

## **Water and Sanitation Initiative: East Timor – Concept Note**

### **Background**

East Timor has one of the region's worst rates of access to clean water and sanitation and it is questionable whether MDG 7.3 on access to water and sanitation will be met. In rural areas, only 55 per cent of people have access to an improved water supply and 25-35 per cent have access to sanitation.<sup>1</sup> The reasons for poor progress include weak public sector performance and administrative systems and inadequate budget allocation.

The three major illness-related causes of death in East Timor are malaria, pneumonia and diarrhoea. Diarrhoea which results from open defecation and a lack of hand washing is the second largest cause of death of under five year olds in East Timor. All of the top causes of reported illness have a direct relation to poor sanitation conditions and poor hygiene practices.

There are indications that coverage has decreased in the past ten years due to population growth and poor maintenance of facilities (estimates for functionality range from 10 to 70 per cent). Schools and health centres have been built with little or no access to water – over 600 of the 1,200 schools in the country do not have access to safe water. More than 200 schools have been rebuilt without any access to water supply and in some cases without considering either water supply or sanitation. Twenty-four out of 65 Community Health Centres in the country do not have reliable access to water.

### **Australian assistance**

Australia is the lead donor in the water and sanitation sector in East Timor. The major current program in the sector is the Rural Water Supply and Sanitation Program (RWSSP). This is worth around \$28 million and runs from 2008 to 2012. RWSSP and its predecessor have contributed to significant achievements in access to water and sanitation, including providing safe water and sanitation to over 90,000 people. Directing a substantial amount of the program towards sector policy and planning has resulted in a sector strategy. However, sufficient levels of government ownership of the strategy and commitment to prioritising sanitation have not been achieved. A mid-term review, to be undertaken by June 2010, will determine whether the program will be extended.<sup>2</sup>

A further \$12 million is now available under the agency's water and sanitation initiative (WSI). The funds must be fully expended by the end of 2010/11. A decision has been taken by AusAID to channel this additional funding through the RWSSP, in large part to reduce the transaction costs around recruiting a new managing contractor and reducing the administrative burden on the Government of East Timor (GoET).

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<sup>1</sup> Timor-Leste Standard of Living Survey 2007. The data is unreliable.

<sup>2</sup> The RWSSP contract ends in September 2010 so the contract will need to be extended to expend the \$12 million between September 2010 and June 2011. No expenditure can occur beyond September 2010 if the contract is not extended.

### **Additional impact of WSI**

The additional \$12 million provides further resources with which to address opportunities identified in the independent evaluation and by the RWSSP monitoring and review group. Specifically, the new money allows AusAID to (1) extend the coverage through the RWSSP, and in particular to provide water and sanitation services directly to schools and health centres, and (2) to strengthen local capacity, including, as far as it is feasible, by channelling funds through local government systems.

The additional funds provide a further opportunity to strengthen the existing AusAID water and sanitation program, for example in areas such as greater use of local government systems and stronger policy dialogue. AusAID will press on some of the most significant constraints to improved sector performance – including the lack of funds provided through the budget, inadequate levels of cross-ministry coordination and unclear decentralisation policies. More coherent engagement with GoET on such policies is an important part of the new country strategy.

A final additional activity under the WSI will therefore be the preparation of policy briefs for AusAID's use in engaging GoET.

In total, around an extra 100,000 beneficiaries will benefit from the new funding through improved water systems and enhanced hygiene. In addition, the capacity of local authorities will be built around planning and implementation of water and sanitation facilities, policy dialogue will be improved and around 50 schools and health facilities will be upgraded with sustainable water and sanitation services. Specific targets for these outcomes will be proposed by IDSS in its draft workplan.

### **WSI objectives**

The additional \$12 million will focus around four objectives.

- Extending the coverage of water and sanitation services by rehabilitating and building facilities across the country, particularly to schools and health centres.
- Strengthening local capacity, including support to planning across 12 districts and more intense support to the three or four districts participating in the government's decentralisation trial.
- Strengthening hygiene behaviour by increasing the number of community health and education workers who are capable of providing relevant advice.
- Enhance the capacity of AusAID to undertake policy dialogue about binding policy constraints in the sector.

*Extending coverage:* A total of \$7 million will be allocated to this objective to assist GoET to make substantial progress towards Millennium Development Goal 7 for safe drinking water and sanitation. A top priority for the additional funds will be the repair and provision of water and sanitation services in schools and health centres. The additional funds will provide access to sustainable water and sanitation services for around 50 health facilities and schools, with services maintained in partnership with the relevant local authorities. The money will be used to contract external service

providers to undertake the repair and construction work. As much of the planning, procurement, management, and monitoring as feasible will be undertaken by GoET.

*Strengthening local government planning and implementation* – around \$4 million of the new funds will be used to support all 12 district towns with their distribution master plans, provide low-level technical assistance to planning and budgeting functions and training around contracting the private sector and non-government organisations to build and maintain services. Assistance will also include the provision of performance-based funding through the three or four decentralisation pilot authorities, including dedicated support for district plans. A specific plan, triggers and targets for the transition to government-delivered services will be set out in the draft workplan, including a risk assessment. Training will also be provided to assist with the facilitation of local user groups.

*Improving hygiene behaviour* – both local government and NGOs have an important role to play in encouraging more appropriate hygiene behaviours. Health and education workers from both types of organisation will receive support to build their knowledge of hygiene behaviours. A total of around \$1 million will be spent on this objective.

*Enhance AusAID's policy influence* – the provision of new funding will be linked to frank conversations at several levels of GoET around desired outcomes and expectations. To some extent, Australia's willingness to roll up its sleeves and build water and sanitation facilities encouraged GoET to focus on other areas (with the assumption that Australia has committed to address water and sanitation issues on their behalf). This may change in 2010 with the announcement of increased sector funding in the national budget. Yet this has left a legacy of unexploited opportunities to discuss core policy constraints to effective water and sanitation delivery, including inadequate recurrent funding and weak inter-departmental coordination. It also hampered realistic discussions about what GoET and Australia would like to see as a result of investment in the sector – for example, the extent of access to water that is required. In order to undertake more effective and targeted policy dialogue, additional efforts will be required to provide insights to assist AusAID conduct conversations with GoET around better water and sanitation services. AusAID will establish a water and sanitation donor coordination mechanism.

## **Implementation**

Implementation is to be managed through the RWSSP. The RWSSP will be reviewed early in 2010, in advance of a decision which needs to be taken about the extension of the program. Feedback from the monitoring and review group suggests that the new RWSSP team is performing well, so it is not expected that the mid-term review will conclude that the program should be terminated. Nonetheless, the review team will be asked to consider implications for the WSI program of any recommendations about the RWSSP's future status.

## **Next steps**

Planning work to extend this concept note into a deliverable strategy is to be undertaken by IDSS under the auspices of RWSSP. Specifically, the team will be asked to develop a WSI workplan by the end of January 2010 which combines the

nine months remaining of the RWSSP contract with the 18 months of the WSI program. This workplan will highlight the WSI initiative activities, perhaps through a dedicated chapter, but also explicitly point out that the strength of the proposal is that it will build on established RWSSP approaches and activities.

Management costs for the additional funds, noting economies of scale, will need to be clearly presented with the workplan.

This workplan will be the subject of an independent appraisal by an international expert with experience working through government systems during February 2010. Advice will be sought from the Operation, Policy and Support branch on whether this is sufficient as a form of quality-at-entry review.

### **Risks**

This is a high-risk proposal and the outcomes presented in the workplan will need to be realistic taking into account current capacity.

Specifically, there are three key risks around this proposal. The first is the incredibly tight time frame. Deadlines have slipped and there is now just 18 months left to expend the funds. Any further slippage will jeopardize the capacity of the program to spend the additional funds in time. It is for this reason that a simple, short concept note has been produced, a small, focused concept peer review is being held, and the existing on-the-ground team is being asked to develop the workplan for the new program.

A second risk surrounds the intention to use GoET financial systems in the three or four pilot districts. Of course, East Timor local systems are under-developed and some fiduciary risk therefore exists. A significant increase in budget for capital development of rural water supply could place systems under added strain in the short term. IDSS will therefore be expected to provide an assessment of this risk in the design, with recommendations about how it may best be managed. Still, there is some appetite for taking these fiduciary risks given the health consequences of continued weak local provision and maintenance.

A final risk is around the government's policies towards decentralisation. This creates uncertainty. It is for this reason – in part – that AusAID will be gearing up its policy dialogue with the government, both to be aware in advance of any intended changes, and to feed back to government the consequences of any proposed changes.