



Australian Government
AusAID

Quality at Entry Report and Next Steps to Complete Design for Water Sector Reform in Zambia Program

A: AidWorks details <i>completed by Activity Manager</i>			
Initiative Name:	Australia-Germany Water and Sanitation Cooperation		
AidWorks ID:	INJ535	Total Amount:	\$4 million (for Zambia component)
Start Date:	March 2011	End Date:	31 December 2012

B: Appraisal Peer Review meeting details <i>completed by Activity Manager</i>	
Initial ratings prepared by:	Sue-Ellen O'Farrell and Lawrence McCulloch
Meeting date:	18 January 2011
Chair:	Jamie Isbister
Peer reviewers providing formal comment & ratings:	– Sue Ellen O'Farrell and Lawrence McCulloch
Independent Appraiser:	– None – exemption approved
Other peer review participants:	<p>Laurence McCulloch, Working in Partner Systems, Peer Reviewer Sue-Ellen O'Farrell, Indonesia program, Peer Reviewer Marcus Howard, Water Adviser Jason Court, Pretoria Post Laila Smith, Pretoria Post Matt Kellam, Southern Africa Section Clare Hanley, Southern Africa Section Anne Joselin – Infrastructure, Water and Sanitation Section Bridie Rushton – Bilateral Partnerships Section Vijaya Ratnam-Raman – Disability inclusive development Section Andrew Codrington – Disability inclusive development Section</p> <p>Apologies Kerrie Anderson, Director, Southern Africa Section Alan Coulthart – Principle Infrastructure Adviser – written comments provided Claire Ireland – Environment Adviser Gillian Brown – Gender Adviser – written comments provided</p>

C: Safeguards and Commitments <i>(new!) completed by Activity Manager</i>		
<i>Answer the following questions relevant to potential impacts of the activity.</i>		
1. Environment	Have the environmental marker questions been answered and adequately addressed by the design document in line with legal requirements under the <i>Environmental Protection and Biodiversity Conservation Act</i> ?	Yes
2. Child Protection	Does the design meet the requirements of AusAID's Child Protection Policy?	N/a
3. Imprest Account	Does the business case and risk assessment support the use of an imprest account as the most efficient, effective and ethical use of Commonwealth funds in accordance with the Commonwealth Financial Framework and AusAID policy?	No

D: Initiative/Activity description *completed by Activity Manager (no more than 300 words per cell)*

4. Description	Australia will provide \$4 million to support two components of GTZ's program for Water Sector Reform in Zambia. These components include: Support to the National Urban Water Supply and Sanitation Program through the provision of water and sanitation services to be delivered by the Devolution Trust Fund (DTF); and operation of an Efficiency Task Force assisted through technical assistance provided by GTZ. GTZ will utilise AusAID's \$4 million funding to assist their technical assistance work in these components as well as replenish funding requests of the DTF.
5. Objectives Summary	<p>AusAID's objectives for supporting this activity are to:</p> <ul style="list-style-type: none"> ○ support Zambia's progress towards their MDG 7 water and sanitation targets; ○ expand Australia's development assistance in Africa; and ○ fulfil former Prime Minister Rudd and German Chancellor Merkel's commitment to collaborate on water and sanitation in Africa <p>Objectives for each component include:</p> <ul style="list-style-type: none"> ○ improve the efficiency and transparency of implementation of the National Urban Water Supply and Sanitation Policy (including improving access to water and sanitation facilities); and ○ improve non revenue water, energy efficiency and accounting and billing procedures of selected commercial utilities.

