

Independent Evaluation of Water and Sanitation Hibah MANAGEMENT RESPONSE

Prepared by: Infrastructure and Economic Governance

Approved by: Matt Kimberley, Chief of Operations

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Aid Activity Summary

The Water and Sanitation Hibah is a program that piloted an innovative output-based payment mechanism to encourage local governments (LGs) to invest in urban water utilities (PDAMs) to expand water networks through new household water connections. The program focuses on low-income households. LGs are paid upon completion and independent verification of new household water connection that has functioned for at least three months. The same principles apply to the sanitation/sewerage component of the program. The program represents a completely new approach, and was developed by AusAID and the Indonesia Infrastructure Initiative (IndII) with the Indonesia Ministry of Finance (MoF) and Ministry for Public Works (MPW).

Thirty five local governments participated in the pilot of the Water Hibah and another five in a Sanitation program. Both pilots resulted in 77,000 water and 4,862 sewerage connections.

Aid Activity Name			
AidWorks initiative number	INJ149		
Commencement date	1 June 2009	Completion date	30 June 2011
Total Australian \$	25,000,000		
Total other \$	-		
Delivery organisation(s)	Indonesia Infrastructure Initiative		
Implementing Partner(s)	Directorate General of Human Settlements, Ministry of Public Works Directorate General Fiscal Balance, Ministry of Finance		
Country/Region	Indonesia		
Primary Sector	Water and Sanitation		

Aid Activity Objective:

The high-level outcome of the hibah program is to increase investment in water and sanitation utilities as a first step towards greater responsibility by LGs for water and sanitation services. The key outputs of the program were planned as:

1. Up to 70,000 household water connections of which approximately 50 per cent were to be poor households; and
2. Up to 10,000 household wastewater connections of which approximately 50 per cent were to be poor households.

During implementation, it became apparent that the sanitation component of the program was more difficult to implement and that there was greater demand and capacity to implement the water component. In response to this, the budget originally allocated to the sanitation component was redistributed to the water

component resulting in an increased number of water connections, and less sanitation connections than originally planned.

Independent Evaluation Summary

Evaluation Objective:

1. To assess whether the hibah program achieved its targeted outputs and outcomes.
2. To assess the performance of the hibah mechanism, including the effectiveness, efficiency, and sustainability of the mechanism.
3. To identify lessons learned for the water and sanitation sector and more generally.

Evaluation Completion Date: 2 June 2011

Evaluation Team:

Kate Averill (Team Leader), Deddi Nordiawan (Public Financial Management specialist), Marcus Howard (AusAID Water and Sanitation Adviser), and Jonathan Gouy (Economic Adviser, AusAID).

Management Response

The hibah evaluation report is the result of a comprehensive evaluation process involving broad stakeholder consultation and involvement in its preparation and implementation. The process included a pre-evaluation workshop with Government of Indonesia (Gol), IndII and AusAID staff to discuss the direction of the evaluation; Gol involvement in data collection (including interviews of beneficiaries) and end of mission interactive briefings for AusAID, Gol and IndII.

The hibah evaluation report, particularly its findings and recommendations will be useful for guiding future phases of the program as well as informing the designs of other initiatives using the hibah funding mechanism. It is also the first evaluation of the hibah mechanism more broadly, and as a result, will be useful and informative for Gol and other donors.

Overall, AusAID broadly agrees with all recommendations made by the evaluation.

On September 5 2011, an AusAID peer review endorsed plans to implement a second phase of the Water and Sanitation Hibah based on the findings and recommendations of the evaluation. The second phase will be valued at \$85 million over four years, with \$80 million allocated to water and \$5 million to sanitation. Approximately 1.25 million people are expected to benefit from the second phase of the Water and Sanitation Hibah.

The design of Phase 2 of the water component of the program will be modified in 2012 to incorporate many of the recommendations made in the evaluation, including: improving sector monitoring and evaluation; additional capacity building activities for local governments and utilities; and increasing attention to community education activities and mitigating environment impacts. These changes will be incorporated into the Water Hibah's implementation in 2013. There were two recommendations regarding synchronising the Australian and Indonesian budget cycles. AusAID agrees with the objective of improved budgeting efficiency, but notes that this is not completely possible given that the Australian and Indonesian financial years do not coincide. An advantage of multiyear programs such as the second phase of the water hibah is that funds availability will not be affected by the differing financial years after the first year of the program.

In addition to providing the necessary technical support to the Water and Sanitation Hibah, IndII will also continue to implement parallel activities that support and sustain the efforts being made through the Hibah program.