

DFID, the Department for International Development: leading the British government's fight against world poverty.

One in five people in the world today, over 1 billion people, live in poverty on less than one dollar a day. In an increasingly interdependent world, many problems – like conflict, crime, pollution, and diseases such as HIV and AIDS – are caused or made worse by poverty.

DFID supports long-term programmes to help eliminate the underlying causes of poverty. DFID also responds to emergencies, both natural and man-made. DFID's work forms part of a global promise to:

- halve the number of people living in extreme poverty and hunger
- ensure that all children receive primary education
- promote sexual equality and give women a stronger voice
- reduce child death rates
- improve the health of mothers
- combat HIV & AIDS, malaria and other diseases
- make sure the environment is protected
- build a global partnership for those working in development.

Together, these form the United Nations' eight 'Millennium Development Goals', with a 2015 deadline. Each of these Goals has its own, measurable, targets.

DFID works in partnership with governments, civil society, the private sector and others. It also works with multilateral institutions, including the World Bank, United Nations agencies and the European Commission.

DFID works directly in over 150 countries worldwide, with a budget of some £5.9 billion in 2006.

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Meeting our promises

A third update on DFID's work in water and sanitation since the 2004 Water Action Plan



“We need to bring clean water to 300,000 people and sanitation to 450,000 people each day, every day, for the next ten years, if we are going to meet the Millennium Development Goal targets.”



Introduction

The UK government recognises that access to safe, affordable water is a human right. Yet, over a billion of our fellow human beings lack safe water to drink and half the population of developing countries are without proper sanitation. The poor suffer most and women and children have to spend valuable time collecting water rather than working or going to school. In Pakistan half of girls drop out of class just because schools do not have latrines. The problem is daunting: we need to bring clean water to 300,000 people and sanitation to 450,000 people each day, every day, for the next ten years, if we are going to meet the Millennium Development Goal targets. Urbanisation, population growth and climate change will make it even harder.

The plain truth is that not enough is being done to solve this problem, whether in national poverty reduction plans, national budgets, by donors or the international community. We must act, and there are three main things we need to do:


- **invest more money in water and sanitation;**
- **ensure that money is spent effectively and fairly;**
- **put the right structures in place to make progress.**

This, our third update since the 2004 Water Action Plan, outlines DFID's recent progress in water and sanitation. It summarises policy developments, work with our partners in developing countries and relations with our international partners as we work together to overcome the global water crisis, which claims the lives of over 5,000 children every day.

Hilary Benn
Secretary of State
for International Development

◀ Front cover: A young boy draws clean, cool water from a deep well in Mali. DFID

◀ A woman collects emergency supplies of soap and water in Gereida camp, South Darfur, Sudan. Leonard Tedd



“There is no financial, geographical or practical reason why we should not be able to alleviate the suffering caused by the lack of clean drinking water.”

“Last year's Human Development Report exposed the silent emergency caused by the lack of clean water and absence of adequate sanitation for billions of the world's poorest people. As we approach the half way mark towards meeting the Millennium Development Goals, it becomes more apparent than ever that tackling the water and sanitation crisis is fundamental to achieving all the Goals.

There is no financial, geographical or practical reason why we should not be able to alleviate the suffering caused by the lack of clean drinking water. In the simplest economic terms, lack of clean water and decent sanitation is a major brake on growth. We know the delivery mechanisms exist, but failure to invest in them now, particularly in the most vulnerable parts of Africa and Asia, will also be compounded by the effects of climate change to come.

For these reasons, I am delighted that Secretary of State Hilary Benn and DFID have responded so positively to the Human Development Report's call for a global action plan on water. By echoing our call that water be made a human right enshrined in legislation, the British government has underscored its commitment to helping some of the poorest people in the world, a commitment also demonstrated by the substantial increase in its aid programme for water. It is difficult to imagine a better investment in the health and welfare of the world's poorest people. I very much applaud Hilary's personal commitment to accelerating progress on this crucial issue.”

Kemal Derviş
Administrator
United Nations Development Programme

Commitments in the 2004 Water Action Plan

DFID's 2004 action plan described how DFID would take forward its commitments to water and sanitation and continue to contribute towards achieving the Millennium Development Goals (MDGs) in a way that recognises that this work is most effective when it supports developing country governments' own plans.

