

**Water and Sanitation Initiative**  
***Design Summary and Implementation Document***  
***for the African Water Facility***

**A. Introduction**

1. The Australian Government announced the Water and Sanitation Initiative (WSI) in the 2008-09 Budget. The goal of this \$300 million initiative to be implemented from 2008 to 2011 is *to improve the living standards of the poor through improved access to more effective and sustainable water and sanitation services, thereby contributing to achieving the Millennium Development Goals (MDGs)*.
2. This DSID outlines Australia's proposed approach to working with the African Water Facility (AWF). It should be read in conjunction with the following AWF documents: Proposed 2009 Work Plan and Budget (see Appendix A); AWF 2008-2010 Indicative Operational Programme (see Appendix B); AWF Operational Procedures (see Appendix C); AWF's Summary of Performance Indicators and Targets (see Appendix D); the Goals and Objectives of the AWF – Logic Model (see Appendix E); and Water and Sanitation Initiative 2008-2011 – Goals, Objectives, Outcomes and Outputs (Appendix F – also refer paragraph 30 of this DSID - the performance framework for the Africa water and sanitation program, drawing together all elements of the program, still needs to be finalised, and will be informed by the AusAID draft WASH Performance Assessment Framework).

**B. Background**

3. The WSI aims to promote poverty alleviation through assistance for activities aimed predominately at the MDG 7 targets to increase sustainable access to safe drinking water and basic sanitation, and to a lesser extent contributing to MDG 4 targets to reduce child mortality and MDG 2 targets to achieve universal primary education. It will help to improve access by the poor to safe water and basic sanitation as well as promote hygiene awareness and support for water and sanitation investments, including through technical assistance and improved knowledge sharing and management. Support will also be given to the development of appropriate sector policy and the strengthening of sector institutions to promote the sustainable delivery of water and sanitation services.
4. According to the World Health Organization and UNICEF Joint Monitoring Program (JMP) Sub-Saharan Africa has the lowest levels of access to basic sanitation and safe water and will not be able to achieve the relatively modest MDG targets set for 2015. In 2006 access levels to basic sanitation were only 38% against the MDG target for 2015 of 66%. For water supply the 2006 access level was 58% against a 2015 target of 75%.
5. The WSI will be implemented through a combination of investments in water, sanitation and hygiene (WASH) activities, protection of freshwater sources<sup>1</sup>, policy development, capacity building and knowledge management. It will be delivered through bilateral, multilateral (co-financed) and civil society programs and through support to multi-donor trust funds specialising in the WASH sector. The AWF is one of the multi-donor trust funds selected.

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<sup>1</sup> 2008-09 Budget: Australia's International Development Assistance Program, 2008-09, p. 12

6. In June 2009 provision was made to allocate \$60 million, or 20% of WSI funds, over two years to support an African Water and Sanitation Program (AWSP). The AWSP Regional Framework Concept Document (Regional Framework) was concept peer reviewed on 16 September 2009 and approval given to proceed to the design phase for all suggested modalities under the Regional Framework.
7. The Regional Framework contains two key components: (1) **Provision of Water and Sanitation Facilities and Institutional Development**; and (2) **Policy Development, Research and Knowledge Dissemination**. The African Water Facility and the World Bank's Water and Sanitation Program (WSP) were both identified as modalities through which the Australian Government could provide support under component two of the Regional Framework for policy advice, research and knowledge dissemination throughout Africa. WSP in particular is recognised in the water, sanitation and hygiene sector as having a strong and well respected record of achievement in Africa, working on a regional basis. A funding contribution to the African Water Facility, a more recently established mechanism with a mandate to assist the African Ministers' Council on Water (AMCOW) achieve the Africa Water Vision, aligns Australian support directly to the priorities of African governments. It also provides relationship linkages to several key bodies in Africa, namely AMCOW and the African Development Bank, and facilitates identification of potential opportunities for more intensive Australian Government engagement in the future.
8. Separate design documents have been or are being prepared for different components of the AWSP, including for more targeted programs in Malawi and Mozambique that will focus on selected towns (see Component One of the Regional Framework).. The designs for Mozambique and Malawi are being prepared as stand-alone design documents. Some of the other components were incorporated within a broader Global Program that was appraised in May 2009. This included contributions to the following multilateral programs and multi-donor trust fund: the UNICEF WASH Program; the Water Supply and Sanitation Collaborative Council and the World Bank's Africa Region Water and Sanitation Program.
9. The African Water Facility is an initiative of the African Minister's Council on Water (AMCOW)<sup>2</sup> to mobilise resources to finance water and sanitation activities in Africa, in line with the African Water Vision. The African Development Bank (AfDB) hosts the AWF on behalf of AMCOW. It was established in May 2004 and became operational in 2006. It aims to assist Regional Member Countries of the AfDB to meet the goals and targets for the water sector that were established by the African Water Vision and the Framework for Action. Accordingly, the overall goal of the AWF is the same as the African Water Vision:

