

## **Annex B**

### **World Bank Water and Sanitation Program (WSP)**

#### **Background**

1. The Water and Sanitation Program (WSP) is a multi-donor trust fund program administered by the World Bank, comprising a field-based network in four regional locations (Africa, East Asia, Latin America and South Asia) managed from a small headquarters team in Washington DC. The Program's mission is to support the poor in obtaining sustainable access to water and sanitation services, and being part of the collective efforts of the development community to achieve MDG target 7.C (to halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation) and MDG target 7.D (by 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers). WSP works in partnership with country client governments, external support agencies, regional partners, and other leading support agencies to strengthen national policy, coordination, institutional development and service delivery options.
2. WSP operations are guided by a 10-year Global Strategy (2009 to 2018) which has meant that WSP has re-aligned its program to respond to global trends that may affect delivery of water and sanitation services and hygiene promotion. This includes rapid urbanisation, decentralisation, natural resource constraints in light of climate change, reduction in global poverty but rising income inequality, increase in private flows to infrastructure and changing aid infrastructure. Going forward and to leverage impact, WSP aims to ensure sustainability of services by focusing on a strategic framework of cross-sectoral interfaces:
  - for citizens, increase demand for and access to sustainable services, especially with a focus on gender and underserved populations, by scaling up efforts to identify and strengthen collective behaviour and change embedded attitudes;
  - for service providers, improve institutions and accountability and provide capacity support to decentralised levels of local governments;
  - for the enabling environment, strengthen the legal, regulatory, institutional, and business framework between service providers and governments;
  - for governments, support their ability to raise awareness and strengthen their ability to track improvements in water, sanitation and hygiene; and
  - for all partners involved, align multiple donors and increase partnerships among stakeholders.
3. WSP is a well established global knowledge development program with a track record in learning, innovation and creating impact at global and local levels. With technical and advisory staff from the country combined with international staff in country, regional and head offices, WSP is positioned for full integration of best practices in local and global contexts. It assists clients to identify and analyse key sector problems and solutions, documents and share lessons from the field and disseminate information at local, national, regional and global levels. WSP's focus on scale is predicated on its ability to maximise partnerships and work with a

range of other institutions, including clients at several levels of government, donors, international, regional and local financing agencies, including donors and banks, multilateral institutions and leading non-government organisations (NGOs) and research bodies.

4. WSP is governed by a Council which provides guidance and supervision of program quality and gives approval for the geographic and thematic focus of the Program through a business planning process. Membership of the Council comprises World Bank appointments, the United Nations Development Program, donors, NGOs and partner representatives. Australia is currently a significant donor to WSP through the Indonesia Country Program, regional programs in South Asia and Africa and is represented on the Council.
5. WSI Global Program Support for WSP is targeted to three regional multi donor trust funds (MDTFs). The regional programs are in Africa, South Asia and East Asia Pacific and contributions to the three MDTF's will support AusAID partner country governments and agencies where the WSI is funding individual multilateral development bank and bilateral projects. Support for WSP will also improve harmonisation of donor support in the sector in all three regions.
6. The WSI contributions to WSP in East Asia and Africa are intended to provide links to country programs in the region where AusAID is supporting projects. This is through sharing lessons learned and accessing knowledge products. WSP also contributes to sustainability of individual projects by improving access to contemporary practices regionally and globally that have worked. In South Asia, AusAID's capacity to deliver bilateral programs is limited so the regional approach of WSP allows for wider involvement in the sector. In particular India is leading the way in the region in sector reform, decentralisation improving the capacity of utilities to have a client focus and also improve the ability of the poor to have a voice in service provision.
7. Summary descriptions of the three regional programs and rationale for AusAID support are provided in the following section:

### **Proposed program and rationale for AusAID participation**

#### ***WSP Africa***

#### ***Background***

8. AusAID has an existing three year program in Africa in support of the WSP-Africa. The existing WSP Africa program 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.

9. Focus countries for the current three year business plan (2007-2009) include 12 countries in sub-Saharan Africa – 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.