E: Quality Assessment and Rating *(no more than 300 words per cell)**completed by Activity Manager after agreement at the Appraisal Peer Review meeting*

Criteria	Assessment	Rating (1-6) *	Required Action (if needed)
6. Relevance	<p>Australia's proposed engagement in the WASH sector with GTZ in Zambia is aligned with:</p> <ul style="list-style-type: none"> ○ The objectives of the regional strategy (to support progress towards the MDGs); ○ The bilateral MoU between Germany and Australia; ○ AusAID's geographical focus (on Sub-Saharan Africa), as described in the Africa Water and Sanitation Program (AWSP) concept document and addendum; and ○ The need within Zambia for more WASH facilities and improved management. <p>According to the concept note addendum, AusAID wishes to expand its program into Zambia through this program/sector. However, it is unclear in both the addendum and DSID what AusAID's intentions are post-WSI funding. Is engagement in Zambia through this program something which AusAID intends to do in the short, medium or long term?</p> <p>The "status" of the ASWP document (Concept Note and later addendum) is not provided: presumably it has been endorsed by AusAID senior management but this should be confirmed at the Peer review.</p> <p>Absence of any information on GOZ funding for the overall sector makes it difficult to assess whether the sector is an actual GOZ priority (notwithstanding that it may be "declared" as a priority and new GOZ policies/legislation introduced).</p>	5	

E: Quality Assessment and Rating <i>(no more than 300 words per cell)</i> <i>completed by Activity Manager after agreement at the Appraisal Peer Review meeting</i>			
7. Analysis and Learning	<p>AusAID is relying on GTZ's experience and expertise in the sector and country. Analyses in the DSID and GIZ's Program Design Document indicate GTZ has considerable experience and expertise in Zambia. An independent review conducted on GTZ's Water Sector Reform Program in 2008 verifies this.</p> <p>Some parts of the analysis raise issues that are not well addressed in the DSID, for example:</p> <ul style="list-style-type: none"> • The inability (or unwillingness) of water users to pay for water services provided by the CUs (even at low tariff levels); and • The commitment (e.g. low investment in the sector) and capacity of the GoZ to implement the NUWSSP. <p>These issues are addressed in other documents (about other components of GTZ's program and other donors' programs).</p> <p>There is no comprehensive overview of the sector in Zambia and the sector appears to be very complex.</p> <p>The problem analysis (GTZ document) is very brief and poses more questions than it answers. The problem analysis raises some serious questions/issues which are not, in my view, addressed. For example the statement that "The legal, organisational and institutional framework in Zambia does not allow an adequate increase in the access to safe water and sanitation by the poor." needs some further elaboration.</p> <p>The document also notes that "The existing legal and institutional framework of water resources management is outdated" but this should be improved by new legislation. However, the legislation is only draft.</p> <p>However, in terms of the specific component being funded by AusAID the provision of infrastructure via DTF appears fairly straightforward with a reasonable rationale.</p> <p>Key lessons learned are provided in the DSID which are drawn from the existing Zambia program and from a wider African perspective.</p>	4	<p>Include a summary on how GTZ and/or other donors are addressing the issues raised which are of relevance to AusAID's program.</p> <p><i>(To be considered as part of an action plan to be developed to guide AusAID's engagement with GTZ and the sector)</i></p>
8. Effectiveness	<p>The roles and responsibilities of the Zambian partner agencies are not well articulated. It is difficult to conceptualise how the overall program "fits" together in terms of the various partners.</p> <p>The DTF appears to have a track record in terms of implementation having financed 44 water and sanitation projects between 2006 and 2009. The 2008 independent evaluation ratings indicate the program has been successful.</p> <p>Given the lack of detail and indicators on other Components, in particular those involving technical assistance and capacity building, it is not entirely clear whether the program would succeed. There is no information as to whether the current program is succeeding in building capacity, efficiency and transparency in the various agencies.</p> <p>Component 4: Operation of an Efficiency Task Force is not clearly articulated in terms of the actual objective and the relevance of the objective. I would describe the objective as cryptic.</p> <p>The targets/indicators for AusAID's assistance in Table 1 are clear enough but do not neatly match up with their respective objectives (theory of change is weak). One target for component four is yet to be defined (overall targets in the GTZ PDD are yet to be defined too) – waiting for 2010 baseline.</p> <p>Given the absence of an implementation schedule and baseline information about current use/uptake of DTF funds, it is difficult to judge how likely the targets/indicators will be achieved by the end of 2012.</p> <p>There are no clearly defined outcomes listed for the capacity building services GTZ will "offer" to Ministry of Local Government and Housing, Ministry of Energy and Water Development and the Commercial Utilities in support of components 2 and 4.</p>	4	<p>Clearly articulate the relevance and importance of Component 4 in the DSID.</p> <p>Clearly align AusAID-funded activities (in Table 2) with indicators/targets and objectives (in Table 1).</p> <p>Include an implementation schedule that outlines proposal cycles and timeframes as well as a baseline/background information on current use/uptake of DTF funds.</p> <p>Define the outcomes or what we hope to achieve by providing capacity building services to MLGH, MEWD and the CUs.</p>

