

**Africa –Water & Sanitation Program**

**Regional Framework**

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**Concept Document**

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### **Annex 1: Current Projects Supported by AfDB and WB in Malawi and Mozambique**

## Abbreviations and Equivalents

AfDB	African Development Bank
AMCOW	African Ministerial Council on Water
AusAID	Australian Agency for International Development
AWF	African Water Facility
CDD	Community Driven Development
CLTS	Community Led Total Sanitation
CRA	Conselho de Regulacao do Abastecimento de Agua (Water Supply Regulatory Council).
CSP	Country Strategy Paper
DFID	UK Dept for International Development
DPP	Democratic Progressive Party
FIPAG	Fundo de Gestao do Patrimio do Abastecimento de Agua (Water Supply Investment Fund)
FY	Fiscal Year
GDP	Gross Domestic Product
GoK	Government of Kenya
GSF	Global Sanitation Fund
ICB	International Competitive Bidding
JMP	Joint Monitoring Programme (UNICEF/WHO for MDGs)
MCC	Millennium Challenge Corporation
MDB	Multilateral development banks
MIWD	Ministry of Irrigation and Water Development (Malawi)
MOF	Ministry of Finance
MPW	Ministry of Public Works
NCB	National Competitive Bidding
NGO	Non-Government Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PCU	Project Coordination Unit
PMU	Project Management Unit
PIU	Project Implementation Unit
PPP	Public Private Partnership
PSP	Private Sector Provider
SIDA	Swedish International Development Agency
SWAp	Sector Wide Approach
TA	Technical Assistance
TOR	Terms of Reference
UA	Units of Account: Currency Equivalent 1 UA= USD 1.64 Aug 2008
UNICEF	The United Nations Children's Fund
WB	World Bank
WATSAN	Water and Sanitation
WASH	Water Sanitation and Hygiene
WRM	Water Resource Management
WSI	Water and Sanitation Initiative
WSP	Water and Sanitation Program (World Bank)
WSS	Water Supply and Sanitation
WSSCC	Water Supply and Sanitation Collaborative Council

## I SUMMARY

1. In late 2008 the Government agreed to a significantly scaled up aid program to Africa. This scale up will represent a significant shift in Australia's aid delivery to Africa from a relatively small and geographically targeted program to one with much broader and deeper engagement. One of the key sectoral themes of this engagement agreed by Government will be in water and sanitation. Activities under the Africa Water and Sanitation Program (AWSP) form part of the broader \$300 million Water and Sanitation Initiative (WSI), to be implemented from July 2009 to June 2011. Focus of the AWSP will be on Sub-Saharan Africa.
2. The proposed approach combines regional funding, with broader geographic engagement, alongside more targeted funding in key selected countries. This should assist Australia achieve a more meaningful development impact and demonstrate responsiveness to African Governments, thereby strengthening bilateral relationships.

### *Analysis*

3. The WHO/UNICEF Joint Monitoring Program, which measures the access to safe water and basic sanitation (one of the key targets for MDG 7), found that globally Sub-Saharan Africa has the lowest levels - only 58% and 31% respectively in 2006 against targets of 78% and 67% by 2015. Coverage in Sub-Saharan Africa is also showing the lowest rates of increase.
4. In determining the most appropriate form of support, account was taken of the short duration of the WSI and the need to deliver tangible results. At the same time the expectation that Australia will remain engaged in the sector was also taken into account. It was concluded that the short-term objectives would be best achieved by supporting ongoing programs to expand access in two or three countries and also by contributing to selected Africa-Wide multilateral programs. The potential longer term engagement is seen as being best served by contributing to programs providing policy advice, research and knowledge dissemination. Given the short duration of the WSI partnerships with other development organisations with established programs and resources on-the-ground are proposed. This will support more effective aid delivery in accordance with the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, whilst also ensuring recognition of Australia's role as a development partner in Africa. Appropriate measures will be taken to ensure appropriate recognition is given to Australia's contributions.

### *Program Description*

5. The goal of the proposed AWSP is improve the living standards of the poor by expanding access to more effective and sustainable water and sanitation services thereby contributing to achievement of MDG 7.
6. Malawi and Mozambique were selected as focus countries because of their combination of poverty and low water and sanitation access. Both countries have enlightened sector policies and their governments have taken the lead in coordinating development partner support around well conceived sector strategies and related sector investment plans. We recommend that AWSP

funds are channelled through two recently approved multilateral development bank programs; the African Development Bank's National Water Development Program in Malawi and the World Bank's Water Services and Institutional Support Project in Mozambique. Support should be focussed on increasing access to water and sanitation in towns. In Africa, as elsewhere, towns are important growth centres that provide important commercial and administrative services to surrounding rural communities. Service provision in towns has lagged behind the major urban areas and rural areas. Governments and development agencies have belatedly recognised the importance of addressing this important unmet demand.

7. Africa-Wide support to expand access will be provided through contributions to UNICEF's Water, Sanitation and Hygiene (WASH) Program and the Water Supply and Sanitation Collaborative Council's Global Sanitation Fund. A Civil Society Partnership Program has been developed as a key part of the WSI and we propose part of their allocation is directed to Africa. These proposals have already been appraised and approved as part of a Global Sanitation Fund within the WSI.
8. We propose support for policy advice, research and knowledge dissemination throughout Africa is provided through the African Development Bank's (AfDB) African Water Facility (AWF) and the World Bank's Africa Water and Sanitation Program (WSP). Both organisations have a strong and well respected record of achievement in Africa. This broader level of engagement in the sector would have the additional benefit of identifying potential opportunities for more intensive Australian support in the future.
9. We recommended that a total of \$61.0 million of the \$300 million WSI funds available be allocated to the Africa Water and Sanitation Program. Of this, \$17 million should be allocated to each of the two country programs. Allocation of the remainder is shown below and in more detail in Table 4 in the main text.

#### *Design, Implementation and Resourcing*

10. Designs would need to be prepared for the Malawi and Mozambique country programs and for the African Water Facility program. All other activities have already been designed. We anticipate that designs can be prepared quickly because in the case of the country programs we would be contributing additional funds to existing programs. In the case of AWF we would be contributing to an existing multi-donor fund with an existing medium-term program.
11. The multilateral banks would need to formally appraise the additional activities that our funding would support. Procedurally the program implementing agencies would need to present designs for the Banks to appraise. Given the limited time available to implement the AWSP we would need to hire consultants to help government prepare these designs. It is envisaged that two to three months would be required for the designs to be prepared and for appraisal to be carried out.
12. For the implementation phase the Pretoria Post is in the process of recruiting a program manager, who it is understood will have a generalist background. We recommend that Post also makes provision for periodic inputs of a sector

specialist to help manage the Malawi and Mozambique programs. The other program activities would be managed by the Infrastructure Water and Sanitation Unit.

*Risks*

13. The most significant risks relating to the proposed program are: (a) the limited capacity of implementing agencies; (b) insufficient attention given to the AusAID funded components by the multilateral banks; (c) water service providers not operating in a sustainable manner; and (d) the potential for corrupt practices. These risks can be largely mitigated by incorporating appropriate and effective technical assistance in the projects design and by AusAID's participation in the Banks' supervision missions.

# **AUSTRALIA'S WATER AND SANITATION PROGRAM FOR AFRICA**

## **I. INTRODUCTION**

1. In late 2008 the Australian Government agreed to a significantly increased aid program to Africa. This represents a significant shift in Australia's aid delivery to Africa from a relatively small and geographically targeted program to one with much broader and deeper engagement. The framework agreed by Government focuses on supporting Africa's progress towards the Millennium Development Goals in a number of priority areas, one of which is water and sanitation. Financial year 2009-10 represents a key initial step in a scaled up aid program to Africa, with total ODA estimated at \$163.9m (or around 4% of total ODA) compared to an estimated \$116.4m in 2008-09.
2. Scaled up support will build on past investments and draw on areas of strong expertise for Australia. Working with development partners will also form a key plank of the scaled up assistance. We will endeavour to leverage sectoral linkages throughout Africa by increasing support to strengthen human resource capacity through an expanded scholarships program and technical assistance programs. We also intend expanding volunteer and other civil society programs,.
3. In June 2009 the Minister for Foreign Affairs and Trade agreed to funding of at least \$60 million over two years in support of water and sanitation activities in Africa. The approach agreed by the Minister included funding to support improved access to clean water and effective sanitation for town services, by building capacity in a number of countries as well as more targeted support to Mozambique and Malawi. The Minister also agreed to funding in support of regional programs and other initiatives targeted at a broader range of African countries. Support is to be delivered through a range of partners including the World Bank, African Development Bank, UNICEF and NGOs. Funding for the proposed activities will be sourced from the Water and Sanitation budget measure, agreed by Government as part of the 2008-09 budget.
4. The development of this concept note is consistent with Government priorities for a scaled up aid program to Africa and existing Ministerial commitments. The approach combines regional funding, with broader geographic engagement, alongside more targeted funding in key selected countries. This should assist Australia achieve a more meaningful development impact and demonstrate responsiveness to African Governments, thereby strengthening bilateral relationships. We will endeavour to achieve appropriate recognition and profile for Australia's support of water and sanitation activities in Africa, and more detailed strategies to underpin this will be further developed in the design phase. This may include participation in high-level events (for example, the African Ministers' Council on Water) and greater engagement with local media. People-to-people exchanges through linked programs will further lift the profile of Australia and Australians in Africa.