*“An Africa where there is an equitable and sustainable use and management of water resources for poverty alleviation, socio-economic development, regional cooperation, and the environment.”*
10. The Governing Council for the AWF approves the operational focus of the AWF and the proposed areas of intervention. The Board of Directors of the AfDB has the mandate to approve operational procedures and the financing of projects and programmes. This is a similar operational arrangement to the Water and

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<sup>2</sup> AMCOW's membership presently consists of all the African Ministers from the African States who are responsible for water resources.

Sanitation Program, which is hosted by the World Bank. As noted above this is also being supported under the AWSPP.

## C. Proposed program and rationale for AusAID participation

### *Proposed Program*

11. The AWF operates on the basis of three year rolling programs. Their Indicative Operational Program for 2008 to 2010 is presented in Appendix B and their Proposed 2009 Work Plan and Budget is presented in Appendix A. The 2009 Work Plan includes an update (at Appendix 6 of the Work Plan) of the three year program covering the period 2009 to 2011. The planned budget for 2009 to 2011 is Euro 139 million. So far only some Euro 50 million has been pledged towards this.
12. The AWF will support projects/activities in the following areas:
  - a) **Investments to meet water needs:** the AWF will provide targeted and strategic grants for technological development and to pilot low cost methodologies and technologies for expanding safe water supply and basic sanitation. An example of this type of project is the Kisumu District Primary Schools Water and Sanitation Project in Kenya which successfully piloted sustainable rainwater harvesting, and appropriate sanitation and hygiene behaviour change in 6 schools. Support may also be extended to ensure adequate provision of water for agricultural, energy, and industrial use as well as for domestic consumption.
  - b) **Sustainable finance:** this will address the need to mobilise more capital and recurrent finance to ensure sustainable water and sanitation services. It will provide support for local governments and sub-sovereign bodies, public utilities, the private sector, NGOs and communities. Particular attention will be given to establishing an enabling environment for sustainable finance. This will include improving cost recovery and pricing policies, making better use of government funds, attracting private sector participation, and harmonising efforts with other donors to strengthen actions to support domestic investment.
  - c) **Strengthening water governance:** this will support activities aimed at improving service delivery and strengthening water resource management. Assistance to improve water service delivery will concentrate on helping make water service providers more accountable to their customers and putting in place the necessary enabling environment for sustainable financing. It will also help develop policies that promote equitable access including, where necessary, transparent subsidy arrangements for the poor and vulnerable. The benchmarking of water service providers will be supported as a means of encouraging better service delivery. Water resource management will be supported at the national level by encouraging a more integrated management approach. The challenging issue of managing trans-boundary water resource issues will also be tackled within major river and aquifer basins across the continent such as the Nile, Niger, and Congo River basins and the Nubian aquifer.

- d) **Knowledge Management and Dissemination:** AWF will support various types of cross-cutting water and sanitation knowledge management and dissemination activities that, inter alia, will increase access to reliable information and strengthen knowledge on water and sanitation management practices. There will also be a particular focus on strengthening monitoring and evaluation. AWF, on behalf of AMCOW, has helped to develop an Action Plan for strengthening monitoring and evaluation throughout the continent. The Action Plan focuses on developing country-owned water and sanitation sector monitoring and evaluation systems and improving collaboration on performance monitoring amongst regional and sub-regional water sector institutions.

### ***Rationale for contributing to the AWF***

13. Supporting the AWF's overarching goal (paragraph 9 of this DSID), the goals and objectives of the AWF are presented as a 'Logic Model' in Appendix E and align well with the goals and objectives of the overall WSI (see Appendix F), which 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*. The AWF's objectives are slightly broader than those of the WSI, in that they embrace water resource management issues and governance to a greater extent, however, effective water resource management is a critical factor in assisting to build sustainable water supply in Africa. All four key intervention areas of the AWF (as outlined in paragraph 12 above) contribute either directly or indirectly to improved access to more effective and sustainable water and sanitation services. Further, the AWF looks to address pro-poor solutions. For example, in its 2009 Work Plan and Budget, projects under discussion with recipients include "*strengthening pro-poor water supply and sanitation service delivery using effective operational public private partnerships (PPP) arrangements and improved policies and strategies*".
14. The objectives of AusAID's draft WASH strategy are to 'Facilitate increased access to safe water and basic sanitation'; 'Promote good hygiene practices and behaviour; and to 'Support the development of appropriate sector policy and strengthen sector institutions to promote the sustainable delivery of water and sanitation services.' Funding of the AWF will help AusAID to achieve the first and third of these objectives by supporting improved protection of freshwater sources, investing in projects that increase sustainable access to safe water and helping to strengthen water and sanitation sectors through improved governance and by knowledge sharing.
15. Providing support to the AWF also has the further benefit to Australia of initiating relationships with two of the most influential organisations involved in Africa's development: the African Development Bank; and the African Minister's Council on Water.
16. Funding the AWF gives AusAID the opportunity to support a broad-reaching regional facility in Africa, which complements the more focused country level support being prepared for Malawi and Mozambique. AWF's work at the inception stage of new initiatives and its capacity to support project preparation will provide future opportunities for Australia to become involved in the scaling up of successful pilots at country and regional levels within Africa.

17. A good example of a successful scale-up is the Lake Victoria Water and Sanitation Initiative. This was started by AWF as a small pilot to improve water and sanitation services in one small town in Kenya. AWF subsequently collaborated with UN Habitat to expand the program in an initial phase to additional towns. A second phase has expanded coverage further into similar sized towns in Uganda and Tanzania. So far a total of US\$20 million has been mobilised. The approach has been judged by UN Habitat as so successful that they have initiated a similar program in the Mekong countries of Cambodia, Laos and Vietnam.
18. A further advantage of supporting AWF is its broad remit to accept proposals from a diverse group of stakeholders, including civil society and local governments as well as national governments. Its ability to process applications relatively quickly is also an attraction. It works proactively with donors and the Technical Advisory Committee of AMCOW, for example through resource mobilisation meetings, roundtable discussions with current and potential donors and with a Regional Water Sector Monitoring and Evaluation Working Group. The AWF has also worked with the AfDB to develop an African regional paper *Bridging Divides in Africa's Water Security: An Agenda to Implement Existing Political Commitments*, which was presented at the 5<sup>th</sup> World Water Forum in 2009. This was followed by the development of the paper *Delivering on Water Security and Sanitation Commitments: Action Plan and Framework for Reporting to the African Union*. This was endorsed by AMCOW at its 7<sup>th</sup> Ordinary Session in Johannesburg in November 2009.

#### **D. Proposed AusAID contribution**

19. A contribution of \$5 million to the African Water Facility Special Fund is proposed. This contribution to AWF's core program, which will be expended in FYs 09/10 and 10/11, would extend Australian support to a much larger number of African countries (AWF plans to support twenty three activities in more than twenty countries in 2009) than would be possible on a bilateral basis. It will also enable Australia to further enhance our relationship with the AfDB by building on our proposed partnership with them as part of our bilateral water and sanitation activities in Malawi, as well as strengthen our links with AMCOW.
20. To contribute to the AWF, AusAID would be required to accede to the terms of the Instrument for the Establishment of the African Water Facility Special Fund, enter into an Instrument of Participation (letter form) and commit to make a funding contribution through an Instrument of Commitment (letter form). The AfDB has template letters for this process.

#### **E. Implementation arrangements**

21. The Africa Country Program and Pretoria Post will be responsible for managing Australia's interaction with the AWF with support from the Infrastructure, Water and Sanitation Section of the Sustainable Development Group. In-Africa engagement will be led by the relevant A-based officer at Post, together with a water and sanitation specialist based at Post. Post will work closely with Africa section in Canberra, with support from the Infrastructure thematic area.
22. As noted above, AWF's governance arrangements are based on a thirteen member Governing Council comprising five donor members, five members from AMCOW and one member each from the AfDB, the African Union and UN Water Africa. It will therefore be possible for Australia to exercise influence over the

administration of the AWF through the Council. There are currently 10 donors contributing to the AWF, so Council representation will have to be negotiated with others. Discussions have already started with the United Kingdom who have recently started contributing. The current donor representatives are: Austria; Canada; the European Commission; France; and the Nordics (Denmark, Norway and Sweden share one seat which they rotate amongst themselves).

23. Non-members of the Governing Council have the opportunity to participate in and influence the outcomes of meetings. All donors are invited to attend Council meetings (in the capacity of observers if they are non-members of the Governing Council). In practice, non-members can address the meeting and for the previous three meetings members have made decisions without needing to cast a vote. Donors, including non-members, usually meet prior to the Governing Council meeting and discuss the points that they intend to raise.
24. Australia will be able to leverage our contribution of this important facility with both African Governments and the donor community. In supporting a mechanism of AMCOW, Australia is directly supporting the needs and priorities of African Governments and African institutions to improve the water and sanitation situation across the continent. We will be part of a select group of key partners and donors such as the European Union, Canada and the World Bank's Water and Sanitation Program. Australian visibility will be obtained at AfDB and AMCOW level through participation in Governing Council meetings. Pretoria Post will keep Australian High Commissioners in Africa informed of AWF activities being undertaken in their countries of accreditation to ensure an appropriate profile and visibility is maintained.

#### **F. Monitoring arrangements and quality processes**

25. AusAID will rely on the monitoring arrangements and quality processes of the AWF. These are stipulated in the AfDB's 2007 Operational Procedures for the AWF (see Part C, paragraph 7.8 and paragraphs 9.1-9.3 of Appendix C) and presented in a comprehensive log-frame that is included as Appendix E to this report. The Operational Procedures require that all projects funded by the AWF must contain a monitoring and evaluation system that is project-specific. Tailored requirements are outlined in the Appraisal Report that is prepared for each project application. These requirements include that a log-frame, performance plan and implementation schedule be put in place. Reporting arrangements are stipulated in each Appraisal Report. The AWF establishes baseline data as part of the preparation and appraisal process. It draws upon various sources of data, such as sector or country reports issued by donors and Governments, and data available from the AfDB's statistics department. The baseline data is incorporated into the log-frame for each project. Where adequate baseline data is not available, funds are allocated to collect it during the initial stages of the project.
26. AWF's reporting arrangements are set down in Part D of its Operational Procedures (see Annex C of the Operational Procedures). These require quarterly and annual reports to be prepared. The annual Portfolio Review Report will, amongst other things, present the results achieved during the year with objectives set by the Governing Council and agreed by the Board. It will also include a financial statement.
27. It was recommended at the AusAID Appraisal Peer Review on 17 December 2009 that AusAID develop an implementation strategy for AusAID's engagement with the AWF. This could be used as a tool to assess whether to make further

contributions to the AWF in the future. The strategy could cover: (a) assessment of documents, such as annual and progress reports, workplans, effectiveness reports; (b) independent assessments of the AWF; (c) comparability of outcomes with AusAID needs; (d) ongoing performance monitoring; (e) monitoring of constraints and risks such as AWF staffing levels; (f) review of sustainability and cross-cutting policies; (g) AusAID's resourcing requirements, strategies for engagement with, and assessment of the AWF, including alliances with other donors. It could also contain a series of 'stop-go' triggers, which would help to flag constraints on implementation and inform decisions for ongoing support to the AWF.

28. AWF's Operational Procedures (see Appendix C) follow standard international practices for: project appraisal; monitoring and evaluation; financial management; and reporting and accountability requirements. They are assessed to be at least equivalent to AusAID's design, implementation and financial reporting procedures. The European Commission (the largest donor to the AWF) commissioned Ernst & Young to carry out an independent assessment of the institutional readiness of the AfDB in March 2009. This was undertaken on the understanding that the AfDB's policies and processes apply to the AWF. The overall conclusion of the Institutional Assessment was that the AfDB's policies and processes relating to accounting standards, audit standards, internal control standards and procurement processes were resoundingly 'effective' (the highest assessment ranking). A small number of 'satisfactory' ratings were given in the assessment, which signalled the need for slight improvements to enhance the adequacy and effectiveness of risk management, controls and governance mechanisms.<sup>3</sup>
29. The procurement guidelines of the AfDB are followed by the AWF. These focus on: the need for economy and efficiency in implementation; an equal opportunity for all eligible suppliers and contractors from member countries to compete in the supply of goods and services that are financed by the AfDB; encouraging the development and participation of contractors and suppliers from Regional Member Countries (African countries that are members of the AfDB); the importance of transparency, accountability, competency, and non-discrimination, in the procurement process; and combating fraud and corruption in the procurement process. In addition, the AWF implements projects through local implementing partners, which creates opportunities to engage with local manufacturers, suppliers and service providers.
30. The AWF's Annual Report contains adequate information to allow QAI reporting on most criteria. Further emphasis should be given by AusAID to gathering adequate data to report on the monitoring and evaluation and sustainability components of the QAI. This information could be obtained through the proposed implementation strategy (as recommended at the AusAID Appraisal Peer Review on 17 December 2009). The implementation strategy should incorporate the key indicators and qualitative performance questions contained in AusAID's new Performance Assessment Framework for water, sanitation and hygiene programming, and be used to finalise an appropriate performance framework for the total Africa Water and Sanitation Program.

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<sup>3</sup> Eight 'satisfactory' ratings were given as opposed to eighty-six 'effective' ratings in the assessment against the evaluation criteria of all accounting standards, audit standards, internal control standards and procurement processes.



31. It was also proposed at the Appraisal Peer Review that a review be undertaken by AusAID towards the end of 2010 of AusAID's involvement with the AWF. During this process, AusAID should assess the nature and level of demand for AWF-supported projects and identify future funding gaps within the Facility. It would be preferable to undertake this review following the 2010 annual meeting of the Governing Council (likely to be held in October or November based on previous years) in order to have access to the most current information. This will help to inform decision-making about whether to continue funding the AWF after 30 June 2011 (expiration of the WSI).

**G. Risks and risk management strategies in relation to AusAID's contribution**

32. The fiduciary and procurement risk strategies of the AWF, particularly given that it is hosted by and subject to the rules and policies of the AfDB, provides a reasonable degree of comfort. Some general risks and the means by which they will be mitigated are listed in Table 1 below.

*Table 1: Potential risks of funding the AWF under the WSI*

<b>Identified Risk</b>	<b>Effect</b>	<b>Risk Level</b>	<b>Risk Mitigation Treatment</b>
New relationship being established with the AWF and AfDB	Project appraisal, implementation, monitoring and quality processes may not be as effective as indicated in AWF's documentation.	Medium	The Governing Council of the AWF meets at least annually (more frequently if required) to determine annual budgets and workplans before they are submitted to the AfDB's board. AusAID will have the opportunity to participate in Governing Council meetings as a non-member donor (with the potential to become a member) and can work with other donors (such as DfID) and can seek to minimise this risk.
Remaining WSI period of 18 months is short	Benefits of WSI funding may not be identified during the WSI period	Medium	As a core funder AusAID will be contributing to a time-slice of the entire program and the benefits it delivers.
Corrupt practices encountered	Possible delay and/or cancellation of funding	Medium	Adoption and enforcement of anti-corruption procedures and enforcement of good auditing and monitoring practices. The AWF is required to comply with the AfDB's <i>Guidelines for Preventing and Combating Corruption and Fraud in Bank Group Operations</i> .
Lack of attribution of outcomes through funding mechanisms to objectives of WSI	Ineffective monitoring and reporting by AWF	Medium	Develop an AusAID 'implementation' strategy, which includes analysis and steps to be taken to monitor progress and constraints of the AWF.  Utilise opportunities for AusAID to participate in Governing Council meetings and co-operate with key donors (eg DfID) to address deficiencies..
Capacity constraints of the AWF	Delays in processing proposals and implementing projects	Medium	AWF constraints managed by the AWF being housed within the Water & Sanitation Department of the AfDB. This Department is in turn supported by DfID and the World Bank's Water and Sanitation Program.

			<p>AWF planning to undertake further recruitment, subject to funds mobilisation.</p> <p>Technical assistance provided to the AWF by DfID and Denmark.</p>
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## H. Cross-cutting issues

33. The AWF applies safe-guard rules, procedures and policies which are applicable to the operations of the AfDB. These include the AfDB's Gender and Environment policies and Guidelines for Preventing and Combating Corruption and Fraud in Bank Group Operations (see Appendix C). The AfDB has a Gender Policy in place (2001), a Gender Action Plan and Results Framework (2009-11) and a checklist for gender mainstreaming in the infrastructure sector. These are all documents that could be reviewed by AusAID's Gender Adviser as part of the proposed development of an AusAID implementation strategy.
34. According to the AWF's 2008 Annual Report, with the support of an in-house Socio-Economic and Gender Specialist (through technical assistance from Denmark), the AWF has taken steps to integrate gender and socio-economic issues into its projects. An internal assessment was carried out in 2008, which looks at the extent to which gender and socio-economic considerations have been integrated into the projects within the AWF's portfolio. It was found that the identification and design phase was identified as the most significant window of opportunity for ensuring appropriate incorporation of socio-economic and gender considerations. It was also concluded that a clear project assessment and processing framework was found to be essential for the introduction and monitoring of a systematic mainstreaming/integration of socio-economic issues. The AWF reports that it is currently undertaking work to realise this outcome. Progress on the integration of gender and socio-economic considerations into projects will need to be monitored during the course of AusAID's contribution to the AWF and should form part of AusAID's implementation strategy in Africa.
35. There are likely to be opportunities for AusAID to influence administration of the AWF through the Governing Council, whether formally as a member or on an informal basis. This will enable AusAID to encourage the support of project activities which are consistent with the Australian Government's policies, including the Development for All: Towards a disability-inclusive Australian aid program 2009-2014 strategy.

## I. Analysis on Lessons Learned

36. The 2008 Annual Report for the AWF contains an analysis of lessons learned. During the 2008 Governing Council and AfDB review meetings, as well as separate meetings with development partners, some key strategic suggestions on future directions were made. These draw upon the lessons learned by the AWF:
  - (a) **Focus on areas of comparative advantage:** it is important that the AWF prioritises projects and adds value, particularly given that the AWF is a small player in the African water sector. It is recognised that the AWF has a natural

advantage to implement regional projects given its strong linkages with AMCOW and its links with the AfDB.

(b) **Ensure project quality not quantity:** emphasis should be given to ensuring that each project will make a difference and deliver results in-line with the AWF's mandate, rather than developing a large project portfolio. Focus should continue to be given to supporting projects utilising innovative technologies and approaches that have a good likelihood of being scaled up and leveraging funding.

(c) **Build on links with AMCOW:** the close ties with AMCOW are recognised as being of key strategic importance for the AWF and continued support should be given to AMCOW initiatives. Linkages between the AWF and the AMCOW Technical Advisory Committee and Executive Secretary should continue to be strengthened.

(d) **Enhance organisational/support activities:** these include activities associated with management and coordination, outreach and partnership building, improving communications, supporting AMCOW strategic initiatives, and mobilising resources, as well as operational support activities (such as status assessments).

(e) **Continue to seek support from AfDB field offices:** many AfDB field offices are actively participating in project tasks, particularly assisting with project supervision and monitoring. Opportunities will continue to be explored to increase the involvement of field offices.

(f) **Strengthen communications and outreach:** there is a need to increase awareness about the existence of the AWF and its many activities. This would require the involvement of AWF staff and management, Governing Council members, AMCOW and other stakeholders.

### **List of Appendices**

- Appendix A    AWF Proposed 2009 Work Plan and Budget
- Appendix B    AWF 2008-2010 Indicative Operational Programme
- Appendix C    AWF Operational Procedures
- Appendix D    AWF Summary of Performance Indicators and Targets
- Appendix E    Goals and Objectives of the African Water Facility – Logic Model
- Appendix F    Goals and Objectives of the Overall Water and Sanitation Initiative