E: Quality Assessment and Rating <i>(no more than 300 words per cell)</i> <i>completed by Activity Manager after agreement at the Appraisal Peer Review meeting</i>			
9. Efficiency	<p>GTZ's program has been implemented since January 2010 and the trust fund (DTF) has been operational for several years. Theoretically, partnerships and processes are already well established and utilised, adding to the efficiency of the program. The 2008 Independent review verifies this.</p> <p>The main entity involved is the Devolution Trust Fund. An MOU between the DTF and donors governs the use of donor funds. The MOU details financial and reporting requirements/oversight and also contains appropriate audit requirements.</p> <p>The DTF appears fully dependent on donor funding for its operations. There is reference to funds being released based on satisfactory implementation progress and acceptable annual investment plans but there is no clarity on who develops the plans, how they are assessed in terms of the governance structure.</p> <p>DTF "contracts" Commercial Utilities to provide water and sanitation services through a competitive process. Further detail on the selection process would be useful to assess potential risks. All procurement by the CUs needs to be in accordance with GTZ and DTF procedures but it is unclear how this actually would "work". The risk management section of the DSID appears very basic and not entirely clear or comprehensive.</p> <p>However, given the oversight mechanisms as per the MOU and the additional "protections" to AusAID that would presumably be included in the Delegated Cooperation agreement with GTZ the overall risks are rated as Moderate.</p> <p>GoZ agencies are identified as beneficiaries of capacity building and technical assistance services, but their implementing role is unclear.</p> <p>AusAID is proposing to allocate 30% of its program funding towards sanitation. According to the 2009 DTF Annual Report, no toilets were built and only 7% of project expenditure was spent on sanitation. How certain are we that there will be demand from CUs for sanitation infrastructure? It is unclear what the "key criteria" (page 12) are. However, I note that this criteria is available from the DTF website.</p>	4	<p>Clearly define the role of the GoZ implementing agencies. (Include the Zambia urban water sector schematic as an annex)</p> <p>Include the DTF proposal criteria as an annex to the DSID</p> <p>Risk Management matrix should be more detailed and include fiduciary risks (and current mitigation measures).</p> <p>Include issue of 30% funding allocation to sanitation in AusAID's action plan for engagement with GTZ and the sector)</p>
10. Monitoring and Evaluation	<p>The documentation indicates that DTF is responsible for monitoring of CU funding for Component 2. Whilst the information on monitoring is not detailed it is considered satisfactory given the program has been operational for a number of years and also the interim evaluation has been very positive.</p> <p>For Component 2 there is no information on the monitoring arrangements (or indicators) for the sub component of providing technical services and capacity building for which AusAID is providing funding.</p> <p>There is virtually no information provided on the monitoring arrangements for the other program components apart from some rather "cryptic" indicators in Table 1 for Component 4.</p> <p>An absence of an implementation schedule (outlining proposal cycles, delivery of trainings, verification schedule etc) will make it difficult to determine whether the program is on or off-track.</p> <p>The timeframe of reporting is unclear – only "routine" is mentioned; what will be reported in the routine monitoring is unclear.</p> <p>It is unclear what sorts of M&E expertise or resources exist within the DTF and GTZ to monitor the program.</p> <p>Its good that AusAID will be involved in supervision missions and that key indicators from GTZ align with key result areas for AusAID's Performance Assessment Framework.</p> <p>I note that AusAID will be invited to Joint Sector Annual Reviews. There is mention of a proposed community based monitoring system for service delivery but this is not operational although the concept appears to have some merit.</p>	4	<p>Outline an implementation schedule that identifies approximate proposal cycles, verification schedules etc.</p> <p>Define the "routine monitoring": timeframe and content of reports.</p> <p>Identify M&E arrangements for the program, including roles, expertise and resources.</p> <p>Provide further details on monitoring arrangements for achieving outputs/outcomes for Component 4.</p>