5. Against this contextual backdrop is Africa's poor progress in improving access to clean water and effective sanitation and hygiene. A large proportion of the population does not have sustainable access to safe water supply and basic sanitation (MDG 7) and high levels of poverty remain. Low access to water and sanitation is one of the main causes of disease in Sub-Saharan Africa (SSA) and the burden of water borne disease and poor sanitation/hygiene particularly affects poor people, women, children, and those suffering from HIV/AIDS. As well as causing a large number of deaths, lack of access reduces educational opportunities for girls and boys, increases the risk of disability and constrains economic growth. According to UNICEF and the WHO, most regions around the world other than SSA are on track to meet the safe water MDG target. The levels of access to safe water and basic sanitation were only 58% and 31%<sup>1</sup> respectively in 2006 against targets of 78% and 67% by 2015. Coverage in Sub Saharan Africa is also showing the slowest rates of increase.

## II ANALYSIS

### A. AN OVERVIEW OF WATER SUPPLY AND SANITATION IN SUB-SAHARAN AFRICA <sup>2</sup> - SECTOR CONTEXT

#### Water and Sanitation Coverage

6. As indicated above efforts to increase water and sanitation coverage in Sub-Saharan Africa (SSA) have been poor. Table 1 indicates how SSA is lagging behind other regions. Based on recent trends, 44% of SSA countries are not on track to meet the water MDG and 85% will not meet the sanitation target. It is estimated that an additional 47 million and 78 million people would need to be served each year to meet the water and sanitation MDGs respectively. Unless progress towards these goals is accelerated it is estimated that SSA will not reach the 2015 MDG target until 2040 for water and 2076 for sanitation.

#### WSS challenges

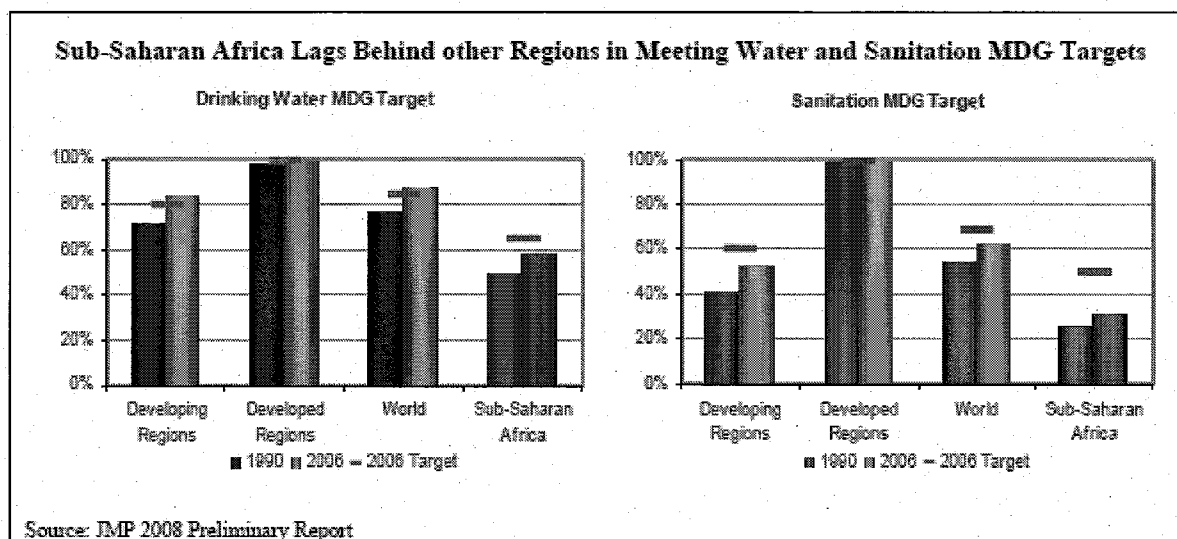
- ☐ Build institutional capacity to scale-up successes in water supply & sanitation
- ☐ Increase focus on sanitation
- ☐ Develop solutions for fragile states
- ☐ Improve sustainability of services
- ☐ Take advantage of decentralization
- ☐ Strengthen M&E systems
- ☐ Bolster opportunities for sustainable financing
- ☐ Invigorate stakeholder involvement

<sup>1</sup> Joint Monitoring Programme, Preliminary Report, 2008.

<sup>2</sup> World Bank: An Overview of Water Supply and Sanitation in Sub Saharan Africa



**Table 1: Regional Water and Sanitation Coverage**



Coverage levels in Table 2 present the progress made in selected Eastern and Southern African countries up to 2006. Rapid growth in urban populations is increasing the challenge in many African countries. Urban access to improved water sources actually declined from 82% in 1990 to 81% in 2006. The decline in piped water coverage was even more stark with coverage reducing from 46% in 1990 to 35% in 2006. Towns with populations ranging from 2,000 to 200,000 are particularly poorly served. Small towns in Africa are important growth centres that provide populations in surrounding rural communities with access to employment opportunities and health and education facilities. Service provision in towns has lagged behind with government investment focused on the capital cities and major urban areas while in rural areas donor support through civil society and development banks has been strong. Governments, development banks and civil society groups all recognised the emerging need for increased investment in towns to meet MDG targets.

**Table 2: Water and Sanitation Access by 2006 and GDP Data for Sub-Saharan Africa<sup>3</sup>**

Region/ Country	Population	Urban (%)	GDP per capita	"Improved" Water Supply Coverage (%)			Improved Sanitation Coverage (%)		
	Total (million)			Urban	Rural	Total	Urban	Rural	Total
<b>Sub Saharan Africa</b>	788	36		81	46	58	42	20	26
<b>Ethiopia</b>	81	16	859	96	31	42	27	8	11
<b>Kenya</b>	36.6	21	1,125	85	46	57	19	48	42
<b>Malawi</b>	13.6	18	596	96	72	76	51	62	60
<b>Mozambique</b>	21	35	1,335	71	26	42	53	19	31
<b>Tanzania</b>	39.4	25	720	81	46	55	31	34	33
<b>Uganda</b>	29.9	13	1,817	90	60	64	29	34	33
<b>Zambia</b>	11.7	35	911	90	41	58	55	51	52
<b>Zimbabwe</b>	13	36	2,413	98	72	81	63	37	46

7. Official Development Assistance (ODA) to Africa for water and sanitation (WSS) has reached an average of US\$2 billion per year over the period 2001-06. US\$1.4 billion per year is channelled to countries in SSA. This represents only 24% of total global ODA over the period 2001-06.<sup>4</sup>
8. Data on the level and trends of domestic WSS investment in Africa is rather limited in terms of the number of countries for which data is available and the extent to which public financial flows, particularly at sub-national government levels, are captured.<sup>5</sup> A 2006 Country Status Overview of WSS in 16 SSA countries<sup>6</sup> estimated a shortfall in the minimum annual level of public investment required to meet the MDGs of US\$600 million for water and US\$200 million for sanitation. The annual shortfall for all SSA countries is estimated to be around double these amounts. Increased funding to the sector and moving towards more sustainable and innovative forms of financing are required to get Africa back on track for the WSS MDGs.
9. The Global Economic Crisis that emerged in 2008 is likely to constrain infrastructure investment in Africa from internal sources and likely reductions in both ODA and direct foreign investment.

<sup>3</sup> UNICEF WHO Joint Monitoring Program (JMP ) Published 2008 based on 2006 data.

<sup>4</sup> OECD (2008). *Measuring Aid to Water Supply and Sanitation*.

<sup>5</sup> Briceno-Garmendia and Smits (2008) quoted in AICD (Forthcoming). *State of the Sector Review: Water Supply*

<sup>6</sup> WSP et al. (2006) *Getting Africa on-track to meet the MDGs on water and Sanitation: A status overview of sixteen African countries*

## **Political Aspects**

10. Political instability and civil unrest in several SSA countries present an additional challenge to establishing infrastructure services. Development organisations and regional bodies are increasingly recognising the importance of addressing the special needs of these fragile states, which account for more than 30% of SSA's population.<sup>7</sup>
11. It is encouraging to note that African political leaders through the African Ministerial Council on Water (AMCOW) have demonstrated heightened awareness and recognition of the key issues facing the WSS sector in Africa. Regional forums including AMCOW and AfricaSan (which supported the International Year of sanitation in Africa) have mobilised African policy makers and development partners to develop national action plans to accelerate the development of water and sanitation services.

## **B. ODE REVIEW AND LESSONS LEARNED**

12. An ODE evaluation of the effectiveness of AusAID support for WSS based on two country studies made a number of recommendations to inform new program design<sup>8</sup>. The key recommendations that will be taken into account in design of the AWSP are:
  - a) Carry out more extensive analysis of national sector frameworks and country systems to enable better aligned and more relevant interventions that support broader reforms at the sector level;
  - b) Adopt more flexible approaches to implementation that reflect actual rates of progress being achieved. This is particularly important in the context of fragile states;
  - c) Consider stand-alone programs to achieve progress on sanitation and hygiene; and
  - d) Support national monitoring and evaluation rather than project-specific systems.
13. More general lessons learned from international development experience include:
  - a) An enabling environment that encourages participation by the private sector and civil society stakeholders as well as the public sector is required to attract the necessary resources for WSS development;
  - b) Building institutional capacity in government, civil society and the private sector, and clear definition of their respective roles is essential for sustainability;

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<sup>7</sup> WB Overview of WSS in SSA

<sup>8</sup> ODE Evaluation Report "Australian Aid to Water Supply and Sanitation Services in East Timor and Indonesia", June 2009

- c) In towns, piped water supply systems need to be professionally managed for sustainable outcomes. Community managed schemes can be appropriate for small rural systems;
- d) The adoption of demand response methodologies that take account of the levels of service that people want and are willing to pay for are key to establishing sustainable services; and
- e) Donor programs should align with government led sector strategies.

## **C. COUNTRY AND DEVELOPMENT PARTNER SELECTION**

### **Selection Parameters and Country Selection**

14. In considering the scope of the AWSP account was taken of the following parameters: AusAID's regional Africa strategy; Australia's previous support to Africa; WSS needs based on existing coverage; poverty levels; the status of sector policies; and aid effectiveness, including the extent to which development agency support is coordinated around national sector programs. Account was also taken of the extent of support being provided by other development agencies.
14. To make the most impact and ensure coherence we propose that attention should be focussed primarily on Eastern and Southern Africa where Australia has the most representation and a history of engagement, including in water and sanitation. At the same time in order to start broadening our support to Africa we propose that some continent-wide engagement should also be included by contributing to programs implemented by multi-lateral and civil society organisations.
15. Broader support in the sector across Africa will be achieved through the provision of funding to UNICEF's Water, Sanitation and Hygiene (WASH) Program and the Water Supply and Sanitation Collaborative Council. Funding will also be provided through Australia's Civil Society Partnership Program.
16. Malawi, Mozambique and Kenya were selected for consideration as focus countries based on reported levels of water and sanitation coverage<sup>9</sup>; poverty level<sup>10</sup>; the existence of a government-owned sector strategy and related sector investment plan; government leadership in effectively coordinating development partner support; and enlightened sector policies that encourage participation by all sectors of the economy.
17. Malawi is one of sub-Saharan Africa's most densely populated and poorest countries with about 13 million people (according to a July 2005 estimate) spread over an area of 118,484 km<sup>2</sup>. A Poverty and Vulnerability Assessment carried out in 2007 indicated that more than 52 percent of the population (6.4 million people) were living below the poverty line and 22 percent (2.7 million people) were living in ultra-poverty<sup>11</sup>. Malawi is one of the world's poorest countries. It faces formidable development challenges.

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<sup>9</sup> The WHO/UNICEF Joint Monitoring Report of 2008 which reports on coverage data for 2006 was used as our reference point.

<sup>10</sup> We took GDP per capita as an indicator of poverty level.

<sup>11</sup> Ultra-poverty is defined as not being able to afford to meet recommended minimum daily food needs.

18. Mozambique has the lowest reported water and sanitation coverage in Eastern and Southern Africa after Ethiopia<sup>12</sup>. The country has had to rise from a very low infrastructure base following the struggle for independence and subsequent civil war. Even today there is reportedly very little technical capacity outside the key central government institutions and the larger cities.
19. Kenya was also considered. However, given the funding available it was concluded that there was only scope to effectively support two countries. Although the Kenyan water and sanitation sector clearly needs assistance, support is not proposed because: Kenya is relatively more affluent in terms of GDP/capita and interim targets for water sector reform agreed with development partners have not been fulfilled, for example, water tariffs have reportedly not been increased for 15 years.

### **Development Partners and Country Investment Programs**

20. In terms of potential development partners the AfDB, WB and UNICEF all have significant programs in Malawi and Mozambique. It was clear however that the programs of the two multilateral development banks were broader and larger than those of UNICEF and that the development banks are able to draw on greater technical resources. The current lending operations for each of the Banks in Malawi and Mozambique are presented throughout the document. The development banks also offer greater scope for engaging with towns where coverage is lowest. The WB is the “senior partner” in terms of period of engagement, in-country presence and lending volume. However, AfDB is rapidly catching-up. Staffing numbers have been significantly increased and the number of country offices has grown from 11 to 25 over the past two years.
21. In Malawi, AfDB’s WSS operations are better resourced than those of the WB in that they have a professional engineer based in Lilongwe whereas the WB projects are managed from Washington. The AfDB also approved funding to support the Government’s National Water Development Program (NWDP) in 2008. This program will cover towns and rural areas and aligns well with our focus area. Implementation has commenced with recruitment of consultants. Program details for the NWDP are given in Section H.
22. The WB is clearly the dominant development partner in Mozambique and is already engaged with the Government in establishing institutional arrangements that will begin to address the needs of towns. Details of the Mozambique Water Sector are included in Section E. The World Bank’s Water Services and Institutional Support Project (WASIS) is described in Section H. It covers urban areas including towns and also rural areas.
23. It would be prudent to partner with the WB in Mozambique and with the AfDB in Malawi. This would diversify our risk and may induce some healthy “competition” between the two banks.

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<sup>12</sup> Ethiopia is already receiving generous levels of assistance for water and sanitation so was not considered for support.

## Development Partners and Regional Program Selection

24. Support for regional programs will give the AWSP broader geographic coverage (including western and northern Africa). We recommended support for the following three types of program: (a) Africa-wide service delivery programs implemented by multi lateral agencies, (b) community level activity implemented by civil society organisations; and (c) policy development, research and knowledge dissemination activities implemented by specialist groups within the multilateral development banks.
25. *Africa-Wide Service Delivery Programs:* We recommend that this includes the provision of funding for SSA through UNICEF's Water, Sanitation and Hygiene (WASH) Program and the Water Supply and Sanitation Collaborative Council. Both organisations have programs in SSA to support of national efforts to increase coverage in countries which are most off track in meeting MDG targets. Funding for UNICEF will be focused on school WASH programs while WSSCC focus through the Global Sanitation Fund is on support for government and community efforts in sanitation and hygiene.
26. *Community Focused Programs:* We recommend funding is provided through Australia's Civil Society Partnership Program to Australian, international and local NGO's that are able to deliver services directly to the poorest and most vulnerable in both rural and urban areas. Civil Society groups are better able to deliver support to more marginal areas that are best served by community-based organisations. They can also fill an important advocacy role for the poor including making institutions and governments more accountable.
27. *Policy Development, Research and Knowledge Dissemination:* We propose support for selected regional programs and facilities to improve sector knowledge, aid effectiveness and implementation modalities. It will allow sharing of knowledge on scaling up successful approaches and introducing appropriate and affordable technology in institutional and community managed systems. This would complement the proposed support to towns in Malawi and Mozambique. Our previous experience in working with the World Bank's *Africa Water and Sanitation Program* (WSP) on knowledge management and dissemination has been very successful. WSP currently operates in 12 countries in SSA as well as a number of non-target countries and continues to expand its work<sup>13</sup>. The work carried out by AfDB's *African Water Facility* (AWF) is also impressive. Since 2006 the AWF has worked in 22 countries and supported 8 regional institutions across Africa. They also have a strategic initiative relating to a Pan-African monitoring and evaluation framework and they provide technical support to AMCOW. AWF seems to be able to react in a relatively fast and responsive manner to requests to support and test innovative ideas and scale up successful pilots. They have, for example, worked successfully with UN-Habitat in Kenya to test and pilot new ideas for town water supply. AWF currently has only US\$50 million in donor commitments for their planned multi-donor trust fund program of US\$139 million over the next three years.

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<sup>13</sup> Ethiopia, Kenya, Tanzania, Uganda, Rwanda, Zambia, Mozambique, Niger, Senegal, Benin, Burkina Faso and DR Congo

## **D. PARTNER GOVERNMENT AND KEY STAKEHOLDER DISCUSSIONS AND VIEWS**

28. Key stakeholders that were consulted during program identification included: lead government and development agencies that are involved in water supply and sanitation in Malawi, Kenya and Mozambique; the African Development Bank in Tunis; the World Bank's Water and Sanitation Program in Kenya. Discussions focused on national programs and the implementation of current activities.
29. In Malawi meetings were held with: the Ministry of Irrigation and Water Development; Lilongwe Water Board; Donor Coordination Group; World Bank; African Development Bank; UNICEF; and Plan International.
30. In Mozambique meetings were held with: the National Directorate of Water Affairs (DNA); Water Regulatory Council (CRA); Donor Coordination Group; World Bank; African Development Bank; Water and Sanitation Program, UNICEF; Royal Netherlands Embassy, USAID and WaterAID.
31. Government officers in Malawi and Mozambique and multi-lateral partners in the AfDB, WB, UNICEF and WSSCC welcomed the idea of AusAID assistance for strengthening ongoing and currently planned priority projects in support of increased access to services in towns where assistance is most needed in 2009-2011.

## **E. CONTEXT AND PROBLEM ANALYSIS OF WSS SECTOR IN MALAWI AND MOZAMBIQUE**

### **MALAWI**

#### **Status of Water and Sanitation Sector and Government Institutions**

32. *Background/Analysis:* Malawi is one of Sub-Saharan Africa's most densely populated and poorest countries with about 12,884,000 people (according to a July 2005 estimate) spread over an area of 118,484 km<sup>2</sup>. A Malawi poverty and vulnerability assessment carried out in 2007 indicated that more than 52 percent of the population (6.4 million people) were living below the poverty line and 22 percent (2.7 million people) were living in ultra-poverty<sup>14</sup>. Malawi is one of the world's poorest countries as measured by GDP/capita. It faces formidable development challenges. There are, however, grounds for cautious optimism as economic growth has risen to 7.5 to 8% in recent years under the current government. A national election took place in May 2009 and the Democratic Progressive Party (DPP) of President Mutharika was re-elected to power. Continuity of the DPP Government's institutional and policy will provide stability in the sector over the period of the WSI.

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<sup>14</sup> Ultra-poverty is defined as not being able to afford to meet recommended minimum daily food needs.

33. Although the JMP figures indicate that it has relatively good water and sanitation coverage our discussions with government and development agencies working in the country threw serious doubt on the accuracy of these figures as many of the water supplies and sanitation facilities do not meet current JMP criteria. Malawi has good sector policies, a competent sector ministry (though the ministry and the sector institutions are significantly under-resourced), a National Water Development Plan (NWDP) that incorporates well-structured institutional arrangements, and a sector investment plan developed by Government and supported by all of the main development agencies. The African Development Bank, the World Bank and UNICEF each have sizeable sector programs and have well-staffed country offices.
34. *Sector Legislation and Policy:* The *Water Resources Act (1969)* and the *Waterworks Act (1995)* define the main legal and regulatory framework for water resources management and service delivery in Malawi. The Government adopted a new National Water Policy in 2005. This promotes an integrated approach to water resources management and defines the primary policy objectives as being the sustainability of both the resource and of service delivery.
35. *Institutional Responsibility for the WSS sector* at central government level, including water resource management and irrigation, resides with the Ministry of Irrigation and Water Development (MIWD). Implementation responsibility for piped water services has been decentralised to five Regional Water Boards (RWBs). These are public sector utilities. The Waterworks Act (1995) established three regional water boards (northern, central and southern) and reconstituted the water boards already established in Blantyre and Lilongwe. Malawi's 28 district assemblies are responsible for planning and coordinating non-piped sources (wells with hand-pumps, open wells and protected springs) within their jurisdictions. There is currently no stand-alone regulating agency for the water sector. There are also plans to establish a National Water Resources Authority that will regulate the use of water resources.
36. *Sector Financing:* The water and sanitation sector is heavily dependent on development partner support for new investment and rehabilitation. Development partners currently contribute more than 80% of capital sector financing. The Government's budget resources are limited and none of the water boards are sufficiently credit worthy to be able to borrow from commercial sources. Of an estimated US\$300m that is required, donors have so far committed to provide around US\$242m. Significant funding gaps remain for Small Towns (administrative centres) and Market Centres (unincorporated towns).
37. *Program Based Approach:* In 2005 the Government launched the Malawi Growth and Development Strategy 2006 to 2011. This promotes the use of program-based approaches. A fully fledged Sector Wide Approach (SWAp) has already been established for the health sector and MIWD and its development partners are keen to do the same for the water and sanitation sector. The National Water Development Program (NWDP) is an important step towards a SWAp. It is a sectoral program with urban, town and rural components aimed at increasing services provision, a water resource management component for improving water security and a capacity building program for national, provincial and local government agencies. The Program has a confirmed financing plan of US\$242



million supported by the Government of Malawi, community contributions, AfDB, WB, DFID (Africa Catalytic Growth Fund), several other major donors, UNICEF and WaterAID.

38. *Sanitation*: As in most developing countries, sanitation has been neglected relative to water. Prior to October 2008 when MIWD was made responsible for sanitation and sewerage, the municipal and district assemblies were supposed to address the physical aspects of sanitation. In reality little was done. Malawi's first National Sanitation Policy was drafted with donor assistance in 2008 and it is expected to be formally approved by government before the end of 2009. The Ministry of Health and Population currently has an Environmental Health Unit working on sanitation and hygiene. MIWD plans to establish a Department of Sanitation.
39. *Urban Water Boards – Blantyre and Lilongwe*: The *Waterworks Act of 1995* requires the Water Boards to be run as commercial entities charging full cost recovery rates that are financially self-sufficient. They are governed by Corporate Charters which are essentially performance contract agreements. So far, they have not been able to achieve this because: they have a legacy of debt denominated in hard currencies with revenues in the steeply depreciating local currency; periodic tariff increases approved by the Government are usually lower than required; there are high levels of arrears arising from Government customers; and there has been inadequate investment in maintenance and new facilities.
40. *Towns and Market Centres*: Towns in Malawi are urban settlements with populations in the range of 2,000 to 10,000. Many are district administrative centres. Market centres are reportedly similar in size but have not been formally recognised. There are said to be more than 60 market centres throughout the country. Towns and market centres because of their size and population densities need to be served by piped water systems. They present problems for the Regional Water Boards who are responsible for serving them because they are perceived to be too small to be served on a fully commercial basis and they are too large to be effectively run by community-based organisations. As a result, coverage levels are low. Sanitation in the towns and market centres is rudimentary and relies on on-site facilities.

#### **Development Agencies Supporting Water and Sanitation**

41. *Donor Coordination Group* There is an active donor coordination group, currently chaired by CIDA, which works closely with government. Current and planned donor support for the NWDP appears to be well coordinated. As noted above, the AfDB and the WB are the largest and most influential contributors to the sector.
42. *AfDB*: The AfDB's overall country portfolio comprises five projects with a value of around US\$160 million. This includes three projects that focus on rural water and sanitation and water resource management. AfDB has a country office with seven professional staff including a water and sanitation engineer. Support to the National Water Development Program (NWPD) was provided through a loan/grant agreement for \$US\$24.6 million/US\$17.4 million which was signed in 2008. This will support three components namely: (i) Rural Water Supply and

Sanitation; (ii) Water Resource Management; and (iii) Capacity Building and Program Management.

43. *World Bank*: The World Bank through the first and second National Water Development Projects has been the lead donor in the sector. Some support for water and sanitation also comes from: the Malawi Social Action Fund (MASAF). It has been funded since 1995 over three phases by the World Bank and the Infrastructure Services Project that seeks to promote “development corridors” through general infrastructure (roads, electricity, water and sanitation) support. In spite of the large water and sanitation portfolio the Bank has no country-based water or infrastructure specialists.

## MOZAMBIQUE

### Status of the Water and Sanitation Sector and Government Institutions

44. Mozambique has the lowest reported water and sanitation coverage in Eastern and Southern Africa after Ethiopia. The country has had to rise from a very low infrastructure base following the struggle for independence and subsequent civil war. Even today there is very little capacity outside of the key central government institutions and the larger cities. The problems are exacerbated by the country's large size – more than 3,000km from north to south – and poor communications. Administratively there are 10 provinces (plus the city of Maputo), 124 districts and 43 municipalities - some municipalities are also district centres.
45. *Sector and Policy Institutions*: The National Directorate for Water Affairs (DNA) is the central Government body responsible for water and sanitation. DNA reports to the Minister of Public Works and Housing. In 1995 Mozambique adopted a very progressive National Water Policy. It is based on a *delegated management framework* that requires strict demarcation of ownership, operation and regulation. The new policy led to the introduction of innovative institutional arrangements to address the needs of the largest cities and towns. An asset holding company, FIPAG, was spun off from DNA to take over the assets of the largest cities and towns and to contract out their operation and maintenance to the private sector. FIPAG is responsible for expanding the water and sanitation facilities and for ensuring that the facilities are efficiently managed. An effective independent regulator, CRA, was established to ensure that the interests of both parties to the contracts and the interests of consumers are protected.
46. *Proposed Institutional Arrangements for Towns*: While the needs of the largest urban areas are being addressed work has only just started on the next tier of municipalities and towns. The World Bank and the Millennium Challenge Corporation (MCC) are starting to help Government address this gap in the four Northern provinces. The World Bank through a third sector project, the Water Services and Institutional Strengthening (WASIS) Project (approved in August 2007) is supporting DNA to adapt and extend the delegated management model to smaller towns throughout the country. MCC has committed US\$203 million to rehabilitate and extend water and sanitation infrastructure in the Northern provinces and this includes some of the small and medium sized towns. Feasibility studies have already been prepared for more towns than can be covered with the funds available. This creates an opportunity for AusAID to

become involved in providing support to some of these towns fairly quickly. At the same time, the establishment of Provincial Water Boards will be piloted in the Northern provinces.

### **Development Agencies Supporting Water and Sanitation**

47. *Development Partner Coordination:* All development partners supporting the sector signed a memorandum of understanding with DNA in 2004, committing to collaborate and coordinate their assistance. The World Bank currently leads the donor coordination group. It is estimated that the development agencies provide over 90% of annual investment in the sector. The African Development Bank, the World Bank, the Millennium Challenge Corporation, UNICEF and the European Union/European Investment Bank all provide programs with significant levels of funding. The first three have well staffed country offices. The World Bank is the lead donor agency and has the most experienced sector staff. WB, AfDB and EU/EIB are the main supporters of the urban sub-sector while AfDB, UNICEF and bilateral donors (Holland, Switzerland, Austria, Irish Aid, CIDA, DfID, Japan and NGOs) support the rural sub-sector. Further support to the rural water supply and sanitation sector was proposed over the ADF 11 Period (2008-2010) but problems have reportedly emerged on a major dam that AfDB funded which will require extensive remedial works.
48. The World Bank is the lead agency supporting the water and sanitation sector. It has completed two National Water Development Projects and is now implementing a third the WASIS project. The World Bank has a principal international water and sanitation engineer based in Maputo.
49. Millennium Challenge Corporation has a US\$500 million program in Mozambique and has allocated US\$203 million to the water and sanitation sector in urban, peri urban and rural areas.
50. AfDB's program in Mozambique comprises 3 projects, which are being carried out in collaboration with other major development partners supporting the sector.

### **F. INITIAL OBSERVATIONS AROUND CROSS-CUTTING THEMES**

51. **Gender Aspect:** All activities supported will either directly or indirectly benefit the poor. Both men and women will benefit, but women will be the major beneficiaries, as they will spend less time collecting water and caring for the sick and will be relieved of much of the drudgery in their daily lives. As women are generally responsible for the household budget, their perception of direct self-benefit will help to assure payment of costs associated with the often lower costs of piped water supply services. The AWSP will promote gender equality by ensuring that women are given equal opportunities in decision making and the management of projects.
52. The UNICEF school sanitation program will deliver specific benefits for women. Women in Africa often have lower education levels than men. Research shows that making separate hygienic toilets available for girls in schools increases their attendance.

53. A gender analysis was carried out by AfDB as part of preparation for their Malawi National Water Development Program and the results incorporated into their program design. The extent of gender analysis carried out on the World Bank's Water Services and Implementation Strengthening Project in Mozambique will be clarified during design of the additional activities to be funded by AusAID. Provision will be made in the project design for any additional gender analysis required.
54. **Environmental Assessment:** The AWSP interventions will reduce environmental health risks from contaminated water and enhance institutional arrangements for environmentally sustainable growth. It is envisaged that any environmental impacts will be limited to the construction phase and that they will be minor and temporary in nature. Provisions will be included in the construction contracts requiring the contractor's to minimise impacts and to adopt mitigation measures where temporary impacts are unavoidable.
55. The multilateral banks programs in Malawi and Mozambique already incorporate comprehensive environmental management frameworks that will be used by the implementing agencies to screen the facilities proposed for funding by AusAID. AusAID will hire an environmental specialist to review potential impacts during the design phase to ensure they comply with the program requirements as well as Australian and partner government environmental legislation. During implementation environmental assessments and proposed management plans will be monitored by the banks' staff for compliance with the approved program requirements.
56. **Land Acquisition and Involuntary Resettlement:** The Malawi and Mozambique programs are not expected to require any involuntary resettlement. Some minor land acquisition may be required. The multilateral banks and government executing agencies already have resettlement policy frameworks in place to address these matters including the payment of equitable compensation. Where needed, resettlement action plans will be prepared for approval by the respective governments and the multilateral banks. These will be publicly disclosed and implemented before any related construction begins.
57. **Governance:** Effective governance is one of the main challenges to achieving sustainable piped water services. This will be addressed at several levels in the AWSP. In the two proposed country programs which focus on improvement of water and sanitation services, success will depend on making the water service providers more accountable. In Mozambique this will be achieved by independent regulation, which already has a well proven track record. In Malawi the focus will be on establishing more transparent procedures and greater involvement of the community. The Civil Society program will help strengthen civil society and will advocate for more accountable governance.
58. Corrupt practices will not be tolerated, and proof of corruption will result in AusAID's consideration of withdrawal of future funding and advocating strengthened anti corruption measures. World Bank and the African Development Bank have developed procurement guidelines and project fiduciary systems with the implementing agencies in Malawi and Mozambique to control project expenditure. Both development banks also work closely with national audit offices to monitor project financials.

59. **Disability:** The majority of people with disability in developing countries are living below the poverty line and WASH activities targeting poor and vulnerable communities will need to facilitate their access, promote an inclusive approach, and involve people with disability from planning through to evaluation of activities in line with AusAID's "Development for All" strategy. Services that meet the needs of all people (and include people with a disability) can help to increase the coverage and effectiveness of water and sanitation programs. Low cost solutions have been found for adapting or constructing accessible water and sanitation facilities. Not only is it less costly and a more efficient use of scarce resources to plan beforehand to make services inclusive of people with a disability, but accessible facilities bring benefits to the whole community. Consulting people with a disability themselves is the best way of ensuring that Water and Sanitation Services are truly accessible to them. To ensure that project outcomes are efficient, sustainable and equitable where feasible disabled peoples organisations will be consulted on design.
60. **Climate Change:** Parts of SSA are considered to be highly vulnerable to global climate change. Incidences of drought are projected to increase due to abnormal rainfall patterns already being experienced across the region. The risk of severe water shortages, accentuated by serious surface and groundwater depletion rates in some areas will likely raise the stress on drinking water supply in several parts of the region. The AWSP, by helping to protect and make more efficient use of surface and groundwater resources will contribute towards adapting to the impact of climate change.

### **III PROGRAM DESCRIPTION**

#### **G. GOAL, OBJECTIVES, OUTCOMES AND OUTPUTS**

61. The goal, objectives, outcomes and outputs of the proposed program are presented in Table 3 below. These are the same as for the WSI as a whole. More specific performance monitoring frameworks that are to the extent possible aligned to broad government and development partner frameworks will be prepared during the design phase.
62. The overall goal of the AWSP is to improve the living standards of the poor by improving their access to more effective and sustainable water and sanitation services thereby contributing to the achievement of the MDG's, in particular MDG 7. This is consistent with the goals of the Government's expanded aid program to Africa.

**Table 3: Goal, Objectives and Outcomes and Outputs**

Goal	Objectives	Outcomes <sup>1</sup>	Outputs <sup>1</sup>
Improve the living standards of the poor by improving their access to more effective and sustainable water and sanitation services thereby contributing to Africa's achievement of the MDG.	<p>1. Expand access to water supply services particularly for the poor and for children in schools.</p> <p>2. Expand access to sanitation services particularly of the poor and for children in schools.</p> <p>3. Improve the health and quality of life of the poor and vulnerable by increasing their understanding of good hygiene practices, as well as by expanding their access to water supply and sanitation services.</p> <p>4. Make water and sanitation services more sustainable by supporting sector reform and capacity building.</p> <p>5. Enhance Aid Effectiveness and Complement other Development Agencies Programs,</p>	<p>By the end of 2011:</p> <p>1. X additional people of whom A% are poor with access to safe drinking water.</p> <p>2. X additional people of whom B% are poor with access to basic sanitation.</p> <p>3.X additional Water Service Providers recover full costs of O&amp;M</p> <p>4. X people demonstrate good hygiene practices especially proper hand-washing.</p> <p>5. Improved capacity of local governments in to manage service provision on a sustainable basis.</p> <p>6. Increased number of poor households in focus towns connected to piped water supply.</p>	<p>1. X Water Service Providers expand their water and sanitation infrastructure</p> <p>2. X Schools provided with well designed and sustainable water and sanitation facilities.</p> <p>3.X new individual water connections for urban poor communities</p> <p>4. Communal wastewater facilities provided for Y poor communities.</p> <p>5. X Water Service Providers fully cover their O&amp;M costs.</p> <p>6. X people, including Y school children provided with education on good hygiene practices</p> <p>7. X additional user maintenance groups formed and functioning.</p> <p>8.No of Towns in focus countries that adopt sustainable WSS management and business strategies.</p> <p>9. Increased No of towns providing reliable 24x7 water supplies.</p> <p>10. % of WSI funds implemented through partner government systems.</p>

1. Outputs and outcomes will be quantified during the design phase of the program.

## **H. THE PROPOSED PROGRAM**

63. The proposed program has two main components to deliver expanded access to sustainable water and sanitation services: Component 1: Provision of Water and Sanitation Facilities and Institutional Development; and Component 2: Policy Development, Research and Knowledge Dissemination. Component 1 will include country programs in Malawi and Mozambique delivered through partnerships with the AfDB and World Bank respectively and regional programs delivered through partnerships with UNICEF, the Water Supply and Sanitation Collaborative Council and Civil Society Organisations. The development partners for Component 2 will be the Africa Water Facility of the AfDB and the World Bank's Africa Region Water and Sanitation Program.
64. Formulation of the proposed program has been strongly influenced by the need to demonstrate tangible results within the 2 year implementation period of the WSI. At the same time we have taken account of the expectation that Australia will remain substantively engaged in the water and sanitation sector for several years beyond 2011. The proposed AWSP therefore seeks to strike a balance between engaging in shorter term activities that will achieve results quickly and in activities focussed on the longer term which have more emphasis on policy engagement and program development. The shorter term activities will involve participating in programs that are already underway.
65. Delivering our support through multilateral partners and civil society organisations that are already well established in Africa and have experienced sector specialists on the ground will promote more effective aid delivery in accordance with the Paris Declaration and the Accra Agenda for Action. The experience gained during implementation of the AWSP would enable the option of bilateral programs to be considered in the future.

## COMPONENT 1: PROVISION OF WATER AND SANITATION FACILITIES AND INSTITUTIONAL DEVELOPMENT

### (1A) Malawi - National Water Development Program (NWDP)

66. *Program Objectives and Description:* Malawi's National Water Development Program (NWDP) is a sector program of US\$300 million towards which pledges of US\$242 million have been secured. The program covers all of Malawi and aims to achieve 80% coverage of improved water supply and sanitation by 2015. AfDB's support through their US\$48 million program of the same name will cover four districts. The AfDB's comparative advantage is its experience in rural water supply and sanitation and water resource management.
67. We propose that AWSP funding is channelled through AfDB's NWDP to support increased access in rural town and market centres to piped water supply and basic sanitation services. As explained earlier, WSS provision for towns is often neglected and this is the case in Malawi. For ease of implementation, support would be directed to one or more of the Districts already included in the NWDP i.e. Lilongwe, Machinga, Mulanje and Zomba. We could also consider preparing programs for other districts such as Thyolo, which has one of the lowest water service coverage, for support by AusAID or another donor in future years.
68. AWSP funding of \$17 million is proposed. This should be used to promote better hygiene practices, expand access to improved water supplies and basic sanitation, and to encourage environmental sustainability by strengthening water resource management. The provision of improved sanitation facilities for schools, health centres and markets will be given high priority. At the household level the focus will be on motivating and, where necessary, providing financial assistance to help people build latrines.
69. *Implementation Arrangements:* A Program Steering Board, comprising Principal Secretaries of eight Ministries, representatives of civil society, the private sector and NGOs, will approve, monitor and evaluate annual national work plans and budgets. The District Assembly, through its District Executive Committee, will do the same for district plans. The Ministry of Irrigation and Water Development is the Executing Agency for the NWDP. It will assist Districts through a NWDP Coordination Unit, zonal offices and a Capacity Development Consultant. The AfDB program is funding technical specialists to work with the Co-ordination Unit. Support is also being provided to the Ministry of Women and Child Development (MWCD) to help implement the sanitation and hygiene component. Coordination teams established at the district level will also receive technical support.
70. Procurement of goods, works and services will follow AfDB's standard procurement procedures and standard bidding documents. The Ministry of Irrigation and Water Development will be responsible for managing procurement.
71. *Trust Fund:* A trust fund agreement between AusAID and the AfDB will be required. As AusAID has not previously worked with the AfDB, work on this should be started as soon as possible.
72. *Engagement Strategy:* IWS unit of the SDG are in the process of clarifying with AfDB their procedures for processing additional financing. It is envisaged that



they will be similar to those of the World Bank i.e. the MIWD will need to prepare a design document covering the additional work for appraisal by AfDB staff and subsequent approval by their board or management. This document would be the basis of AusAID's appraisal review (QAE review). Given the time constraints of the WSI AusAID would need to hire consultants to assist MIWD prepare the design document. Provided approval is given to proceed by mid September it is envisaged that the design document could be completed by December 2009.

**(1B) Mozambique: Water Services and Institutional Support Project (WASIS)**

73. *Program Objectives and Description:* As noted earlier, the WASIS project is the third in a series of World Bank projects that helped GOM develop their enlightened National Water Policy and subsequently to implement it. The WASIS project was approved in August 2007.
74. The project focuses on Mozambique's four Northern provinces which is the least developed part of the country. The development objective of the project is to support the National Directorate of Water (DNA) and CRA extend the delegated management framework to the next tier of municipalities and towns. This will be achieved by establishing a new asset management company (IAS) similar to FIPAG that manages the assets of the 14 largest cities and municipalities. The remit of CRA the regulatory authority has been extended to cover the smaller municipalities and towns. The project is also funding the expansion of water service coverage in the four northern provincial capitals, Beira, Nampula, Quelimane, and Pemba.
75. GOM and the World Bank are willing to extend the scope of the project to enable expansion of water supply in at least 3 of the smaller municipalities and towns in the Northern provinces. DNA has proposed the municipalities of Ilha De Mocambique and Mueda and the town of Maganja Da Costa for AusAID's consideration. There are several other towns of similar size in the Northern provinces for which support is also required. If the proposed towns are found to be unsuitable during the design phase they could be considered as alternatives.
76. We recommend that \$17 million is allocated to increase access to water supply in the municipalities/towns proposed or similar. Complementary support for improved institutional arrangements and capacity building for the responsible water service providers will also be required.
77. Sanitation is not included in the scope of WASIS and at this early stage in the development of the sector institutions it is not practicable to add the responsibility for sanitation. The Ministry of Public Works and Housing, which is responsible for DNA, confirmed that they would welcome AusAID assistance to advise on appropriate institutional arrangements for sanitation in the towns covered and to design a program for possible funding by AusAID or others in the future. A decision should be taken on whether to include this at the concept peer review.
78. *Implementation Arrangements:* At this stage it is envisaged that the IAS would be responsible for implementing the works in the three towns. This will need to be confirmed during the design phase. A combined design and construction

approach has been successfully adopted for the works already being funded by the WASIS project. It is proposed that the same approach should be used for the three towns. The first step will be to prepare concept designs and then to prepare tender documents for the design and construction contract, or contracts. Terms of reference and a tender document will also be required for consultant's services to check the designs, supervise construction and to provide technical assistance to the water service providers in the three towns. The sanitation study, if it is included, would be implemented by DNA.

79. Procurement of works and services would be carried out in accordance with the World Bank's standard procedures that have already been agreed with government.
80. *Trust Fund*: The standard form of trust fund agreement used by AusAID and the World Bank will be adopted.
81. *Engagement Strategy for Design*: The World Bank in close consultation with the DNA would prepare a design document<sup>15</sup> for appraisal review (QAE review) by AusAID management and approval by World Bank management. Consultants hired by AusAID would assist DNA with the design document by preparing the concept designs and institutional strengthening inputs referred to above. Provided approval is given to proceed by mid September the design document could be completed by mid November.

#### **(1C) UNICEF Africa - Water, Sanitation and Hygiene (WASH) Program for Schools**

82. *Introduction*: AusAID's support for the UNICEF WASH program was appraised (QAE review) in May 2009 as part of a broader Global Water and Sanitation Program. A total of \$6 million was approved of which \$3 million will be allocated to Africa for school sanitation and hygiene. The program is being managed by the Infrastructure, Water and Sanitation Unit of the Sustainable Development Group.
83. *Program Objectives and Description*: UNICEF has a global program to accelerate WASH activity as a low cost but high impact intervention. Support is being given to rural WASH programs and WASH activities in schools. The program has a 10 year goal to ensure that all schools in the region have adequate child friendly water and sanitation facilities. Africa, because it is the region furthest from achieving the MDG targets is UNICEF's highest priority.
84. Poor school sanitation contributes significantly to girls' absenteeism and drop-out rates, and exposes children to health problems such as intestinal worms that reduce participation and undermine performance. Studies carried out by UNICEF revealed that providing safe, hygienic and separate toilet facilities increased girls' enrolment in schools. This approach supports three MDGs simultaneously (universal basic education, gender equality and reduced environmental degradation) and utilises Australia's existing relationships with UNICEF.
85. *Implementation Arrangements*: AusAID has an existing agreement with UNICEF under the AusAID-UNICEF Partnership Framework 2008-2015. This

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<sup>15</sup> This is referred to in the World Bank as an "Additional Financing Document". It serves as an addendum to the Project Appraisal Document.

provides for core funding of UNICEF's international program. While it does not allow for specific earmarking to Africa or specific African countries, support for Africa is UNICEF's highest priority. AusAID is represented on UNICEF's executive board by our UN and Human Rights Section. This will provide the opportunity to influence how the program is targeted and managed. UNICEF will submit annual performance reports to AusAID. These will be copied to the Africa Desk and Post.

**(1D) Water Supply and Sanitation Collaborative Council – Global Sanitation Fund**

86. *Introduction:* AusAID's support for WSSCC was appraised (QAE review) in May 2009 as part of a broader Global Water and Sanitation Program. A total of \$5 million was approved of which \$2.5 million will be allocated to Africa. The program is being managed by the Infrastructure, Water and Sanitation Unit of the Sustainable Development Group.

87. *Program Description and Objectives:* The purpose of WSSCC's Global Sanitation Fund is to help large numbers of poor people attain safe and sustainable sanitation services and adopt good hygiene practices. The Global Sanitation Fund is a multi-donor trust fund open to contribution from any source including governments, foundations, private sector and individuals. Funds are allocated to Executing Agencies in selected countries. The Executing Agencies on-grant funds to Sub-Grantees who implement agreed sanitation and hygiene programs. The whole system is closely monitored by WSSCC through in-country and global audit mechanisms.

88. WSSCC provides support for networking, knowledge management, advocacy and communications on the importance of sanitation and hygiene. National Coordinators located in priority countries are the focal point for country-level activities, including the facilitation of National WASH Coalitions' support for national-level coordination and networking. Priority countries in Africa include Burkina Faso, Ethiopia, Tanzania, Nigeria, Senegal, Kenya, Zimbabwe, Togo and Uganda.

89. *Implementation Arrangements:* AusAID has an existing relationship with WSSCC through a Trust Fund arrangement established in 2008. AusAID's Infrastructure, Water and Sanitation Unit will supervise implementation and keep Africa Desk and Post informed of progress.

**(1E) AusAID Civil Society Water Sanitation and Hygiene Fund**

90. *Introduction:* AusAID's support to be delivered by civil society organisations was appraised (QAE review) in August 2009. An allocation of \$10 million was approved for Africa. The activity design relied on research undertaken in 2008 on the work of Civil Society Organizations in the water and sanitation sector, including in Africa. Implementation will commence after approval of a Min-sub outlining the program. The program is being managed by the Infrastructure, Water and Sanitation Unit of the Sustainable Development Group.

91. *Program Description and Objectives:* The Civil Society Program for Africa is designed to draw on the strengths and comparative advantages of civil society groups in delivery of WASH services to the poorest and most disadvantaged. Strengths of the program include community engagement, poverty focus, innovation and advocacy of the rights of the poor.
92. Alignment and complementarities between the Civil Society Program and other parts of the AWSP is a key aim. Civil Society WASH funding will therefore give priority to AusAID focus countries in Africa.
93. *Implementation Arrangements:* The Program will take the form of a competitive funding round. Proposals will be invited from those civil society and not-for-profit organisations that are currently engaged in the sector primarily to scale-up and build on existing efforts and opportunities in promoting access to water, sanitation and hygiene including in Africa. Invited organisations will include Australian and International not-for-profit organisation. Guidelines allow for applications from local organisations that can demonstrate they have a suitable program and appropriate financial management and accountability systems. To help manage the global civil society program IWS will recruit a WSI Civil Society Program Manager. A monitoring and review group will also be established. IWS will keep Africa Desk and Post informed of progress.
94. *Civil Society Africa WASH Fund:* Funding will be channelled to Civil Society Organisations by IWS. Funds will be paid to the organisations either under current partnership agreements or under separate contracts established for agreed activities.

## **COMPONENT 2: POLICY DEVELOPMENT, RESEARCH AND KNOWLEDGE DISSEMINATION**

### **(2A) World Bank's Africa Regional Water and Sanitation Program (WSP)**

95. *Introduction:* AusAID's support for the Africa WSP was appraised (QAE review) in May 2009 as part of a broader Global Water and Sanitation Program. An allocation of \$5 million was approved. The program is being managed by the Infrastructure, Water and Sanitation Unit of the Sustainable Development Group.
96. *Program Description and Objectives:* AusAID has an existing agreement in support of the WSP Africa which has been in effect since 2006. It focuses on three areas: (i) support for development and implementation of national water and sanitation roadmaps, including integration of water and sanitation programs into national planning processes, development of medium term expenditure frameworks, and sector financing strategies; (ii) strengthening regional capacities in advocacy and communication, effective planning processes and tracking progress; and (iii) support for development and sharing of knowledge on key issues related to development of sustainable water supply and sanitation services to the urban and rural poor. Scaling up program support with \$5 million funding focused on towns was appraised and approved under the WSI Global Program Fund.

97. Focus countries of the current program include: Benin; Burkina Faso; the Democratic Republic of Congo; Ethiopia; Kenya; Mozambique; Niger; Rwanda; Senegal; Tanzania; Uganda; and Zambia. These countries were selected on the basis of their large populations, high levels of poverty, high percentage of populations without access to safe water and basic sanitation, and government commitment to reform. WSP is continuing to expand its work program to all regions of Africa.
98. WSP Africa has proposed a program to help accelerate water and sanitation coverage in African towns. The objectives of AusAID support will be to: (i) assist focus countries develop and implement large scale town WSS programs, and initiate improved approaches; and (ii) deepen the knowledge and experience of WSS management through an innovative and regional advocacy and learning program. Continued AusAID support for the WSP Africa program over the period of the WSI will assist in the implementation and effectiveness of sector investment in Africa including support for the proposed multilateral development bank activity in Malawi and Mozambique.
99. *Implementation Arrangements:* AusAID has an existing relationship with Africa WSP through a Multi Donor Core Trust Fund arrangement established in May 2006. AusAID Pretoria has managed the relationship with the Africa regional program since 2006 while the Infrastructure Water and Sanitation group participates in the WSP Annual Council Meetings. Supervision of the regional program will remain with Pretoria Post with support as required from the Infrastructure Water and Sanitation Section for the scaled up program. Preparation of QAI reports will remain the responsibility of the Africa Program. AusAID Pretoria will be kept informed of issues that are discussed at the Council level.

## **(2B) African Development Bank's African Water Facility (AWF)**

100. *Program Objectives and Description:* The AWF is a multi-donor trust fund established in AfDB at the request of the African Ministerial Council on Water (AMCOW) in May 2004. It became operational in 2006. The purpose of the facility is to assist African countries to mobilise resources to develop the water and sanitation sector. The main objectives are to: (a) strengthen the enabling environment for water sector management; (b) support the scaling up national water and sanitation programs; (c) increase the absorptive capacity of sector institutions; and (d) attract strategic investments for the development and management of water and sanitation services and water resource management. AWF is set up to be a flexible, demand-responsive facility that is open to NGOs, civil society groups and sub-national governments as well as national governments. It aims to support relatively small (Euro 50,000 to Euro 5 million) initiatives that can be completed over short time spans (6 months to 2 years). To date AWF has mobilised Euro 86.7 million from seven donors (all European except Canada). Looking to the future the estimated cost of AWF's planned program for the next 3 years is Euro 139 million. They have a funding shortfall of Euro 89 million. AWF's program includes collaboration with the WSP's program on small town services. This will complement the proposed programs in Malawi and Mozambique.

101. We propose a \$5 million contribution to AWF's core funding. This contribution would contribute to building a solid relationship with the AfDB and AMCOW and would raise Australia's profile in the sector. It would help prepare the way for possible future engagement with the AfDB.
102. *Implementation Arrangements:* AWF reports to a Governing Council of 13 comprising representatives from AMCOW (5), Donors (5), NEPAD (1), UN-Water (1) and AfDB (1). It is chaired by an AMCOW Minister. Day to day management is delegated to the AfDB Board of Directors who in turn delegate responsibility for activities costing under E2m. The President approves activities costing from E0.5m to E2m and the Director of AWF approves those under E0.5m. This enables relatively fast turnaround times. AWF currently has a complement of 12 professional staff and managers and aims to increase this to 20 by the end of 2009.
103. *Engagement Strategy for Design:* IWS or a consultant would carry out a detailed review of AWF's medium-term program focussing specifically on activities planned for the next two years. The feasibility of activities being carried out in Malawi and Mozambique that would complement the programs we propose funding there would be carefully assessed.
104. *Trust Fund/Instrument of Contribution:* Contributions to the AWF will be made by an AusAID/AfDB Instrument of Contribution. Work should start on this should be started as soon as possible as AusAID has not previously had a partnership with AfDB (see also the similar requirement for the proposed Malawi program)

## **(2C) WSI Training Allocation**

105. *Objectives and Description:* Funds were earmarked in the WSI to support in-country or regional training facilities. We recommend that \$250,000 is made available for each of the proposed programs in Malawi and Mozambique. The main emphasis will be to develop training programs focussing on the practical, technical and commercial aspects of managing and operating water supply services. A water sector training facility, CFPAS, already exists in Mozambique and has been supported by donors, including the WSP, in the past. Unfortunately its performance has reportedly declined in recent years and it is unclear if this would be the most appropriate facility to channel assistance. This will be assessed further during the design phase. A similar assessment of potential training institutions will be carried out in Malawi.
106. *Engagement Strategy for Design:* From the management perspective it would be most convenient if this assistance was delivered through AfDB and World Bank programs in Malawi and Mozambique. An alternative may be to use the Africa Region WSP and earmark the funds for this purpose. It could be added to the \$5 million allocation already proposed. Consideration of these options, together with an assessment of the most appropriate institutions with whom to work, will be carried by our consultants during the design phase.
107. The proposed training program should be coordinated with the African scholarship program, particularly the short term executive training program that would enable senior water sector managers to undertake short-term on-the-job training assignments in Australia or elsewhere.