The main elements of the plan are:

- making sure water figures prominently in policy discussions with our main partner governments;
- showing the links between improved water and sanitation services and achieving all the MDGs; and
- improving the way the international system works by focusing our efforts on a small number of key international partnerships and networks, particularly those that can improve co-ordination in the water sector.

Progress in the past six months

DFID's third White Paper, *Making Governance Work for the Poor*, was published in July 2006. This commits DFID to:

- increase spending on essential public services – education, health, water and sanitation, and social protection – to at least half of the UK's direct support to developing countries;
- double support for water and sanitation in Africa to £95 million per year by 2007/08, and to double it again to £200 million per year by 2010/11;
- focus effort on countries most off-track against the water and sanitation MDG targets across Africa;
- work directly and with others to expand provision of water and sanitation across Asia;
- work with civil society organisations to help them demand better access to water and sanitation;

- support UN-Water to improve co-ordination of international aid;
- significantly increase support for the development of innovative technologies for cleaner water and sanitation; and
- help partner countries to develop sustainable, equitable ways of managing their water resources.

Water is a human right

November 2006 marked the recognition by the UK government that **safe and affordable water is a right for all**. This was a significant milestone. The right to water sets a standard: it places an obligation on governments to ensure that everyone has access to water and it gives people a stronger voice to demand access. The UK's affirmation of this right sends a strong signal to our developing country partners and to international donors. It shows a serious commitment to improving people's access to water and that DFID is ready to work with others to achieve this.

DFID has published on its website a note that sets out what the right to water means. The DFID's Water, Sanitation, Energy and Transport (WSET) Team is currently developing guidance about how donors can work with developing country governments to strengthen accountability to poor people for water services. As part of this work, the team will look in more detail at how the right to water can be a practical tool for change for poor people.

Human Development Report 2006

On 9 November 2006, the same day that the UK affirmed the right to water, the United Nations Development Programme (UNDP) published the *Human Development Report 2006* (HDR). The HDR, which focused on water and sanitation, set out four steps to help achieve the water and sanitation MDG targets:



Children displaced by conflict in Gereida camp, Darfur, Sudan. Leonard Tedd

- make water a human right – and mean it;
- develop national plans – with ambitious targets and backed by finance;
- support national plans with aid; and
- develop a global action plan to mobilise finance – to assist developing countries to draw on local capital markets and enhance capacity building.

DFID's call for global action on water and sanitation

In response to the *HDR*, DFID published a call for global action: *Why We Need a Global Action Plan on Water and Sanitation*.

This aims to:

- encourage **greater financial investment** in the water and sanitation sector;
- ensure that this **money is spent fairly and effectively**; and
- help put in place the **right structures** for making progress.

It calls for:

- one annual report, to monitor progress towards achieving the water and sanitation MDG targets;
- one high-level global annual meeting; and
- at country level, one national water and sanitation plan, one co-ordinating group, and one lead UN body for water and sanitation.



Wash day on the Nile. Local people wash their clothes and themselves at Juba, Sudan.
Clare Barrington

International Development Committee Inquiry into Water and Sanitation

The International Development Committee (IDC) announced its inquiry into Water and Sanitation on 20 July 2006 and DFID officials gave oral evidence on 5 December 2006. The IDC visited Ethiopia at the end of January 2007, ahead of the Secretary of State's appearance before the Committee in February. The IDC report on Water and Sanitation is due in April or May 2007. DFID's response to the report will be published two months later.

DFID's Water Policy Update

In September 2006, DFID's Development Committee agreed to the preparation of a Water Policy Update. Background work will be prepared, on water resource management, sanitation, finance and governance.

Making progress on sanitation

As part of the review, on 20 December 2006 more than 20 sanitation experts met to discuss policy ideas. Their discussions focused on the need to:

- make stronger **links to education and health** by making a much clearer case for sanitation;
- increase the focus on **hygiene promotion**;
- ensure that subsidies are used for the right things (awareness raising and hygiene promotion rather than infrastructure); and
- clarify the role of government, civil society and the private sector.

A reference group was established, headed by Dr Andrew Cotton of the Water, Engineering and Development Centre (WEDC) at Loughborough University, and a draft report will be presented at a meeting to be arranged in early April.

“In Darfur, DFID’s humanitarian support includes a grant of over £10 million. This involves supplying water and sanitation to people caught up in the conflict.”



What we are doing in our country programmes

Africa

Ethiopia

DFID is putting extra financial support into water and sanitation in Ethiopia. We envisage delivering a programme of up to a £100 million over five years.

DFID Ethiopia held a financing round-table discussion in February 2007, as part of the ACP-EU Water Initiative country dialogue, to determine how best to channel DFID’s funds. DFID will co-fund the existing World Bank and African Development Bank programmes, with funding coming on stream in around July 2007.

Nigeria

DFID supports UNICEF in its work to improve water and sanitation to help poor communities in eight states, through 46 local government authorities to 165 communities. In 2007, DFID, through UNICEF, aims to drill **1,380 boreholes**, install water pumps, rehabilitate 280 water supply systems and **construct latrines and urinals in 600 schools**.

Through UNICEF, DFID funds the Federal Ministry of Water Resources’ staff training programme and in 2006, supported Nigeria’s first national water and sanitation forum. DFID supports WaterAid to pilot community-led total sanitation. Through a state and local government project, DFID supports a pilot programme to improve water supply to health clinics in Enugu, Kano and Jigawa states.



The long walk for water in Mali. Women, and it is always women, often have to walk for miles just to get safe water. WaterAid

Democratic Republic of Congo

Working through UNICEF, DFID will help to provide **clean water and sanitation to one million people** in rural areas. With support from the EC and the Belgian government, the Mbuyi-Mayi project will reach **500,000 people**. DFID has doubled its support for water in the Congo to £8 million per year. This will rise to £10 million per year in 2007/08. DFID will continue to support the UN humanitarian programme implemented by Oxfam and International Red Cross.

Ghana

With support from the German, Danish and Dutch governments, DFID Ghana is helping to provide access to **water and sanitation for 200,000 people** through a £7.5 million grant. This initiative will include water supply for **eight small towns and for 115 communities** in the Greater Accra region, as well as for a number of communities affected by Guinea worm. Water and sanitation in Ghana will be a prime focus for the international community during 2007.

Sudan

DFID supports the provision of water in Darfur and in east and south Sudan. **In Darfur, humanitarian support includes a £10.2 million grant.** This grant is for supplying water and sanitation to people caught up in the conflict.

In the south, to support recovery and implementation of the comprehensive peace agreement, approximately one-third of projects approved by the **Basic Services Fund for Southern Sudan (£17.2 million over two years)** will focus on improving access to water, sanitation and hygiene education. DFID has also contributed



Women draw supplies of clean water from a water storage tank in Darfur, Sudan.
Leonard Tedd

£1.1 million to a UNICEF-managed programme for supporting the preparation of water sector policies in southern Sudan. In addition to this, the Multi-Donor Trust Fund for Southern Sudan (managed by the World Bank, to which DFID has contributed £23.5 million over three years) is implementing a major water and sanitation programme. This will support the planning and implementation of activities throughout the region, at national, state, county and community levels.

Tanzania

DFID funds the water sector through budget support (3.5% of the budget is allocated to water). DFID also funds WaterAid, through a Programme Partnership Agreement (PPA), to work on policy advocacy and monitoring. The Tanzanian government's allocation to the sector has increased sixfold, in real terms, since 2000. The Ministry of Water will approve the Water Sector Development Programme, with total financing of \$951 million up to 2010 (with around half the sum for rural water and sanitation).

Malawi

Over the next five years, DFID Malawi will help to **provide access to water and sanitation for 110,000 people in two underserved districts** through its support of Concern Universal on an ACP–EU Water Facility project. DFID is also funding WaterAid to complete the national digital water point mapping used by the Malawi government for planning and monitoring water provision. **DFID has improved sanitation at 400 schools since 2003**, as part of Malawi's school-building programme.

Uganda

DFID provides £3.96 million to the water sector through budget support and programme/project support. The Ugandan government allocates 3% of its budget to water and sanitation. DFID will contribute £1.4 million to its national water and sanitation support programme, £1 million to UNICEF and £0.45 million to the Red Cross for internally displaced people in northern Uganda. DFID continues to fund WaterAid (£0.23 million over three years) to help the public to demand better services from government. DFID hopes to allocate £1.5 million to an extension of the UNICEF project in northern Uganda. The Ugandan government review of the sector highlighted the need for more investment if its targets are to be met. DFID's work on public financial management and anti-corruption is helping to reform the sector.

Rwanda

The Rwandan government allocated 1% of its budget to water in 2006, but this is expected to increase to 2.4% in 2007. Donor funding will also increase. The Rwandan government estimates that £35 million (£4 per person) per year is needed to meet the MDGs, whereas £1.50 per person is the current total allocation. DFID will continue to fund the sector through budget support. It will provide \$0.65 million to WSP to help the Rwandan government to improve its sector monitoring, planning and financial management, as well as its engagement with the local private sector in the management of facilities and in sanitation and hygiene promotion in schools.

Sierra Leone

With the World Bank, DFID has approved £4.2 million for a trust fund for water in Freetown. Plans to **help 1.5 million people with a five-year £35 million programme for water and sanitation** are under way. DFID also supports the water sector through budget support (although the government allocates only 0.7% of its budget to the sector), assistance with drafting the national water and sanitation policy and assessments of water supplies in Freetown.

UNICEF estimates that access to water and sanitation is falling, with water coverage dropping from 54% in 2000 to 46% in 2005 and sanitation coverage dropping from 63% to 30% over the same period.

Mozambique

The Mozambique government is designing a sector-wide approach (SWAp) within the rural water and sanitation sector. At the government's request, DFID will fund a consultancy to assist the development of the SWAp. DFID is currently the deputy chair of the donor Water Supply and Sanitation (WSS) Group, and will chair this group from July 2007. DFID's WSS project, in collaboration with UNICEF, will end in June 2007. DFID is currently preparing a project proposal for support to the sector via budget support, which will be either over a three or ten-year timeframe.

Zambia

The Zambian government and donors are developing a sector-wide approach to the water sector to improve the effectiveness of assistance and boost demand. A number of bilateral and multilateral donors provide most of the funding for the sector, with the

Zambian government allocating only 0.6% of its national budget to water. Zambia will also benefit from four projects from the **EU Water Facility with a total value of €16 million**.

Under the donor harmonisation agreement in Zambia, which means that donors have agreed to focus their support on a limited number of sectors, DFID Zambia is not providing direct funding to the SWAp. However, we are indirectly supporting the sector through our general budget support programme, which this year will provide £25 million to finance government's priorities as identified in the Fifth National Development Plan (2006-10) and its medium-term expenditure framework (2007-09).

Nile Basin Initiative – promoting greater regional co-operation and stability

DFID is a strong and active supporter of the Nile Basin Initiative (NBI). This Africa-led programme aims to build greater co-operative management and development of the River Nile's water resources. It is achieving good progress, building trust and confidence between the ten basin countries¹. A new co-operative framework agreement on the Nile is currently being negotiated by the basin countries. This would be a historic step, and would enable a permanent river basin commission to be established.

A substantial portfolio of regional projects aimed at building capacity is underway, as well as preparation of regional investment projects such as irrigation and hydropower. These will start to address the infrastructure gaps in the region and are essential for economic growth. DFID contributed £1.35 million to the NBI in 2006 through a multi-donor trust fund. DFID's engagement focuses on the strategic direction of the initiative, building the capacity of its institutions and helping to develop better monitoring systems.



Farmers irrigate their crops with the waters of the Nile.
Clare Barrington

¹ Nine of ten countries that share the Nile's water resources are within the NBI: Egypt, Ethiopia, Sudan, Rwanda, Burundi, Uganda, DRC, Kenya and Tanzania. Eritrea has observer status.

DFID also supports the Nile Basin Discourse, a parallel project to encourage civil society engagement in the NBI projects and programmes. Networks of professionals in each of the basin countries have been established, with a central facilitator to help engagement, bring greater stakeholder participation and ensure the views of the people of the basin are heard. DFID, as the sole financier, provides two-year project support of £2.8 million.

South Asia

Afghanistan

Water resources management and irrigation are key policy areas in the Interim Afghanistan National Development Strategy. DFID's support to the water and sanitation parts of this strategy is channelled through the Afghan Reconstruction Trust Fund, the National Solidarity Fund and the Helmand Agriculture and Rural Development Programme. The Helmand programme aims to construct **1,000 wells, benefiting 175,000 people, within six months of project launch. As of March 2007, the construction of 150 wells was underway.** Tendering is underway for additional wells, and a survey and design team from the Ministry of Rural Rehabilitation and Development is drawing up plans for the remainder.

Bangladesh

The country launched its ten-year Water Sector Development Programme in January 2006. It also defined a ten-year Sector Investment Plan. DFID approved a second phase of its partnership with UNICEF on a sanitation, environmental health and water programme. **This £36 million programme is intended to reach 30 million people and 7,500 schools.** DFID continues to fund WaterAid's £15.75 million sanitation and environmental health programme. **This has already reached over a million of Bangladesh's poorest people and intends to reach a further three million.**

India

DFID supports, through partnerships with UNICEF and WSP, the Indian government's large-scale programmes for water supply and sanitation in rural and urban areas. For example the **UNICEF Child Environment Programme aims to reach 213 million rural people in 14 states.** DFID's Urban Services for the Poor programme is working in **Andhra Pradesh in 42 towns of population over 100,000, in West Bengal in 85 municipalities, and in Madhya Pradesh the programme will specifically target 500,000 slum dwellers and provide wider benefits for 5.5 million people in four major cities.**

Nepal

Political turmoil slowed DFID's progress on water and sanitation, but DFID continued to provide support through three NGOs, Nepal Water for Health, Gurkha Welfare Scheme and the Swiss organisation Helvatas. **Our partners have so far implemented 800 water and sanitation programmes between 1999 – 2005. This work has benefited over 400,000 people across Nepal.** Nepal's peace agreement was signed at the end of 2006. We hope to resume our regular programme work in 2007.

Pakistan

In 2006, Pakistan launched an ambitious national clean water programme and passed national legislation on sanitation following the successful hosting of the South Asian Conference on Sanitation. DFID's emergency water and sanitation programme following the earthquake has **provided water and sanitation facilities to 5,000 families.** In Pakistan's North West Frontier Province, DFID delivered **improved water to 300,000 people – and is on target to reach one million people by 2008.** These programmes incorporate water and sanitation into education and health programmes.



Nazma, who was orphaned by the 2005 earthquake, washes her clothes at Kashmir Colony camp in Mansera, Pakistan. Leonard Tedd

East and Southeast Asia

China

DFID's water sector portfolio for 2006/07 is around £6 million, and DFID's key partners in its implementation are the World Bank and UNICEF. It focuses on water resources management and water supply and sanitation.

Water resources management includes various pilot projects: a project to implement the new water law, a watershed management project and a rural irrigation reform project. For water supply and sanitation, DFID intends to support the Chinese government's 11th five-year plan for safe rural drinking water supply and sanitation. **DFID helps**

to provide clean water and hygiene promotion to 800,000 people and latrines for 600,000 people in two poor western provinces. This project, which will start in 2007, is a demonstration project for the 'three-in-one approach' of water supply, sanitation and hygiene promotion. It focuses in particular on community participation, creating demand for sanitation, state-of-the-art hygiene promotion and the development of monitoring. It is accompanied by a national policy project, aiming to promote the three-in-one approach and increase awareness for sanitation and hygiene.

Greater Mekong region

DFID is helping to develop a new research programme in the Greater Mekong region. It will be managed by WSP and be based at the local World Bank. The programme will apply research and share regional know-how. DFID funding for the programme is still being agreed but is likely to be £2.5–4 million over three to five years.



The newly-constructed Qing Shan Guan water supply station helps provide clean water to some of the poorest people Sichuan Province, China. Jane Jamieson

Cambodia

In 2006, the findings of a DFID-commissioned review highlighted the low priority given to rural water and sanitation. DFID Cambodia has approved a concept note for the design of a project (**£1 million over three years**) to strengthen the capacity of the Cambodian government **to improve access to sanitation in rural areas**. There is significant scope to learn lessons from a major Asian Development Bank investment in rural water supply and sanitation and from smaller-scale initiatives by UNICEF and NGOs, including partners, which are currently piloting Community-Led Total Sanitation.