*Rationale*

10. AusAID's proposed Africa WSI framework for Africa will facilitate increased investment in Africa and has a strategic focus on water supply and sanitation for towns including through two projects, one in Mozambique and the other in Malawi. It also includes support for two regional initiatives through WSP Africa and the African Development Bank's African Water facility which supports town service provision. In support of AusAID's program framework the WSP Africa has proposed a program concept to accelerate water and sanitation in African towns. Town Water supply and Sanitation (WSS) is a neglected area for service provision and management. The objectives of AusAID support will be to (i) assist focus countries develop and implement larger scale town WSS programs and to initiate improved approaches in a number of Africa Countries; and (ii) to 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 proposed multilateral development bank activity in Malawi and Mozambique and the water and sanitation programs of the African Development Bank.

***WSP East Asia Pacific***

*Background*

11. AusAID currently supports WSP East Asia Pacific (EAP) indirectly through the Indonesia country program which funds WASPOLA. Two previous phases of the WASPOLA program (which is managed by WSP Indonesia) have received support and a portion of the funds have been attributed to the regional program. Thematic funding of the regional MDTF will allow this support to extend to all countries in the EAP region including Cambodia, Indonesia, Laos, the Philippines and Vietnam as well as a program extension to East Timor which will support AusAID's Rural Water Supply and Sanitation Program.

*Rationale*

12. WSP-EAP's regional program is focused on supporting the provision of poor-inclusive, sustainable water and sanitation services in an increasingly decentralised and urbanised Southeast Asia. Key activities in the region are focusing on sanitation and hygiene, with renewed emphasis on water supply, particularly for small and medium-sized towns and their utilities. This directly complements and supports proposed WSI programs in East Timor, Indonesia and Vietnam which are providing funding for piped water supplies and increasing access to sanitation. The thematic approach for the region is directly linked to the major challenges that still lie ahead: (i) to focus attention, resources, and effective responses on the burgeoning sanitation challenge, both urban and rural, in the region, including quantifying the costs of poor sanitation and reviewing cost-benefit of sanitation options/approaches to support advocacy and

decision-making; (ii) to assist national and local partners to understand the magnitude of investments required and develop strategies to optimise both domestic and external resources to achieve the MDGs; and (iii) to ensure that the poor are benefiting equally from WSS interventions.

13. There is also an opportunity to take knowledge and learning from WSP EAP and apply it to countries in the Pacific. Rather than doing this through a new sub region or country program AusAID will provide for WSP EAP to link closely with the Pacific Applied Geoscience Commission (SOPAC) to leverage its key role and key partnerships in the Pacific water sector.
14. WSP-EAP seeks to leverage the initiatives and resources of its partners to implement sector reforms and accelerate efforts to achieve the MDGs through support for developing financing strategies, the design and supervision of large-scale investments, and by generating and sharing lessons from field experience in key focus areas. The majority of WSP activities follow a path that can be described as follows:
  - design and test innovative approaches in a few locations;
  - generate national-level buy in through participation of key national clients in the trial phase at local level;
  - assist the national government clients in formulating adequate national policies, strategies and operational systems to implement the new approaches; and
  - work with the partner government in monitoring the implementation of the new approaches at scale.

### ***South Asia***

#### ***Background***

15. AusAID's South Asia Regional Program includes the objective 'to promote high quality sustainable and broad based infrastructure investment through improved governance'. AusAID funding of WSP-South Asia commenced in 2003 in support of the Gangtok and Shillong Projects. This support has continued to the current business plan with its focus on intergovernmental relations, policy support for service providers, reform and accountability of service providers to the community.