## I. INITIAL PROGRAM COST ESTIMATE

108. The estimated cost of the program described in the preceding sections is \$61 million as indicated in Table 4.

**Table 4 – Initial Program Cost Estimate (AUD million)**

Item Description	FY 09/10	FY 10/11	Total
<b>Provision of WSS Facilities &amp; Institutional Development - Country Programs</b>			
Malawi National Water Development Program (AfDB co-financed)	5.00	12.00	17.00
Mozambique Water Services Institutional Support Project (WB co-financed)	5.00	12.00	17.00
<b>Provision of WSS Facilities &amp; Institutional Development - Regional Programs: UN Agencies</b>			
UNICEF Global WASH Program targeted at schools	0.75	2.25	3.00
Water Supply and Sanitation Collaborative Council	1.25	1.25	2.50
<b>Provision of WSS Facilities &amp; Institutional Development - Regional Programs :Civil Society</b>			
Africa-Australia Civil Society WASH Fund	3.50	6.50	10.00
<b>Programs for Policy Development, Research and Knowledge Dissemination</b>			
African Water Facility –African Development Bank	3.00	2.00	5.00
Africa Regional Water and Sanitation Program –World Bank	3.00	2.00	5.00
Training Fund for Water and Sanitation		0.5	0.5
<b>Program Management</b>			
Resources for country team for design, management and administration.	0.5	0.5	1.00
<b>TOTAL: Africa Water and Sanitation Program (AWSP)</b>	<b>21.50</b>	<b>39.50</b>	<b>61.00</b>

Note: Shading indicates activities that have already been appraised by AusAID and are under implementation. With the exception of the Africa WSP these activities will be managed by the Infrastructure Water and Sanitation Unit of the Sustainable Development Group.

## IV DESIGN, IMPLEMENTATION AND RESOURCING

### J. PROPOSED ARRANGEMENTS FOR DESIGN AND IMPLEMENTATION

109. This section covers the proposed design and implementation arrangements for the country programs in Malawi and Mozambique and the African Water Facility. The other activities have already been designed.
110. *Malawi Country Program:* As noted above this would involve providing additional finance through AfDB's National Water Development Program. Implementation of the NWDP started in the past year. To ensure that AusAID's funds are utilised within the short time-frame of the WSI i.e. by June 2011 it will be necessary for AusAID to hire consultants to prepare designs. The alternative of relying on consultants hired by government through the NWPD is likely to take too long as the consultants responsible for design and implementation have not yet been recruited. The full extent of design input required will be assessed

in a mission planned for the second half of September 2009. Once the scope of the AusAID funded program has been agreed arrangements will need to be made with AfDB and GOM to formally incorporate the additional scope of works in the NWDP. This will include preparation of a design document that will be the basis of AusAID's project appraisal (QAE review).

111. Management during implementation will use the arrangements included in the NWDP. It may be necessary for AusAID to fund the incremental program management costs related to the additional works.
112. *Mozambique Country Program*: Implementation of the World Bank's WASIS project started in early 2008. To accommodate support from AusAID the World Bank will appraise designs of the additional works proposed by GOM. GOM, specifically the DNA, will require assistance to prepare these designs. A consultant has already been mobilised and would be able to complete the designs by mid November 2009 pending outcomes of the concept peer review. The World Bank would concurrently prepare an Additional Financing Document that would together with the original Project Appraisal Document be the basis of AusAID's design appraisal. World Bank management would also have to formally approve the proposed additional financing.
113. *African Water Facility*: As indicated above it is proposed that the Infrastructure and Water Section of the Sustainable Development Group prepares the design of this component. It would involve appraising AWF's detailed program for the next two years and their governance arrangements. It is envisaged that this could be carried out by the end of November 2009.

#### **K. AUSAID'S RESOURCE REQUIREMENTS FOR DESIGN AND MANAGEMENT**

114. As indicated above consultants would need to be hired to help design the Malawi and Mozambique programs. For the implementation phase AusAID Post is in the process of recruiting a program manager, who it is understood will have a generalist background. We recommend that Post also makes provision for periodic inputs of a sector specialist to help manage the Malawi and Mozambique programs. The other program activities would be managed by the Infrastructure Water and Sanitation Unit of the SDG in Canberra.
115. Ensuring Australian identity for the African Water and Sanitation Program will require development of a communications and engagement strategy with proposed partners at country and regional levels. The two country programs will provide ample opportunities for diplomatic engagement at milestone events e.g. signing of grant agreements, opening ceremonies of facilities etc. throughout implementation. AusAID participation in the council meetings and program related events of the AWF and WSP will provide opportunities to raise the visibility of Australia contributions at an Africa regional level profile e.g. with African Minister's Council for Water.



## L. PROJECTED TIMELINE FOR PROGRAM DESIGN AND IMPLEMENTATION

	2009						2010												2011					
IMPLEMENTATION TIMELINE	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J
AWSP Concept Approval																								
AWF DSID																								
AWF Trust Fund Agreement																								
<b>MOZAMBIQUE WASIS</b>																								
Design Mission																								
Design Summary Implementation Documentation																								
Appraisal																								
Prepare Additional Financing Agreement -WB																								
Prepare Bidding Documents for Y1-DNA																								
Trust Fund Agreement.																								
Implementation																								
<b>MALAWI NWDP</b>																								
Design Mission																								
Design Summary Implementation Documentation																								
Appraisal																								
Trust Fund Agreement.																								
Design of Town Systems																								
Preparation of Thyolo District																								
Implementation																								
<b>AusAID Supervision Missions</b>																								

## M. FINANCING MECHANISMS

116. Funding for the Malawi, Mozambique and AWF programs would be channelled through trust funds with the AfDB and World Bank. AusAID already has well established trust fund procedures with the World Bank. There has been no previous engagement with the AfDB so more time would have to be allowed to establish the necessary arrangements with them. The other program activities which have already been appraised will be managed by the Infrastructure Water and Sanitation Section of the SDG

## N. CRITICAL RISKS AND RISK MANAGEMENT STRATEGIES

117. Identified risks, effects and mitigation measures are summarised in the Table 5.

**Table 5 – Risk Assessment Matrix**

Identified Risks	Effect	Risk Level	Risk Treatment
Limited capacity of implementing agencies to implement the country programs	Delay in implementation of projects.	High	Provide technical assistance to support implementation and build capacity.
Insufficient attention given by multilateral banks to implementation of AusAID funded activities.	Funds not utilised by June 2011	Medium	AusAID to participate in all supervision missions.
Water service providers do not operate and manage the new facilities	Poor service to consumers and degradation of	Medium	Provide technical assistance to build the capacity of water service providers and where necessary to advise government

in a sustainable manner.	facilities		counterparts on appropriate sector policies
Potential for corrupt practices	Inefficient use of funding.	Medium	Adoption and enforcement of AfDB and WB anti-corruption procedures and practices.

## V RECOMMENDATION

118. We recommend that agreement is given to proceed to the design phase and that the necessary approval to fund design is given.

**Annex 1: Current Projects Supported by AfDB and WB in Malawi and Mozambique**

COUNTRY/PROGRAM	AMOUNT	IMPLEMENTATION PERIOD	DESCRIPTION
<b>WORLD BANK</b>			
<b>Malawi</b>			
Second National Water Dev Project	50	2007 to 2012	Broad support to all aspects of water and sanitation including water resource management
Additional Financing to Second National Water Dev Project	25	2008 to 2012	As above
<b>Mozambique</b>			
Second National Water Dev Project including additional financing	90	2000 to 2009	Support for the asset holding company, independent regulator and contracting out operation and maintenance for the five largest cities
Water Services and Institutional Support Project	15	2008 to 2013	Support to extend the delegated management model to smaller cities and towns
<b>AFRICAN DEVELOPMENT BANK</b>			
<b>Malawi</b>			
Rural Water Supply and Sanitation Project	45	2008 to 2012	Support for rural water supply and sanitation in several districts
<b>Mozambique</b>			
Second National Water Dev Project including additional financing	35	2000 to 2009	Rehabilitating and expanding facilities in five main cities