Vietnam

In Vietnam, three bilateral donors are piloting support to the second phase of the government's rural water and sanitation target programme, which will invest around £400 million in the sector over the next five years. In parallel, DFID funds a government programme to support the poorest communes in Vietnam, where water and sanitation amount to 10% of the overall budget. DFID's support to the sector through Poverty Reduction Budget Support (PRBS) stands at around £400,000 and is likely to increase to £1 million in the medium term. **A DFID sector specialist seconded to the World Bank is helping to design a new rural water supply and sanitation programme (£50 million)**, linked to the Rural Water Supply and Sanitation Partnership Group, that will increase the harmonisation of support to the sector. DFID Vietnam is looking at co-financing rural water, and particularly sanitation, activities with the World Bank and other donors if additional resources are made available through scaling up.

Europe, Middle East and Americas (EMAD) policy

With the support of the Policy Division, EMAD has undertaken an MDG stocktake across the Division, identifying the main barriers to progress in achieving the MDGs in Yemen, Iraq, Kyrgyzstan and Tajikistan. This has increased the understanding of governance and institutional issues in the sector, and the findings will be incorporated into the delivery of programmes in these countries (as set out below).

Middle East and North Africa

Iraq

DFID's £40 million infrastructure programme includes four water projects that will be completed in 2007. These projects will improve the water supply to over a million people in southern Iraq.

Basra Water Directorate's water training centre is already complete and is currently training 200 employees. Work to refurbish a water filtration unit – the main source of drinking water for Basra – will be completed in early 2007. It will provide clean water for an additional half million people. The refurbishment of a pumping station will be finished by March 2007, which will double the volume of water currently supplied to 500,000 people. DFID's final project, to build three water towers and reservoirs, should be finished by August 2007. This will provide water to at least 250,000 of Basra's poorest people. The security situation makes implementation difficult and has delayed the projects.

Palestine

DFID has committed £1.5 million towards the rehabilitation of Palestinian water and sanitation services as part of the UK contribution through the Temporary International Mechanism. This will potentially benefit up to 1.5 million people by funding essential operation, maintenance and repair work. DFID has also redesigned its regional pollution project with Israel, Jordan and the Palestinians to be consistent with UK policy on support to Hamas. This project is building co-operation on regional management.



A schoolboy enjoys a drink in Meithaloun school in Jenin, West Bank. Morton Hvaal, CARE International UK

Yemen

DFID is funding a water adviser, to be based in the World Bank's Sana'a office in Yemen. This will enhance the World Bank's capacity to engage effectively at country level through more effective policy advice, loan implementation and co-ordination with other donors. Recruitment is complete and an adviser will be in post shortly. Opportunities for scaling-up DFID's support in the sector are being explored with the Netherlands government.

Europe and Central Asia

Kyrgyzstan

DFID support (£3.5 million) to the water sector is provided jointly with the World Bank and the Asian Development Bank (AsDB) through the Rural Water Supply and Sanitation Project. When complete in 2008 this project will provide improved water supply systems for about one million people, one-third of the rural population in the Kyrgyz Republic. A total of 173 community drinking water user unions, covering 205 villages, have been established and registered and are managing their own water supply systems.

With DFID support, a water sector strategy is to be finalised by March 2007. It will govern sector policy and establish a single co-ordination mechanism for the sector to improve effectiveness of investments and support.

Tajikistan

Tajikistan has the largest proportion of water resources in the Central Asia region, yet it has the lowest levels of access to safe drinking water. It is off-track against its MDG target for water. Water is seen as a key priority in the National Development Strategy and the Poverty Reduction Strategy, but donor funds allocated to water supply and sanitation are limited. In response to this challenge, DFID will work jointly with the AsDB to invest in water and sanitation to meet the needs of some of the country's poorest people.



New latrines in Kyrgyzstan provide privacy, convenience and improved standards of hygiene for local people. David Sutherland

DFID is improving water supply as part of our ongoing projects. Under the UNDP's Zarafshan Development Initiative, over 10% of the population (36,000) in the poorest valley in the country now have access to safe water. **Over 97,000 people have benefited from the recent installation of 30 water pumps and networks under the National Social Investment Fund of Tajikistan**, funded jointly by DFID and the World Bank.

Armenia

Armenia has shown recent progress in terms of access to water, particularly in urban areas. DFID's support has assisted the completion of Armenia's water sector financing strategy. This has provided a good basis for improved donor co-ordination and more effective financing of the sector.

Moldova

The Moldovan national MDGs report states that more than half of the population do not have sufficient access to water and sanitation. Urban and rural water access is decreasing due to a serious state of disrepair and lack of investment in maintenance. Under the EU Water Initiative, with DFID co-financing, Moldova has started to develop a coherent national water sector financing strategy and has established a donor co-ordination group for the sector.

Overseas territories

Montserrat

DFID is providing £2.36 million (over seven years, 2002–2009) to support Montserrat's Water III programme. The programme, which began in April 2006, aims to improve the capacity and reliability of water storage and distribution systems. **This will help meet present and predicted water demand for up to 6,000 people in the island's northern zone.** The project involves the rehabilitation of existing sections of the distribution network and storage facilities. It will also identify and develop new groundwater sources, which is particularly important in light of the island's continued volcanic activity.

St Helena

DFID's support to the Water Development Project – which included an extensive pipeline and storage tank replacement programme, investigation into groundwater development, and a household treatment pilot – has been extended to the end of the financial year. Work started on the Wastewater Collection Treatment and Disposal Project, which as well as supporting essential infrastructure replacement and development, is also looking into issues of cost recovery. The November 2006 Infrastructure Review included a strategic assessment of water and sanitation requirements arising from projected economic development following the introduction of air access.

Latin America and the Caribbean

Guyana

DFID's work in water and sanitation in Guyana supports most of the country's 750,000 population. For the past three years, DFID has provided £3 million annually to the water sector through improved services and development of an efficient and effective utility. This is part of a long-term multi-donor programme to reform the water sector. Other donors will continue with annual support of around £7 million.

Institutional and legal changes have been successfully introduced, and a co-ordinated annual investment programme of £5–8 million has been maintained by the donor group since 1998. The five-year management contract between Guyana Water Inc (the state-owned water utility) and Severn Trent International has not been as successful as intended. Although the contract has ended early it has delivered improvements (albeit at a slower rate than desired), including more hours of running water, higher pressure and the capacity to produce more accurate bills.



Guyana is an Amerindian (first people) word meaning land of waters. But sometimes the consequences of having too much water can be fatal. Vryheid Lust, near Georgetown, Guyana. DFID Guyana

“Output-Based Aid is a new way of delivering aid. Instead of subsidising a service provider upfront, for example to construct a water treatment plant, the provider is paid only after people are connected and have water to use.”

What we are doing to develop our multilateral partnerships

Helping make the EU Water Initiative work better

Following criticism of the EU Water Initiative (EUWI), a review funded jointly by Germany and the UK made recommendations to the EUWI Steering Group on 7 February 2007 on changes to the organisational structure and overall strategy, leading to more effective implementation of the EUWI at regional level. The review reported on all aspects of the EUWI, including the workings of the Steering Group, the functioning of the different working groups and the reporting and monitoring mechanisms. It suggested how the EUWI can be more accountable to stakeholders through the setting of clear and measurable targets and by being accountable against these at the EU Council.

ACP–EU Water Facility

The first of two tranches of the African, Caribbean and Pacific (ACP)–EU Water Facility, funded from the 9th European Development Fund (EDF9), has been allocated to 98 projects, mainly in sub-Saharan Africa. **This will provide access to water for 10 million people and to sanitation for five million.** The evaluation of the proposals for the second tranche is currently underway. Response to both calls has been far in excess of available funding, demonstrating the high demand for funding for water and sanitation. Discussion is ongoing for a second generation Water Facility funded under EDF 10. The water facility will act as an incentive for country planning in water and sanitation in a way that helps accelerate progress to reach the MDG goals targets.

Global Partnership on Output-Based Aid

Output-Based Aid (OBA) is a new way of delivering aid. Instead of subsidising a service provider upfront, for example to construct a water treatment plant, the provider is paid only after people are connected and have water to use.

This means that funds are only dispersed when services are actually delivered. Subsidies can also only be targeted at those who need it the most while those who can afford to pay a reasonable price for their water do. This approach ensures sustainability of services as final payments can be made several months after connection as a way of ensuring long-term service.

DFID is a strong advocate of OBA. In partnership with the World Bank, DFID launched the Global Partnership on Output-Based Aid (GPOBA) in 2003. GPOBA aims to demonstrate

the effectiveness of OBA as an aid instrument and to prove its potential as a public-private partnership tool and so to improve the quality of services and to mobilise additional finance into the sector.

It is still early days, but this year's World Bank review illustrates encouraging findings: they show that OBA has the potential to deliver services to the poor in an innovative way. About 30% of OBA projects are in water and sanitation, and it is estimated that current OBA projects under implementation or design are expected to provide more reliable supply of safe water to over 2.5 million people in developing countries such as Nigeria, Tanzania and Vietnam. OBA projects financed by the World Bank have already begun to deliver outputs. For example, a water project in Paraguay is now in its fourth stage of replication in rural areas.

GPOBA has recently signed its first grant agreement in the water sector in Kenya. This involves a local microfinance institution and community-based organisations which aim to deliver reliable services to **60,000 poor people through household connections and stand posts**. Initial subsidy disbursements are expected by April 2007. GPOBA will be signing grant agreements for water and sanitation projects in Morocco, Uganda, India, Honduras, Indonesia, Vietnam, Lao and Senegal in the next few months.

Water dialogues – helping make connections

In June 2006, DFID approved funding to WaterAid to encourage debate among different stakeholders working in water and sanitation. The dialogues will build agreement on the best way to involve the private sector in delivering access to sustainable and affordable water and sanitation services within a number of countries.

The dialogues will encourage a broad range of organisations, such as national and local governments, public and private service providers (including small-scale providers), trade unions and NGOs, to exchange views. They will review experience of the delivery of water and sanitation, both public and private, and develop and promote a more balanced view of what works in the particular country. Activities have started in five countries: Brazil, South Africa, Uganda, Indonesia and the Philippines.

Promoting partnerships to support public utilities

Finding better ways to strengthen public utilities is a high priority for DFID. We are looking both at how we can provide further support to programmes that are working successfully and at identifying new partnership approaches that can add value.

African Development Bank – providing support and expertise

DFID has recently agreed technical assistance (£352,000 over three years) to the African Water Facility (AWF) of the African Development Bank (AfDB). This will provide a financial management expert to support the management of the AWF. The AWF is an initiative of the African Ministers' Council on Water to mobilise resources from donors to finance the water sector in Africa.

DFID is currently in the late stages of agreeing a flexible package of technical assistance (up to £6 million over three years), which will strengthen the capacity of the AfDB's Rural Water Supply and Sanitation Initiative (RWSSI) to design and implement country based programmes. The RWSSI is an ambitious pan-Africa initiative that reinforces the AfDB's efforts to achieve the MDGs in Africa. The aim of the initiative is to increase rural coverage of safe water and basic sanitation to 80% by 2015.

Research

RiPPLE

RIPPLE (Research-inspired Policy and Practice Learning in Ethiopia and the Nile Region) will help overcome the difficulties of financing and resourcing water and sanitation services to people who currently lack access to water in Ethiopia – and then in the further Nile region.

Building on current partnerships this vital project research will help promote better access to clean water and sanitation. It will find solutions to the barriers of financing, engineering and maintenance.

ERANET

A second programme underway is the European Union Water Initiative ERANET. DFID is co-ordinating EU member states to work closely together to develop the most innovative and effective results from research.

Community-led total sanitation

The Policy Division and Asia Directorate have agreed to co-fund research by the Institute of Development Studies on community-led total sanitation (CLTS).² The research will look at how CLTS has spread in Bangladesh and India, and how it has been replicated elsewhere. The main objective of the study is to find ways to use CLTS to scale-up progress on sanitation, including in Africa.

² CLTS is a process whereby awareness of the damaging effect of poor sanitation is raised within whole communities and as a result the communities adopt measures to eliminate open defecation through their own actions, generally without external subsidies to household infrastructure.