies and the need for greater replication of successes to date. Recognizing the complexity of the problems involved it posits 4 solutions (DFID, 2004, p5): well-designed infrastructure, effective systems for managing and maintaining infrastructure, arrangements to resolve the competing demands for water and other related environmental challenges, commitment to prioritise water and sanitation; and further adds the importance of coordinating donor support

This Water Action Plan (and associated work) was carried out around the same time that the DFID Governance cadre was exploring the Drivers of Change (and particularly the importance of political economy) and generally developing DFID thinking on governance, but issues of sector governance are not explicitly addressed in the Water Action Plan.

The memorandum, Scaling Up Water and Sanitation Services and Water Resources Management, produced for the Water and Sanitation Inquiry of the International Development Committee (IDC), provides detailed background as to how DFID might increase its funding to the water sector. This very useful paper sets out the challenges and the vehicles that have been established to meet the MDGs. In particular it highlights the scope and nature of the DFID Bilateral programme, and the areas and regions of the water sector that receive support. It highlights the importance of three aspects of the programme: (i) the use of a broad set of aid instruments relevant to country context, (ii) strengthening governance and institutional capacity, and (iii) civil society.

The 'Scaling Up' document notes DFID's comparative advantage in 'governance' in the sector, but does not expand further. It refers to: (i) DFID's work in ensuring national level plans reflect WSS as a priority; (ii) seeing that these plans are reflected in frameworks that ensure services are delivered to the poor and address capacity and wider governance issues; and (iii) the need for donor harmonization. Six boxes follow to give an impression of these activities. They focus on harmonization of donor support in Tanzania, Uganda and Cambodia; and on the inclusion of water in the PRSP in Tanzania, Democratic Republic of Congo (DRC), and Vietnam; and include policy development in Nigeria.

The document reflects a lack of clarity in relation to the governance agenda. Support to governance seems to be equated with support to government policy and planning through donor harmonisation. The section on civil society which follows assumes that support to civil society is for CSO service delivery rather than for strengthening civil society as an aspect of demand-side governance, or linking civil society roles into the governance debate.

Expenditure patterns

Another way of analysing current DFID activity in relation to governance would be to look at the spending patterns since the Dublin principles were agreed. The DFID Financial Support to the Water Sector 2004–6 (Atkins, 2007) provides a detailed overview of funding types and mechanisms that could be used as the basis

for future efforts to measure expenditure on governance-related activities. However while it is possible to disaggregate expenditure in terms of where the funding goes, i.e. by types of organizations (e.g. multi-laterals, CSOs) or countries receiving the funding, it is not possible to disaggregate by types of intervention. The exception to this is the public-private partnerships spending line which has been explicitly detailed in the expenditure summaries. It is therefore not possible to pinpoint how much DFID spends on governance activities in water services.

What does this suggest for DFID? While DFID has played an important role in raising the profile of governance issues and developing frameworks for analysis, it has yet to make this meaningful in its own sector programs. Analysis suggests that there has been a lack of connection and correlation between the work that emerges from the governance teams and that emerging in the water sector. The case could also be made that if a more focused governance agenda is taken up in the coming years, then it needs to be measured. One way to measure this is through better analysis of budgets.

The above overview of governance in water services to date (and the review of recent DFID policy documents described in Box 3.1) provides ample justification for the sector to take a new look at the way it thinks and acts in relation to governance and to move the debate beyond well-rehearsed technocratic concerns towards approaches more central to DFID thinking. But it is also possible to identify a number of benefits in looking at the sector through a governance lens. Stronger links between the governance and the basic services agendas might also be advantageous in meeting both sector and broader governance goals and addressing the dominant limitations of the work to date.

- **Developing a coherent and broader agenda on governance in water services**. While there is no blueprint to guide the way, the framing of the water challenge as one of governance allows for a more organised, and inclusive agenda that takes account of fundamental governance limitations. For instance, it draws out key issues such as rights and places them within a broader contextual framework. It is necessary to look at 'processes of democratisation, corruption, and power' (Tropp, 2005) and to critically examine the variety of approaches to water service delivery against the principles of good governance.
- **Stronger governance linkages open water (and other basic) services to the latest conceptual thinking on governance** and broader development processes. Mainstreaming governance thinking enables real connections to be made at the country level – linking water responses more closely with the country governance (and basic services) agenda. This not only provides a potential contribution to the sector, but may reveal aspects of water-related knowledge, sector experience and approaches (on gender for instance) that contribute to country governance and other basic services.
- **Preconditions for reform, and areas of opportunity can be identified.** Identifying the governance preconditions necessary for water services reform to be effective is a much neglected area that might include poverty reduction policies, monopoly legislations or rule of law. Mapping of the elements of governance enables a far more systematic effort to establish what preconditions are necessary in what situations and to sequence support accordingly. On the other hand an overview of governance and its impacts on the water sector will also reveal those areas where the water sector can work as an island of reform, as well as what needs to be achieved within the water sector itself.
- **More concrete operationalisation of good governance principles in basic services.** Addressing governance issues at the sector level is an emerging area of concern in all key agencies. It allows the implementation of approaches in key areas of development (such as basic services) that affect the poor directly. Conversely, it offers the potential to identify how sector-specific activity (be it health, education or water) might contribute to improved governance – especially where cross-cutting constraints are identified (e.g. in anti-corruption or in relation to the role of civil society).
- **Greater synergies and coordination with other basic service sectors.** Furthermore, there is increasing recognition of the need for the water sector to coordinate effectively with other sectors such as health, agriculture and education, to recognise their similarities and to seek synergies between 'basic service sectors'. An important aspect of improving water governance, and one reason for the current governance focus, is the development of better mechanisms to coordinate and mediate between the areas of basic services which each form a critical part of the livelihoods

of the poor. Countries that have grappled with problems of governance have found useful entry points in the basic services agenda (e.g. the social accountability components of the Ethiopia Protection of Basic Services project which replaced Direct Budget Support in 2006).

- **Clearer focus on what matters locally.** Many of the water debates are highly politicised, polarised and ideological – interventions need to be grounded in the local needs and opportunities (e.g. water pricing and private sector participation are highly controversial debates). The fundamental challenge to improving governance of water services is to 'locate' the problem better in the local political, economic, social and physical context, and thence to identify ways, and to generate consensus on how, to adapt general principles of good water governance to address the particular challenges faced in specific local contexts.
- **Greater dialogue and synergy in workplans.** There can be process benefits as well. A closer connection might facilitate greater dialogue within country teams and provide a unified framework for activity at different levels of the governance agenda. For those focused on policy it enables concrete action, for governance specialists it provides a way into understanding sector portfolios, and for technical specialists it provides more integration with DFID policy and aid effectiveness efforts. Unpacking this further (perhaps with other basic service sectors), might provide a broader understanding of these benefits.

3.2 How can the 'governance' and 'governance in water services' agendas be linked?

The increased focus on governance in DFID, the World Bank and other development agencies has led to various attempts to compile ideas, concepts and issues in structured frameworks – frameworks which help to analyze existing conditions, to formulate or at least describe the key elements of policy, and to see policy move forward to implementation. In DFID, these frameworks have reflected the increasing attention on political factors set out in the Drivers of Change approach (2003), the extension of this in the Leftwich model (2007), and more recently the Capability, Accountability and Responsiveness (CAR) model presented in the 2006 DFID White Paper *Making Governance Work for the Poor*.

In an effort to better describe governance at the sector level, and to link sector level governance analysis and reform into broader governance analysis and reform, efforts in water services (as other basic services) can draw on the significant work and consultation that has gone into these broad frameworks and then to apply them at the sector level. Any framework is limited to some extent by its rigidity, but also provides a structure for analysis, operationalisation and monitoring. It is important to note that efforts proposed in this paper to take the governance agenda into the water governance agenda are exploratory and are being taken without precedent in other sectors. The arguments presented here need to be debated, approaches field tested and synergies found with other basic service sectors.

The following sections provide a starting point for the application of higher level governance models and approaches at the sector (or basic services) level. First, an effort has been made to 'apply' to basic services, and more specifically to water services, the CAR framework, linking it from the broader governance agenda, through a basic services filter, to the specifics of governance in water services. Second, in an effort to better understand the local context, the interplay between state and non-state actors, and why things are the way they are in a country context, it is necessary to understand the political dynamics of change. The section that follows therefore considers the Drivers of Change (DOC) model and Political Systems work, developed by the governance team in DFID Policy Division. This model provides a country specific approach to understanding how to address weak political will, and identifying, in any given context, what will unlock the blockages to effective development policy-making. And yet while this approach addresses aspects of politics and governance more generally, the Drivers of Change work has not been developed to assist the sector in building programs that emphasise political dimensions.[4]

[4] A third governance framework relevant to this discussion is the World Bank accountability framework which provided the structure for the storyline on Making Services Work for the Poor in the World Development Report 2004. This framework draws attention to the accountability

4. Applying the CAR framework to improve governance in water services

DFID's 2006 White Paper *'Eliminating world poverty: making governance work for the poor'* emphasises that governance is central to development and sets out three requirements for good governance: state capability, accountability and responsiveness.

The Capability, Accountability and Responsiveness (CAR) framework presented in recent DFID governance policy papers was developed to provide greater clarity on the ingredients of 'good governance'. Used as an analytical tool it allows assessment of the various dimensions of governance that lead towards state capability, accountability and responsiveness. Used over time, it allows for monitoring of governance performance, and subsequent revision to the design of aid instruments.

Figure 4.1: The CAR dimensions of governance

Source: DFID, 2007

The question for this paper and for DFID – if it is to see broader and deeper take up of governance in its sector and programmatic work – is whether and how the framework can be developed to provide an analytical tool for sector assessment, and whether and how it can be used to describe how to improve governance in the development and implementation of water services interventions. The CAR framework potentially provides a tool for both (i) sector analysis and (ii) for defining sector goals at the country level. It provides a useful way to integrate and mutually reinforce activity at country level, and at the sector analysis, project appraisal, measuring and monitoring stages.

The idea that the DFID Country Governance Assessment (CGA), with its measuring and monitoring ends, be supplemented by a Sector Governance Assessment (SGA) is considered here in an effort to mainstream governance at the sector level. Attempts to translate it to the sector level initially point towards a more organised and open agenda for consideration. The following discussion considers the 15 governance dimensions of the CAR framework for the DFID CGA, and articulates their relevance and meaning in relation to water.[5] This is followed by a tentative discussion of the potential benefits and limitations of the approach when applied.[6]

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relationships between a range of actors in the delivery of services and places the poor as users of services in a central position. Unlike the higher level DFID frameworks, the accountability framework was developed specifically to promote better understanding of the dynamics of delivering basic services and was immediately road-tested on three sectors: health, education and water and sanitation, and has since been used in analysis and policy development in more than one client country.

[5] There is an implicit bias in the CAR framework towards the functioning of the state. This results in concerns that it is more about government than governance. This is a DFID construct. The authors recognise the importance of non-state players and relationships in the definition of governance and draw attention to the need for stronger civil society indicators and measures.

[6] A next step would be to test the framework at different stages (design appraisal, evaluation) in basic service delivery (water, health, education) in country programmes and hence any discussion on benefits and limitations is itself limited until this stage is complete.

4.1 State capability as a dimension of governance in water services

State capability in relation to water concerns the ability and authority of leaders, governments and public organisations to get water services to the people through effective policies and sound implementation practices. This requires appropriate human and financial resources for activity related to water supply, effective institutions performing delineated roles, improved information and management systems and political will backed by the necessary rules (be they regulations or informal norms) for service delivery. It requires sufficiency in revenue and budgetary allocations, effective policy formulation and implementation and skilled and accountable staff working in effective institutions.

Many activities established to support the development of a capable state will inevitably support water services, but many can also be applied at the sector level as well (and strengthen both sector and broader dimensions of governance). State capability is a dimension of governance – mostly govern*ment* – that focuses on supply side activity much undertaken in the water sector under the banner of policy and institutional reform. The disaggregation under state capability however draws attention to the wider set of core functions to be performed by government, and the linkages between the sector level activity and the higher level governance activity.

- *Political stability and personal security* – which concerns the capability of the government to keep borders secure and keep people safe, is about improving state commitment to peace and stability, and includes establishing linkages between poverty reduction and political stability. In relation to water services this aspect of governance, in some fragile states, might be concerned with the role of water in conflict-resolution, and in prioritising water services as an essential basic service in recovery and reconstruction strategies and implementation. A key issue that arises in post-war state building particularly is how the ruling government establishes confidence and trust. Immediate improvement to water access and quality is one way of bringing about visible improvement.

	Broader governance agenda	Basic services governance agenda	Water services governance agenda
Political stability and personal security	Improving state commitment (implementation and monitoring) to peace and stability ('stateness') Promoting linkages between poverty reduction and political stability Physical and economic security Addressing regional disparities, under resourced areas	In tandem with humanitarian responses, developing development responses to promote sustainability and state capability in service delivery	Understanding the role of water in conflict-resolution, state building and poverty reduction Establishing water as an essential basic service in recovery and reconstruction strategies and implementation. Visible water services improvements giving credibility to the state (not to donor logos).

- *Economic and social policy management* – which is about putting government policies into practice, might be concerned with developing macro-economic stability and linking poverty reduction to sound economic management at the macro level. In water services it is reflected in policy efforts to get water (and sanitation) in poverty reduction strategies and in understanding how water services can connect poor people into economic growth, and in financing efforts to ensure 'connected' and 'targeted' resource allocation to pro-poor ends.

	Broader Governance agenda	Basic Services governance agenda	Water services governance agenda
Economic and social policy management	Developing macro-economic stability through sound policy formulation (inflation, exchange rates etc) Linking poverty reduction and sound economic management Increasing commitment to economic strategy, goals, growth and Poverty Reduction (PR)	Linking the poor into economic growth through connected and targeted resource allocation Promoting basic services in poverty reduction strategies	The role of water services in connecting poor people into economic growth Water in PRSPs Policies in water are translated into effective sector budgets that targets and connects the poor

- *Government effectiveness and service delivery* might be focused on decentralisation, civil service reform, effective public administration and participatory planning and budgeting at the macro level. At the local level it might be concerned with strengthening local leadership for pro-poor basic services, developing capacity of Local Government (LG) and service delivery agencies, promoting pluralist service delivery environment, developing capacity to hear and respond to citizens through participatory expenditure management (PEM). In respect to water services, this dimension of governance might include strengthening capacity of LG/utility managing, implementing, maintaining and monitoring, understanding how decentralisation of water services can be made to work, strengthening leadership, separating institutional roles and responsibilities. In 'fragile states', effective service delivery is an important component of state building; in 'effective states', supply side efforts will be strengthened if undertaken in tandem with the demand-side accountability efforts noted in later indicators.

	Broader Governance agenda	Basic Services governance agenda	Water Services governance agenda
Government effectiveness and – service delivery	Decentralisation: policy, financing and capacity to perform delegated functions. When does it work? Civil service reform: capability financial and human resources, staff management and staff policies Addressing internal country disparities in government effectiveness and service delivery capability National level participatory planning and budgeting	Strengthening local leadership for pro-poor basic services Developing capacity of LG and service delivery agencies to manage and deliver basic services Promoting pluralist service delivery environment – state, LG, private, community, household to expand choice and improve accountability of service providers Developing capacity to respond to demand side through social accountability mechanisms	Strengthening leadership for WSS service delivery and management in decentralised contexts Separation of institutional roles / responsibilities (including ring-fencing of utilities / depts / LG) Strengthening capacity of LG/Utility managing, implementing, Operation and Management (O&M), and monitoring water services Promoting relevant (pluralist) management, delivery, O/M models to meet local needs Establishing social accountability efforts for improved water services

- *Revenue mobilization and public financial management.* At the macro level Revenue Mobilisation (RM) and Public Financial Management (PFM) might involve improving fiduciary accountability, strengthening financial management performance (e.g. fiscal allocations and transfers, predictability, timeliness, transparency), and improving planning, budgeting and monitoring processes. This aspect of governance takes in issues around fiscal decentralisation (and is thus closely linked to other governance dimensions aimed at strengthening decentralised basic service delivery) This might be taken into basic services initiatives through the development, coordination

and implementation of revenue strategies for basic services or the development of broad-based transparency and accountability reforms (such as that seen in the PBS approach in Ethiopia). In water services, RM and PFM might be focused on the way water ministries and LG manage finance – on budgetary and financial management, quality of decision-making, planning, budgeting and monitoring, as well as tracking sector financial flows, and the development of sustainable financing strategies. This would address the lack of consistent and predictable funding from central government which constrains local government ability to plan and allocate resources effectively over the short, medium and long term.

	Broader Governance agenda	Basic Services governance agenda	Water governance agenda
Revenue mobilization and public financial management	Improving fiduciary accountability Budgeting and financial management performance – allocations, predictability, timeliness (Ministry of Finance (MoF)) Tracking wastage of public resources	Planning, budgeting and monitoring for basic services (MoF, national line departments) Developing understanding, coordinating and implementing revenue strategies for basic services	Water ministries and LG budgetary and financial management – quality of decision-making, planning, budgeting and monitoring Tracking Water Supply and Sanitation (WSS) financial flows / Public Expenditure Tracking Surveys (PETS) Financing strategies including affordability, pro-poor reforms, financial viability, tariffs, user fees, cost recovery

- *Conditions for private sector investment* – at the macro level, requires the setting of rules and regulations, creating the conditions for investment and trade, promoting growth in jobs and income, and the development of an enabling environment for private sector investment, e.g. legislation regarding monopolies and competition. In the water sector, with the support of particular International Financial Institutions (IFIs) and donors, this aspect of governance has been closely considered in the last decades, and led in some countries to the reform of privatisation and competition frameworks, and to the establishment of regulatory bodies that could provide predictability and security for private sector investors. In some countries, it is a part of the context of reform, but in relation to water services in low-income countries and rural areas this area of governance is about putting in place a well considered strategy that contributes to an overall water services policy framework. This might include policy and legislation toward PSP, small scale private providers (SSPPs) and investment in the sector, the appropriate conditions for local investment in basic services, the role and relevance of regulatory bodies and regulations (entry, cost and quality) as well as promoting the role of small and medium providers through appropriate incentives (e.g. bulk pricing / bulk supply) for SSPPs.

	Broader Governance agenda	Basic Services governance agenda	Water governance agenda
Conditions for private sector investment	Enabling environment for private sector investment, entry and activity, e.g. legislation re monopolies, competition; infrastructure	Conditions for non-state private providers of basic services Developing minimum standards for basic services Incentives for providers / front line staff	Policy and legislation toward PSP / investment in WSS Establishing regulatory bodies Defining regulations – entry, cost and defining minimum WSS standards as appropriate Integrating SSPPs into water services policy framework Promoting SSPPs of WSS services (incl. understanding of the implications of regulation in local context; and incentive structures)

4.2 Accountability in water services

Accountability is about being answerable for what is done, and requires the ability of citizens, civil society organisations (Non-Governmental Organisations (NGOs), Community-Based Organisations (CBOs), media) and the private sector to scrutinise public institutions and governments and hold them to account. Fundamentally, accountability in water services is about the power relationships shaped by actors in (and influencing) the water sector. Accountability for water service delivery requires some basic ingredients: government understanding of the objectives and processes for improved accountability, respect for civil society to play a role in holding government to account over water service delivery, and civil society having the confidence, trust and skills to fulfil that role. While much focus is placed on the government position, there is often little understanding of the difficulties (reticence and capacity) that weak civil societies face. This requires understanding the incentives for civic engagement and the conditions under which it is likely to happen, the burden this places on the poor and ways in which this burden could be reduced through creative engagement with local governments, politicians and civil society organisations. In relation to water, citizens often do not know their rights, what services they have or should expect and so are unable to hold government to account for the level and quality of services provided. Evidence suggests that cross-class alliances are one way to promote this demand and accountability (especially given the public-good characteristics of water) but little work has been done in this regard.

- *Political participation and checks* through which citizens are able to check the laws and decisions made by parliaments and assemblies, might be developed through political participation and citizen empowerment, information, political rights and awareness, and improving capacity of parliamentarians and councillors. At the local level, it might be concerned with strengthening decentralisation processes, legitimising local government elections and representation, improving capacity and accountability of local politicians for service delivery to poor and non-poor, and the empowerment and participation of civil society. These areas of governance all contribute to improved accountability for water services, especially in decentralised contexts. In water service delivery specifically, activity might be about improving the accountability and capacity of national and local politicians, and strengthening voice, over water issues to stimulate political accountability for water services[7].

	Broader Governance agenda	Basic Services governance agenda	Water governance agenda
Political participation and checks	Strengthening political participation and citizen empowerment,: information, political rights and awareness Improving capacity of parliamentarians and councillors	Effective decentralisation, legitimate local government elections and representation Improving capacity and accountability of local politicians for service delivery to poor and non-poor Empowerment and participation of civil society	Accountability and capacity of national and local politicians in WS service delivery Strengthening voice over water issues to stimulate political accountability for WS

- *Transparency and media* aspects of governance might be concerned with legislation (press laws) and policy toward the media, and establishing and enforcing the right to information. In the delivery of basic services, including water, it means improving access to reliable information, presenting information in forms that are understandable to citizens (including budget formats, spending and outcomes), information and transparency on rights to water, existing access, planning, budgeting and expenditures in basic services. In some situations media awareness of the politics and constraints to water services might form a key aspect of developing sector governance. Efforts to improve communications over water reforms have been developed through WSP-led utility

[7] Political freedom and rights has not been included in this section

support programs in Africa. These efforts fundamentally change public understanding of water issues and access to information, but not yet focused on transparency in budgets, spending and outcomes.

	Broader Governance agenda	Basic Services governance agenda	Water governance agenda
Transparency and media	Legislation and policy toward media and right to information in place Access to reliable information achievable, and information presented in understandable forms Skilled media able to operate freely and in safety	Information on rights to services available Understandable formats of budgets, spending and outcomes	Information on rights to water Information and transparency of planning, budgeting and expenditures in basic services. Media awareness of politics and constraints re water services Utilities and other service providers communicating reforms with customers

- *Judiciary and rule of law* – This dimension of governance is critical to creating the environment for enforcement of rules in any function or sector, and set the scene for sector level behaviour: developing an independent judiciary and functioning justice system, equitable property rights, access to justice in rural areas and for women, addressing property rights (that affect the delivery of basic services), promoting justice and complaints redressal systems in villages and low income (LI) communities. In water services this might specifically focus on addressing tenure constraints, complaints redressal in water sector projects and operations, and understanding of impacts of water licenses, and rights to extraction.

	Broader Governance agenda	Basic Services governance agenda	Water governance agenda
Judiciary and rule of law	Developing an independent judiciary and functioning justice system Equitable property rights Access to justice in rural areas, low-income communities, for women	Addressing property rights that effect delivery of basic services Promoting justice and complaints redressal systems in villages and LI communities	Addressing tenure constraints to WSS service delivery Complaints redressal in WSS projects and operations Understanding of long term impacts of water licenses, rights to extraction

- *Civil society* – at the macro level the civil society area of governance is about strengthening the operating environment for civil society, e.g. for civil society organisations this might include NGO laws, the interface with government, codes of conduct; and for citizens it might concern freedom of information and association. Strengthening civil society capacity to engage and take action, is about empowering citizens to demand accountability and strengthening CSO capacity to support and advocate. Targeted efforts in relation to basic services might focus on capacity building of CSOs, to empower citizens to have their voice heard, and efforts to promote 'social accountability' mechanisms that hold government to account. In low capacity contexts, NGOs need support and clarity as to their roles in service delivery and social accountability, and there may be a need to address the conditions that lead to weak and fragmented civil society (including 'fragile states'). Specifically, civil society engagement and capacity in water services is a much neglected area. Efforts are needed to support sector social accountability mechanisms – participatory planning, budgeting, monitoring of water services, water citizens report cards (CRCs), water expenditure tracking (PETS), and to promote citizen voice and empowerment of groups marginalised from water services.

	Broader Governance agenda	Basic Services governance agenda	Water governance agenda
Civil Society	Strengthening operating environment for civil society, e.g. NGO laws, interface with government, code of conduct Strengthening civil society capacity and engagement, action and advocacy to empower citizens, help poor people be heard, and demand more from government Ensuring legitimacy of CSOs to represent citizens	Capacity building of civil society organisations › to empower citizens to have their voice re basic services heard › to deliver more effective services › to engage in social accountability mechanisms to call government to account Developing understanding of the roles of NGOs in service delivery and social accountability Addressing conditions that lead to weak and fragmented civil society	Civil society engagement and capacity in water sector through targeted and broad social accountability mechanisms. e.g. participatory planning, budgeting, monitoring Citizens report cards PETS Developing citizen voice for WSS (through information and capacity building), effectiveness and empowerment of groups marginalised from WSS services Strengthening CSOs in relation to WSS (e.g. consumer associations)

4.3 Responsiveness to citizens and users water service needs

Responsiveness 'refers to how leaders and public organisations take account of the needs of citizens and uphold their rights'. Central to a responsiveness agenda is the development of ways for people to articulate their views and needs. Government responsiveness to citizens over water includes articulating (and moving towards) rights to water, equity in the development of water services, including concern for women's rights and access, pro-poor policy making and implementation, and the integrity of public officials in fulfilling their roles and responsibilities to citizens.

Respecting human rights – at the macro level this area of governance includes improving state commitment to human rights, women's rights, and rights to development and may be closely linked to poverty reduction strategies.

- In relation to water services, and bearing in mind the recent DFID commitment to rights to water, this area of governance will include the processes of articulating, agreeing, implementing and monitoring the fulfilment of rights to water. *A right to water defines who has access to water and in what ways the user can take part in local water decision-making. They also specify roles and responsibilities regarding operation, maintenance, monitoring and policing. In this sense water rights manifest social relationships and local power structures of who is included or excluded from the benefits of water.*[8] This will include efforts on the demand as well as the supply side – improving knowledge of rights and service standards and the empowerment of communities and households to articulate rights and seek redressal, as well as progressive efforts to reach articulated rights. The commitment to the progressive realization of rights (as in South Africa, is a realistic short term option when viewed in terms of government capacity and resources.

[8]UN, 2003 p61

	Broader Governance agenda	Basic Services governance agenda	Water governance agenda
Human rights	Improving state commitment, (implementation and monitoring) to human rights, freedom and equity of development	Agreeing, implementing and monitoring fulfilment of rights to basic services (health, education, water) Strengthening CSO role and capacity to advocate for rights to Basic Services (BS)	Agreeing rights to WS and setting out progressive implementation plan Improving understanding of service standards Strengthening NGO advocacy role Progressive implementation to meet agreed rights

- *Pro-poor policy* refers to the formulation and implementation of policies to meet the needs of the poor and the use of public finances to benefit the poor. It includes strategic planning and implementation for poverty reduction, pro-poor spending, linking the poor into economic growth and the benefits of improved services, targeting the poor, and social protection initiatives. Identifying and addressing regional disparities will be critical in many contexts. In relation to basic services, pro-poor aspects of governance might mean the inclusion of pro-poor basic service policies in PRSPs, institutional mechanisms, financing and implementation strategies to meet pro-poor policy objectives – all relevant to water sector activity. Developing pro-poor water service delivery approaches will also specifically include better understanding of minimum standards and their implications on the poor, and involves understanding non-domestic uses of water.

	Broader Governance agenda	Basic Services governance agenda	Water governance agenda
Pro-poor policy	Pro-poor allocation of resources Developing and monitoring pro-poor policy-making and expenditure Strategic planning and implementation for poverty reduction: › linking the poor into economic growth › targeting the poor › social protection / safety nets Addressing regional disparities Addressing social exclusion in policy frameworks	Pro-poor basic service policies (included in PRSPs) and effectively financed and implemented Developing pro-poor service delivery approaches – coordinated across sectors Social safety nets to target poorest (e.g. community and household cash transfers, vouchers)	WSS included in PRSPs, budgeted and implemented Institutional mechanisms to deliver policy established, financed and implemented Financing strategies (subsidies, tariffs) to meet 'right to water' policies Pro-poor approaches in WS sector: minimum standards, conditions for SSPPs Understanding of the poor access to formal and informal delivery systems Increasing demand from poor households (HHs) for adequate and affordable services

- *Gender equity* refers to the provision of public goods and services in ways that reduce discrimination and allow all citizens to obtain benefits (including women, disabled people and ethnic minorities). At the macro level, this area of governance is reflected in women's roles in politics, management positions in government and NGOs and development decision-making. In relation to basic services this reflects in women's participation in community development and decision-making over service needs and priorities; and in the water sector it will reflect in gender-based approaches to service delivery, gender monitoring of service inputs and outcomes, women's participation in water user groups, and local level WS decision-making.

	Broader Governance agenda	Basic Services governance agenda	Water governance agenda
Gender equity	Women's role in politics, in CBOs and development decision-making, addressing ethnicity and discrimination, disenfranchisement	Women's participation in community development and decision-making over service needs and priorities Gender-based approaches to service delivery Gender monitoring of inputs and outcomes	Women's participation in water user groups, and WSS decision-making Gender-based approaches to WSS incorporated in service delivery (e.g. design, prioritization, location, management approaches)

- *Regulatory quality.* The regulatory environment can severely affect the poor's livelihoods. Developing responsive regulations is not straightforward and may not be aligned with the optimal business regulatory environment (regulatory aspects of governance are also contained under PSD). At the macro level, this includes labour laws that protect the poor, as well as environmental and pollution laws. In relation to water it might include a regulatory environment that encourages the types of services the poor use (e.g. Non-State Providers (NSPs), minimum service standards for water services, water pollution issues (and links to sewage disposal).

	Broader Governance agenda	Basic Services governance agenda	Water governance agenda
Regulatory Quality	Labour, environmental, pollution laws	Minimum service standards for all basic services Regulations for NSPs, non-profit sector	Clarity and appropriateness of regulatory frameworks (esp. re informal NSPs) WS Minimum service standards Regulations on water pollution

- *Corruption and integrity* dimensions of governance are evident at the macro level through efforts to build awareness of corruption and to put in place the policy instruments, legislations and institutions (as well as enforcement mechanisms) needed for reform. Typically this area of governance includes, *inter alia*, efforts to improve integrity in the civil service, procurement reform, and transparency and access to information. Corruption and integrity dimensions of governance in water services sit within this overall anti-corruption framework and begin by tackling misallocation and diversion of resources intended for water services. Key aspects include diagnostics in specific country contexts, identification of sector hotspots in differing systems, institutions, phases of delivery (e.g. utility provision, community management, rural self supply), understanding incentive structures, and identifying appropriate supply and demand side anti-corruption activity at the local level to reduce monopoly, discretion and increase accountability in the sector. Improving corruption in water services requires broader effort in public administration and finance – only some parts of the water corruption map can be tackled through a sector silo and these will be hindered without higher level action and political will.

	Broader Governance agenda	Basic Services governance agenda	Water governance agenda
Corruption and integrity	Addressing misallocation, diversion of resources, state capture, elite domination, personalised politics Developing anti-corruption laws and institutions. Reforming civil service through stronger	Tackling misallocation and diversion of resources to basic services. Identifying and understanding the nature and scope of corruption in basic services. Diagnostics in specific sector and country contexts	Tackling misallocation within sector, policy and regulatory capture Mapping and prioritising the anti-corruption agenda in line with other basic services: WS corruption diagnosis Identifying WSS corruption hotspots (in systems (e.g.

	transparent, accountable leadership and HR reform. Developing transparency in decision-making and government functions. Promoting advocacy and awareness of corruption impacts. Reform to public procurement processes	Supply side anti-corruption efforts to reduce monopoly and discretion Promoting transparency and accountability in sector finances, procurement of assets, equipment and services, staff performance (e.g. absenteeism) Demand side anti-corruption efforts at local level to increase accountability	community management), institution, phase of delivery) Improving demand-side accountability mechanisms (transparency, civil society engagement) with supply-side institutional / policy reforms (procurement reforms, HR practices) Monitoring impacts on the poor and developing understanding of pro-poor Ac mechanisms Strengthening advocacy by NGOs and the media

4.4 Strengths and weaknesses / limitations of the framework

Discussion with DFID governance and sector advisers early in the development of this work demonstrated a general consensus and interest in the CAR matrix as a tool that could be used at a sector level – and in particular a tool that provides a fresh way of looking at the issues. Although the CAR framework (a DFID Governance Framework published in *Making Governance Work for the Poor, 2007)* has not been road tested at the sector level at the time of writing (July, 2007), it is generally agreed that there are a number of generic limitations that apply to its use both as a governance analysis tool, and a sector governance tool.[9] The benefits and limitations set out here should be reconsidered after the framework is tested.

- Discussions with governance and sector colleagues pointed toward the **static** nature of the framework – i.e. it enables an assessment of what governance is and where you might want to go, but does not define the means to get there. This is certainly the case when applied to the governance of water services, in that it enables broad understanding of the governance in water problem (a snapshot) – but does not describe what is blocking or driving change.

- The discussion also flagged the lack of linkages that help to describe the relationships between actors. An effort to describe **politics and power** relations is still needed in a sector governance analysis.

- The CAR framework is, for a service such as water, more focused on government aspects of governance and perhaps **insufficiently focused on those that are 'non-state'**. Although it may be extremely relevant in some contexts, generally it is more about formal systems and thus more relevant in the analysis of effective states (although care needs to be taken in these contexts as well). Its utility will depend on whether it can be made more inclusive of informal systems and non-state actors which are particularly prevalent in the water sector.

- Given the decentralised nature of much of the water services sector, another limitation of the framework is its **macro and national bias**. Greater attention needs to be paid to the analysis of governance at the regional and local levels. Consideration should be given to those areas of governance that function predominately at the local level, and to the linkages between higher and lower levels of government in relation to policy and implementation. Rule of law for instance at the local level translates into the development of stronger forms of village justice and redressal.

- One might also argue that the framework does not provide a completely balanced picture of the governance issues affecting the water sector – the 15 indicators are not all relevant, and conversely

[9] Another concern with applying these frameworks, evident in consultation to date, is that the debate and discussion that has transpired since their completion means that their limitations are now better known. The corollary to that is that any new work, be it at the sector level, needs to take on key concerns/gaps/limitations, and in so doing does not remain entirely 'faithful' to the original framework. While this seems vital, the intended linkage between the broad governance framework and the sector framework will suffer as a result.

some require greater emphasis. The government effectiveness and service delivery area of governance for instance seems **insufficiently disaggregated**, pro-poor policy needs greater clarity and there is not a specific focus on vulnerability. In its application, there also appears some confusion in relation to 'regulatory quality'. Given its location in the Responsiveness dimension of governance it should concern responsiveness to the poor, but the indicators proposed provide a private sector perspective. The two may be contradictory.

- There is **overlap** too – many issues should occur in each dimension C A and R, and may seem poorly placed when one focuses on water services. Corruption is an example of this – it is located under the responsiveness but could equally be located in the accountability dimension of governance, (and many of the supply-side anti-corruption mechanisms are related to state capability).

On the other hand, the application of the framework to the sector has a number of benefits:

- The CAR framework is being used in the DFID Country Governance Assessment (CGA) and is a **country analytic tool**. A sector cut using the same framework is useful to country offices for internal coordination and developing vertical and horizontal synergies across programs.

- The framework attempts to provide a **comprehensive** rather than a partial analysis of governance. In this regard it opens doors/minds to areas of governance not currently being addressed or being squeezed out by entrenched thinking. In particular it frames a broad range of governance issues in relation to citizens.

- The CAR framework provides a structured approach to identifying **key issues** at the country level, and is also useful in that it presents a means to identifying **linkages** between the various dimensions of governance.

- The prominence given to **voice and accountability** issues, which have been particularly neglected in water, is extremely useful and presents a challenge for water practitioners (many argue this needs further disaggregation however).

- The need for better **understanding of context** cited as the first challenge of DFID efforts (DFID, 2007) is not limited to broad analysis of government, it can be very clearly applied to the sector level to pin down sector level incentives and institutions and their links to higher level and broader incentives and institutions.

- The need to **monitor governance** in WS is also significant. The framework provides a first cut at the type of indicators that the water sector might adopt to measure these different aspects of governance within a governance arena, not a sector arena as has been done in the past.

5. Considering a Drivers of Change approach in water services

The basic justification for adopting a political economy perspective is that it holds out the promise of raising the effectiveness of support for water services. There is a growing recognition of the primacy of politics in shaping development paths. In broad terms this is because knowing **what** needs to be done to bring about improvements in the quality, cost-effectiveness and accessibility of water services is comparatively straightforward. What is often more difficult is knowing **how** these necessary conditions can be brought about, and more importantly sustained over time. It is this question that political economy analysis seeks to illuminate, and in doing so aims to identify practical ways forward that reflect political realities and provide a more solid base for policy and programme design and implementation.

The context for applying political economy perspectives is DFID's recognition in the 2006 White Paper that improving governance is frequently the critical link in improving development performance (DFID, 2006). This paper has argued that the same contention also applies to the water services sector. As set out in the previous section, the CAR framework provides a basis for identifying what governance improvements are needed. Using County Governance Assessments (CGAs) and Sector Governance Assessments (SGAs), it identifies the attributes that are sought, examines present strengths and weaknesses, and suggests indicators that might be developed for measuring progress. Complementary political economy analysis provides a means for exploring how these attributes have come about over time, where the prospects are best for changing them in a pro-poor direction, and how such changes may be encouraged.

One analytical approach that may be taken is based on the Drivers of Change (DOC) framework (DFID, 2004).[10] This section considers how the drivers of change approach might contribute to a better understanding of how to improve governance in water services.

Box 5.1: Definition of terms for Drivers of Change

- *Change* includes negative as well as positive change.
- *Agents* refers to individuals and organisations pursuing particular interests, including the political elite; civil servants; political parties; local government; the judiciary; the military; faith groups; trade unions; civil society groups; the media; the private sector; academics; and donors.
- *Structural features* includes the history of state formation; natural and human resources; economic and social structures; state-market relations; demographic change; regional influences and integration; globalisation, trade and investment; and urbanisation. These are deeply embedded and often slow to change.
- *Institutions* include the rules governing the behaviour of agents, such as political and public administration processes and relations between public administration and private organisations. They include the informal as well as formal rules. Institutions are more susceptible to change in the medium term than structural features.

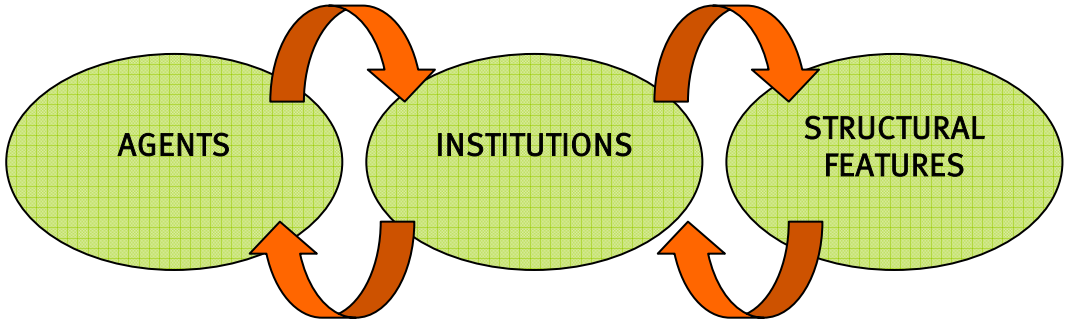
(based on DFID, Drivers of Change Public Information Note, September 2004)

5.1 What is the Drivers of Change approach?

The 'drivers of change' approach highlights the importance of understanding the *underlying political systems and the mechanisms of pro-poor change*. It focuses attention on formal and informal rules, power structures, vested interests and incentives. The framework is one in which underlying structural (or foundational) factors interact with political, social and economic institutions to create a framework of incentives that influence the behaviour of agents (who may be individuals or organisations) (see Figure 5.1)

[10] We are grateful for a political economy input by Alex Duncan and Gareth Williams, The Policy Practice Ltd, 22 June 2007, as well as comments on the first draft.

Figure 5.1: The Drivers of Change Model



The DoC is about long term drivers of change – it allows us to look back to see why some of these indicators have got to where they are. Assessments of the drivers of change have been undertaken in over 20 DFID focus countries over the last 5 years. They range from solid comprehensive analyses that have changed the way DFID works (Kenya) to lighter or more focused studies that shed light on structural issues such as citizen voice (Ethiopia), to those that confirm what is already known (Sierra Leone). Drivers of change studies have often been undertaken in association with more detailed studies on specific issues.

Box 5.2: The Drivers of Change: Areas of investigation

The quality of institutions, and of their governance, is a key factor affecting the achievement of poverty goals. These institutions may be public or private, formal or informal, rural or urban. From a poverty reduction perspective, the extent to which they meet the priorities of poor people, women and other marginalized groups, will often be important.

The role of these institutions and the impact of any shortcomings, in poverty reduction may be understood through the effects they have on development strategies. There are different ways in which these strategies may be formulated, but one means of doing so that is applicable in many countries is to categorise them as involving some combination of: sustainable economic growth; empowerment; access to markets, services and assets; and security.

The quality of institutions for these purposes is defined in terms of accountability and/or effectiveness. Shortcomings of institutions (absent or narrow accountability, and/or ineffectiveness or inefficiency in undertaking mandated tasks) will often hinder achievement of these strategies. In particular the decisions and actions or inaction of those with power and influence may reflect narrow and often short-term interests. These patterns of behaviour may be actively oppressive, or they may simply make it more difficult for citizens to improve their livelihoods, through for example discouraging local initiative, weakening the performance of the civil service, or creating a disabling environment for investment.

The major reason for these shortcomings often lies in the nature of the incentives facing those with power and influence, and the restraints (or lack of them) to which they are subject. In some countries, living standards can be raised as a result of changes brought about by a modernising elite; in others the elite may fail to grasp the opportunities. In states of the latter type, the ability or willingness of citizens to apply sufficient demand or pressure for improvement will be crucial if pro-poor change is to come about. In some of these countries, patrimonial politics will hinder the necessary pressure being applied.

Strengthening this pressure on elites can come about through supporting two sets of factors that collectively may be termed the drivers of change: (i) broad, long-term structural or institutional processes of social, economic and political change (the context for pro-poor change); (ii) reform minded organisations and individuals (the agents for change).

In many countries, the main roles in strengthening this pressure have to be played by citizens and their organisations. However, outsiders, such as international development agencies, will often have opportunities to be supportive, and also need to avoid inadvertently causing harm to pro-poor processes.

Source: A. Duncan, H. Macmillan, N. Simulanyi, Oxford Policy Management, 2003 Zambia, Drivers of pro-poor change: an overview

5.2 Lessons and limitations learned in country application

While it may be assumed that a DOC study at country level informs the development of all DFID programmes coming out of that office in subsequent years, the reality is that many of the drivers of change studies tell a story but have not always pointed to the solutions either at a macro level or in sector or program interventions. Other lessons include:

- DOC and power analysis is potentially challenging because it reveals how little is really known about how to promote progressive and sustainable change, and often highlights the limits of donor intervention. There is a need for ongoing lesson learning.
- Donors are struggling with how to translate high level analysis and recommendations into operational strategies and programmes. There is still relatively little by way of good examples to draw on.
- A dynamic perspective is essential to an understanding of the timing and scope for interventions to support opportunities for pro-poor policy change.
- The key to the DOC seems to be finding country specific entry points, where donor interventions could engage with local political incentives, and trigger longer term, cumulative change.
- Good political analysis is indispensable, but it needs to be accompanied by good practical examples and work documenting and disseminating experience of operational innovation.

5.3 Why apply the Drivers of Change approach to the water sector?

The core purpose of the investigations described in Box 5.2 is to deepen understanding of complex political processes and decision-making outcomes as a basis for more informed interventions. Although this has not yet been operationalised at the sector level, recognition of the politics of development and an understanding of the way the water sector typically functions suggests there may be significant value in doing so. Analytical work focused on the political structures affecting water service delivery would point to a better understanding of what is getting in the way of sector reform and improved service outcomes. A particular benefit is that it will help to better understand the political dynamics *on* the sector and *within* the sector; and, given the widespread decentralisation of water services it will get down to the local, and draw attention to diversity in the country context.

To the extent that there has been recognition of the need to drill down into areas and issues in the country context, the concept of a sector level Drivers of Change study is not out of place in the body and stream of Drivers of Change work. Despite this – there has been no attempt to strategically test whether a DOC is a useful tool at the sector level to inform sector support, project design, or to test the relevance of ongoing projects.[11]

Water has long ignored the importance of politics. The drivers of change approach is useful to the development of governance thinking in water services because it forces a focus on politics in the analysis of the water problem, and provides potential avenues for addressing political blockages in the development of the sector or in specific water interventions. For the sector it will challenge the tendency for business as usual, opening eyes to the need to address incentive structures. Another useful aspect of the DOC approach is that it focuses attention on the interplay between stakeholders (water users, the public sector in its policy-making, regulating and delivery roles, private operators, local private providers, national and local political players, and development partners), capacity constraints and political incentives and disincentives in change processes, which can be addressed in more appropriate strategy formulation. And it also helps donors to see that they are a political player affecting the political economy of the sector, being self critical about how well they know the country, what impact they have and how they are perceived. There is much to be gained generally, because it is

[11] Sector-level drivers of change analysis has been relatively rare to-date, with some exceptions such as Kenya and Zambia agriculture, and some modest analysis of health and education, and the seed subsector in Bangladesh.

at the sector level that key policy, institutional and spending decisions are taken that bear strongly on development outcomes.

5.4 How can the Drivers of Change approach be applied to the water sector?

The Drivers of Change approach is structured around six sets of questions that might be elaborated in relation to the water services as below. A sector level Drivers of Change analysis would form a part of a set of country analytic studies that describe the politics of development. Efforts to date have suggested that it is critical to obtain a detailed understanding of issues and incentives. These might be done at the country level first and then at the sector level as shown in the table below.

Table 5.1: Applying the six question framework to water services

Level	Question	… in the water sector?
Basic Country Analysis	What are the social, political, economic and institutional factors affecting the dynamics and possibilities for change?	What are the social, political, economic and institutional factors affecting the dynamics and possibilities for change in the water sector? Who owns the rights to water? What are the patterns of ownership and capture of water resources? What are the institutional complexities? How has decentralisation affected the governance of the sector? What are the patterns of governance in different delivery systems, financing? What are the gender issues affecting change?
Medium term dynamics of change	What are the policy processes, in particular the incentives and capacities of agents operating within institutions?	What are the policy processes in the water sector, in particular the incentives and capacities of agents operating within water and other influencing institutions? What forms of patronage affect the sector functions and outcomes? How do personalised relations of power affect the sector at national, local and neighbourhood levels? What types of capture exist in the water sector? At national, local and community levels? (regulatory capture, elite domination of WS project benefits) What types of political participation and checks? What role of civil society in the establishment of a demand-side holding government accountability for service delivery? What political dynamics promote or do not promote pro-poor change in the sector? (e.g. Ethiopia's pro-poor policies are an instrument of the ruling party to retain power; Sudan has implemented marginalising policies) Where does water factor in the macro-policies for growth and poverty reduction? How has this changed over time, influenced the current state of the sector? How have women been connected into growth/poverty reduction and how has that affected policy and coverage of water? How does the political stability or 'stateness' affect the willingness and ability of water institutions / actors to deliver services to the poor?
Role of External Forces	What are the intentional and unintentional actions of donors?	What are the intentional and unintentional actions of donors operating and influencing the water sector? The ebb and flow of aid – what does it look like and what has it done to the sector? e.g. the impacts of Public Reduction Budget Support (PRBS), Sector Wide Approaches (SWAps), direct bi-lateral interventions, support for private sector interventions, informal providers, community based approaches. How does government see DFID and other donors? What are the areas of DFID's real (not assumed) comparative advantage?
Link between change and poverty reduction	How is change expected to affect poverty and on what time scale?	How much does the sector know about access and PR outcomes in different poverty contexts? What is the trajectory of change in relation to water services at country level?

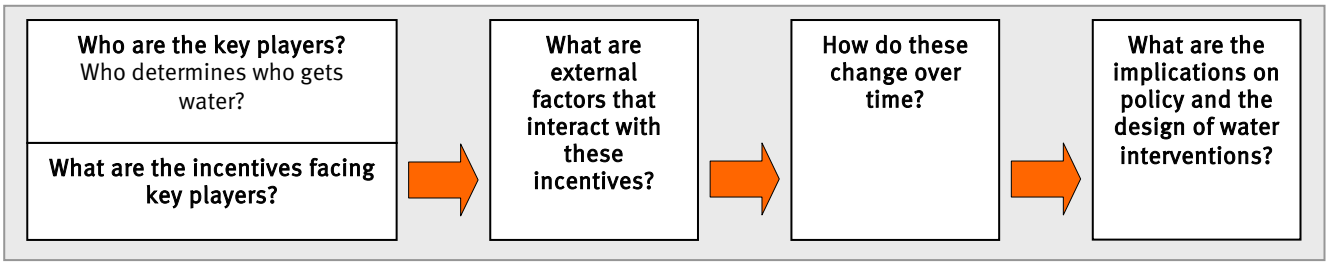
Operational implications	How can understanding be translated into strategies and actions?	Operational implications in the water sector can be defined through changes in funding mechanisms, processes, focus of interventions, targeted stakeholders (e.g. level of government), incentive structures (e.g. Output-Based Aid (OBA))
How DFID works	What are DFID organisational incentives?	DFID changing financing instruments – PRBS, SWAps, conditionality. e.g. Incentives and skills to test the DOC approach at the sector level?

Analysis should fill out a picture of incentives that drive the decisions made in water service delivery. These might include the following questions (illustrated in Box 5.3):

- Who determines who gets water and who does not?
- What are the incentives that influence these actors?
- What are the external factors that interact with these incentives?
- How do these change over time?
- How can policy be developed that addresses these incentives in the sector?

It is useful to distinguish between two elements of incentives: (i) individual motivations, and (ii) individual's principal economic and political relationships, which in turn depend on the cultural and institutional framework in which the individual is embedded. Understanding the latter needs more emphasis than is often attributed as incentives do not arise in isolation. To move from a static analysis of problems (such as we have seen in the CAR analytical approach) to operational ideas on how to bring about change it is essential to link the analysis of incentives to underlying processes that can shift incentives in favour of pro-poor service delivery. What might these processes be? (e.g. greater civil society engagement, more effective monitoring of agency performance, improving the status of LG work targeting the poor, improving incentive structures for local government staff/institutions who are usually under resourced, under funded, etc). Identification of these processes is the most important part of the analysis because they are the entry points for action. There is no substitute for well-informed local analysis to identify these incentives and processes. However, many issues frequently vary across countries and some of these are strongly influenced by political economy.

Figure 5.2: Simplified incentive map of actors



The Drivers of Change approach serves a range of purposes – all applicable at the sector level. In particular it:

- **Informs the planning cycle**: An overview of the political system and historical processes of change can support comprehensive programme design or can influence the development of new program elements. The increase in spending in the water sector has seen a scaling up of support in a number of countries and those in the future could benefit from greater understanding of the nuances of the political dimensions of development. This is particularly the case where increases in access to water services has levelled out, or where change has not accompanied reform e.g.

Ethiopia has developed policy and institutional reform but commensurate improvements in access have not yet occurred (WSP, 2007).

- **Improves the quality of engagement**: Aimed at improving the awareness of political and institutional dynamics, DOC work in the sector could potentially, raise the level of engagement with government and civil society. In the development of understanding of power and incentives it points toward cross cutting themes such as voice and accountability (see Table 6.2) that can improve all sectors performance. Taking this down from the general to the specific sectors is therefore vital to mainstreaming, and to understanding the role of donors as a player influencing the sector.

- **Provides a basis for risk analysis and mitigation**: The water sector is prone to a variety of political risks and the DOC is a tool to unravel these and provide greater clarity for mitigating actions. In effective states where aid mechanisms have moved toward Direct Budget Support (DBS) and SWAPs it enables a means to understand what might happen at sector level, and what caution is required. Often this might point toward monitoring and measurement tools and oversight approaches. In less effective states it provides a means to understand when political risks change and how they can be addressed in more targeted sector projects.

- **Strengthens harmonisation**: The DOC work can help to develop a common donor agenda and to identify comparative advantages in tackling key blockages in the aid partnership. Donors can work with underlying causes to blockages in water sector reform and work with government more effectively because the understanding of underlying causes in explored more fully and informs the dialogue. For this to take place, in-country mechanisms are required to promote transparency, coordination and exchange of the experience gained through discrete studies undertaken by different donors.

The following section considers how the Drivers of Change approach might be taken forward into sector analysis and planning.

6. Developing better governance responses in water services

6.1 Utilising the CAR and DOC frameworks in developing sector governance

The CAR and DOC frameworks (notwithstanding limitations) both provide governance efforts in water services with a new perspective with which to first analyse and then develop governance-related actions. In particular the current DFID frameworks: (i) provide for a much more comprehensive approach to sector analysis; (ii) provide for a political economy approach to sector analysis; and (iii) link sector level analysis and interventions with country level analysis and responses to the country governance context.

The challenge for DFID advisors is to find ways of joining up these tools and utilising them so that they point toward the actions that should be taken. The following table (Table 6.1) provides an overview of the process envisaged. The proposed sequencing of different steps is illustrated in Figure 6.1 and a worked example of how it might be applied to the analysis of a particular issue (voice and accountability) in a specific country context is illustrated in Table 6.2.

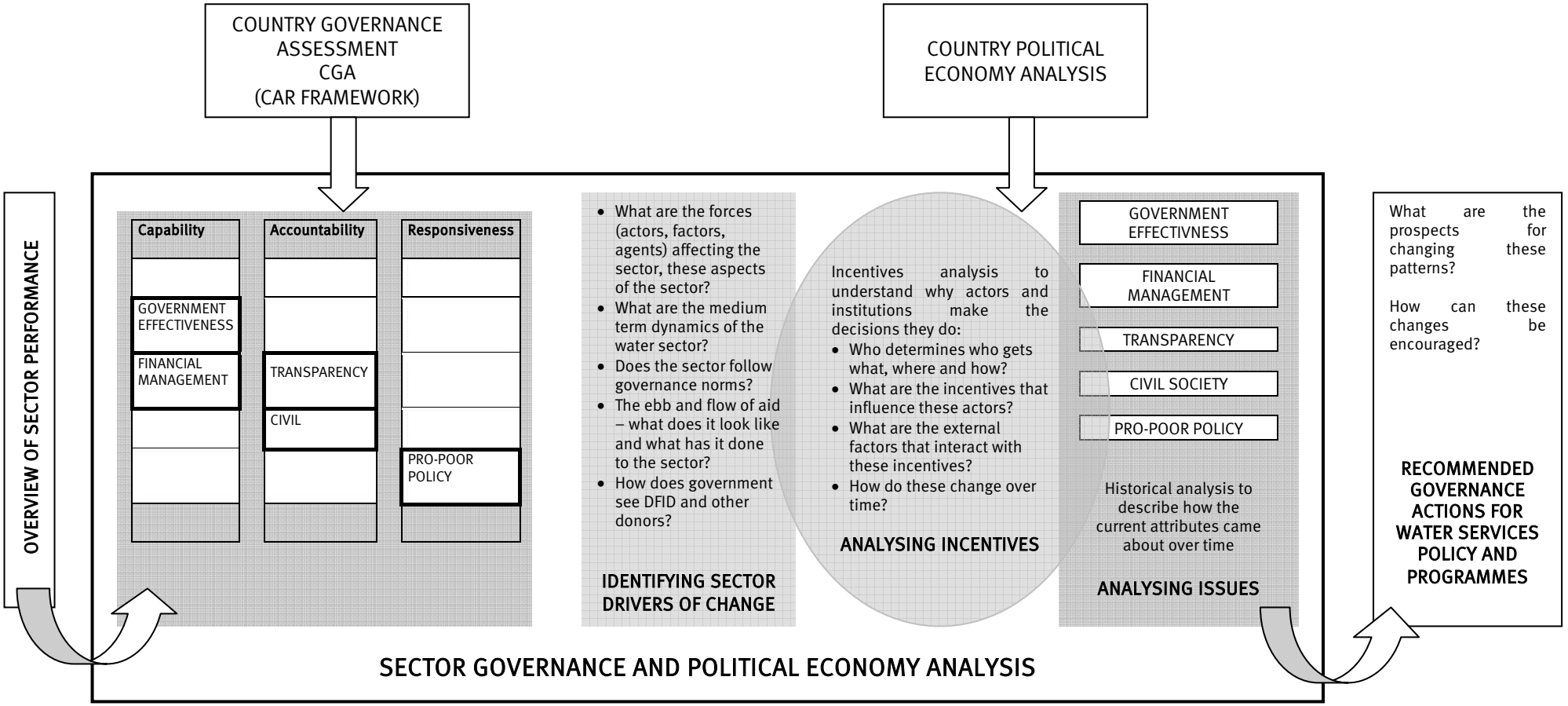
There is some danger of overlap and repetition between the proposed CAR sector analysis and the sector level political economy analysis – this needs to be tested in the field. Whereas the CAR tool is mainly related to symptoms and the DOC more causal, in practice it is difficult to discuss each in isolation. For example, in considering accountability you would need to discuss whose voices are being heard, which interests they represent, and to what extent they matter to politicians. Utilising these frameworks within one sector level political economy analysis might prove to be a simplified way forward - starting with a general description of the problems in the sector (a basic assessment of water access, equity, quality issues and their connection to broad attributes of governance i.e. CAR) and then linking this to the discussion of actors, incentives, interests and underlying forces.

Table 6.1: Country Analytical Work linked to Sector Analytical Work

Country Governance Assessment (CGA)	The strategic objective of the CGA is to put a comprehensive governance analysis at the heart of the country planning process in order to better inform strategies and decision making over UK aid. It will also enable the monitoring of governance in future years. For all PSA countries it includes a CAR analysis, often supported by a DOC study. These studies provide the overall picture necessary to place sector lessons in the context of overall governance and political economy histories and trends.
	Country-level political economy studies exist to varying degrees of depth and usefulness -- in terms of understanding incentives. They vary in how far they penetrate beneath the surface to understand critically the sources of power, and how power is really exercised. They also vary in terms of how useful they are in understanding the opportunities and obstacles for achieving developmentally-critical change, including in governance. The quality of the country level study will be important to provide background for a sector level undertaking.
Sector level political economy analysis	Overview of sector performance -- to provide a general understanding of how the sector functions and performs. It should include: the performance of the sector in terms of water access, quality, reliability, disaggregated by geographical area and interest groups and noting regional disparities and horizontal inequalities.
	Mapping of sector governance Overview of the governance of the sector through the CAR framework. A CAR review of the sector (described in section 4) will describe how the sector fares in relation to the capability, accountability and responsiveness dimensions of governance. It will use the same 15 indicators as the CGA – applied as appropriate to the sector. A key part of this work is identifying problem areas (challenges or opportunities).

	Water power mapping establishing the sector Drivers of Change: Identification of key agencies, organisations and user groups, and relations between them. How is the sector governed, by whom, through what institutions/ agencies? What are the non-organisational institutions? Vested interests, historical traditions, deep rooted beliefs and values? Issues analysis: Drilling down to specific issues that have been identified as being critical to poverty outcome in country context.
	Identification of main drivers of change -- For each of key issue/identified constraint there is a need to identify the relevant incentives and interests at stake. This will lead to the key entry points for action. e.g. These may be related to opportunities for corrupt interactions, the realities of decentralisation, or the structures and incentives in community-managed water systems. Broad contextual factors that may shift the nature of incentives and interests should be identified. Variations between localities would be identified (see example table 6.2).
Recommended actions to address sector drivers of change	Recommendations of practical means to address incentive problems and other political economy constraints affecting performance of water sector. These recommendations will indicate what can be done in the sector and what relies on broader governance activity.

Figure 6.1: How can DFID governance frameworks be used to analyse and support the development of better governance responses in water services?



Sector Governance Assessment

Description and analysis of sector governance using CAR framework

Identification of main problem areas
(identification made by measuring sector governance through a range of measures/indicators)

Sector level political analysis

Sector mapping: key stakeholders and agencies, informal institutions and agents, interest groups. (regional variation)

Identify main drivers of change
(structures, institution, agents)

Incentives analysis

Analyse the interests and incentives behind the politics of the water sector. In depth discussion of how the politics of the sector works in practice.

Sector Issues analysis

Drilling down to specific issues that have been identified as being critical to sector outcomes (structures, issues and agents) and key incentive problems)

Recommended actions

Practical means to address incentive problems and other political economy constraints affecting sector performance in identified problem areas.

Table 6.2: Incentive Framework Example - Issue: Improving Voice and Accountability for Improved Water Services in Ethiopia

Who are the key players?	What are the incentives facing key players?	What are external factors that interact with these incentives?	How do these / have these changed over time?	What are the implications on policy and the design of water governance interventions?
Very poor and marginalised citizens	To improve their access to water services To remain safe and secure	Education and literacy, numeracy affects ability and willingness to voice needs	Political regime has determined level of voice Current 'revolutionary' democracy has increased rhetoric and exploring	Sector social accountability mechanisms require recognition of the disempowerment of citizens esp. in rural areas and fear of participation Effort to include vulnerable groups in decision-making processes Awareness building and effort by government to promote acceptability
Poor citizens	To improve their access to water services To remain safe and secure	Formal position toward civil society (NGO law, Freedom of speech, freedom of association) affects ability and willingness to engage with government and service providers Informal position toward civil society harassment, blocking progress) Historical understanding of accountability as upward Education and literacy (esp. women)	Political regime has determined level of voice Current 'revolutionary' democracy has increased rhetoric	
Local leaders (political/social elite)	To maintain voice and power relationships with decision-makers	Government understanding of legitimacy and representativeness	Linked to changes in party, directives "the community speaks with one voice' Revolutionary democracy roots for participation clearly spelled out in Ethiopian People's Revolutionary and Democratic Front (PRDF) ideology	Intensive capacity building in their role as elected officials accountability, and in understanding water issues Better understanding of links to informal institutions (kinship and patronage)
Kebele cabinets	To perform role prescribed by party	Mandated to communicate information and make requests for community assistance		Inclusion in capacity building, links to other local level committee (water user groups etc)
Local Membership-Based Associations	To ensure MBAs articulate the views of citizens and are seen as representing the 'voice of the people'	NGO Law, exclusion of other forms of CSOs Acceptance of NGO role to demand accountability		Inclusion of MBAs in Civil Society (CS) activity Awareness building of citizens
Local NGOs	To support targeted communities to articulate their water needs To increase in scale and capacity to deliver	NGO Law Acceptance of NGO role to demand accountability	Gradually developing power base at the local level Gradual improvements in interface with woredas (LGs)	Development of understanding of role in social accountability processes
Local NGO Leaders	To advocate for their beliefs	Lack of capacity Lack of credibility	Capacity improves, fear changes with political space	Develop capacity in accountability and in water-related issues
Local Government (woreda)	To deliver services as it sees the need To meet the demands of local elite To maintain control over information	Lack of separation between the civil service and political reps Lack of understanding of accountability concepts	Policy changes and directives from central government Development of performance incentives	Support for efforts to separate political and civil service roles Transparency of planning, budgeting and expenditures in water services Ring fencing of sector finances

Local Politicians	To provide citizens with the voice needed to ensure re-election	Political freedom and rights	Increased role through administrative and fiscal decentralisation	Build capacity of local politicians for improved decision-making and accountability
Local government officials	To maintain control over the use of resources	Lack of separation between the civil service and political reps	Delay of local elections inhibits political accountability	Exposure and awareness building of accountability mechanisms
National (ruling) party	To introduce / keep policies that maintain control (and ensure re-election) To ensure NGO activity is not subversive To promote MBAs as the vehicle for the voice of the people	Political environment post-election Donor pressure Political environment post-election Conflict and insecurity	Political space responsive to political events	Neutrality and balance when engaging with government Transparency in social accountability mechanisms Piloting to build confidence in SA instruments Focus on local political processes and actors (including donors) Longer timescales
National (ruling) politicians	To maintain position in party and government To reinforce party-linked avenues for voice	Political environment post-election	Varies with political space State legitimacy and authority weak/contested in some parts of the country	Understanding of goals and Ethiopian political context vital. Transparency in activities and improved awareness
National Ministry of Finance and Ec Dev.	To ensure efficiency To implement policies of ruling party and articulate	Driven by PM mandate	Gradual change over last decade	Exposure and awareness building of accountability mechanisms
National line departments (water, health)	To spend water service budgets and achieve pro-poor outcomes	Budgets Tensions between central and regional governments	Improved WS policy and institutions but little change in outcomes	Improve understanding of blockages to improved outcomes
National NGOs International Non Governmental Organisations (INGOs)	To improve service outcomes To improve account-ability of government To increase space for civil society to operate	NGO Law, code of conduct, funding	INGOs space tightens with political activity	Engagement over legal framework for NGOs INGOs provide support to local NGOs who support development of citizen voice
Donors	To develop greater accountability for donor funds and outcomes To empower citizens to articulate needs to improve aid effectiveness To stimulate citizen action and motivate western style democracy To demonstrate short term impact To respond to taxpayers and lobby groups	Pressure from taxpayers over human rights and other political issues. Donor funding for Ethiopia and water To meet spending targets To harmonise approaches with other donors	Aid modalities have changed – shift from DBS to PBS has offered opportunities for emphasising accountability Aid has been linked to political developments, changing policy and behaviour of government	Donor funding on-budget Development of vehicles for improving voice and accountability need to be tailored to Ethiopian context Undertake political economy studies in coordination with other donors Remove admin blockages and streamlining procedures by donors

7. Getting governance on the agenda: Way forward for DFID

This think piece has illustrated how two governance frameworks developed by DFID policy division over recent years might be used in the field to better align water governance thinking (and water interventions generally) with the upstream governance agenda in DFID, thus informing the development of sector interventions.

Initial drafts and discussions within DFID have provoked both a very positive response (*long overdue, neglected subject, important work, great DFID is leading this agenda, a very good base for how governance can be introduced into other sectors, a new very important and challenging agenda*), as well as one of concern at the potential additional burden that will be placed on country advisors to read, understand and implement complex frameworks. But while this initial response in DFID indicates some lack of commitment, there also seems overwhelming support for the idea of bringing governance assessment down to the sector level, to rethinking governance in water services and, in the main, using current DFID governance approaches as the basis for that effort.

Outside DFID, where there is less knowledge of CAR and Drivers of Change approaches, many responses have acknowledged the key objective of this think piece (of making governance in water services more structured and politically aware) but have largely focused on the content and detail of the key governance issues. Many comments also suggest that there is a desire to be further down this path than we are, despite recognition that this is a new and challenging area of work. In order to ensure there is no misapprehension that this paper has any sense of finality as a DFID strategy or a policy paper, this last section has therefore been significantly revised in this second draft to clearly illustrate where we are now (a think piece for DFID) and to suggest what the next steps might be.

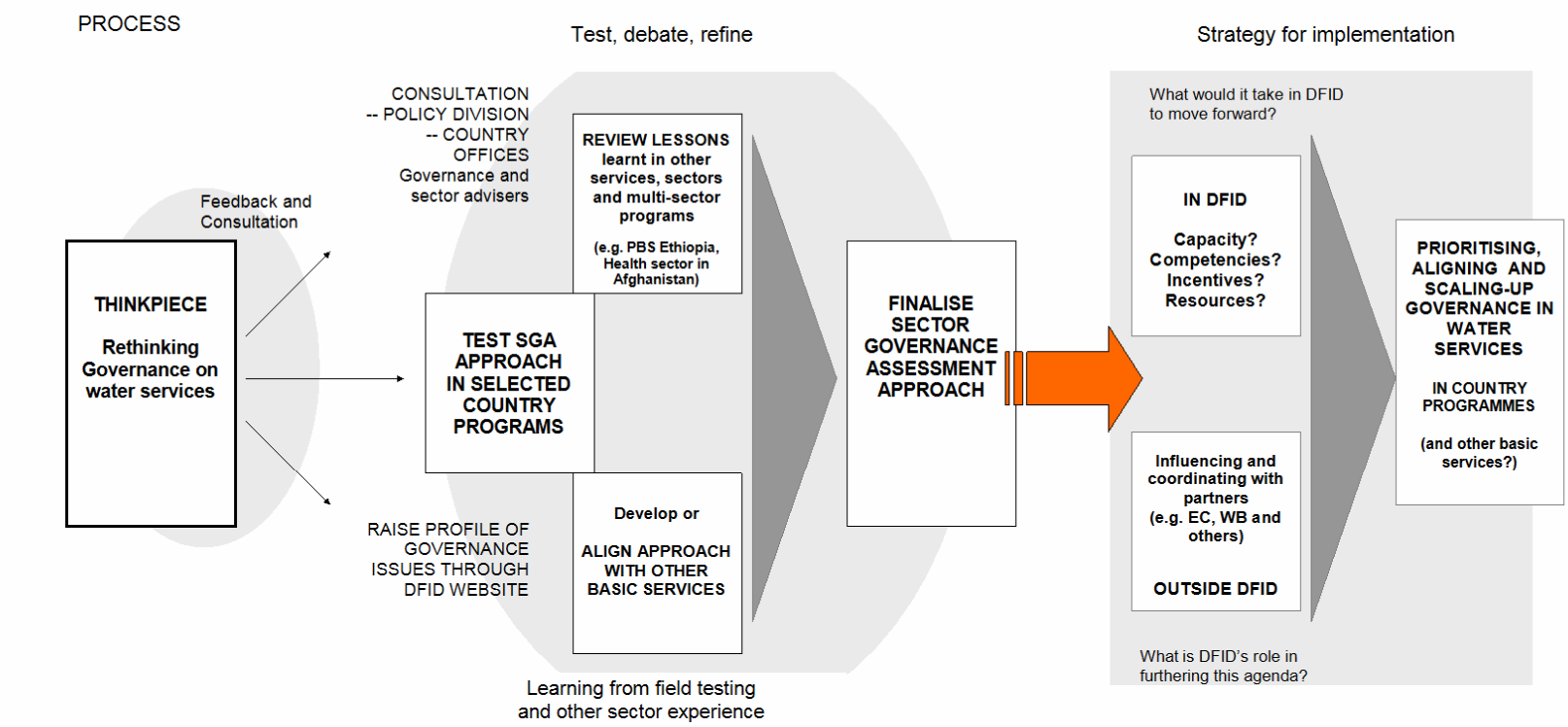
This final section therefore sets out how DFID might develop, test and implement an agenda focused on improving governance in water services. The following steps are illustrated in Figure 7.1. A first stage would refine *what* the agenda should be:

This think piece is only the initial step, a stage of debate and dialogue is vital. A number of reviewers have requested that opportunities be created for further explanation of this work, and for debate and dialogue. This would be beneficial and would include for instance discussion over the appropriateness of different political economy tools (e.g. the Leftwich political economy model), the implications (and potential risks) of DFID adopting a political economy approach at the sector level, the bias in the content of the framework (e.g. is the issue of rights to water sufficiently addressed, how to improve the demand-sdie) and to establish commitment to a set of steps that would take this work to a point at which decisions can be made. Debate and dialogue is needed at both policy and country levels and can be supported by the key issues and reference materials that are currently available.

A critical step is the road testing of the approach in interested country programmes. Accompanying (but not dependent on) the consultation process, a vital next step is the testing of a sector governance assessment approach at the country level. Depending on the opportunities, this might enable testing in different contexts (fragile states and more effective states), at different stages (design, appraisal, evaluation) with different tools, perhaps in more than one service (water is not the only service that needs to rethink governance). Lessons on the usefulness, limitations, risk (to government relations), support and capacity required, and the potential vehicles for taking a Sector Governance Assessment forward in over-stretched country offices, could be documented.

Reflect on information and learning from other experiences outside of water services. This think piece has limited its scope to water and would be significantly informed by a review of experiences and initiatives in other services (e.g. the governance in health services work in Afghanistan), in other sectors (forestry), and in multi-sector programmes (e.g. the Protection of Basic Services aid

Figure 7.1: Getting governance on the agenda: Ways forward for DFID



instrument in Ethiopia). A broader review should also capture any parallel initiatives in the World Bank and EC, and take in ongoing work relating to specific aspects of sector governance (e.g. the Global Corruption Report 2008 is focused on water and will hopefully result in more data on sector corruption).

Improve dialogue, identify synergies and opportunities for joining up with other services. Other sectors and services are currently seeking the same objectives – to improve governance at the sector level. Much of the thinking work is generic and relevant across a range of sectors. The *Many Faces of Corruption* publication recently produced by the World Bank (2007) illustrates the value of applying a similar organising framework to improve knowledge and understanding of sector level corruption. DFID might consider developing a joint approach and/or testing the SGA approach in more than one sector.

Finalise the Sector Governance Assessment Approach (SGA) for broader dissemination and testing. The frameworks suggested in this think piece should be refined with the lessons learned in testing and reviewing other sectors. The refined SGA framework can then be accompanied by country case studies applying different tools, and a revised set of key recommendations, that take on board the case material.

A second stage would then focus on how this might be operationalised – providing a strategy for implementation. This would determine what DFID's commitment was, what it would take for DFID to improve governance at the sector level, how DFID could package new found knowledge and influence other donors, and what would be needed to take this forward in country programs. For instance:

DFID would need to define its vision, corporate objectives and commitment. With clarity and evidence as to the usefulness of the Sector Governance Assessment (SGA) – or similar – approach, DFID would then need to clarify a policy position to prioritise, align and scale-up governance in water services or other sector level activity (in alignment with overall governance thinking). Clear efforts will be needed to ensure that the focus on achieving good sector governance linked to overall country level good governance, is not confused with aid conditionality. There should be no suggestion that DFID will not work in poor sector governance situations, but rather that it is more cognizant of the need for flexibility and interventions that suit the identified strengths and weaknesses, and the political economy of the sector.

Box 7.1: Capacity issues for taking forward the Power and Drivers of Change work

- Power and DOC analyses raise complex issues for donors' human resource policies. Many staff members, especially in country office, will need to acquire new skills and access opportunities to internalise learning through training, networking and guidance.
- The potential insights of local staff will need to be cultivated and drawn on more systematically. Local sources of knowledge production (such as policy research institutes, NGOs and media outlets) can be engaged more systematically in the generation and dissemination of political economy analysis.
- Donors should be prepared to invest resources in these various initiatives, including data collection and analysis, if they are to maximise the organisational benefits to be derived from political economy analysis.
- Identify means by which study findings can be synthesised to feed more effectively into Joint Assistance Strategies and the design of PRSPs in partner countries
- Improve cross-referencing to and integration with other types of donor analysis on human rights, conflict, and institutional capacity.
- Inform the aid effectiveness agenda by forging closer co-operation between the GOVNET Task Team and other Task Teams under the OECD/DAC.
- Draw lessons learned from a larger series of the existing Power and DOC analyses with the specific aim to inform the current aid effectiveness agenda.

Source: Lessons Learned from the Drivers of Change, OECD

DFID would need to address internal competencies, incentives and resources to adopt a sector governance agenda. The Drivers of Change work conducted in DFID produced various documents on

operationalisation which provide a sound basis for considering what is needed to move forward. Box 7.1 draws attention to issues of capacity, but the consultations carried out for this think piece suggest the need for additional support to the development of incentive structures for staff and country offices to engage. The need for resources (human and financial) is also implied and not easily solved. The combination of political economy and technical skills is rare in both DFID and other agencies, and in the consultancy market. Initial efforts will require multi-disciplinary teams to bring the requisite skills.

Box 7.2: Internal Change: Capacity and Incentives in DFID to take on a structure approach to sector governance

Capacity

Effort could be made to underpin internal change through, analytical support, developing and piloting tools, capacity building and training.

- Support for analytical work in countries to identify governance issues and possible linkages to the governance agenda and DFID governance program.
- Support to pilot tools and document case study examples of how to apply them including detailed discussion of indicators and data.
- Support to develop tools for considering new approaches to analysing the sector
- Developing guidelines for establishing governance dimensions in water services interventions in effective states (e.g. project development, project appraisal or project evaluation).
- In fragile states (given the significant diversity of context, and the danger of one-size-fits-all approaches) support could be made available to underpin analysis and the development of country specific strategies.
- Governance workshops structured around recent governance outputs (the CAR framework and drivers of change studies and the Governance, Development and Democratic Politics policy paper) could be proposed with the aim of improving understanding of how governance issues are reflected at the sector level, and how sector initiatives might be better linked into DFID governance policy.
- In house production of guidance notes for conducting Power and DOC analyses for water advisers unfamiliar with the approaches.
- Efforts to measure and monitor funding that is targeted at improving governance in the sector, as well as effort to establish sector governance indicators at country level.

Incentives

The incentive structures for engagement in governance and closer collaboration with the governance agenda will ultimately be needed to roll out efforts further than the current champions.

- The DOC reviews have each pointed toward internal incentives within DFID for adopting the DOC approach – an element of caution and reluctance about the scope for staff to follow through on implications of DOC analysis, especially when it may change what is being done, because they are under pressure to disburse funds and meet targets. "The study finds that incentives to invest systematically in knowledge about country-level processes and political systems are relatively weak and staff have little space within their schedules to spend on relationship building, knowledge sharing and crucial reflection." (Thornton and Cox, 2005).
- Understanding incentives and constraints better will be a key part of any efforts to promote improved governance at sector level. A DOC conducted with infrastructure and governance advisers might lead to better understanding of the organisational and individual issues that need to be addressed to mainstream governance in sector initiatives

The strategy should also define how DFID intends to work with other partners. DFID needs to be cognisant of the work being undertaken elsewhere in this regard. While it is unlikely that either the EU or the World Bank will be seeking vertical integration of sector governance improvements (these agencies are more sector divided than DFID and the current governance strategies do not provide the framework available in DFID) with country level activities, it is nevertheless important that DFID coordinate at an early stage. There are many questions about the DFID role and harmonisation. (Although it is not clear why) DFID have long stated that as a development agency, it does not have a

comparative advantage in the water sector, does this leadership in improving and mainstreaming governance in water services, and perhaps creating a basic services agenda mean that DFID will take on leadership in this area.

The primary element of the strategy will be the development of an approach to prioritise, align and scale-up governance in water services in country programs. This will not only include commitment to coordinate, harmonization with other donors (keen to get money into the sector), but will require an understanding of how to approach the thorny issue of sector politics, which like corruption, will be difficult in many country contexts. As with corruption, sector politics has long been ignored in order to get investment into the sector. The strategy will address the principles of engagement e.g. whether the SGA should provide a common framework for sector assessment at the country level and the actors, vehicles and mechanisms for implementation.

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