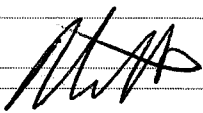
E: Quality Assessment and Rating <i>(no more than 300 words per cell)</i> <i>completed by Activity Manager after agreement at the Appraisal Peer Review meeting</i>			
11. Sustainability	<p>No information on GOZ funding for the sector especially given the estimate of total funding required >\$1 billion.</p> <p>In "strict" terms it would appear there is no real sustainability in terms of the capital cost of the water/sanitation infrastructure although the sustainability of the operations and maintenance of the infrastructure appears to be fairly good.</p> <p>It would be good to know possible future participation by previous donors (DANIDA, EU) and the reasons if they are no longer participating.</p> <p>The document states that sustainability is a key challenge for the government" but there is no detail as to why this is the case or how the program specifically will address the issue.</p> <p>No details are provided in terms of the environmental screening of CU proposals by DTF. It is assumed that this screening is adequate and that the donors involved in funding proposals via DTF "apply" appropriate environmental considerations through the oversight mechanism in the MOU.</p> <p>The overall program is focused on the organisational and institutional framework of the sector: long term outcomes and sustainability are central to the program. As such, there are some features embedded in the program to promote sustainability, such as a focus on cost recovery tariffs and on CU management.</p> <p>However, the DSID does not address many of the issues/concerns raised in the analysis (although the program is not meant to address all of these issues, there is little information on how these issues are being addressed elsewhere in the sector).</p> <p>What support is provided to CUs that do not meet the proposal criteria? (It seems that the CUs with good capacity will benefit most from the DTF, leaving other, less capable CUs 'behind').</p>	4	<p>Further information on the issues listed opposite should be provided.</p> <p>As an annex, provide a summary of how sector issues (highlighted in the analysis) that are relevant to AusAID's program are being addressed by other parts of GTZ's program and other donors. <i>(To be considered as part of an action plan developed to guide AusAID's engagement with GTZ and the sector)</i></p> <p>Identify the objectives of the capacity building provided to CUs and GoZ</p>
12. Gender Equality	<p>The DSID indicates that there is consultation with men and women regarding the location of water kiosks in the community and prior to the construction of sanitation facilities. In addition, the water kiosks provide employment opportunities for females.</p> <p>The DSID also indicates that there is a specific indicator for the involvement of women participating in water use committees although no detail is provided on whether there are any proactive measures in place to encourage this.</p> <p>Gender analysis is undertaken in the preparation stage by DTF (no details provided) and gender disaggregated data is also collected for a number of health/hygiene and other indicators.</p> <p>Training in gender and disability issues is provided by GTZ to CUs and GOZ agencies.</p> <p>Whilst there is no a lot of detail in the documentation provided on gender (and disability) overall it is considered sufficient.</p> <p>AusAID is going to rely on GTZ's mainstreaming of gender and other social issues.</p> <p>Through the water kiosks, jobs will be created for women as vendors and as merchants – this is a significant feature of the program.</p> <p>Note: there is only one woman (administration) in the organisational structure of the DTF and there are no women (out of 8) on the DTF Committee (according to the 2009 Annual Report).</p>	5	<p>AusAID can use the Annual Sector Reviews as an opportunity to articulate the Australian aid program's focus on gender equality</p> <p>Consider suggesting to GTZ that a Gender Action Plan is developed to identify opportunities for improving gender equality in the sector and resources required for gender training and expertise.</p>