#### ***Rationale***

16. There are three strategically important considerations for extending the AusAID-WSP partnership in South Asia. First, there is increased prioritisation of investment in water and sanitation infrastructure in South Asian Government programs; second, institutional challenges are becoming more widely recognised; and third, the concept of reform incentives is more commonly understood.
17. The WSP South Asia business plan sets out an approach for engaging with these opportunities in target countries of Bangladesh, India and Pakistan and also programmatically through regional activities and knowledge management. Four themes guide the application of this approach in South Asia:

- enabling environments working with relevant national ministries and agencies and state governments to refine fiscal and policy incentives for reform;
- sector strategies involving line ministries and sub-national governments developing strategies in consultation with stakeholders on priorities and practical steps to implement policy frameworks, roll out implementation of investment and reform activities and monitoring;
- service provider performance involving local governments, supported through activities to reform water supply and sanitation governance and operational and financial management systems and practices, including performance improvement planning; improving sanitation services in rural and low-income urban communities; mainstreaming services to the poor and slum communities and improving solid waste management approaches; and
- social accountability entailing support around benchmarking, baseline studies, and information flows, citizen involvement and gender reform.

18. Within this programmatic framework, further AusAID support will enable WSP-South Asia to consolidate its advocacy, analysis, advisory and knowledge support. It also proposes designating specific resources to help scaling up services at the rural-urban interface, including addressing vulnerability to climate change and inclusion of the poor.

19. As new regional products are developed, it will also become possible to phase into additional countries, such as Bhutan, Nepal and Sri Lanka. There will be select country-based ventures into such new environments, but rather than rolling out full scale country programs, WSP plans to draw agencies from these countries into regional programs alongside WSP-South Asia's existing clients in Bangladesh, India and Pakistan, and thereby broadening the program and its regional reach gradually.

### **Proposed AusAID Contribution**

20. Funding of A\$15 million under the WSI will allow the WSP Regional programs in Africa, East Asia and South Asia to provide strategic support for water and sanitation development in the three regions that is complementary and supportive of multilateral and bilateral funding of WSI projects.

<b>Program</b>	<b>2008-09 (A\$ million)</b>	<b>2009-10 (A\$ million)</b>	<b>2010-11 (A\$ million)</b>	<b>TOTAL (A\$ million)</b>
WSP Africa MDTF		2.0	3.0	5.0
WSP EAP MDTF	1.5	1.5	2.0	5.0
WSP South Asia MDTF	1.5	1.5	2.0	5.0
<b>TOTAL</b>	<b>3.0</b>	<b>5.0</b>	<b>7.0</b>	<b>15.0</b>

## **WSP Implementation Arrangements**

### *Governance*

21. WSP operates under the oversight of the WSP Council which sets strategic direction, approves the annual work program and budget, and commissions periodic evaluations. The focus and scope of WSP's work in East Asia, Africa and South Asia is annually reviewed through country program reviews involving key Government counterparts and donor partners including AusAID and NGOs.

### *Planning and Reporting*

22. For planning and reporting WSP follows the World Bank's planning and budgeting cycle, involving (a) a three-year rolling business plan based on country strategies and related projects with specific outcomes, deliverables and budgets; and (b) annual work plans specifying activities/deliverables and related input requirements and budgets. Mid-year reviews take stock of progress, make adjustments and set the stage for the next planning cycle, which start with a regional business planning exercise in the second half of each fiscal year. The end-of-year review assesses delivery against the planned work program and reviews progress towards outcomes and results. Donors receive the annual business plan, mid-year report and end-of-year report.
23. AusAID regional posts have a direct relationship with WSP regional program management in Africa and South Asia and regularly participate in management reviews and meetings. Therefore, the South Asia and Africa regional programs will continue to manage the relationship with WSP in their regions. The Climate Resilience and Water Section will take on the regional role in East Asia Pacific where, to date, the focus has been on individual country programs. The Climate Resilience and Water Section will also provide the management link with the global council and will provide thematic and technical support to the Africa and South Asia Regional Programs.

### *Management and Accountability*

24. WSP operates under management systems, procurement procedures, and accountability and auditing controls set by the World Bank. Regional Team Leaders (one in each of WSP's four regions) are accountable to the Global Program Manager in Washington DC, who in turn is accountable to the Director, Energy Transport and Water in the Sustainable Development Network Vice-Presidency. WSP is also accountable to the WSP Council consisting of its funding donors including AusAID.

### *Sustainability*

25. Sustainability of water and sanitation investments of the WSI will be enhanced by support for global programs, including WSP. WSP promotes the sustainability of water and sanitation investments by governments, multi-lateral organisations and donors. All WSP activity aims to improve performance at local and national government levels through better governance, improved utility performance, and better financial management by water utilities which increase sustainability. Knowledge sharing in the regional programs also builds more effective advisory capacity in projects as it is founded on the evidence based analysis. Design and implementation of programs that build the capacity of national and local governments to deliver services strongly supports sustainability.

*Monitoring*

26. Based on the newly adopted Global Strategy, WSP has designed a results-based logical framework for the overall program. In turn, each regional program is currently developing country-based as well as a regional logframe with outcome indicators related to each activity in the regional program. Program progress will be reviewed half yearly through WSP planning and monitoring cycle. An external evaluation of WSP, for the financial years 2004-08 is currently under progress, and findings and recommendations will inform future program development. Results of the external review will be made available to donors including AusAID.
27. AusAID's Climate resilience and Water Section will support monitoring and evaluation of the regional programs by reviewing the program progress reports and by the preparation of Quality at Implementation QAI reports. AusAID monitoring of the WSP component of the global program will also be developed through the WSI performance and monitoring framework.

## Risks and Risk Management Strategies

Identified Risk	Effect	Risk Level	Risk Treatment
Risk that WSI funds will not be fully spent during the two year WSI period	WSI funds are not fully expended over the approved periods	Medium	Contributions to MDTF in three regions rather than project specific funding will allow fund transfer in the scheduled years. AusAID management will liaise with WSP regions to report on expenditures and encourage utilisation of WSI funds.
WSI period of 2 years is too short a period to identify achievements.	Benefits of WSI funding will not be identified during the two year WSI period	Medium	AusAID will make a commitment to long term monitoring of the sector, including WSI funded programs that extend beyond the WSI funding period.
WSP does not have capacity to scale up programmes in Africa, EASP and Sth Asia	WSI funds are not used effectively during the WSI Period.	Low	WSP regional programs undertake annual business planning and current programmes were verified as having capacity to absorb WSI funds. AusAID will participate in WSP annual planning meeting as a key partner to minimise this risk.
Governments in the region do not have the political will to support reform or implement institutional changes required	Reduces effectiveness of the WSP regional program and efforts under the WSI bilateral programs.	Medium	Management of this risk is through a broad based strategy that has different levels of engagement with the sector and the responsiveness of the WSP regional program to manage changes.
Significant cost escalation in programs and/or a decline in the AUD relative to the USD	Reduction in regional program scope	Medium	Management of this risk is beyond AusAID. However, AusAID will conduct regular reviews of program components with each agency. In addition, payments will be made in AUD thereby eliminating the risk to the WSI budget of cost escalation and fluctuations in exchange rates.
Delay in the engagement of consultants	Delay in expenditure of WSI funds	Medium	The Climate Resilience and Water Section to undertake regular reviews of program components with regional and country posts and with WSP and participate in change management processes through the Global Council Meeting.
Corrupt practices encountered	Abatement of practices or cancellation of funding	Medium	Adoption and enforcement of anti-corruption procedures and enforcement of good auditing and monitoring practices.
Lack of attribution of outcomes through regional funding mechanisms to objectives of WSI	Ineffective monitoring and reporting	Low	WSI program is to maintain an effective monitoring and evaluation framework and stay informed through QAI evaluations.

## **Partner Design Documents**

In determining whether to engage with WSP under the WSI, the following documents have been considered:

- *WSP Global Strategy 2008;*
- *WSP Gender in the Water and Sanitation Program, May 2009;*
- *Indonesia Country Program Logical Framework and Results Outline, 2009;*
- *WSP EAP: AusAID Support to WSP East Asia and the Pacific through the MDTF for EAP, April 2009;*
- *WSP SA: Supporting Governance Reform in WSS Service Delivery, April 2009;*
- *WSP Africa: Africa Towns Water and Sanitation Initiative; and*
- *WSP FY10-12 Business Plan, May 2009.*