



House of Commons

Committee of Public Accounts

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**Department for  
International  
Development:  
maximising impact in  
the water sector**

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**Thirtieth Report of  
Session 2002–03**





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**Thirtieth Report of  
Session 2002–03**

*Report, together with formal minutes and  
oral evidence*

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## The Committee of Public Accounts

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Angela Eagle MP (*Labour, Wallasey*)

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## Summary

More than 1 billion people, the equivalent of one sixth of the world's population, lack access to safe drinking water and 2.4 billion people, two-fifths of the world population, lack basic sanitation facilities. Improving access to water and sanitation is inextricably linked to the alleviation of poverty and is a key factor in improving the health and economic productivity of poor people.

The Department for International Development (the Department) leads the United Kingdom's contribution to global efforts to tackle world poverty and promote international development. We support and encourage the Department in this work, and acknowledge the important contribution of Departmental staff, who often have to operate in difficult and challenging environments. The Department is committed to international efforts to achieve the Millennium Development Goals, which provide a global consensus on objectives for addressing poverty. These include a target to halve by 2015 the proportion of people without sustainable access to safe drinking water. At the World Summit for Sustainable Development in Johannesburg in 2002, participating governments also agreed to the adoption of a target to halve by 2015 the proportion of people without access to adequate sanitation facilities. Achieving these targets represents a huge task for the international donor community.

The Department seeks to achieve its aims by working at global, national and local levels and in partnership with a wide range of organisations, including other donors, governments in developing countries and non-government organisations. The Department's expenditure on water-related activities has averaged some 4% of the bilateral aid programme since 1997 and was £87 million in 2001–02, of which £73 million was spent on water projects in developing countries. The Department is constantly seeking improvements in the effectiveness of its aid and, in recent years, has made increasing use of new methods of providing aid, in particular "budget support". Under budget support, the Department disburses funds directly into the national budget of the recipient government in support of the implementation of an agreed poverty reduction strategy.

Against this background, and on the basis of a Report by the Comptroller and Auditor General, we examined how the Department has sought to maximise its impact in the water sector.<sup>1</sup> The main focus of the Report was on water and sanitation but the Committee also used this opportunity to draw out conclusions and recommendations on wider issues faced by the Department.

We draw the following main conclusions from our examination.

- The Department should base its bilateral assistance in each country on a rigorous assessment of the country's poverty needs and, in individual sectors, should seek to encourage a co-ordinated international donor response. In 2001–02, the Department spent £1.5 billion on its bilateral aid programme. Its individual country aid programmes are framed by and supportive of the Millennium

1 C&AG's Report, *DFID: Maximising impact in the water sector* (HC 351, Session 2002–03)

Development Goals. But it is unclear whether such decisions are always based on a thorough and timely assessment of poverty needs and, in the water sector, a full understanding of the approaches of other donors.

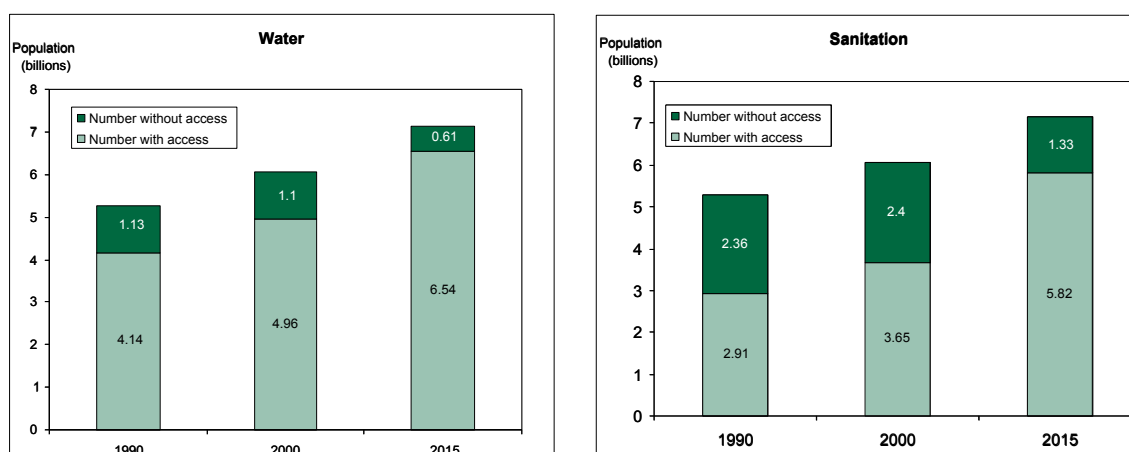
- The Department should undertake explicit risk assessments and apply consistently the good practice criteria that are being developed to address the risks inherent in the provision of aid. The Department is concerned that its assistance is used effectively. Risk is inherent in the provision of aid, and different methods of disbursing aid create different risks which need to be managed. In particular, the Department is thinking about the safeguards needed to provide assurance on the use of funds provided through budget support, and needs to be able to demonstrate that good practice is being applied consistently and transparently. Specifically, it should carry out explicit assessments of the risks to UK funds obtain robust and timely data on the use of these funds; and develop monitoring arrangements to evaluate progress towards poverty targets.
- The Department should give greater attention to evaluating the impact of its assistance and to identifying the factors that increase the chances of sustainability. Achieving a lasting beneficial impact in poor countries is one of the Department's key aims, but there is a lack of evidence on the extent to which the Department's projects have achieved a sustainable impact. The Department should address the weaknesses in its current approach, by more frequent follow-up of projects; greater coverage of projects through ex-post evaluations; incorporating monitoring procedures from the project design stage; and tracking UK funds to assess whether they have had the intended impact.

# 1 Contributing to international targets whilst addressing country needs

## Contributing to international targets

1. The Millennium Development Goals provide internationally agreed targets for addressing world poverty and set measurable indicators to assess progress. The targets in relation to water and sanitation are to halve by 2015 the proportion of people without access to safe drinking water and adequate sanitation facilities.<sup>2</sup> During the 1990s, the international development community made progress towards both these targets. Access to safe drinking water increased from 77% to 82%, and access to sanitation increased from 51% to 61%.<sup>3</sup> But meeting these targets remains a huge task (**Figure 1**) and requires co-ordinated and concerted action from the international donor community as a whole. The Department's water-related activities represent a small part of the wider international effort to improve access to water and sanitation, and its involvement in the water sector has to be seen alongside that of other donors, national governments, the private sector and non-government organisations.<sup>4</sup>

**Figure 1:** Meeting the global water targets



Source: *Global Water Supply and Sanitation Assessment 2000 Report*

2. The Department seeks to achieve its aims by working at global, national and local levels and in partnership with a wide range of organisations, including other donors, governments in developing countries and non-government organisations. A diagrammatic illustration of the Department's role is shown in **Figure 2**. At the global level, the Department engages in broader 'influencing' activity with host nations, other donors, non-government organisations and other bodies in the water sector. Such an approach can help promote long-term policy reform and the adoption of good practice by partner governments.<sup>5</sup> The Department has focussed international attention on water and

2 C&AG's Report, para 2

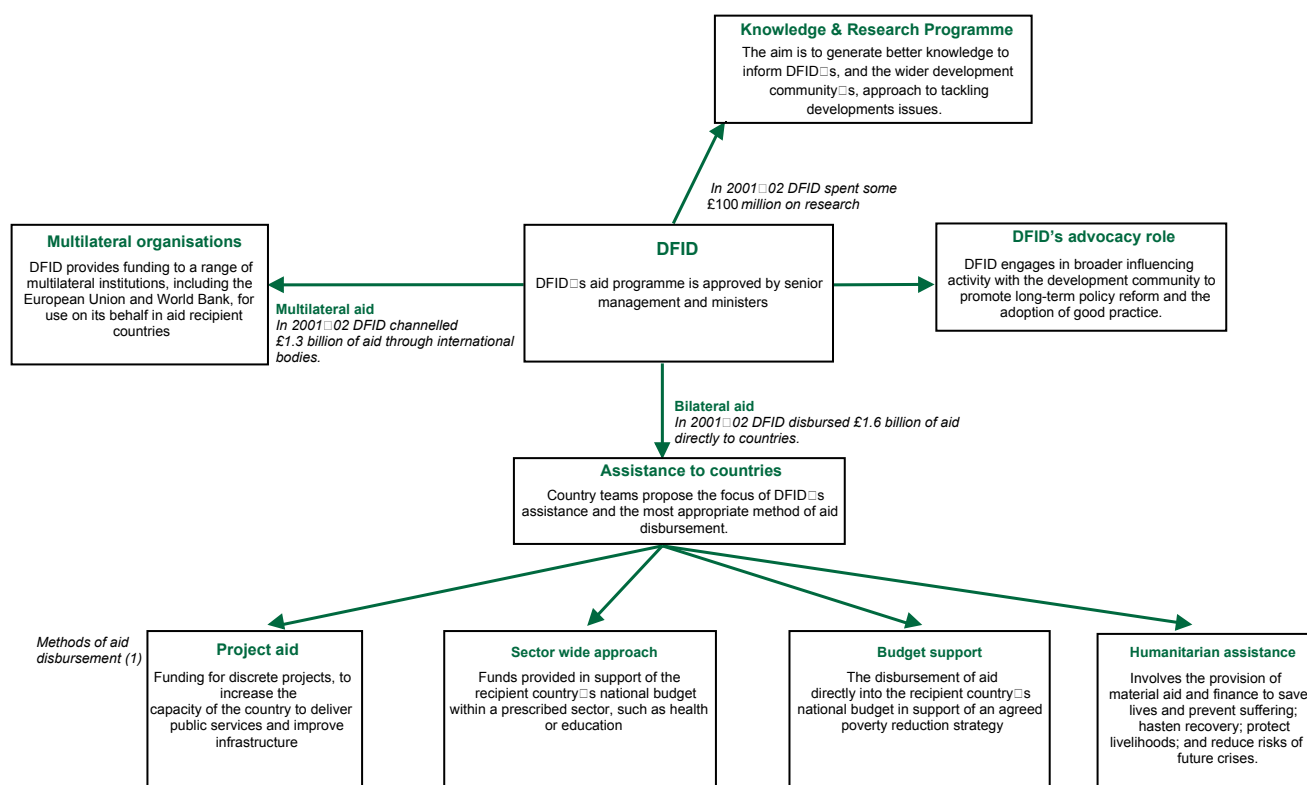
3 Q 3

4 Q 6

5 C&AG's Report, para 17

sanitation issues, has worked in partnership with international agencies active in the water sector, and played a leading role at the 2002 World Summit for Sustainable Development in the agreement on sanitation as one of the Millennium Development Goals.<sup>6</sup>

Figure 2: A diagrammatic illustration of DFID's role



Note 1. Includes a combination of funding and technical co-operation (the provision of personnel, training, research)

3. There are many bilateral and multilateral donors, and total development assistance in the water sector is estimated at £5.7 billion per annum.<sup>7</sup> Yet the Global Water Partnership has estimated that, in addition to current investment levels, up to a further US\$30 billion per year is needed to achieve the water and sanitation targets set by the Millennium Development Goals.<sup>8</sup> Overseas development assistance represents between five and 10% of total water resources,<sup>9</sup> and the Department has sought to exploit opportunities to invest in the water sector and has developed partnerships with international agencies.<sup>10</sup> For example, the Department uses its influencing role to encourage partner governments to explore opportunities for attracting private sector investment<sup>11</sup> and adopt a more economic approach to providing water. For example, the Department has helped the Ghana Government organise a conference on private sector investment to enable lessons to be learnt from other parts of the world.<sup>12</sup> The Department has also worked with donors to develop new financing facilities to attract private financing of water infrastructure.<sup>13</sup>

4. The Department also contributes to the achievement of the Millennium Development Goals through its funding to a range of multilateral bodies. In 2001–02 the Department

7 C&AG's Report, para 2.7

8 *ibid*, para 3.5

9 Q 29

10 HC Deb, 28 January 2003, cols 38WS–40WS [Commons written statement]

11 Q 30

12 Q 38

13 HC Deb, 28 January 2003, cols 38WS–40WS [Commons written statement]

provided funding of £1.3 billion to multilateral institutions, of which the largest recipient was the European Union, which received £761 million.<sup>14</sup> Multilateral bodies play a significant role in tackling global poverty, including initiatives in the water sector. The Committee raised concerns over the effectiveness of aid channelled through the European Union. The proportion of the Department's aid targeted on poor countries is 78% compared to a figure of 38% for European Union aid.<sup>15</sup> The Department has no direct control over the use of multilateral aid but has sought to encourage the European Union to adopt its philosophy that aid should be used primarily to tackle poverty needs of developing countries and that aid programmes should be based on assessments of poverty.<sup>16</sup> The Department's rationale is that aid works best when it is allocated to the poorest countries and, in particular, those poorest countries which are trying to reform.<sup>17</sup>

### Addressing the poverty needs of poor countries

5. At the country level, the Department develops plans to determine the focus and nature of its aid programme. In producing country plans, the Department seeks to balance its high level objectives of contributing towards the Millennium Development Goals with the specific needs of individual countries.<sup>18</sup> The Department is increasingly seeking to support host governments in their implementation of national poverty reduction strategies, and thus align the focus of its support with the poverty priorities of partner countries.<sup>19</sup> The level of the Department's support in any sector within a country is also influenced by the extent of involvement of other donors. It does not operate in all sectors in all countries but assesses whether it has any specific knowledge or experience in the sector which would give a comparative advantage over other donors. It seeks to achieve an effective use of resources by focussing its assistance in sectors in which it judges it will have greatest impact.<sup>20</sup>

6. The Department has staff dedicated to managing its assistance in individual countries and it is the responsibility of these teams to propose where and how resources should be spent. The focus of the Department's assistance is based primarily on the country's own poverty priorities.<sup>21</sup> In countries, such as India and Uganda, where improving access to water has been prioritised by the government, the Department ensures that this is reflected in its country plan. Improving access to water and sanitation has been afforded a lower level of priority in some countries, including some which have the lowest levels of access to water.<sup>22</sup> In these countries, other poverty needs are given a higher priority; for example, humanitarian issues are paramount in conflict-affected countries such as Afghanistan and Ethiopia and, in others, the provision of healthcare and education facilities is considered to be a higher priority.<sup>23</sup>

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14 C&AG's Report, para 3.2

15 Q 97

16 Q 95

17 Q 96

18 C&AG's Report, para 15

19 Q 12

20 C&AG's Report, para 2.18

21 Q 12

22 Q 80

23 Q 66

7. The Department employs experts in individual sectors to determine the focus of its assistance in each country, to manage projects and liaise with key stakeholders. These experts draw upon their knowledge of the country circumstance to design aid programmes and projects that address local needs. But varying use has been made of detailed assessments of water need to determine where needs are greatest within countries and to identify opportunities for Departmental involvement. For example, in Uganda a country-level assessment of water needs was last carried out in 1998 and in Ghana, no assessment has been undertaken since 1995.<sup>24</sup> It is not always necessary for the Department to carry out such assessments themselves and reliance can be placed upon assessments carried out by other donors, non-government organisations or the host government.

8. The availability of relevant expertise in country teams is a key factor in ensuring that the Department's assistance is relevant to country needs. It is important in developing an understanding of the country's needs and forming a good working relationship with government officials.<sup>25</sup> The Department does not employ advisors from all disciplines in every country office. The advisory skill mix is adapted to reflect country priorities; for example, the Tanzania country office is shortly to get a statistical adviser as the generation of poverty data has become increasingly important. As water is a relatively low priority in many Departmental country programmes, there is not always a water or engineering adviser resident in country teams and, in such cases, it is more difficult to ensure that the water needs of that country are given due consideration in country planning.<sup>26</sup> The Department has expertise available at the centre which can be drawn on by country teams if there is a need to become involved in the water sector<sup>27</sup> but limited use was made of such expertise.<sup>28</sup>

9. One of the Department's key philosophies is to work as part of the wider international effort to support countries in achieving their poverty targets<sup>29</sup> as it recognises that a collective donor effort is more effective than isolated and uncoordinated donor contributions.<sup>30</sup> This requires a good understanding of the input of other bodies in the country and the Department seeks to work in partnership with key donors and non-government organisations. In some countries, such as South Africa, the host government co-ordinates donor contributions towards the country's water needs under a single plan. In Uganda, the Department is participating in the development of a joint sector-wide approach with other donors. But sector-wide approaches are not common in the water sector and in some countries there was scope for wider co-ordination between the bodies active in the sector.<sup>31</sup>

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24 C&AG's Report, para 2.19

25 *ibid*, para 2.21

26 *ibid*, para 2.21

27 Q 13

28 C&AG's Report, para 2.21

29 *ibid*, para 2.22

30 Q 80

31 C&AG's Report, para 2.20

## Making better use of research

10. The Department spends more than £100 million per annum on development-oriented research, of which some £3 million is on water-related research. The aim is to generate better knowledge to guide the Department and the wider development community in tackling development issues.<sup>32</sup> The Department uses a wide range of methods to disseminate research results but there is scope to improve uptake further and explore how the potential benefits can be realised.<sup>33</sup> The main reasons for a lack of uptake included low awareness of research amongst potential users; scepticism about the applicability of research; a lack of funding to assist in the adoption of research; and unclear lines of responsibility.<sup>34</sup>

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32 C&AG's Report, para 18

33 Q 56

34 C&AG's Report, para 3.11

## 2 Managing the risks involved in the provision of aid

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11. The Department is committed to shifting the delivery of aid from funding discrete projects to making greater use of budget support. Budget support involves the provision of aid directly into the national budget of the partner government in support of the implementation of an agreed poverty reduction strategy. The Department, along with much of the donor community, believes that budget support offers the potential to improve the effectiveness of aid. The rationale is that progress towards the achievement of poverty targets is more likely to be made by assisting partner governments to implement long-term poverty reduction programmes.<sup>35</sup> The aim is to develop the capacity of institutions to deliver sustainable public services and to strengthen government systems to disburse funds more effectively.<sup>36</sup> In 2001–02, the Department provided some £290 million through budget support, approximately 18% of its bilateral aid programme.

12. Whilst there are potential benefits, there are also risks because the Department is not directly responsible for the actual use of funds after they have been disbursed into partner government budgets.<sup>37</sup> So it is important that the use of budget support is backed up by the provision of appropriate technical assistance. The Department has worked closely with the National Audit Office to develop its approach to addressing the risks inherent in budget support and has implemented a range of initiatives to safeguard and provide feedback on the use of UK funds.<sup>38</sup> A key element of the Department's approach is to build up the human resource capacity in developing countries by transferring knowledge from its advisers to developing country administrations.<sup>39</sup> These initiatives are tailored to individual country circumstances and include the following examples.

- Government financial management systems are strengthened by, for example, providing training to civil servants.<sup>40</sup> The Department has supplemented the use of budget support by building the capacity of national institutions in poor countries.<sup>41</sup>
- Public and parliamentary accountability arrangements are supported to enable better and more timely feedback on the use of funds. For example, in Ghana and Indonesia, the Department is strengthening committees equivalent to the Committee of Public Accounts and providing advice on how the system work in the United Kingdom.<sup>42</sup>

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35 C&AG's Report, para 1.23

36 Q 47

37 C&AG's Report, para 1.23

38 Q 57

39 Q 9

40 Q 75

41 Q 19

42 Q 10

- Expenditure-tracking studies are used to provide assurance that funds are being used in accordance with poverty priorities.<sup>43</sup>
- Enforcement capacity in developing countries is strengthened by, for example, providing anti-corruption agencies with appropriate legislation and resources to catch and prosecute people mis-using public funds.<sup>44</sup>

13. The increasing use of budget support by other bilateral and multilateral donors offers the opportunity for the harmonisation of donor practices by, for example, the development of a single reporting system. There are benefits for the host government too in terms of reducing the burden of meeting numerous donor reporting regimes. The Department has worked with host governments to develop their reporting systems and is making progress with other donors on developing a common international set of reporting requirements.<sup>45</sup> Donors have their own accountability requirements, however, and have so far insisted on the separate collection of data. The National Audit Office is also working with other donors' auditors to develop a common methodology for auditing budget support arrangements.<sup>46</sup>

14. In developing countries, poverty reduction strategies are key documents in setting poverty objectives and prioritising national budget allocations.<sup>47</sup> They are established by host governments, often following wide consultation within the country on the poverty priorities. But the quality of poverty reduction strategies varies, and the worst have priorities set centrally with no buy-in from the population.<sup>48</sup> There is evidence that poverty reduction strategies have not always reflected fully the water needs of developing countries. Analysis of a sample of seven strategies showed that there are a number of risks to the achievement of improved water and sanitation access and, in many respects, the proposed approaches are not consistent with good practice (**Figure 3**).<sup>49</sup> Most of these countries are in a stage of development where they consider water to be a lower priority than health and education.<sup>50</sup> The Department, as part of the wider international donor community, liaises with the host government on its national poverty objectives and targets when agreeing to the provision of budget support. It seeks to influence host governments to focus on poverty needs and,<sup>51</sup> as necessary, will seek to challenge decisions made.<sup>52</sup>

15. The use of budget support changes the nature of donor involvement in developing countries and has consequent resource implications. For example, there is an increased need to engage in higher-level policy dialogue with governments.<sup>53</sup> The Department needs to balance the new resource requirements with the retention of appropriate expertise in order to provide sufficient knowledge of country needs and to enable an informed dialogue

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43 C&AG's Report, para 11

44 Qq 9, 75

45 Q 57

46 Q 47

47 C&AG's Report, para 1.30

48 Q 68

49 Q 26; C&AG's Report, para 1.30

50 Q 16

51 Q 37

52 Q 69

53 C&AG's Report, para 1.33

with the national government.<sup>54</sup> There is also a role for civil society in ensuring the needs of sub-groups are considered by national governments and the Department seeks to ensure appropriate consultation and consideration of the full range of poverty needs in the establishment of national priorities.<sup>55</sup>

**Figure 3:** Risks to the achievement of improved water and sanitation coverage

The National Audit Office reviewed seven poverty reduction strategies—Uganda, Ghana, Malawi, Tanzania, Rwanda, Kenya and Malawi—and drew upon research conducted by Water Aid. This identified the following concerns over the role of water in poverty reduction strategies:

- funding allocations to the water sector not increasing;
- geographic focus is not in the areas of greatest need—for example, funds earmarked for urban areas where the majority of needy live in rural areas;
- insufficient attention to sanitation issues;
- insufficient attention to water resource management issues; and
- a lack of attention to maintenance needs and community involvement—factors considered crucial in achieving a sustainable impact.

Source: C&AG's Report: Department for International Development: Maximising Impact in the Water Sector (HC 351, Session 2002–03), Figure 16

16. The lack of capacity in local government to spend resources effectively is a key risk factor in delivering better public services in developing countries. Many developing countries have decentralised government structures and, in the water sector, responsibility for service delivery is devolved to local levels of government. There is a greater risk of a lack of human resource skills in local government and, further, capacity to deliver services is generally weakest in the poorest areas of the country, where lack of access to water is likely to be most acute.<sup>56</sup> Strengthening the capacity of governments to deliver better public services is one of the objectives of budget support. To date, the Department's capacity building role has predominantly been directed towards central government (see paragraph 12) and less attention has been given to addressing weaknesses at lower levels of government to improve their ability to manage funds and deliver services.<sup>57</sup>

17. Monitoring and evaluation play a key role in ensuring that aid provided via budget support is being used for the intended purposes of poverty reduction.<sup>58</sup> The nature of budget support means that it is not possible to monitor in detail how funds have been spent. The Department seeks to meet its accountability requirements in three ways. First, the provision of budget support is conditional upon an agreement with the country that it is committed to the right policies and poverty reduction targets. Second, systems and people are put in place to provide reasonable assurance over the use of funds,<sup>59</sup> and a

54 Q 58

55 Q 69

56 Q 18; C&AG's Report, para 1.31

57 C&AG's Report, para 1.31

58 *ibid*, para 1.37

59 Q 48

number of the measures outlined in paragraph 12 are intended to strengthen the government's financial management systems and provide feedback on the use of funds. Third, the Department monitors the government's on-going commitment to poverty issues and there have been instances in which this has led to the suspension of budget support. For example, in 2000 the Kenya government's lack of commitment to its agreed reform programme led to a suspension of funding, prompted by a lack of progress in strengthening corruption legislation and creating an independent anti-corruption body.<sup>60</sup> The new government in Kenya now offers the opportunity for renewed dialogue and the possibility of renewing budget support if the necessary commitments are provided.<sup>61</sup>

18. The Department may choose not to provide aid in a country, or region, if it considers that the risks of misuse are too high. For example, the Department decided against funding a waste-water scheme in Uttar Pradesh in India because of the unwillingness of the local government to put in place the necessary safeguards or address institutional problems surrounding the project's management.<sup>62</sup> The Department undertakes a risk appraisal as part of the project design.<sup>63</sup> Budget support submissions include an assessment of risks although there is scope for a more rigorous and systematic risk appraisal. The on-going provision of budget support is dependent upon the country's achievements against a range of outcome-based poverty indicators. The Department is working with partner governments and the international development community in developing countries to ensure the availability of reliable and timely performance information to measure progress against these indicators.<sup>64</sup>

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60 Q 71

61 Q 72

62 Q 59

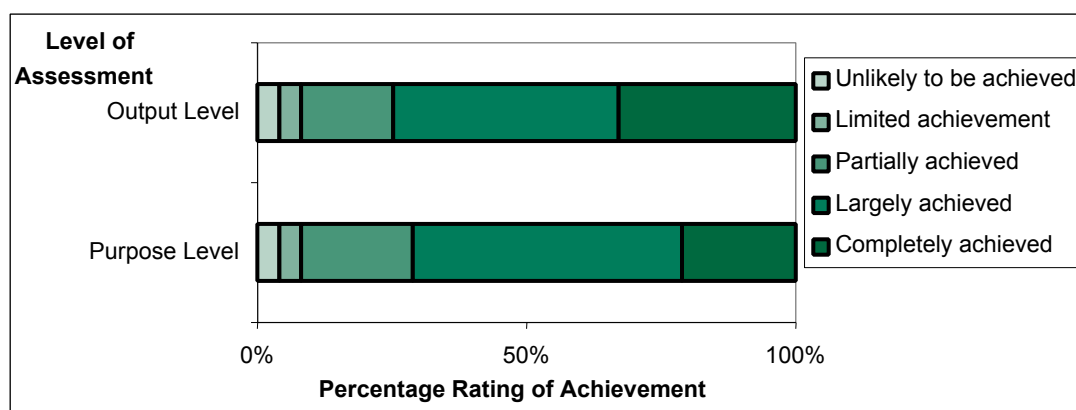
63 C&AG's Report, para 1.16

64 *ibid*, para 1.37

### 3 Achieving a sustainable impact from projects

19. Achieving a lasting beneficial impact is one of the key objectives of development assistance. Between 1997 and 2002 the Department completed 193 dedicated water and sanitation projects, which represented a commitment of £61 million. The Department's evaluations of these projects showed that, where assessments were available, three quarters had completely or largely achieved their objectives (**Figure 4**).<sup>65</sup> But there was a lack of available evidence to assess the extent to which these projects were achieving a lasting beneficial impact. Two thirds of project completion reports that included an assessment of sustainability raised doubts and risks as to whether a sustainable impact would be achieved.<sup>66</sup> There are risks inherent in providing development assistance in developing countries and the Department's achievements must be considered within this context. The Department has also tried innovative approaches in risky places in order to achieve development outcomes.<sup>67</sup>

**Figure 4:** Achievement of objectives for water projects completed between 1997 and 2002



Note: Output level rating is used to assess the project's planned results. Purpose level rating is used to reflect whether the intended changes have occurred in the host country as a result of those outputs.

Source: NAO analysis of Project Scoring Information

20. The Department has responded to the need to achieve a sustainable impact in a number of ways.<sup>68</sup> The Department has recognised that unless the broader policy framework in developing countries is strong, then individual projects are not going to be sustainable.<sup>69</sup> Improving governance has been a major focus of the Department's bilateral

65 C&AG's Report, para 7

66 *ibid*, para 8

67 Q 49

68 C&AG's Report, para 1.13

69 Q 19

aid programmes for a number of years as it has recognised that building effective institutions is an important pre-condition of achieving sustainable development.<sup>70</sup>

21. The Department also seeks to address sustainability issues in project design. The National Audit Office found that some recognised good practice criteria received less attention than others. Most commonly, projects did not consider the availability of replacement parts, the use of cost-effective technology and hygiene awareness issues.<sup>71</sup> The Department told us that it is possible to break down the components of sustainability into five key factors (**Figure 5**).<sup>72</sup> In the past, too many projects have been designed without addressing all of these issues.<sup>73</sup> The Department has published a series of strategy papers to inform staff thinking on the priorities and methodologies that should be considered when developing country programmes. These papers include “*Addressing the Water Crisis*” and “*Achieving sustainability, poverty elimination and the environment*”. However, little attention has been given to knowledge management within the Department or the best approach to disseminating to country teams the good practice and lessons learned from project evaluations.<sup>74</sup>

**Figure 5:** The five key components of sustainability

<p><b>Political support:</b> ensuring that there is host government to addressing the issues in that sector.</p> <p><b>Economic sustainability:</b> ensuring that the appropriate charging structure is in place to ensure that revenue is raised for operation and maintenance issues.</p> <p><b>Social sustainability:</b> addressing the community’s requirements are understood and addressed in the project.</p> <p><b>Technical issues:</b> ensuring technology is appropriate to the community’s needs.</p> <p><b>Policy and institutional issues:</b> ensuring the institutional infrastructure is in place to manage the projects and deliver services.</p>
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Source: Ev 1, Q 8

22. The inability of local partners to manage donor-funded interventions can lead to problems with sustainability. In the Two Regions Project in Ghana, the partner government did not have the capacity to address issues that emerged during project implementation, thus leading to a reduction in the effectiveness of the Department’s funding.<sup>75</sup> The Department accepts that, in the past, too many projects have given insufficient attention to what happened after funding had ended and expertise had been withdrawn. Greater attention is now being given to the skills and institutional structure that are needed to manage the project after the Department’s involvement ends.<sup>76</sup>

23. Increasingly, the Department’s water projects have focused on strengthening the capacity of those bodies responsible for water delivery and transferring knowledge from its

70 C&AG’s Report, para 1.13

71 *ibid*, para 1.15

72 Q 8

73 Q 8

74 C&AG’s Report, para 1.22

75 *ibid*, para 1.10

76 Qq 9, 76

advisers to developing country administrations.<sup>77</sup> The aim is to secure a longer-term impact, and the Department believes that it has a comparative advantage over other donors in providing this type of assistance.<sup>78</sup> This has led to successful projects which have had a lasting beneficial impact. For example, a Departmental water project in Maharashtra in India led to the introduction of a new charging structure which enabled the government to charge those who could afford to pay and raise funds to maintain systems.<sup>79</sup>

24. The Department has a well-established approach to evaluating its projects. Country teams are required to carry out project completion reports for all bilateral projects with a commitment in excess of £1 million.<sup>80</sup> However, the Department's performance in completing such reports has been poor. Project completion reports should have been carried out for 32 of the 193 water projects completed between 1997 and 2002, but only 17 reports had been produced. In value terms, this represented coverage of 56% of eligible water projects.<sup>81</sup> The lack of available information means that it is not possible to determine fully the value for money of the Department's assistance<sup>82</sup> or undertake a comprehensive assessment to identify those factors leading to project success. The Department has devoted considerable efforts to improve compliance with its project evaluation procedures and told us that twice as many projects were reviewed last year compared to previous years.<sup>83</sup>

25. The main purpose of project completion reports is to assess the extent to which the project goal and planned outputs have been achieved. But there is less emphasis on assessing sustainability or the wider impacts of projects, often because they are completed too early to judge the longer-term impacts.<sup>84</sup> The evaluation of impacts needs to be considered at the outset of the project and, as necessary, appropriate baseline information needs to be collected to assess outcomes. The Department has not always given sufficient attention to the need to establish robust monitoring arrangements at the project design stage.<sup>85</sup>

26. The Department also carries out a rolling programme of ex-post evaluations to assess the long-term sustainability and wider impacts of projects. However, due to the wide range of its activities, the Department is only able to achieve partial coverage in any one year.<sup>86</sup> The Department is increasing the resources devoted to evaluations by 25% in each of the next two years and is establishing a direct link to the management board.<sup>87</sup> Efforts are also being made to improve the quality of evaluations<sup>88</sup> and make them more timely and

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77 Q 9

78 Qq 19, 53

79 Q 32

80 C&AG's Report, para 1.18

81 *ibid*, para 1.8

82 Q 11

83 Q 11

84 C&AG's Report, para 1.19

85 *ibid*, para 1.20

86 *ibid*, para 1.21

87 Qq 11, 57

88 C&AG's Report, para 1.18

relevant.<sup>89</sup> As part of the increased evaluation effort, there is also scope to revisit projects some years after funding has stopped to assess impacts and learn lessons.<sup>90</sup>

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89 Q 11

90 Qq 52, 57

# Conclusions and recommendations

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## Contributing to international targets whilst addressing country needs

1. In many developing countries the involvement of other donors and the development of joint donor-government approaches has been effective particularly in the health and education sectors. The Department should ensure that its contribution to the water sector complements the programmes of other international development agencies. In countries where the Department has a dedicated water programme, it should take the initiative in developing a joint action plan with key stakeholders to address the country's water and sanitation needs.
2. There is scope to make better use of the Department's research into the impact of development assistance. The Department should explore innovative methods of disseminating research results and raising awareness of its applicability. The uptake of research should be monitored. The Department should also give greater emphasis to proposed dissemination techniques when assessing the merits of research proposals.

## Managing the risks involved in the provision of aid

3. The Department should conduct annual reviews of the measures that have been implemented to mitigate the risks of budget support and the progress made by the recipient government in strengthening its systems. The Department should be able to provide reasonable assurance that funds provided through budget support have been used for the purposes intended, and to act decisively when doubts over the use of funds arise.
4. Budget support offers the potential for the harmonisation of donor practices. Given the Department's international standing, it should take the lead amongst bilateral donors to develop a common set of reporting requirements for budget support funds.
5. The poverty reduction strategies of poor countries do not always reflect fully their water needs. The Department should determine whether there is a coherent, credible government plan for meeting water and sanitation targets, and should employ appropriate expertise in its country teams.
6. A key risk factor in delivering better public services in poor countries is the lack of capacity in local government to manage and spend resources effectively. To date, the Department has focused predominantly on strengthening the financial management and reporting systems of central government. The Department should recognise the importance of local government capacity to deliver public services in considering the case for budget support.
7. The Department needs to be able to form a clear view in each country on the progress being made towards poverty reduction targets. In many poor countries, government statistics do not provide reliable data on the true extent of poverty. The

use of budget support places greater emphasis on the need to create timely and reliable data to measure progress towards targets.

### **Achieving a sustainable impact from projects**

8. The Department has identified the key components that increase the chances of achieving a sustainable impact and should take these factors into account in the design of projects.
9. The Department's project evaluation should give greater attention to assessing wider impacts and sustainability. The Department should explore the potential for making greater use of tracking UK funds to assess whether they have had the intended impact. It should build evaluation requirements into projects at the outset and collect appropriate baseline information.

# Formal minutes

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**Wednesday 18 June 2003**

Members present:

Mr Edward Leigh, in the Chair

Geraint Davies

Mr Brian Jenkins

Mr George Osborne

Mr David Rendel

Mr Alan Williams

The Committee deliberated.

Draft Report (Department for International Development: maximising impact in the water sector), proposed by the Chairman, brought up and read.

*Ordered*, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 26 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

*Resolved*, That the Report be the Thirtieth Report of the Committee to the House.

*Ordered*, That the Chairman do make the Report to the House.

*Ordered*, That the provisions of Standing Order No. 134 (Select Committees (Reports)) be applied to the Report.

Adjourned until Monday 23 June at 4.30 pm

# Witnesses

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**Wednesday 12 February 2003**

*Page*

**Mr Suma Chakrabarti, Mr Mark Lowcock, and Mr Ian Curtis,**  
Department for International Development

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Fourth Report	Private Finance Initiative: redevelopment of MOD Main Building	HC 298 ( <i>Cm 5789</i> )
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Twenty-ninth Report	Inland Revenue: Tax Credits and tax debt management	HC 332
Thirtieth Report	Department for International Development: maximising impact in the water sector	HC 446

The reference number of the Treasury Minute to each Report is printed in brackets after the HC printing number