*** Definitions of the Rating Scale:**

Satisfactory (4, 5 and 6)		Less than satisfactory (1, 2 and 3)	
6	Very high quality; needs ongoing management & monitoring only	3	Less than adequate quality; needs to be improved in core areas
5	Good quality; needs minor work to improve in some areas	2	Poor quality; needs major work to improve
4	Adequate quality; needs some work to improve	1	Very poor quality; needs major overhaul

E: Next Steps <i>completed by Activity Manager after agreement at the Appraisal Peer Review meeting</i>		
Provide information on all steps required to finalise the design based on <i>Required Actions</i> in "C" above, and additional actions identified in the peer review meeting	Who is responsible	Date to be done
1. Revise the DSID to incorporate peer reviewers comments and attach annexes as listed above.	Marcus Howard	28 January 2011
2. Develop a brief engagement plan outlining issues which AusAID will bring to the attention of either GTZ or the broader sector through joint sector reviews	Jason Court/ Laila Smith	Prior to first Joint Sector Review

<p>F: Other comments or issues <i>completed by Activity Manager after agreement at the APR meeting</i></p> <p>A number of issues above were addressed during the Peer Review. These include:</p> <ul style="list-style-type: none"> The "status" of the AWSP Concept document and addendum – the original concept note was approved at peer review in September 2009. The current appraisal peer review for Zambia is the forum to agree on the addendum. Marcus Howard clarified that the objectives and specific activities within Component 4 were likely to be further defined during implementation, as specific capacity building needs were discussed with the relevant organisations Marcus Howard clarified that he has been unable to find accurate information on GoZ sector expenditure and this could be something to raise during joint sector review. <p>In addition, the following issues were raised during peer review:</p> <ul style="list-style-type: none"> The DSID doesn't provide a clear idea of what the sanitation component will look like. I.e. is it communal or household level toilets or something else? Marcus Howard explained that it will include household sanitation Laila Smith asked how this program is strengthening consumer voice and addressing consumer complaints in low income communities. Marcus explained that communities are consulted each time a commercial utility moves into a new community. Part of NWASCO's role is also to address consumer complaints. Vijaya Ratnam-Raman raised concerns about consultation for people with a disability. Marcus noted that consultation happens at a community level rather than specifically for people with a disability or with disability groups. Anne Joselin noted that one of the Civil Society WASH projects in Zambia was also working with the urban poor in Lusaka. It would be good to investigate possible linkages. Laila Smith also questioned the role of local government in the program, noting that this was crucial for sustainability. Marcus undertook to clarify this in the DSID Anne Joselin wondered if we could also ask for a breakdown of funding for water, sanitation and hygiene and thought that additional reporting on gender & disability may be beneficial.
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<p>F: Approval <i>completed by ADG or Minister-Counsellor who chaired the peer review meeting</i></p> <p>On the basis of the final agreed Quality Rating assessment (C) and Next Steps (D) above:</p> <p><input type="checkbox"/> QAE REPORT IS APPROVED, and authorization given to proceed to:</p> <p style="padding-left: 40px;"> <input type="radio"/> FINALISE the design incorporating actions above, and proceed to implementation or: <input type="radio"/> REDESIGN and resubmit for appraisal peer review </p> <p><input type="checkbox"/> NOT APPROVED for the following reason(s):</p> <p>_____</p> <p>_____</p> <p>_____</p>		
 Jamie Isbister (ADG)	signed:	23/2 date: