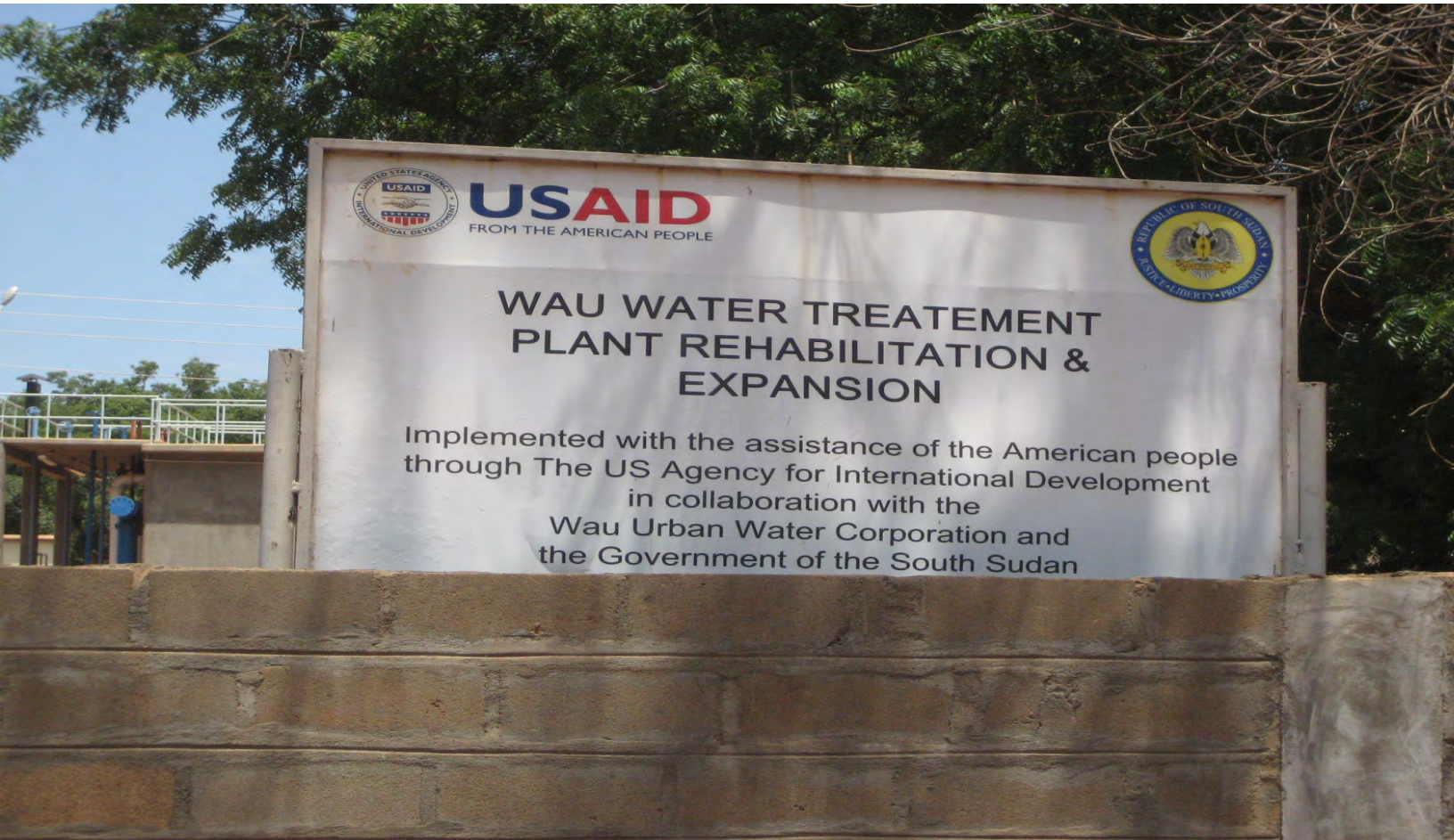




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EVALUATION

Mid-Term Performance Evaluation of the Sustainable Water and Sanitation in Africa (SUWASA) Project

September 2013

This publication was produced at the request of the United States Agency for International Development. It was prepared independently by Mendez, England & Associates.

USAID/WASHINGTON MID-TERM PERFORMANCE EVALUATION OF THE SUSTAINABLE WATER AND SANITATION IN AFRICA (SUWASA) PROJECT

Final Evaluation Report

September 6, 2013

Prepared under Water II IQC: EPP-I-00-05-00010-00; Water Sector CKM Task Order Number:
AID-OAA-TO-12-00002

Submitted to:

USAID/Washington

Submitted by:

Terence Driscoll (Team Leader)

Albana Vuji (Water and Finance Specialist)

Jeremy Ockelford (Water and Evaluation Specialist)

Thomas Ryan (Water and Evaluation Specialist)

Contractor:

Mendez England & Associates

4300 Montgomery Avenue, Suite 103

Bethesda, MD 20814

Tel: 301- 652 -4334

www.mendezengland.com

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ACRONYMS

| | |
|---------|--|
| AdM | <i>Águas da Região de Maputo</i> or Waters of the Maputo Region (Mozambique) |
| AFD | <i>Agence Française de Développement</i> or French Development Agency |
| AfDB | African Development Bank |
| AfWA | African Water Association |
| API | Annual Percentage Interest |
| APWO | Association of Private Water Operators (Uganda) |
| ARASUL | <i>Administração Regional das Águas do Sul</i> or Regional Water Administration for Southern Region (Mozambique) |
| BASEPA | Bauchi State Environmental Protection Agency (Nigeria) |
| BMGF | Bill and Melinda Gates Foundation |
| BSWB | Bauchi State Water Board (Nigeria) |
| CBK | Central Bank of Kenya |
| CEO | Chief Executive Officer |
| CLTS | Community-Led Total Sanitation |
| COP | Chief of Party |
| CRA | <i>Conselho de Regulação do Abastecimento de Água</i> or Water Supply Regulatory Agency (Mozambique) |
| CU | Commercial Utility |
| DBO | Design Build Operate |
| DBO-OBA | Design Build Operate-Output Based Aid |
| DCA | Development Credit Authority |
| DFID | Department for International Development |
| DIG | Development Innovations Group |
| DMM | Delegated Management Model |
| DNA | <i>Direcção Nacional de Águas</i> or National Water Directorate (Mozambique) |
| DPSP | Domestic Private Sector Participation Program (Mozambique) |
| DWD | Directorate of Water Development (Uganda) |
| EGAT | Bureau of Economic Growth, Agriculture and Trade |
| EIB | European Investment Bank |
| FABRI | Further Advancing the Blue Revolution Initiative |
| FB | Family Bank |
| FPA | <i>Fornecedores Privados de Água</i> or Private Water Operators (Mozambique) |
| FSM | Fecal Sludge Management |
| GIZ | German International Cooperation |
| GM | General Manager |
| GoE | Government of Ethiopia |
| GoK | Government of Kenya |
| GoM | Government of Mozambique |
| GoN | Government of Nigeria |
| GoS | Government of Senegal |
| GoSS | Government of South Sudan |
| GoU | Government of Uganda |
| GoZ | Government of Zambia |
| GPOBA | Global Partnership for Output Based Aid |
| HH | Household |
| HRBA | Human Rights Based Approach |
| HTWSSSE | Hawassa Town Water Supply and Sanitation Services Enterprise (Ethiopia) |

| | |
|------------------------|---|
| IWA | International Water Association |
| JICA | Japan International Cooperation Agency |
| KES | Kenyan Shillings |
| KIWASCO | Kisumu Water and Sanitation Company (Kenya) |
| KWAHO | Kenya Water for Health Organization |
| MDGs | Millennium Development Goals |
| M&E | Monitoring and Evaluation |
| MCC | Millennium Challenge Corporation |
| MFI | Microfinance Institution |
| MIS | Management Information System |
| MO | Master Operator |
| MoU | Memorandum of Understanding |
| MoWE | Ministry of Water and Energy (Ethiopia) |
| MoWR | Ministry of Water Resources (Nigeria) |
| MoWRI | Ministry of Water Resources and Irrigation (South Sudan) |
| MWE | Ministry of Water and Environment (Uganda) |
| MWSP | Maputo Water Supply Project (Mozambique) |
| MZN | Mozambican Metical |
| NAWASSCO | Nakuru Water and Sanitation Services Company (Kenya) |
| NEWSAN | Network for Civil Society in Water and Sanitation (Nigeria) |
| NGOs | Non-Governmental Organizations |
| NWASCO | National Water Supply and Sanitation Council (Zambia) |
| NWSC | National Water and Sewerage Corporation (Uganda) |
| NWSS | National Water Services Strategy (Kenya) |
| NRW | Non-Revenue Water |
| OBA | Output Based Aid |
| ODF | Open Defecation-free |
| O&M | Operation and Maintenance |
| ONAS | <i>Office National de l'Assainissement du Sénégal</i> or National Office for Sanitation in Senegal |
| ONAS-Boues de Vidagnes | <i>Programme de Structuration du Marché des Boues de Vidange dans la Banlieue de Dakar</i> or Program for Structuring the Fecal Sludge Market in the Suburbs of Dakar (Senegal) |
| ONAS – BV | ONAS-Boues de Vidagnes (Senegal) |
| PA | Performance Agreement |
| PEPAM | <i>Programme d'Eau Potable et d'Assainissement du Millenaire</i> or Millennium Drinking Water and Sanitation Program (Senegal) |
| PIA | Project Implementation Agreement |
| PIP | Performance Improvement Plan |
| PMP | Performance Monitoring Plan |
| PO | Private Operator |
| POPs | <i>Pequenos Operadores Privado</i> or Small-Scale Private Operators (Mozambique) |
| PPD | Public-Private Dialogue |
| PPP | Public-Public Partnership |
| PR | Public Relations |
| PSP | Private Sector Participation |
| PURSE | Private Participation in Urban Services Program |
| QMS | Quality Management System |
| RCG | Regulatory Consultative Group (Mozambique) |

| | |
|------------------|---|
| SGoB | State Government of Bauchi State (Nigeria) |
| SIP | Small Investment Program |
| SME | Small and Medium Enterprise |
| SNV | Netherlands Development Organization |
| SOW | Statement of Work |
| SPA | Service Provision Agreement |
| SSIP | Small-Scale Infrastructure Providers |
| SSUWC | South Sudan Urban Water Corporation |
| SUPS | Sanitation for Urban Poor in Senegal |
| SUWASA | Sustainable Water and Sanitation in Africa |
| TAPS | Technical Support for Procurement, Project Management, and Private Sector Participation Program |
| TOR | Terms of Reference |
| UFW | Un-accounted for water |
| UN | United Nations |
| UN HABITAT | United Nations Agency for Human Settlements Project |
| UNICEF | United Nations Children's Fund |
| USAID | United States Agency for International Development |
| USAID/AFR/SD/EGA | USAID/Bureau for Africa/Office of Sustainable Development/Economic Growth, Environment and Agriculture Division |
| UWC | Urban Water Corporation |
| UWWG | Urban Water Working Group (South Sudan) |
| VAT | Value Added Tax |
| WASREB | Water and Sanitation Regulatory Board (Kenya) |
| WATSAN | Water and sanitation |
| WB-WSP | World Bank Water & Sanitation Program |
| WEDC | Water, Engineering and Development Centre |
| WOP | Water Operators' Partnership |
| WRDF | Water Resources Development Fund |
| WSA | Water and Sanitation for Africa |
| WSP | Water Service Provider |
| WS&S | Water supply and sanitation |
| WSS | Water and Sanitation Services |
| WSTF | Water Services Trust Fund |
| WWU | Wau Water Utility (South Sudan) |

EXECUTIVE SUMMARY

EVALUATION PURPOSE AND EVALUATION QUESTIONS

This is a report on the Mid-Term Performance Evaluation of the Sustainable Water and Sanitation in Africa (SUWASA) project, funded by the United States Agency for International Development (USAID) in Washington, DC. The project is being implemented by Tetra Tech ARD Inc., in nine countries: Ethiopia, Kenya, Liberia, Mozambique, Nigeria, Senegal, South Sudan, Uganda, and Zambia. Liberia was added after this evaluation started; therefore, it will not be part of this report. The project's period of performance is September 30, 2009 to September 29, 2015.

According to the Statement of Work (SOW) for this assignment, the main goal of the evaluation was to provide USAID with an external assessment of SUWASA to date, its ability to integrate other complementary development activities, and its effectiveness at improving sector performance, measured by documented results and the perceptions of stakeholders. The evaluation was conducted on two levels with the purpose to assess: 1) the results and contribution of country-level sector reform activities; and 2) whether SUWASA is contributing to the knowledge base of the sector regionally and to USAID.

The Evaluation Team consisted of four international experts: Terence Driscoll (Team Leader), Jeremy Ockelford (Water and Evaluation Specialist), Thomas Ryan (Water and Evaluation Specialist), and Albana Vuji (Water and Finance Specialist). The team was assembled by Mendez England & Associates.

The five salient evaluation questions focused primarily on five corresponding premises:

1. Contribution to the body of solutions
2. Maximum development impact and aid effectiveness
3. Value of service provider
4. Positive country-level reform
5. Correctly designed, managed, and implemented project

These questions, with additional sub-questions, are depicted in table format in Annex 2. Each question was answered based on information gathered about the eight SUWASA countries that were part of the evaluation, as well as about the overall SUWASA project itself.

PROJECT BACKGROUND

According to SUWASA's designers, USAID's involvement in the water sector in sub-Saharan Africa has been small compared to that in other areas in the developing world, such as the Middle East and Southeast Asia. Furthermore, the projects were not seen as sufficiently tied to successful USAID initiatives in the water sector as in other regions. The designers felt that there were already useful lessons learned and tools developed that could provide direct benefits to the water sector in Africa.

Originally conceived under the Senator Paul Simon Water for the Poor Act of 2005, SUWASA was designed to provide water and sanitation services to underserved populations in Africa. The project aimed to address the following needs:

1. African governments lack sufficient regulatory and corporate governance tools to enable local utilities that are technically and financially capable to provide quality water and sanitation services to their customers in a cost-effective and sustainable way.
2. African utilities were ineffective and inefficient because they were not sufficiently developed or trained in effective revenue collection, in addressing leakage problems in water distribution systems, or in customer relations.
3. Utility services to the poor are expensive, not uniformly available, and not of high quality.

The design of the SUWASA project emphasized the role that institutional reform would play to improve direct service delivery in providing access to water and sanitation services. This emphasis on institutional reform included the development of cost-based tariffs, a process by which tariffs are adjusted; development of governing boards overseeing and planning utility operations and investment; and training provided at the local utility level.

The following is a general description of SUWASA activities in each country:

- **Ethiopia:** Reforming major urban water and sewerage utility tariffs in Hawassa.
- **Kenya:** Innovative financing of extensions to water service, through the creation of financial products appropriate to the needs of the urban poor and the needs of the urban utilities.
- **Liberia:** Promoting cost recovery operations and supporting the expansion of water services to under-served areas.
- **Mozambique:** Regulating small-scale peri-urban borehole water operators within the service area of the Maputo water utility.
- **Nigeria:** Reforming governance in Bauchi State to improve urban water service through the development of a medium-term investment plan for infrastructure development; implementation of a performance improvement plan for the Bauchi State Water Board (BSWB); continued human resource capacity within the BSWB, and development of a public awareness program for the Bauchi State stakeholders.
- **Senegal:** Supporting improved sanitation services for the urban poor, through adaptation of national public-private strategies for fecal sludge management and support for private sector participation in fecal sludge management.
- **South Sudan:** Fostering sustainable water utilities, with an initial focus on Wau and Maridi utilities.
- **Uganda:** Facilitating institutional strengthening of the Ugandan government in assisting private water operators in Uganda's small and medium towns¹.
- **Zambia:** Preparing a cost of service study as a basis for revising tariff levels and the tariff approval process for the sector regulator.

EVALUATION METHODOLOGY

Per the SOW, the evaluation was split in two phases: Phase 1 consisted of a critical desk review and analysis of all eight country activities, as well as a review of reports and data related to the overarching project activities, which was summarized in a Diagnostic Report; Phase 2 consisted of key informant interviews with USAID staff and SUWASA management in Nairobi, Kenya, as well as site visits to other locations in Kenya, South Sudan, and Nigeria. The findings, conclusions, and recommendations in this report include information gathered and analyzed during both phases of the evaluation.

For the focus countries of Kenya, Nigeria, and South Sudan, the Evaluation Team collected data from a broad range of stakeholders and beneficiaries to ensure independence of the evaluation process, as well as accuracy and completeness of the subsequent conclusions, recommendations, and lessons learned. The team used techniques that balance each other: quantitative vs. qualitative data; individual vs. group responses; semi-structured interviews vs. analysis of existing surveys; and data sets. For the desk-based studies of Ethiopia, Mozambique, Senegal, Uganda, and Zambia, evidence was limited to SUWASA documents and interviews with the SUWASA Team in Nairobi and some background information from other sources. The following main sources of evidence were used:

- **Critical Desktop Review Materials** related to SUWASA, such as Due Diligence Reports, Reform Work Plans, Inception Reports, Mid-Term Review Reports, SUWASA Progress Reports, etc.
- **Secondary Data** from country reports published by the World Bank, United Nations (U.N.), German International Cooperation (GIZ), and other donors, as well as reports from other relevant USAID projects.
- **Project Outputs** against objectives and performance indicators.
- **Field Visits** to Nakuru and Kisumu in Kenya; Bauchi State in Nigeria; and Juba, Wau, and Maridi in South Sudan.
- **Focus Group Discussions** with beneficiaries of pre-paid meters in the suburbs of Kaptembwa and Mwariki in Kenya and with two groups of female beneficiaries in Nakuru in Kenya.

¹ After an unsuccessful one-year effort to facilitate a framework to develop an Output-Based-Aid financing scheme for water connections in small towns, the scope of SUWASA/Uganda was changed in 2012, as a result of a mid-term internal review conducted in January 2012.

- **Over 70 Key Informant Interviews**, including open-ended and semi-structured interviews with USAID and SUWASA implementers, water utilities, water plant operators, government officials, and other project beneficiaries and stakeholders.
 - Interviewees included:
 - **Washington, DC:** USAID/E3; representatives from World Bank, Tetra Tech, and SUWASA.
 - **Kenya:** USAID; representatives from Kisumu Water and Sanitation Company (KIWASCO), Nakuru Water and Sanitation Services Company (NAWASSCO), K-Rep Bank, Family Bank, Master Operators, Oloketi Women’s Group, and other community groups.
 - **Nigeria:** USAID; representatives from the BSWB; officials from the Ministry of Water Resources (MoWR), State Government of Bauchi (SGoB) and Bauchi District Council; and representatives from the Network for Civil Society in Water and Sanitation (NEWSAN).
 - **South Sudan:** USAID; representatives from the Ministry of Water Resources and Irrigation (MWRI), South Sudan Urban Water Corporation (SSUWC), Maridi Station, Maridi County, GIZ, and Japan International Cooperation Agency (JICA).

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

COUNTRY FINDINGS

The following is a brief summary of the findings for each SUWASA country, followed by overall conclusions and recommendations. More detail relating specifically to the evaluation questions and follow-up questions is found in the individual Desktop Country Reports (see Annex I).

Ethiopia

SUWASA/Ethiopia was intended to implement institutional reforms, including strengthening the Hawassa utility’s structure (performance agreements, organizational structure, and a business and strategic plan). The project developed and implemented a variety of tools and practices to enhance utility performance, among them a new cost-based tariff structure tailored to a differentiated customer base, which led to improved financial performance of the Hawassa Town Water Supply and Sanitation Services Enterprise (HTWSSSE). Given this improvement, a number of towns surrounding Hawassa have expressed interest in replicating the same tariff structure used there. According to stakeholders interviewed by the Evaluation Team, SUWASA/Ethiopia significantly improved sector performance, transparency, accountability, efficiency, and sustainability. However, evidence of the benefits of the project’s utility-focused reform is limited thus far, as the project only recently ended, and measurable results take time to materialize.

Kenya

SUWASA/Kenya has successfully integrated with the sector reforms, as set out in the Water Act of 2002 and other subsequent government provisions. Its main objective was to improve access to safe, reliable, affordable, and demand-driven water and sanitation solutions in urban, peri-urban areas, and informal settlements. The project has worked with two commercial banks to develop more innovative ways for them to work within the water sector; this involved overcoming one of the main factors inhibiting the development of services for the urban poor: risk of default on loans. The banks have overcome their reluctance by transferring the risk to the utilities, while the two utilities have reduced their risks in different ways. KIWASCO has extended the delegated management model (DMM) of using Master Operators (MOs) from community-based groups to run local distribution networks, billing customers, and collecting the revenue, including KIWASCO’s loan repayment to the bank. NAWASSCO has adopted the new technology of pre-paid meters; these ensure payment for water, eliminating the risk of providing services to shifting, poor urban populations.

SUWASA/Kenya has influenced partner organizations to consider scaling up the approach to other areas in Kenya. Other banks are reported to have become interested, which may make loan rates more competitive. The project brought together the interests of financial institutions, water service providers, and low-income consumers, and played a critical role in catalyzing and facilitating these relationships. On the whole, SUWASA/Kenya was an innovative project that represents a good example of what the overall SUWASA project was designed to achieve.

Mozambique

SUWASA/Mozambique is assisting the Mozambican government with the establishment of a clear and transparent regulatory framework to assure effective oversight of private operators (FPAs). The project has achieved several milestones, including: 1) a draft strategy plan with options for regulatory and licensing regimes; 2) a draft operator regulation; and 3) a licensing framework. SUWASA/Mozambique has been actively

working with all stakeholders in the sector to resolve outstanding issues and to achieve a consensus view on the regulation of FPAs. This approach has widespread support among many stakeholders, except FPAs who remain very cautious about the project.

SUWASA/Mozambique is highly relevant. As initially designed, the project had potential to achieve some good results. However, it has been significantly hampered by government bureaucracy and, consequently, has not been able to achieve all its intended objectives and outcomes and has run out of time.

Nigeria

SUWASA/Nigeria was designed to support the SGoB in Northeastern Nigeria in the provision of improved access to potable, affordable, and sustainable water services to Bauchi State's urban population. Significant project components include the development of a medium-term investment plan for infrastructure development; implementation of a performance improvement plan for the BSWB; continued human resource capacity within the BSWB; and the development of a public awareness campaign. The SUWASA/Nigeria project has been embraced by Bauchi State stakeholders, who view the project as solving their most pressing concern for adequate potable water. All key informants interviewed by the Evaluation Team agreed that the project has been successful, with more success likely to be realized in the future. The project, however, still needs to address community sanitation.

Senegal

SUWASA/Senegal began in August 2012 and has not yet produced significant effects. This is partly due to the fact that the project was modified from its original design because a donor took over a major element of the project, and also the fact that the project had conflicting objectives with USAID's Millennium Drinking Water and Sanitation Program (Programme d'Eau Potable et d'Assainissement du Millénaire or PEPAM). In the project design documents for SUWASA/Senegal, the fundamental problem was stated as: "the cost of FSM [fecal sludge management] services is prohibitively high for the urban poor." There was, however, no activity to analyze in depth the complexity of the challenges of operating septage management services and, in particular, to perform a comprehensive cost analysis to understand why costs are too high, or to identify ways of reducing them. There was very little analysis of poverty, targeted beneficiaries, affordability, and willingness to pay, among others. Some of these issues were noted by a recent review by the Mission, and the project has been revised. The revised project is focused on developing policy recommendations and a regulatory framework for sanitation in Tambacounda, near Dakar.

In the set of projects developed by SUWASA, SUWASA/Senegal is the only project that focuses on sanitation. Therefore, it is unfortunate that its design and implementation do not appear to be adequate to meet the needs identified in the original concept.

South Sudan

The goal of SUWASA/South Sudan (SUWASA/SS) is to improve access to safe, affordable, sustainable, and reliable urban water services, with the assistance of MWRI and SSUWC. The original design of SUWASA/SS was too ambitious and lacked focus. In addition, its resources were not directed to areas that could have been most effective (i.e., training). In 2011, the project underwent changes and has re-focused its priorities according to national- and utility-level. National-level priorities focus on overall strategic policy initiatives related to a clear institutional and legal framework for the country, whereas local utility-level priorities focus more specifically on establishing the financial autonomy of the water sector. The project is working in an extremely challenging environment, and as a result it has not achieved the majority of its targets and outcomes. The corrective actions required to address this are largely beyond the control of the project. However, the project may still get some results from the small-scale infrastructure provider (SSIP) component, which was quite successful.

Uganda

SUWASA/Uganda originally intended to build upon a completed output-based aid (OBA) pilot program that had financed water projects in 11 towns under a Design-Build-Operate (DBO) structure and donor financing. The project's scope was to develop an enabling environment to facilitate similar projects, using Government of Uganda (GoU) funds as security for commercial bank financing. However, donors decided not to contribute to the new program, and the GoU did not make previously agreed-upon contributions to the escrow account to secure the commercial loans. This prevented the project from making any progress and achieving its objectives. This lack of progress triggered an internal mid-term review in January 2012, which concluded that the time was not right for such a financing approach in small towns. In recognition of the fact that the original

design was not going to work, SUWASA has done well to pivot to a more realistic and sustainable program of developing a regulatory framework and implementation plan, which is now (August 2013) in its final stages.

Zambia

SUWASA/Zambia was a one-year project that focused on providing support to the National Water Supply and Sanitation Council (NWASCO) to improve sustainability by promoting cost recovery of the urban water sector and good corporate governance of water utilities. In particular, SUWASA/Zambia assisted NWASCO with development of a tariff structure that created optimum costs for each utility using a bottom-up approach to maximize cost efficiency, replacing the historic cost-plus tariff model previously used by NWASCO. SUWASA/Zambia also assisted at the national level with corporate governance issues related to the roles and relationships between the boards, shareholders, and water utility management. SUWASA/Zambia was only operational for one year and ended in August 2013. Therefore, it is too soon to assess its impact on the sector. However, preliminary feedback from stakeholders and documented results reviewed by the Evaluation Team indicate that the project has successfully accomplished its designed objectives.

CONCLUSIONS OF THE OVERALL SUWASA PROJECT

The following are the Evaluation Team's conclusions of the overall SUWASA project, with a particular focus on the best applications going forward and lessons learned. These conclusions are based on the Evaluation Team's findings for each country.

Premise 1: Contribution to Body of Solutions

The SUWASA project as a whole has achieved some successes that could be replicated in Africa and elsewhere. In **Ethiopia**, SUWASA contributed to sector knowledge at the utility level by successfully developing and implementing a variety of tools, procedures, and practices to enhance performance. In **Kenya**, the project had to overcome a number of challenges, which, individually as well as collectively, add to the body of solutions. Knowledge was acquired in a several areas, including creative use of micro-finance to meet water needs of low-income groups; introduction of pre-paid meters; and implementation of DMMs for MOs to run local distribution networks. In **Mozambique**, SUWASA has carried out a comprehensive review of the existing Regulatory and Licensing Framework and has proposed a range of options for Regulatory and Licensing Regimes, which adds significantly to the body of sector knowledge. In **Nigeria**, the project has drafted a new Water Bill for Bauchi State, which is of significant benefit to the sector and is also being considered for use in Rivers and Ebonyi States. In **Zambia**, the project's method of determining the optimal cost of water for each commercial utility (CU) by utilizing a baseline and new tariff model added significantly to Zambia's body of sector knowledge.

In summary, SUWASA projects in Ethiopia, Kenya, Nigeria, and Zambia have made impressive contributions to sector knowledge nationally, and there is evidence the knowledge acquired is being (or likely will be) taken up and replicated. Projects in **Senegal** and **Uganda** are unlikely to add to sector knowledge. **South Sudan** still offers the possibility of meaningful progress by the end of the project, and some useful lessons could be learned for other small utilities in South Sudan. To date, SUWASA has made impressive efforts to disseminate its knowledge to a wider audience. A longer timeframe – beyond the life of SUWASA – will be required to determine outcomes and impact and to distill and consolidate the knowledge acquired. All projects, even those not achieving targets and outcomes, have potential to contribute to sector knowledge.

Premise 2: Maximum Development Impacts and Aid Effectiveness

Several SUWASA projects were particularly effective in integrating other development activities that maximized USAID's impact. Specifically, SUWASA's work in Ethiopia, Kenya, and Nigeria drew on successes and ongoing work by other donors or accentuated the work of others.

In **Ethiopia**, SUWASA's interventions were timely in accelerating the use of World Bank funds, upgrading the technical and operational capacities of HTWSSSE, and creating an enabling environment for the adoption of sound institutional reforms.

In the design of the Kisumu, **Kenya** project, SUWASA drew directly upon a demonstrably successful water service provider (WSP) program in another area of the city. For nine years prior to the SUWASA project, KIWASCO had been using DMM, which increased water revenues by a factor of 20, tripled the served population for water, and reduced NRW from 70% to 6%. SUWASA adapted two key elements. The first was the use of MOs who compete for the right to operate a water distribution network on behalf of the utility in a specified area. The second the method of financing new water connections wherein commercial banks provide loans to the water utility, which assumes the risk and recovers the loan from multiple consumers who pay through the MO. Under SUWASA, five MOs were selected on a competitive basis from 11 applicants, with a women-owned cooperative in a working poor village as one MO and another located in a relatively poor peri-urban area, both areas that are often overlooked for service by many utilities. The Kisumu project was one of the best examples of maximizing program effectiveness by leveraging the work of other donors. The DMM approach should be considered for future work in Kenya and elsewhere.

In **Nigeria**, which presents an excellent example of synergy and leveraged impact, SUWASA's involvement in the sector has directly led to a \$400 million loan agreement between Nigeria and the World Bank. The World Bank also intends to utilize SUWASA's concepts for its programs in Rivers and Ebonyi States. In addition, SUWASA provided assistance to USAID's Leadership, Empowerment, Advocacy, and Development (LEAD) local governance program in Bauchi State. SUWASA coordinated with LEAD to publish the water and sanitation policy, which was later finalized by LEAD and published as the Bauchi State Water, Sanitation, and Hygiene Policy.

SUWASA/**South Sudan** is a good example of synergy with the USAID-funded three-year Electrification Sustainability Program in the town of Maridi, which has enabled SUWASA/SS to electrify the water treatment plant pump station, resulting in more reliable and lower energy pumping cost. USAID has also funded the rehabilitation and expansion of the water treatment plant for the town of Wau. SUWASA/SS aims to complement this investment by building the needed management and operational capacity of the utility.

In **Mozambique**, SUWASA does not work with other donor activities. The United Kingdom's Department for International Development (DFID), France's Agence Française de Développement (AFD), and the World Bank's Water and Sanitation Program (WSP) have programs with potential for synergy, but this has not been exploited. In **Senegal**, SUWASA was designed to work in collaboration with other organizations and to complement two other projects: USAID's PEPAM and the Program for Structuring the Fecal Sludge Market in the Suburbs of Dakar or ONAS-BV, financed by the Bill and Melinda Gates Foundation. However, in practical terms, the collaboration was not successful, and SUWASA chose to work in an area not covered by the ONAS-BV mandate. In **Uganda**, the original intent of SUWASA was to scale up an existing World Bank pilot program using an OBA approach. However OBA proved difficult to implement and lacked government support. The redesigned project has limited options for synergy and leverage potential. In **Zambia**, there is no ongoing synergy with other development activities. The project is, however, complementary to some previous investment projects, including GIZ support to NAWASCO over a 20-year period and the Millennium Challenge Corporation (MCC) infrastructure investments that will benefit from the SUWASA/Zambia initiatives.

Overall, most projects were designed to achieve some synergy with other programs and to exploit opportunities for leverage to achieve mutual outcomes. In practice this was difficult to achieve, as projects may appear aligned but have significant differences in terms of approach, methodology, procedures, areas of particular focus, etc. Synergy was most effective between SUWASA, the World Bank, and other USAID projects, and also with national government programs in the SUWASA countries. SUWASA programs in Ethiopia, Kenya, Nigeria, and South Sudan were proactive and had good success in exploiting opportunities for synergy. In Nigeria, the SUWASA project has had a significant leverage effect by helping to secure a \$400 million World Bank loan. In South Sudan's challenging operating environment, the project initiated a highly successful partnership with the USAID electrification project, which has resulted in benefits for both projects.

Premise 3: Value of Service Provider Focus

The SUWASA program as a whole was evaluated with specific regard to demonstrated evidence of the project's effectiveness in achieving its desired goals, with a focus on replicating the successes throughout Africa and other USAID projects.

The results of the SUWASA/**Kenya** project in extending new water services are significant. Drawing on a successful program in Kisumu, the SUWASA project has enabled over 1,500 metered connections serving more than 8,500 beneficiaries. The model used by SUWASA is readily replicable in other areas of Kisumu and in other areas in Kenya, as the commercial bank in the program wishes to expand the meta-finance offering, according to the interview with the bank representative. In Nakuru, Kenya, the project has enabled the installation of 95 pre-paid meters – the first of its kind in Kenya – serving more than 15,000 people.

In **Bauchi State, Nigeria**, SUWASA's customer enumeration study has paid large potential dividends, identifying more than double the actual customers at 40,000 from the pre-study estimate of 17,000 paying customers. The enumeration study created tremendous value for the BSWB, as these 23,000 additional customers were not paying anything, representing 100% non-revenue water (NRW) in those customers. When coupled with a projection of 109,000 customers by 2017 and the other performance improvement measures developed by SUWASA, it is clear that the BSWB should realize major benefits in having a financially sustainable utility capable of extending service to future customers and maintaining and replacing fixed assets as necessary in the future.

In **Ethiopia**, the project produced the following tools and documents, which have good potential for use in other urban utilities in Ethiopia:

- 1) The cost-based tariff model, tailored to the specific utility context
- 2) The business plan, using the Hawassa example as a template
- 3) The performance agreements, based on the Hawassa model, standardized for use regionally or nationally

SUWASA/**Zambia**'s costing and tariff models have been produced in Excel, making them easily replicable and for ease of modification. The model has significant potential for use by other utilities in Zambia, as well as elsewhere.

In **Mozambique**, SUWASA had the potential to provide a blueprint for future integration of formal and informal water suppliers elsewhere on the continent, since many African cities have similar problems to Maputo: 1) limited formal network coverage, especially low-income areas; and 2) the emergence of informal private water operators to meet demand. However the lack of progress to date has reduced the potential for this to occur. Deficiencies in the design and implementation of SUWASA in **Senegal** have reduced the potential for lessons learned. At inception, SUWASA/**South Sudan** was considered to have high potential for learning lessons about how to establish small, independent water utilities in the country. It was thought the success of the project could lead to replication of this model in other small towns in South Sudan and increase the financial sustainability of the water sector nationally. In hindsight, however, this expectation was over-ambitious, as the project is now not expected to achieve the majority of its targets and outputs for the evidential basis for learning lessons and replication will be reduced. In **Uganda**, lessons learned are limited to the initial project difficulties experienced.

To date, SUWASA's progress toward replication potential is less than expected. Potential for replication is correlated with project success and achieving outputs and targets and documenting this in a useful way. Projects in Ethiopia, Kenya, and Zambia have produced a number of useful products and tools with good potential for replication internally. The Nigeria experience is expected to also offer good potential for replication once experience is internalized and documented. Projects in the other countries have not yet produced or are unlikely to produce the expected outputs.

Premise 4: Positive Country Level Reform

This premise is intended to gauge the perception of the project's stakeholders and to reconcile those perceptions against the performance of the project against the project's targets. Ethiopia, Kenya, and Nigeria particularly stood out in this area.

In **Ethiopia**, the general perception among Hawassa's stakeholders is that SUWASA/Ethiopia played a significant role in Hawassa's water sector improvements. While the Evaluation Team did not interview the stakeholders or HTWSSSE management, the SUWASA documents reviewed suggested that HTWSSSE

management and its board believe that the practices advocated by SUWASA would lead to increased transparency, accountability, and performance in the utility. Surrounding towns also expressed interest in adopting the approach to the tariff provisions adopted by HTWSSSE.

The Nakuru and Kisumu projects in **Kenya** both showed evidence of improved revenue generation and increased service coverage to groups who are often neglected by utilities. At a national level, there is certainly interest from sector players, such as the government Water Services Trust Fund (WSTF) and other financial institutions, including K-Rep Bank and Family Bank, who during their interviews with the Evaluation Team saw the Kisumu and Nakuru projects as innovative financing models for WSPs in urban areas. Both banks stated that they now better understand the risks, see them as lower risk than originally perceived, and believe that the SUWASA approach offers them new opportunities in the water sector throughout Kenya.

In **Nigeria**, in interviews with the Special Assistant to the Governor, the General Manager (GM) of the BSWB, the Commissioner of the Ministry of Water Resources, the Chiroma of Bauchi, and NEWSAN, all expressed specific praise for the pro-active elements of SUWASA. In particular, they lauded the public education program, meetings with unions, and the overall message of increasing utility tariffs and improving utility services at the same time. This must now be backed up with actual results versus targets. The Governor's Assistant was adamant that the Bauchi State experience was "a reference point" for other states in Nigeria. All five officials at the Ministry and State level were interviewed by the team, and all felt that SUWASA's successes on institutional and structural changes in the Water Law and institutional changes to the BSWB were instrumental in moving Bauchi State near the top of the World Bank's evaluation ladder of Nigerian States eligible for the World Bank loan.

The **South Sudan** project and the role of SUWASA were found by the team to have a relatively minor impact at national level and, while appreciated at the local government level, there is a lack of clarity by local officials as to the project's objectives and frustration at the lack of tangible progress with Maridi and Wau. The current weak and still-establishing institutional environment is hampering the reform effort at the national and local level.

SUWASA/**Mozambique's** assistance with establishing a clear and transparent regulatory framework within which the FPAs operate has laid the groundwork for sector reform. However, the impact will only be realized in the longer term when the Regulatory and Licensing Framework is approved by the Mozambican Government and the strategy is successfully implemented.

In summary, SUWASA projects in Ethiopia, Kenya, and Nigeria have made impressive contributions to positive country-level reform. Projects in Senegal and Uganda are unlikely to add any contribution to this area. Zambia offers good potential replication of cost-based tariff structures nationally and improved financial management and financial sustainability of the water sector; however, it is still too early to see tangible results. Mozambique and South Sudan have had some positive impact but more still needs to be done.

Premise 5: Correctly Designed, Managed, and Implemented Project

This premise addresses the overall design of the SUWASA project, from the initial strategy to implementation, and the individual approaches that either strengthened or weakened the overall project. The premise also addresses the priorities for the remainder of the project.

Ethiopia

Success Factors: One main reason SUWASA chose HTWSSSE was the SUWASA Team's perception that utility's GM was a progressive manager who would be a key supporter and implementer of the project. This turned out to be the case. SUWASA/Ethiopia developed and maintained strong relations with HTWSSSE in addition to the Regional Water Bureau, and the Town Water Board, who proved to be instrumental in achieving desired results. A key point here, as was to be the case in other successes within SUWASA, was in identifying a champion to overcome challenges, such as internal opposition to change, a lack of expertise within the utility, and a difficult legal framework.

Undermining Factors: The project was affected by delays in approvals and implementation due to factors largely outside of the control of the project:

- USAID's approval process delayed implementation by six months.
- Slow adoption and implementation of proposed changes to tariffs, organizational structures (especially the sanitary department), and performance agreements by HTWSSSE and the Board.
- HTWSSSE's lack of expertise, particularly regarding procurement, and unforeseen complexity of the legal framework, with respect to development of performance agreements.

Kenya

Success Factors: A key to the success of the SUWASA project was a thorough assessment of the context, the policy and law, the organizations involved on the sector, and the financing organizations. This was followed by a tenacious effort by the SUWASA Team and the staff of its sub-contractor, Development Innovations Group (DIG), in particular, to push and persuade often reluctant and sceptical organizations to take action. The final impacts of the SUWASA project in Kenya, particularly in Kisumu, have not been felt yet (due to major road construction in the project area), but should provide major benefits to its citizens. All parties interviewed on the Kisumu project – five utility officials, four stakeholders, and two bank officials – were pleased with the program, which has major ongoing potential for extending water service to new areas in Kisumu and elsewhere in Kenya.

Undermining Factors: None identified.

Mozambique

Success Factors: SUWASA/Mozambique has been successful in bringing adversary stakeholders together and narrowing their differences even though a previous attempt had failed. This is due to the patient and consultative approach it has adopted with all stakeholders.

Undermining Factors: The good level of government support for the project at inception did not translate into a smooth implementation process. Government bureaucracy and procedures were more cumbersome than envisioned at the outset and have impeded achievement of outcomes. The project design was overly optimistic in terms of timeline and level of government involvement.

Nigeria

Success Factors: The project effectively leveraged support, in terms of grants and loans, from the GoBS and World Bank. The project developed an effective public relations and communications strategy for the BSWB that instrumental in ensuring good stakeholders support.

Undermining Factors: The time available to achieve desired outcomes has been flagged as a concern. While the Evaluation Team has not identified any specific areas of weakness, the project is not on track to achieve its performance indicators and needs greater focus on outputs and targets.

Senegal

Success Factor: None identified.

Undermining Factors: Project design was inadequate and some key processes were absent, including:

- Cost/affordability analysis of fecal services
- Tambacounda local government participation not clearly articulated
- Provision of subsidized household latrines in conflict with parallel strategies, e.g., community-led total sanitation (CLTS)
- Regulatory aspects of septage management not adequately addressed
- Planned to work together with USAID's PEPAM but were not compatible projects, creating adverse impact on the SUWASA project

South Sudan

Success Factors: SSIP component of SUWASA/SS, if completed as envisioned, offers the best potential for achieving good results through the electrification of Maridi pump station and the installation of metered connections.

Undermining Factors: South Sudan is still at the establishing stage of its development pathway following years of crisis. It faces many challenges, not least being the lack of capacity at all levels, and almost total absence of an effective institutional framework for the water sector. Project design in such an environment is difficult, with little or no foundation or positive history upon which to begin. In addition to a weak institutional environment, other undermining factors included:

- Severe shortage of qualified and skilled manpower
- MWRI and SSUWC do not have a shared vision for reform of water utilities.
- Lack of project focus and critical mass in any one area
- Despite a generous budget failed to direct resources to areas of greatest need, such as operations and maintenance, that would achieve tangible benefits

Uganda

Success Factors: SUWASA was able to recognize relatively early on the limitations of the original project design and then took action to switch focus to more achievable goals within the project timeframe. The project has consequently been able to recover and still has potential to produce positive outcomes.

Undermining Factors: Project design was overly optimistic in terms of the timeline, available resources (funds, human resources), and level of Ugandan Government involvement.

Zambia

Success Factors: The project's focus and timing corresponded to NWASCO's need to restructure its costing and tariff structures. Project buy-in from the government, including NWASCO and the Ministry of Local Government and Housing, and utilities was high. Although only a one-year project, project targets were realistic, and adequate resources (funds and human resources) were sufficient to achieve SUWASA's goals in Zambia.

Undermining Factors: The major issue that weakened SUWASA/Zambia was its short lifespan, which did not allow for necessary follow-up activities.

In summary, success factors were extremely varied and included: good project design (keep it simple and with clear aim and focus); resources directed to areas that add the most value; level of government commitment and support is a must, but does not guarantee the project will run smoothly (e.g. Mozambique); be proactive in exploiting opportunities for synergy and leverage; build good working relationships with key stakeholders; have experienced USAID country staff who understand the project, among others.

Projects that relied on the government bureaucracy to produce results (e.g., approvals, regulation changes, legal issues, etc.) on a project timeline proved more challenging and experienced delays beyond what were anticipated. Projects, project components that produced tangible outputs (performance contracts, tariff models and costing procedures, training delivered, installation of pre-paid and conventional meters, etc.), and project components for which the project had direct control were more successfully delivered. User-focused development requires successful partnership building with key government stakeholders. This is facilitated by having staff with good government contacts and access on the project team.

Major regional initiatives like SUWASA can leverage their relatively strong critical mass and profile to gain access and buy-in from recipient countries. SUWASA appears to have been successful in developing its regional profile and in having an effective communication strategy using a variety of media to disseminate results and messages. Also, the SUWASA Team has played an instrumental role in managing and supporting the projects and their relations with USAID; this has been a key factor in achieving project success.

Many of the undermining influences were outside the control of the project, including excessive delays in necessary approvals, lack of government partner capacity and skills, and weak institutional environment. However a more rigorous risk analysis should have factored in a larger factor of safety, particularly in terms of project timeline. Most projects (with the exception of Kenya) have experienced delays and are under pressure to complete on time. In some cases this has necessitated a revision (reduction) of project scope (i.e., Mozambique and South Sudan). In two of the countries (Senegal and Zambia), the project design was weak. In Senegal the preparation was inadequate, with many issues omitted or unclearly thought through. In Uganda

the original design was too ambitious and the project under-resourced. The project in South Sudan was ambitious given the country context and logistical difficulties.

RECOMMENDATIONS FOR THE OVERALL SUWASA PROJECT

Recommendations have already been made for each country in the specific country write-ups. The recommendations in this section are for future USAID water and sanitation projects in Africa. These recommendations should be revisited at the completion of the SUWASA project:

1. To the extent possible, select projects in advance of commencing the project. Ideally, a small feasibility study should be prepared in advance of selection, highlighting the project need, estimating costs, identifying ongoing donor programs and synergies, and assessing the level of government involvement. While probably not possible before SUWASA, the experience gained from the project should aid in the development of such studies. Local Mission involvement would also be important in identifying potential projects.
2. Standardize common programs, such as tariff reform, to use the same model to the maximum extent possible, allowing for differing country regulations and practices.
3. Identify programs where specific personnel needs may require longer USAID approvals and adjust the program length accordingly.
4. In programs with high service connection targets, allow at least two to three years for projects to reflect project life cycle considerations. The time may be shortened if existing feasibility studies and/or design plans already exist.
5. Ensure that all studies of water service expansion include verification that the water source and any accompanying treatment have the capacity to serve the new water connections. This also holds true for existing wastewater treatment plant capacity and future sewer connections.
6. Based upon the limited focus of SUWASA, expand the sanitation scope in future projects, including comprehensive septage management and various methods for reflecting the costs of sanitation in existing water tariff structures. USAID's past program in the Philippines is an excellent example with particular application for SUWASA.
7. The DMM approach should be considered for future work in Kenya and elsewhere.
8. In any extension or further phase of SUWASA, gender and other cross-cutting issues (e.g., poverty, vulnerability) should be addressed. The core team should have the expertise to ensure that these essential elements are adequately addressed and conform with the Paul Simon Water for the Poor Act.

I.0 INTRODUCTION

I.1 EVALUATION PURPOSE

This is the final report on the Mid-Term Performance Evaluation of the Sustainable Water and Sanitation in Africa (SUWASA) project, funded by the United States Agency for International Development (USAID) in Washington, DC, and implemented by Tetra Tech ARD Inc. SUWASA operates in nine countries: Ethiopia, Kenya, Liberia, Mozambique, Nigeria, Senegal, South Sudan, Uganda, and Zambia. However, Liberia activity was added after the evaluation commenced and, therefore, it is not included in this evaluation report. SUWASA started as a four-year project on September 30, 2009. The end date of the project was later extended to September 29, 2015.

The main goal of the evaluation of SUWASA was to assess the performance and impact of the country-level activities, as well as the overall project, and to inform the direction of SUWASA for the remainder of the contract. Therefore, the evaluation was conducted on two levels: 1) assessing the results and contribution of country-level sector reform activities; and 2) assessing whether SUWASA is contributing to the regional knowledge base of the sector and to USAID. The Evaluation Team was also tasked with assessing SUWASA's ability to integrate other complementary development activities, and determining its effectiveness at improving sector performance measured by documented results and the perceptions of stakeholders.

The results of this evaluation will be used by the USAID/E3/Water Office and the USAID/Bureau for Africa/Office of Sustainable Development/Economic Growth, Environment and Agriculture Division (AFR/SD/EGEA) to determine the course of SUWASA going forward. They will also influence the future programming of the Water Office and its approach to centrally funded regional projects. Relevant Missions, particularly those with buy-ins (South Sudan and Nigeria), will be interested in the evaluation of specific country activities and the future of those activities beyond SUWASA's current engagement.

The evaluation was conducted by a team of four international experts: Mr. Terence Driscoll, Team Leader; Mr. Jeremy Ockelford, Water and Evaluation Specialist; Mr. Thomas Ryan, Water and Evaluation Specialist; and Ms. Albana Vuji, Water and Finance Specialist. The USAID budget ceiling for this evaluation was \$284,063.

I.2 EVALUATION QUESTIONS

Per the Statement of Work (SOW), the Evaluation Team answered a number of specific evaluation questions outlined below:

1. Contribution to the body of solutions

- a. Based on analysis of country activities and SUWASA, to what extent, how, and at what level (local, country, regional, sector) has SUWASA added to the body of sector knowledge and engendered a learning agenda about how to alleviate service constraints?

2. Maximum development impacts and aid effectiveness

- a. How has SUWASA been effective at integrating other development activities in a way that maximizes development impact and aid effectiveness?
- b. If so, are there specific ways this has been accomplished that could inform future USAID programming?

3. Value of service provider focus

- a. Can SUWASA demonstrate evidence that utility-focused reform is as beneficial as assumed?
- b. If yes, what lessons can be extrapolated from the SUWASA design or implementation for replication elsewhere?
- c. If no, what aspects of the project concept, design, or implementation have impeded this result from being demonstrated?
- d. Is utility-focused reform still a possible result for the remainder of the project?

4. Positive country level reform

- a. Based on analysis of the specific country activities, including results against the monitoring and evaluation (M&E) plans, how well have the country activities improved sector performance in terms of stakeholder perception and documented results?

5. Correctly designed, managed, and implemented project

- a. How could the approach to selecting and implementing a portfolio of activities have been improved, both to achieve better results in each country and to better develop an evidence base for the specific sector reform option?
- b. Define the approaches, from strategy to management and implementation that enhanced the project. And identify the ones that can be replicated. Identify which ones weakened the project and how they can be alleviated for the remainder of the project and in future programs. What priorities should be set for the project for the remainder of the contract, and what would project success look like?

2.0 PROJECT BACKGROUND

SUWASA is a wide-ranging project designed to improve water and sanitation services in sub-Saharan Africa through a focus on reforming service providers (especially utilities) spread over nine countries.

SUWASA's philosophy is that by enabling the financial sustainability and technical capacity of the service provider (utility), the utility can focus on improving existing services to current customers and expanding new service capacity. This, in turn, ensures that utilities are financially stable and capable of continuing to provide quality services.

According to SUWASA's designers, USAID's prior involvement in the water sector in sub-Saharan Africa has been small compared to the Agency's involvement in other areas in the developing world, such as the Middle East and Southeast Asia. Historically, USAID Missions in Africa funded activities in the water sector in stages and at low levels.

The programs were also not sufficiently tied to successful USAID initiatives in the water sector, such as the Environmental Services Program and the Private Participation in Urban Services (PURSE) Program in Indonesia, the Aqaba Water Company Corporatization – which was part of the Technical Support for Procurement, Project Management, and Private Sector Participation (TAPS) Program in Jordan – and the Legal Institutional and Regulatory Reform Program in Egypt. While SUWASA was not tied to these specific projects, Agency officials believed that there were useful lessons learned from these projects and others and that the tools developed by them could provide direct benefits to the water sector in Africa.

The SUWASA project was originally conceived under the Senator Paul Simon Water for the Poor Act of 2005, which was designed to provide water and sanitation services to underserved populations in the developing world. SUWASA was designed to address the following needs:

1. African governments lacked sufficient regulatory and corporate governance tools to develop local utilities technically and financially capable to provide quality water and sanitation services to their customers in a cost-effective and sustainable way.
2. African utilities were ineffective and inefficient, in part because they were not sufficiently developed or trained in effective revenue collection, in addressing leakage problems in water distribution systems, or in customer relations, and in part because of the regulatory and governance issues that still exist in many countries.
3. Utility services to the poor were expensive, not uniformly available, and not of high quality.

SUWASA's designers began with the assumption that developing and enabling competent service providers was the most effective way to provide water and sanitation services to populations in sub-Saharan Africa. Local utilities are those service providers. Yet, without solid regulatory and corporate governance reform, local utilities do not have the necessary support or financial resources to improve and expand services in a sustainable way to the population in their areas. Therefore, SUWASA was designed to bring a commercial lens to utility reform and give each country a different focus within the general area of water and sanitation, depending upon the perceived need and the expected capacity to achieve desired results.

The project was competitively awarded by USAID/Washington to Tetra Tech ARD, Inc. (Tetra Tech), on September 30, 2009. It had an initial obligation of \$10,833,048 and a ceiling amount of \$17,708,358. The ceiling was subsequently raised to \$41,461,512, the obligations were increased to \$21,166,183, and the period of performance was extended to September 29, 2015.

3.0 EVALUATION METHODOLOGY AND LIMITATIONS

3.1 EVALUATION METHODOLOGY

The SUWASA evaluation was guided by the methodology presented in the SOW. At the start of the evaluation, the Evaluation Team met with USAID/Washington, DC, as well as the project's Contracting Officer Representative to understand the project's goals and objectives and any issues that might have impacted its implementation. The Team also discussed the Mission's expectations for the evaluation and the evaluation's design and methodology.

As required in the SOW, and agreed upon with USAID, the evaluation was conducted over two phases. Phase I consisted of a critical desktop document review and analysis of all eight country activities (Liberia activity started after the evaluation was commissioned so it is not included in this report), as well as reports and data related to the overarching project activities, including Inception Reports, Work Plans, Monitoring and Evaluation Reports, Quarterly Reports, etc. During this phase, the Evaluation Team also conducted interviews with project developers and implementers in Washington, DC. Interviewees included representatives from USAID, the World Bank, and Tetra Tech. The Team's analysis during Phase I formed the basis for the development of evaluation questions and tools, selection of sample sites for field visits, and setting up of in-country meetings. The findings from Phase I were summarized in a Diagnostic Report, which was submitted to USAID on June 16, 2013. The Diagnostic Report consisted of specific desktop country reports, which are included in Annex I of this report.

Phase 2 of the evaluation included travel to Nairobi, Nakuru, and Kisumu in Kenya; Abuja and Bauchi State in Nigeria; and Juba, Maridi, and Wau in South Sudan. The purpose of this phase was to collect data and information from key stakeholders and beneficiaries in the field. The evaluation methodology for this phase included:

- **Key informant interviews** with partners, beneficiaries and stakeholders, including:
 - **Kenya:** Kisumu Water and Sanitation Company (KIWASCO), Nakuru Water and Sanitation Services Company (NAWASSCO), K-Rep Bank, Family Bank, Oloketi Women's Group, South Lake Victoria Water Board.
 - **Nigeria:** Bauchi State Water and Sewerage Board (BSWB), Bauchi District Council, Bauchi State Government, the Ministry of Water Resources and Rural Development, the Network for Civil Society in Water and Sanitation (NEWSAN).
 - **South Sudan:** Senior representatives from Ministry of Water Resources and Irrigation (MWRI) and South Sudan Urban Water Corporation (SSUWC), including the Board of Directors; representatives from German International Cooperation (GIZ) and Japan International Cooperation Agency (JICA) in Juba; management of USAID/Electrification Sustainability Program; Communal Water Point Rate Collectors in Maridi; and representatives of Wau Water Utility (WWU).
- **Focus Group Discussions** with:
 - **Kenya:** Two groups of female beneficiaries in the suburbs of Kaptembwa and Mwariki in Nakuru.
- **Site Visits** to:
 - **Kenya:** Kaptembwa and Mwariki in Nakuru, and Nyamasaria in Kisumu.
 - **Nigeria:** Bauchi State.
 - **South Sudan:** Maridi and Wau.

The Evaluation Team's methodology for data collection was mainly qualitative and not quantitative, due to the:

- Diverse range of projects covering a range of interventions (service provision, institutional, and regulatory issues, policy, finance, etc.) for which quantitative measurement will not always yield the best results.
- Diverse range of countries and institutions that the project was engaged with.
- Time needed to prepare a survey questionnaire, pilot test and revise it, disseminate it and await completed results, enter data, and conduct analysis.

In addition, the Team believed that since SUWASA has a focus on the reform of service providers and is essentially a capacity building project, qualitative processes and outcome and impact indicators would be more appropriate for its evaluation.

3.2 LIMITATIONS IN DATA COLLECTION AND ANALYSIS

The Evaluation Team found many gaps during the desktop review of materials for non-visited countries. However, the Team felt that the SUWASA presentations, the SUWASA answers to the follow-up questions, and receipt of the data listed above largely addressed these gaps. While not at the same level as data from the visited countries, the data for the non-visited countries was sufficient to render findings and conclusions and more completely answer the evaluation questions.

While many of the interviewees were recommended or selected by SUWASA, the Team was able to informally seek out and interview stakeholders and customers in the course of the country visits, eliminating or at least reducing potential selection bias.

4.0 FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

This section contains the findings, conclusions and recommendations, which incorporate analyses from both evaluation phases. Each country is presented individually and is structured around evaluation questions listed in the SOW. More details relating to each country can be found in the Desktop Country Reports in Annex I.

4.1 ETHIOPIA

4.1.1 Background

Ethiopia has made considerable progress in reforming its water sector. The country has strong national policies and the water sector is well organized, with key agencies having clear roles and strategies to implement sector improvements.² At the same time, Ethiopia has a highly complex legal and regulatory framework, which can frustrate project implementation and effective service provision.

The SUWASA/Ethiopia country project (SUWASA/Ethiopia) was launched in January 2012,³ with a two-year duration and budget of \$1,450,000. Its objective was to introduce efficient and innovative water and sanitation services in the municipality of Hawassa,⁴ and to transform the Hawassa Town Water Supply and Sanitation Services Enterprise (HTWSSSE) into a utility that: 1) can operate as a business enterprise; 2) has the ability and tools to implement cost-based pricing; 3) has the authority to make investment decisions; and 4) is held accountable for transparent performance standards and targets to a Board of Directors that promotes commercial viability as a management principle.

SUWASA/Ethiopia's anticipated results included:

- Improved access to safe, affordable, sustainable and reliable water services in Hawassa.
- Improved institutional and regulatory framework.
- Development of investment and finance plans.
- Adoption of results-oriented performance agreements.

Specific project objectives included:

- Transformation of HTWSSSE into an autonomous utility with a Board of Directors that includes representation by key Hawassa stakeholders.

² USAID – Ethiopia Water and Sanitation Profile.

³ The original start date was scheduled for June 2012, but was delayed by 6 months.

⁴ Hawassa is the capital of the Southern Nations Nationalities Peoples Region (SNNPR),

- Development of an incentive-based performance agreement (PA) between HTWSSSE and the Hawassa Town Water Board that included performance targets and a monitoring framework.
- Updated HTWSSSE corporate and business plans, including the capital investment and finance plan.
- Institutional, financial and managerial reforms to achieve business plan objectives.

SUWASA/Ethiopia focused on two areas/levels⁵ of the water sector:

- **Utility Level and Operational Area** by developing tools to improve HTWSSSE performance (i.e. improved tariff structure asset management practices and business and strategic planning).
- **Institutional Relations** between the utility, board, and local government (which owns HTWSSSE). The focus was on strengthening corporate governance practices by promoting incentive-based performance agreements between HTWSSSE and the other two stakeholders.

4.1.2 Findings

4.1.2.1 Premise I: Contribution to the Body of Solutions

The critical challenges⁶ hampering the country's water sector from functioning properly resulted from the Government of Ethiopia's (GoE) operational management in main cities and towns lacking a customer service culture, incentives for performance improvement, and strategic planning.

Prior to the SUWASA/Ethiopia, water supply and sanitation service enterprises (WSSSEs) generally lacked integrated, performance-based management and accountability systems and practices, and clear standards against which to measure performance. SUWASA/Ethiopia remedied this issue by introducing performance standards, targets and incentives, as well as transparent management practices, which are integral to the PA between HTWSSSE and the Hawassa Town Water Board.

SUWASA/Ethiopia introduced, in a first for the country's water sector, incentive-based PAs between the Regional Water Bureau and the Hawassa Town Water Board, and between the Hawassa Town Water Board and HTWSSSE.⁷ The project also introduced at HTWSSSE a new cost-based tariff structure tailored to a differentiated customer base. According to the SUWASA team, the implementation of the new tariff structure, helped increase HTWSSSE's revenue; however, the Evaluation Team could not verify this statement.

SUWASA/Ethiopia carried out various training courses and workshops, including:

- **Country Level:** in accounting and tariffs for HTWSSSE finance/accounting staff in April 2013; and in cost-based tariffs for 24 participants from secondary town utilities, Urban Water Utilities, Zonal Water Departments, Ministry of Water and Energy, and Water Resource Development Fund (WRDF) in December 2012.
- **Program Level:** knowledge-sharing meeting in Mombasa, Kenya, with USAID/SUWASA Regional Office and project teams from Ethiopia, Kenya, Mozambique, Nigeria, Senegal, and South Sudan.
- **International Level:** numerous presentations, papers, and conferences in the U.S., Egypt, Ethiopia, Mozambique, Nigeria, Swaziland, and Uganda from 2010 to December 2013.

As a result of SUWASA/Ethiopia, HTWSSSE has carried out the following:

1. Asset evaluation conducted.
2. Cost-reflective tariffs implemented.
3. Management information system (accounting, billing, and financial system) implemented, resulting in improved systems and standards.
4. Strategic plan and business plans developed and endorsed by HTWSSSE.
5. Organizational structure revised and talent recruitment system improved.
6. Sanitation unit established.
7. Private sector participation strengthened by outsourcing selected functions.
8. Incentive-based performance agreements finalized (to be signed in August 2013) and endorsed by the WRDF and other donors.

⁵ The details of the findings are shown in the matrix at the end of this country report.

⁶ Opinion expressed by key SUWASA/Ethiopia stakeholders.

⁷ Expected to be signed in August 2013

4.1.2.2 Premise 2: Maximum Development Impacts and Aid Effectiveness

SUWASA/Ethiopia is aligned with the World Bank-funded Urban Water Supply and Sanitation Project, which was operational from 2007 until May 2013. The World Bank project has provided substantial financial assistance for upgrading water supply and sewerage services in the capital city of Addis Ababa and four secondary towns, including Hawassa. There, it procured works for \$2.6 million, goods for \$2.7 million, and services for \$0.4 million. In addition, it constructed a wastewater treatment facility.

SUWASA/Ethiopia interventions were timely in accelerating the use of World Bank funds, upgrading the technical and operational capacities of HTWSSSE and creating an enabling environment for the operational reforms. At the time of the World Bank project, HTWSSSE lacked a sanitation unit to manage the proposed wastewater treatment facility. Upon the facility’s completion, SUWASA/Ethiopia provided the management structure by establishing a sanitation unit within HTWSSSE.

Future projects that intend to leverage SUWASA/Ethiopia’s work include the WRDF, which may contribute capital investment on related projects.

4.1.2.3 Premise 3: Value of Service Provider Focus

Evidence of the benefits of the SUWASA/Ethiopia utility-focused reform is so far limited since the project recently ended and measurable results will take time to materialize. More information on volume water sales and revenues will be available upon completion of an impact analysis study that SUWASA/Ethiopia plans to conduct in August 2013. Furthermore, other utilities have shown an interest in SUWASA/Ethiopia’s work on tariff development.

A further unforeseen benefit is that SUWASA/Ethiopia laid the legal groundwork for the introduction of PAs between boards and utilities in Ethiopia.

4.1.2.4 Premise 4: Positive Country-Level Reform

At the activity level, the planned outputs have almost completely been achieved, with the exception of the signing of PAs, which SUWASA/Ethiopia is confident that will be finalized shortly. Table I, below, illustrates SUWASA/Ethiopia’s achievements against targets:

Table I: Activities Planned and Outputs – Ethiopia

| Objectives | Planned Activities | Output Level Results |
|--|---|---|
| Support transformation of HWSSE into an autonomous utility | Support implementation of incentive-based performance agreement | <ul style="list-style-type: none"> ○ Results-oriented PAs drafted, negotiated and finalized (expected to be signed shortly) ○ Institutional and regulatory framework improved through legalizing PAs |
| | Assist in improving institutional and regulatory framework | |
| Support organizational and operational efficiency | Support organizational development of HTWSSSE | <ul style="list-style-type: none"> ○ Organizational set-up improved by establishing the new Sanitation Unit ○ Asset evaluation completed ○ Cost-reflective tariffs developed and implemented |
| | Develop investment and finance plan | <ul style="list-style-type: none"> ○ Management Information System (accounting, billing, financial system) in place, resulting in improved systems and standards |
| | Promote cost-efficient operations | <ul style="list-style-type: none"> ○ Business plan developed ○ Strategic plan developed |

There was consensus among stakeholders interviewed by the Evaluation Team that SUWASA/Ethiopia played a significant role in improving the performance of Hawassa’s water sector. HTWSSSE’s management and board now fully support the use PAs to increase transparency, accountability, and enhance performance. The Regional Water Resources Bureau recognizes that SUWASA played a vital role in strengthening HTWSSSE’s capacity and enabling it to be more efficient and sustainable in its operations, and is keen to see these results replicated in other utilities. The Hawassa City Administration – the Mayor and Head of Finance and Economic Planning – acknowledges SUWASA/Ethiopia’s importance in enhancing service delivery and strengthening HTWSSSE’s capacity, and singled out the project’s role in reviewing the tariff structure and introducing PAs as a significant contribution towards achieving financial sustainability and improved performance.

Outcome level targets such as service improvements, measured through performance indicators, have not been met except for percentage of operations and maintenance costs for water supply services covered through customer charges, as shown in Table 2 below.

Table 2: Planned Performance Indicators

| Performance Indicator | Result Level | Baseline Value 2010 | Target Year 1 | Target Year 2 |
|---|--------------|---------------------|---------------|---------------|
| Number of people gaining access to an improved drinking water source (USAID F-indicator) | Goal | 0 | 7,500 | 7,500 |
| Number of people receiving improved service quality from existing improved drinking water sources (USAID F-indicator) | Goal | 0 | 20,000 | 20,000 |
| Percentage of operations and maintenance costs for water supply services covered through customer charges | Outcome | 65% | 90% | 100% |
| | | | | |
| Number of good practices identified, promoted and adopted | Output | 0 | 2 | 2 |
| Number of agreements and regulations implemented that promote access to improved water supply | Output | 0 | 1 | 1 |

4.1.2.5 Premise 5: Correctly Designed, Managed and Implemented Project

As stated in the Due Diligence Report, “the city of Hawassa was selected for its unique characteristics of having a high concentration of highly educated population, a successful multicultural and peaceful environment, and a common language spoken (Ahmaric).” A key factor in selecting HTWSSSE to be the beneficiary utility was its General Manager’s (GM’s) strong advocacy of the project.

As a result, SUWASA/Ethiopia developed and maintained strong relations, which proved to be instrumental in achieving desired inputs, with HTWSSSE and its GM, in addition to the Regional Water Bureau and the Town Water Board.

Factors that negatively impacted SUWASA/Ethiopia were considered to be largely outside of the project’s immediate control. The project’s implementation was delayed nearly six months due to USAID’s approval processes, thus reducing project duration from two to one and a half years. The necessary USAID approvals for the appointment of two technical specialists took 125 days and 89 days, respectively. Further delays resulted from HTWSSSE and the Board’s slow adoption and implementation of proposed changes to tariffs, organizational structures (especially the sanitary department), and PAs.

A two-year project timeframe was, from the start, overly optimistic and ambitious and the need for a longer timeframe should have been anticipated at the due diligence stage. The short timeframe increased pressure on implementers, and left no room to counter delays, some of which resulted in an unfavorable public relations (PR)⁸ fallout which SUWASA/Ethiopia was unable to adequately counter (i.e. through a pro-active PR campaign).

Although the HTWSSSE’s GM significantly contributed to project success, HTWSSSE’s overall lack of expertise, particularly regarding procurement, proved challenging. Finally, the unforeseen complexity of Ethiopia’s legal framework proved particularly challenging during the project’s inception phase.

4.1.3 Conclusions

While the SUWASA/Ethiopia project cannot be considered innovative, it contributed to sector knowledge at the local/utility level by successfully developing and implementing a variety of tools, procedures, and practices to enhance utility performance, including cost-based tariff models, business and strategic plans, performance agreements, asset valuation procedures, and implementation guidelines on good management practices. Furthermore, SUWASA/Ethiopia’s activities have been well documented, with the intention of being replicable throughout Ethiopia.

⁸ SUWASA Team in Nairobi explained that there was some unfavorable publicity in the local media in that regard.

A further achievement was the establishment within HTWSSSE of a management structure for the World Bank-constructed wastewater treatment facility, which contributed to the sustainability of the World Bank's investment, built HTWSSSE's capacity in wastewater management, and laid the foundation for improved wastewater services. Ultimately, SUWASA/Ethiopia's alignment with the World Bank/Urban Water Supply and Sanitation Project enhanced and maximized the initiative's aid effectiveness.

SUWASA/Ethiopia demonstrated the benefits of utility-focused reform through implementation of the new tariff structure that led to improved utility performance and overcoming the previous legal obstacles to PAs, which laid the groundwork for the development of similar agreements throughout the country. Both apparently resulted in significant service improvements to customers, as evidenced by the significant increase in water sales.

The main lesson learned from SUWASA/Ethiopia is the need to proactively manage PR. An adequate, timely, and transparent PR campaign is important to facilitate project cooperation in the country and town of operation, whereas an insufficient PR response can prove detrimental to a project.

At the activity level, SUWASA/Ethiopia completed all planned activities, with the exception of the signing of PAs.⁹ Although outcome-level targets have not been achieved in full, especially those related to service improvements; this is to be expected because performance results generally require a longer timeframe to materialize. In terms of stakeholder perception, SUWASA/Ethiopia significantly improved sector performance, transparency, accountability, efficiency, and sustainability.

4.1.4 Recommendations

With future similar projects, synergistic opportunities among donors and domestic stakeholders should be better exploited in the areas of training, capacity building, standardizing tariff models, business planning, and performance contracts.

A follow-up impact evaluation should be undertaken in two to three years' time in order to assess project outcomes and impact, and whether the project's utility-focused reform is as beneficial as assumed.¹⁰

To leverage and maximize the impact of the institutional capacity created under SUWASA/Ethiopia, USAID should consider further capital investments in Hawassa for operations, maintenance and expansion of service area.

Opportunities should be actively pursued for replication/introduction of the following project-produced tools and systems for wider utility application:

1. Cost-based tariff model, tailored to utility-specific context
2. Business plan, using the Hawassa example as a template
3. PAs, based on the Hawassa model, can be standardized for use regionally or nationally

Based on the positive results achieved and lessons learned, SUWASA/Ethiopia should be extended (outright or through a follow-up project) to benefit water utilities in other Ethiopian cities. The resulting SOW should, following a needs assessment, build on the developments in Hawassa results achieved to date.

4.2 KENYA

4.2.1 Background

Kenya's water sector reform momentum culminated in the enactment of the Water Act of 2002. Gazetted in October 2002, the Act introduced new water management institutions to govern the country's water and sanitation issues. With the enactment of the Act and subsequent water sector reforms, the Government of Kenya (GoK) committed itself to adopting a human rights-based approach (HRBA) in the sector, expounded in the National Water Services Strategy (NWSS).¹¹

⁹ At the time of the evaluation mission, Tetra Tech was confident that signing would take place shortly.

¹⁰ SUWASA's M&E specialist in Nairobi plans to continue monitoring Ethiopia's post-project closure results against M&E targets during the remaining two years of the overall SUWASA project, *pers comm* SUWASA Project Management.

¹¹ KWAHO (2009). Enhancing Water and Sanitation Governance in Kenya: Human Rights-Based Approach to Reforms in the Kenya Water Sector

Key principles underlying water sector reform were:¹²

- Stakeholder involvement and participation.
- Decentralized decision-making, separation of policy, regulation and service provision.
- Socially responsible commercialization of water services and private sector participation.
- Cost-recovery taking into account pro-poor pricing policy to meet equity, economic, financial and environmental concerns.
- Delegate responsibilities for water actors and separation of Water Resource Management from Water Services Provision.

Key components of the reform include:¹³

- Water Act 2002
- NWSS
- National Water Resources Management Strategy
- Water Services Regulatory Board Tariff Guidelines and Model
- Pro-Poor Implementation Plan for Water Supply and Sanitation

Water sector reforms were intended to:¹⁴

- Enhance water resource management
- Increase efficiency in water and sanitation services provision
- Improve customer care and increase customer satisfaction
- Increase development and investment
- Improve professionalism in the sector

The SUWASA/Kenya country project provided one component to support the country's overall reform agenda: "innovative financing for water and sanitation in Kenya." Its main objective was to improve access to safe, reliable, affordable, and demand-driven water and sanitation solutions in urban, peri-urban, and informal settlements ("urban communities" or "urban realm").

Specific SUWASA/Kenya objectives were to:

1. Create and manage innovative partnerships between water service providers (WSPs) and microfinance banks in Kenya to share experiences and strategies that increase access to water and sanitation.
2. Develop and roll out microfinance and meta-finance products that meet the water and sanitation needs of the urban poor and are affordable for them.
3. Implement institutional arrangements for financing that links WSPs, microfinance banks, small businesses, and communities.
4. Promote sector reform by developing sustainable business models that increase access to water and sanitation services for the urban poor and improve the commercial viability of WSPs.

SUWASA/Kenya was implemented by the Development Innovations Group (DIG) from November 2010 to May 2013. The project developed an innovative financing model that allowed water and sanitation utilities to access bank financing in order to extend and improve their services to the urban poor. SUWASA/Kenya worked with two urban utilities and two banks: Kisumu Water and Sanitation Company (KIWASCO) and K-Rep Bank¹⁵ in Kisumu; and Nakuru Water and Sanitation Services Company (NAWASSCO) and Family Bank in Nakuru.¹⁶

In Kisumu, SUWASA/Kenya facilitated the replication of a system of master operators (MOs), which had been developed in 2004 with the assistance of WSPs, by creating an innovative loan arrangement whereby the bank would pay for household connections in poorer areas of the city. MOs comprise selected members of community groups who run services under a delegated management system by KIWASCO. MOs are each responsible for local distribution systems, individual meters serving a few hundred households, and billing consumers and in turn being billed for water passing through a bulk meter to the local distribution system.

¹² Ibid.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ K-Rep Bank was originally identified because of its micro-finance in the rural water sector.

¹⁶ SUWASA Kenya: End of Project Report, May 2013.

In Kisumu, 1,557 metered connections (compared with the original target of 1,500) were installed in a kiosk, households, and institutions including seven schools and two medical facilities. Approximately 4,550 students are being served by the water connections at the seven schools. In total, 12,000-13,000 people (including students) are being served. Under the financing arrangement, households pay a total of Kenyan Shillings (KES) 450 (\$5.49) per month for up to six cubic meters of clean and treated KIWASCO water. Other benefits include convenience, health, around-the-clock water access, and reduced time to receive water.¹⁷

In Nakuru, SUWASA/Kenya facilitated the installation of a distribution system in a poor area of the city, with consumers served through pre-paid water meters. Under this system, consumers purchase credit on an electronic token, which is then debited each time that person uses water. NAWASSCO installed 95¹⁸ meters that serve 9,120 people. For consumers, the standard tariff for a private connection is about KES 1.2 (\$0.01) per 20-liter jerrican (container).¹⁹

4.2.2 Findings

4.2.2.1 Premise I: Contribution to Body of Solutions

SUWASA/Kenya developed the interest and capacity of two commercial banks to engage with water utilities to address the critical problem of how to finance the expansion of services to urban poor areas. The project created win-win partnerships among financial institutions, utilities, and low-income consumers to facilitate their access to water services. The project provided technical assistance to utilities to increase their capacity for developing bankable proposals; to banks to determine utility creditworthiness; and to consumers to gain an understanding of their demand and willingness and ability to pay for water.²⁰

Part of the solution to Kenya's critical problem had already been successfully attempted, micro-finance for water and sanitation, mainly in the rural context, and delegating water services management to MOs. SUWASA/Kenya built on these initiatives and combined them in an innovative manner, in the process overcoming many challenges that, individually as well as collectively, add to the body of solutions.

The premise of the project is the resistance of commercial banks to engage in the urban water sector and, in particular, with public utilities because of risk and lack of collateral. This has been addressed by SUWASA by developing terms that substantially reduce the risk. SUWASA/Kenya used different approaches in each city to overcome utility resistance to provide services to the urban and peri-urban poor. In Kisumu, it added meta-finance²¹ to the existing MO approach²² to develop water services. The Kisumu project enabled more poor households to access water services while also allowing them to repay high connection charges over time. In the process, the initial idea of commercial banks using a micro-finance approach evolved into meta-finance – lending to an intermediary organization (in this case the water utility) that assumes the risk and recovers the loan from multiple consumers. In Nakuru, the project combined new pre-paid meter technology with financing

¹⁷ Ibid

¹⁸ 80 meters were funded through a SIP, and 15 with additional funding from WSTF.

¹⁹ Ibid

²⁰ SUWASA Kenya: End of Project Report (May 2013)

²¹ The concept of meta-finance defined by DIG is that the bank lends money to the utility for water or sanitation improvement; the consumer pays the utility for water and repayment to the bank is secured through profits from the standard tariff structure or through an additional monthly financing fee.

²² Prior to SUWASA, KIWASCO implemented a WSP program known as Delegated Management Model (DMM). A positive unforeseen consequence of DMM was the remarkable impact of the program on reducing non-revenue water (NRW) in the Nyalenda area, where MOs saw the reduction being in the community's interest and therefore dedicated staff and educational resources to it. KIWASCO's Managing Director, Customer Care Manager, and Head of Finance stated in interviews with the Evaluation Team that Nyalenda's NRW was 70% in 2006. In 2012, after the program's implementation, the MO reduced Nyalenda's NRW from 70% to 6.4%, mainly through community policing and correcting leakages and illegal connections. Revenues increased by a factor of 20 in the same period. While SUWASA/Kenya is awaiting final implementation (after road construction is completed), two MOs and two community groups interviewed stated that they will take the same approach to local inspection and enforcement of water connections, and presumably will achieve similar results.

through the SIP program since the NAWASSCO Board believed the risks of fully financing the project were too high.

Innovation has mainly been at a local level in Kisumu and Nakuru, although it has also started to affect reform at the country level. Other banks throughout Kenya are reported to be interested in similar forms of lending, and a national-level sector institution is calling for the approach to be used elsewhere in the country.

SUWASA/Kenya disseminated its findings at international and national events, presentations, and in magazines. Some examples include:

- Debate at 3rd Africa Water Association (AfWA) Congress, Morocco.
- “Innovative Financing for Water in Kenya,” paper delivered at 3rd AfWA Congress, Morocco.
- Side event at 3rd Water Week, Ethiopia.
- “Capacity Development Workshop on Lessons Learned from the Public Pre-paid Meter Pilot in Nakuru” paper and a workshop at 36th Water, Engineering and Development Centre (WEDC) Conference, Kenya.
- “Public pre-paid meters – a viable service option for low income areas? The Nakuru experience” presentation at 3rd International Water Association (IWA) Congress, Kenya.
- Narrated presentations: “Linking utilities with financial institutions to improve service delivery” and “Prepaid water meters as an option for providing services to the urban poor.”
- Articles in USAID’s “Frontlines” and “Global Waters” e-magazines.

4.2.2.2 Premise 2 – Maximum Development Impacts and Aid Effectiveness

SUWASA/Kenya built on the principles of the reforming Water Act of 2002. The project linked with key organizations in the sector, including the government Water Services Trust Fund (WSTF), which contributed to work in Nakuru. In Kisumu, it supported KIWASCO in distributing, connecting, and increasing piped infrastructure to urban poor communities in order to make use of an earlier investment that doubled the bulk water supply to the city. The work in Kisumu built on the World Bank Water and Sanitation Program’s (WB-WSP’s) previous development of the MO system. SUWASA/Kenya identified the K-Rep Bank as a potential partner because of its *Maji ni Maisha* (water) financing mechanism. It attracted support from the WB-WSP, which contributed output-based aid (OBA) to cover 50% of the loan and 50% of the interest accumulated during the grace period in Kisumu.²³

There is no evidence yet of substantive proposals for other projects, although the chief executive officer (CEO) of WSTF has announced plans to scale the approach throughout Kenya.

SUWASA/Kenya has been effective at integrating with the reform process and other development initiatives by developing a thorough understanding of the country context and organizations involved, and leveraging networking. Country context has been important because the Water Act laid the foundation for reform and allowed for opportunities to flourish.

4.2.2.3 Premise 3 – Value of Service Provider Focus

SUWASA/Kenya’s on-the-ground results are impressive. In Kisumu, SUWASA/Kenya enabled over 1,500 metered connections, which serve more than 8,500 beneficiaries. In Nakuru, it enabled the installation of 95 pre-paid meters, the first of their kind in Kenya, which serve more than 15,000 people.

Although the new distribution systems in Kisumu are not fully operational due to road work disruptions, senior KIWASCO managers interviewed explained that the project have improved revenue from 50% to more than 95% locally, and discussed its benefits in relation to their experiences from earlier decentralized management schemes that utilized MOs. SUWASA/Kenya’s main limitation is that it cannot fund expansions from its own resources.²⁴ Results from Nakuru also demonstrated that such an investment is worthwhile and have convinced WSTF that the pre-paid meter system is worth adopting in other urban areas of Kenya.

Focus group discussion with customers in Nakuru, as well as interviews and meetings with MOs and residents in Kisumu, indicated that they all appreciate the services and the project’s efforts to improve access to safe, reliable water. People in Nakuru were very pleased with water being available nearby and when needed, at a

²³ Summary of Mid-Term Review of SUWASA/Kenya Project. Jan. 2012. Tetra Tech ARD

²⁴ Evaluation Team interview with officials of KIWASCO

low price, and without scramble or argument. In Kisumu, however, it was not possible to gauge customer satisfaction because water is not yet available. Services there are expected to be cheaper with access at the household level. The project's results are reported by SUWASA and DIG to have raised the interest of other banks in lending to this part of the sector. K-Rep Bank, for example, views the project as a new model for financing urban WSPs.

SUWASA/Kenya identified a number of lessons and good practices for future projects, classified under themes covering:

- Government policy, regulatory support, and complementary initiatives
- Water financing environment for lenders and borrowers
- Macroeconomic environment
- Considerations and recommendations for working with WSP partners
- Considerations and recommendations for working with bank partners

4.2.2.4 Premise 4 – Positive Country Level Reform

At the local level, there is evidence of improved revenue generation by the utilities in Kisumu and Nakuru and increased service coverage to groups who are often neglected by utilities. Improvement results are documented in the Project Final Report.

At the national level, there is interest from sector players, such as WSTF, and other financial institutions, including K-Rep, who view the project as an innovative financing model for WSPs in urban areas.

Senior managers from both KIWASCO and NAWASSCO expressed satisfaction with the process and results, and appreciated SUWASA/Kenya's role. Family Bank and K-Rep representatives expressed appreciation during interviews for the opportunity to support a new water sector market. The two interviewed MOs in Kisumu by the Evaluation Team stated that they value new business opportunities, which create funds for other development activities. Focus group discussion participants in Nakuru and MO interviewees in Kisumu made clear that consumers appreciate easier access to cheaper water.

Table 3: Planned and Achieved Performance Indicators²⁵ – Kenya

| Performance Indicator | Result Level | Baseline Value 2010 | Target Year 1 | Target Year 2 | End of project Achievement |
|--|--------------|---------------------|---------------|---------------|---|
| Number of people gaining access to an improved drinking water source (USAID F-indicator) | Goal | 0 | 0 | 7,500 | 8,975 |
| Number of people receiving improved service quality from existing improved drinking water sources (USAID F-indicator) | Goal | 0 | 0 | 15,000 | 9,120 (15,000 expected by Sep. 2013) |
| Number of new policies, laws, agreements, regulations, or investment agreements (public or private) implemented that promote access to improved water supply and sanitation (USAID F-indicator). | Output | 0 | 0 | 2 | 3 Family Bank, K-Rep loans, WSTF (MOU) |
| Amount of new financing accessed by water and sanitation service providers. | Output | 0 | 0 | \$250,000 | \$255,720 K-Rep Bank: USD 245,863 Family Bank: USD 12,195 |
| Number of good practices identified, promoted, and adopted | Output | 0 | 0 | 2 | 2 |

As shown in Table 3, planned performance has been achieved or is likely to be achieved.

²⁵ Baseline and targets from Kenya M&E Plan May 3 2012, achievements at 15 April 2013 from SUWASA Kenya End of Project Report, May 2013

4.2.2.5 Premise 5 – Correctly Designed, Managed, and Implemented Project

A key to the success of SUWASA/Kenya was its thorough assessment of the context, policy and law, water sector organizations, and financing organizations to fully understand the opportunities for addressing identified problems. SUWASA/Kenya staff then made a tenacious effort to persuade often reluctant and skeptical local organizations to take action.

The project is now complete so alleviating any weaknesses is not relevant.

4.2.2.6 Cross-Cutting Issues

Early project documentation made clear that SUWASA/Kenya was targeting the working poor, not the poorest urban dwellers. Facilitating utilities and finance organizations to address the needs of this segment of the population and feel confident in doing so is a significant step in its own right.

To better understand the challenges, SUWASA/Kenya commissioned a study, *The Market Demand Assessment for Water and Sanitation Services*. While the study was important to understand the socio-economic status of SUWASA/Kenya's target group, its weakness was that it only listed average incomes, not a range or disaggregation by gender, woman-headed households, or other vulnerable groups.

Existing WSPs have significantly lower income (60%) compared to the overall average of the entire surveyed population. The assessment found that "lending to this group [the WSPs] should not be a priority for microfinance partners," due to risks and lower ability to repay and the provision of small pipe infrastructure in low-income settlements "providing new opportunities for sourcing water through other means than vendors."²⁶ The implication of this is that the people who rely on water vending for 80% of their income are being put out of business. There was no provision in the project to address this loss of livelihood by a relatively poorer segment of the population in the target areas.

4.2.3 Issues and Limitations in Country

One important issue affecting the project was the very high interest rates charged by the two banks. During project implementation and loan preparation, the Central Bank of Kenya (CBK) raised interest rates to curb inflation, which translated into higher commercial loan interest rates on which water utility interest rates were based. When inflation subsided, even though CBK reduced the interbank rate, banks maintained a high commercial loan rate. For example, during inflation K-Rep Bank charged a 21% annual percentage interest (API) to KIWASCO and, after inflation subsided, only reduced the API to 19%.²⁷ KIWASCO, however, was not directly affected, as it passed the cost associated with a high API on to consumers as a higher surcharge for repayment for household connections. As more banks use this form of lending to the water sector, interest rates should become more competitive.

There appear to be few project limitations, as the Water Act of 2002 set the legal and policy environment for sector reforms.

4.2.4 Conclusions

SUWASA/Kenya appears to have successfully integrated with the sector reforms as set out in the Water Act of 2002 and other subsequent government provisions. The project worked with two commercial banks to develop the way they work with the water sector. Furthermore, it influenced partner organizations to consider scaling-up the approach to other areas in Kenya, although more information is needed to provide a conclusion on the actual uptake. SUWASA/Kenya brought together the interests of financial institutions, WSPs, and low-income consumers, and played a critical role in catalyzing and facilitating these relationships, as well as providing technical support in planning and cost recovery analysis.

Overall, SUWASA/Kenya was a genuinely and incrementally innovative project that addressed a gap in service coverage to poor urban populations and demonstrated how to fill the gap. The country project represents a good example of what the overall SUWASA project was designed to achieve.

Risk is one of the main factors inhibiting the development of services for the urban poor. Traditional financial institutions and service providers have been reluctant to cater to the needs of the urban poor due to the risks

²⁶ Finelines (November 2011). *The Market Demand Assessment for Water and Sanitation Services*, DIG

²⁷ SUWASA Kenya: End of Project Report (May 2013)

of non-payment and loan defaults. In SUWASA/Kenya, finance institutions overcame this reluctance by transferring the risk to utilities while still charging high interest rates. KIWASCO and NAWASCO reduced their risks in different ways.

KIWASCO extended DMM's use of MOs to run the local distribution network, billing customers and collecting revenue, including loan repayments. MOs benefit by receiving profits from running the water service that can be used to fund their social development activities.

NAWASCO adopted new pre-paid meter technology that ensures water payments and eliminates the risk of serving poor urban populations that tend to shift locations.

4.2.5 Recommendations

As the project is complete, no recommendations for its improvement are necessary. SUWASA/Kenya must now only continue to disseminate its concept, results, and success stories.

However, two aspects should be addressed in the design of a replication project:

First, there was only one supplier of pre-paid meters and its performance has been unsatisfactory. The reason for this may have been partially due to USAID delays in providing the necessary paperwork to receive value added tax (VAT) exemption on meter import. As a result, the supplier must wait several years to recover the money from the Revenue Office. It might have helped for SUWASA/Kenya to have sourced internationally.

Second, the two banks put themselves in a position where they are taking virtually no risk, yet they charge very high interest rates for five-year loans to utilities, charges that are passed on to consumers in the form of a surcharge. With more competition from other banks, interest rates may fall for future projects.

4.3 MOZAMBIQUE

4.3.1 Background

SUWASA/Mozambique is a \$1.024 million project, launched on October 2011, and expected to end by October, 2013. The project is being implemented by the Government of Mozambique's (GoM) Directorate of Water or *Direcção Nacional de Águas* (DNA), which is the lead agency for licensing private water operators or *Fornecedores Privados de Água* (FPAs).²⁸ SUWASA/Mozambique was designed to assist GoM in establishing a clear and transparent regulatory framework to assure effective oversight of the delivery of water services to customers by small private operators in urban and peri-urban areas.

The project is implemented in Maputo and in the nearby town of Matola. Existing water networks did not entirely cover these localities, which resulted in a shortage of piped water services in urban pockets and peri-urban areas. Consequently, a number of FPAs established themselves to fill the service void. FPAs now form an integral part of urban water supply arrangements in the country, particularly in the Maputo-Matola corridor.

A 2010 study estimated that in Maputo municipality alone, there were around 500 FPAs with about 380 standpipes and 50,000 private connections serving close to 360,000 inhabitants. At that time, the Waters of the Maputo region or *Águas da Região de Maputo* (AdM)²⁹ had 100,000 connections and 300 standpipes. FPAs are estimated to cover about 23% of the total peri-urban population of Maputo and Matola.³⁰ However, until recently, Mozambique's urban water supply sector struggled to develop an effective strategy and practical licensing framework to formally recognize, legitimize, and regulate the role of FPAs in providing urban water.

²⁸ These were previously known as small-scale water providers (Pequenos Operadores Privados or POPs), but the term Fornecedores Privados de Água (FPAs) has since been adopted, not least because many of them are not small scale, but rather quite large enterprises. The term POP is henceforth only used in the case of references cited where this term was used in the original text.

²⁹ The main network water supply provider in Mozambique is a concessionaire consortium called Águas de Moçambique (AdM)

³⁰ *Mozambique – Design of Licensing/Regulatory Framework for Private Water Providers*, Inception Report. Thelma Triche & Associates, November 2012.

FPA networks were historically constructed for individual households but, as demand grew, some FPAs evolved into businesses serving entire neighborhoods. While most FPAs serve fewer than 100 connections, currently there are four large FPAs with more than 500 connections. GoM was initially skeptical of the role of FPAs; however, acceptance of their importance has increased in the last five years.

SUWASA/Mozambique's overall goal is to improve the provision of water within the existing and expanded service areas of Maputo and Matola by clarifying the institutional and regulatory framework within which FPAs operate.

Initial project objectives include:

1. Strengthen the policy legal, operational, and regulatory framework for small-scale water infrastructure providers.
2. Support the regularization of FPAs.
3. Develop pilot/demonstration small-scale infrastructure provider (SSIP) projects.

The aforementioned objectives were revised in an Inception Report, which resulted in the following objectives:

1. Support DNA and stakeholders with the development of a comprehensive strategy for accreditation of the informal water sector in urban areas and small towns.
2. Strengthen the legal, operational, and regulatory framework for FPAs.
3. Facilitate understanding and formalize the role of public-private partnerships (PPPs) within the water sector for urban areas and small towns.

4.3.2 Findings

4.3.2.1 Premise 1 – Contribution to the Body of Solutions

SUWASA/Mozambique is relatively innovative³¹ in its attempt to recognize and regulate the role played by FPAs in under-served peri-urban areas. FPAs emerged at the end of the 1980s and now maintain a significant market share. In the Maputo metropolitan area alone, 600 FPAs reportedly serve about 360,000 residents, compared to the main utility that serves 100,000 connections in the same area.

The use of self-funded FPAs on a relatively large-scale, as found in Maputo supplying 50,000 out of 150,000 connections, is of significant interest. Many African cities have similar problems to Maputo in terms of limited network coverage in many areas, especially low-income ones. By assisting FPAs in Mozambique, SUWASA provides a blueprint for future integration of formal and informal water suppliers elsewhere in Africa.

As part of its investigation into options for the regulation and licensing of FPAs, SUWASA/Mozambique carried out a comprehensive review of the existing regulatory and licensing framework³² and proposed a range of options for regulatory and licensing regimes.³³ This review added significantly to the body of sector knowledge by:

- Clarifying the role of FPAs, the key issues that need to be resolved, and the guiding principles to be applied in the design of the licensing and regulatory regimes.
- Comprehensively analysing the legal basis for licensing and regulating FPAs.
- Proposing appropriate licensing and regulatory regimes.
- Proposing institutional options for implementing licensing and regulation of FPAs.

4.3.2.2 Premise 2 – Maximum Development Impacts and Aid Effectiveness

Although the GoM's support for the project was reported to be strong at the project's due diligence stage, this endorsement did not result in a smooth start for the SUWASA/Mozambique. GoM required that a project implementation agreement (PIA) be signed before any formal engagement of government agencies could take place, which delayed project implementation by about six months. In addition, not all GoM agencies

³¹ A search of the literature has revealed only a few relevant cases of attempts to register and regulate independent water service providers in other countries.

³² *Design of Licensing/Regulatory Framework for Private Water Providers*, Thelma Triche & Associates, Inception Report, November 2012.

³³ *Design of Licensing/Regulatory Framework for Private Water Providers*, Thelma Triche & Associates, Proposals and Options for the Regulatory and Licensing Regimes, December 2012.

were enthusiastic about SUWASA; indeed, some of them were initially opposed to the idea of formalizing the role of FPAs in the water supply sector. Moreover, some agencies were sceptical that a consensus could be reached between the different parties and vested interests. In July 2012, SUWASA/Mozambique organized The Stakeholder Workshop, which was attended by 48 water sector stakeholders. The Workshop was considered a breakthrough because it was the first time all stakeholders gathered to discuss their grievances in a constructive way. At the Workshop, stakeholders expressed a strong commitment to continue the engagement and dialogue initiated by SUWASA/Mozambique, and to elaborate an implementation strategy for integrating FPAs into the water system.

Key GoM agencies now support SUWASA/Mozambique's reform agenda. According to the President of the Water Regulatory Council or *Conselho de Regulação do Abastecimento de Água* (CRA), the project is addressing a critical issue that CRA tried to address in the past but did not succeed. Although he was critical of the project at the beginning, he now appreciates its high chances of success and the value it will add to the water sector.³⁴ FPAs remain cautious in their level of support for the reform agenda³⁵ and, from their perspective, there are many remaining outstanding differences between FPAs and DNA that still need to be resolved.³⁶

There is potential synergy with the DFID-funded Domestic Private Sector Participation (DPSP) program. The French Development Agency or *Agence Française de Développement* (AFD) support to FPAs through the Maputo Water Supply Project (MWSP) program is considered to complement SUWASA/Mozambique. And although not financially, the WB-WSP is supportive of SUWASA/Mozambique's activities; its representative participated in the July 2012 Stakeholder Workshop. Despite this, no true examples of meaningful synergy between donor activities exist.

SUWASA/Mozambique was aware that a previous attempt at brokering an agreement between stakeholders had failed. Project representatives believe that SUWASA/Mozambique's success in achieving some level of consensus is due to the patient and consultative approach it adopted with all stakeholders. The formation of the Regulatory Consultative Group (RCG) has been an effective tool in bringing stakeholders together to find a common solution to the FPA issue. However, the process remains far from resolving remaining differences between FPAs and GoM and from gaining formal approval by Ministerial Decree.

4.3.2.3 Premise 3 – Value of Service Provider Focus

The delays experienced during SUWASA/Mozambique's start-up necessitated the refocusing of planned activities. Consequently, most activities under the third objective, "Facilitate understanding and formalize the role of PPP within the water sector," were shelved, and the project was instead focused on consolidating efforts to ensure that the legal, operational, and regulatory/licensing frameworks for FPAs were strengthened. The refocus will impede SUWASA/Mozambique from achieving several of its intended objectives.

SUWASA/Mozambique's main achievement to date is its consensus-building process that enabled the drafting and submission of a regulatory and licensing framework, which is now proceeding at a slower than expected pace through the legislative process. Only upon approval and implementation of the framework will the project's intended outcomes be achieved.

The framework implementation phase is critical to the effectiveness of SUWASA/Mozambique and the achievement of its outcomes because it requires an effective communication strategy to prepare FPAs for the new regulatory and licensing framework, as well as the resulting changes that will affect their operations. Development of the communication strategy is on hold pending the Minister's approval of the framework. Unfortunately, implementation of the framework is unlikely to be initiated under the current project timeline.

4.3.2.4 Premise 4 – Positive Country Level Reform

Substantial evidence shows that FPAs are already having a positive impact on sector performance. SUWASA/Mozambique is intended to sustain this positive impact through improved regulation and reform. However, the impact will only be realized in the longer term when the regulatory and licensing framework is approved by GoM and the strategy is successfully implemented.

³⁴ SUWASA/Mozambique Mid-Term Review Report. December, 2012.

³⁵ As represented by their various member associations (AFORAMO, AMATI, ARASUL) that represent a significant but not majority of FPAs.

³⁶ SUWASA/Mozambique Mid-Term Review Report. December, 2012. Section 3.4 (feedback from FPA associations)

Licensing and regulating FPAs will ensure minimum standards for water quantity and quality, and encourage fair and affordable water tariffs. However, there is little FPA support for lower tariffs and not much hard data to suggest a need for improved standards. Reforms will benefit FPAs through greater security of operation and will, consequently, give them an incentive to invest and expand. FPAs will also benefit from a more effective member service association that will represent their interests and advocate on their behalf.

Although SUWASA/Mozambique has already achieved some stakeholder goodwill as a result of the consultation process it facilitated, without further progress in addressing FPA concerns and advancing the reform agenda, this goodwill is unlikely to be sustained.

4.3.2.5 Premise 5 – Correctly Designed, Managed, and Implemented Project

Regulatory reform is subject to GoM's bureaucratic and legislative processes that were anticipated; however, the length of time to navigate such processes was underestimated. Initial delays reduced the scope of SUWASA/Mozambique so that many initial projected outcomes will not be achieved within the project timeframe. Further, USAID has not approved a time extension needed to realize outcomes.

The original project design was largely sound and appropriate but the Due Diligence Report was overly optimistic in its assessment of risks, and assumed that the strong level of government support would result in a relatively smooth implementation process.

SUWASA/Mozambique's main success to date, as previously mentioned, is its patient and consultative approach, which brought all parties together in a constructive manner and enabled differences to be aired and debated, and issues resolved. This process laid a good foundation on which further progress can be made. However, it is clear that significant differences between FPAs and DNA remain unresolved and greater effort is required to address FPAs' concerns. Currently the main obstacle to achieving project outcomes is the lack of time remaining for the project as it awaits approval of the regulatory and licensing framework.

4.3.3 Issues and Limitations

The current licensing framework (i.e., the ad hoc strategy that evolved prior to SUWASA engagement) being implemented by DNA suffers from several deficiencies:

- FPAs have not been integrated into the medium- to long-term strategy for the development of urban water supply services.
- The issue of "turf" (the areas where the national water utility expands that FPAs consider their service zone) has not been resolved.
- There are no mechanisms or institutional arrangements for monitoring and enforcing minimum construction and technical and service standards for FPA systems, or for assisting the FPAs and their clients with resolving disputes.

FPAs believe they are providing better service than the national utility but are facing unfair competition and lack of recognition of their work. Many issues must still be clarified for FPAs, including:

- In some service areas, FPAs are facing competition for customers with the public water utility. They believe that the public utility subsidized by the government is able to set lower tariffs. The average tariff charged by FPAs was higher than that of the main utility AdM. FPAs' targets were typically about 25 Mozambican Meticals (MZN/m³) (the equivalent of \$1.00 at the time). AdM's average tariff was 15 MZN/m³ (equivalent to \$0.60/m³).³⁷ FPAs see this as unfair competition.
- Most FPAs are informal businesses and, therefore, take out loans to expand business in a personal capacity, often using personal houses as collateral.
- Most FPAs do not take loans because interest rates are very high (i.e., 30%).
- GoM only issues a limited numbers of licenses in order to control the total number of FPAs.
- FPAs want five-year licenses, not one-year as originally offered.
- FPAs are wary of GoM setting tariffs; they believe that FPAs should set their own tariffs that allow them to recover investments.

³⁷ 2009 Data from "Mozambique - Design of Licensing/Regulatory Framework for Private Water Providers, Inception Report, November 2012" SUWASA.

- FPAs are concerned about the calculation of compensation to be paid to them in cases where their assets are bought out and incorporated into the public utility. GoM has offered to compensate the asset value only, not the potential loss of earnings.

4.3.4 Conclusions

SUWASA/Mozambique is highly relevant and began with a strong level of government support. The Due Diligence Report considered the project relatively low risk. Yet, despite the project's positive outlook, SUWASA/Mozambique has been significantly hampered by government intransigence and bureaucracy, and has generally not been able to achieve its intended objectives and outcomes.

The project's patient and consultative approach has successfully narrowed the differences between actors: GoM and its agencies want to license and regulate FPAs; and FPAs seek recognition, legal status, and the ability to continue business with minimum government interference. While GoM's support for SUWASA/Mozambique has been (in theory at least) relatively enthusiastic, FPA support for the project remains far more cautious. As noted in the Mid-Term Review Report, there remain many outstanding differences between FPAs and DNA that need to be resolved. The Stakeholder Workshop organized by SUWASA was apparently successful in this regard, but the suggested follow-up workshop³⁸ did not occur. At the project's mid-term review stage,³⁹ the Regional Water Administration for Southern Region or *Administração Regional das Aguas do Sul* (ARASUL), one of the three main associations of FPAs, believed that "no tangible results had been achieved so far." Although perhaps not a generally held view, it suggests that more work needs to be done to address FPAs' areas of concern: compensation, licensing, service areas (turf), etc. Many FPAs remain unconvinced that the proposed reform agenda will benefit them. A 2010 study found that many FPAs do not consider a formal licensing and regulatory framework to be in their interest.⁴⁰

SUWASA/Mozambique's major output to date has been the preparation of a regulatory and licensing framework (completed in November 2012). However, the delay in Ministerial approval of the framework has led to uncertainty, which has stalled or put on hold further progress in other areas. Significant gaps remain that could and should have been addressed:

- The project did not undertake a survey (or inventory) of FPAs to better understand levels of service provided (i.e. number of hours of supply, water quality, public health, tariffs, etc.).
- A communications strategy has not been produced and is on hold pending Minister approval of the framework.
- The project has not elaborated how water users would benefit from the proposed reforms (i.e., through improved service or water quality, effect on tariffs, etc.), and the customer perspective has largely been absent from stakeholder discussions.⁴¹
- CRA is of the opinion that World Bank buy-in is critical for the success of FPAs' regulation and licensing⁴² but there is no evidence of progress on this matter.

4.3.5 Recommendation

SUWASA/Mozambique is due to end in October 2013, and the project is unlikely to achieve many of its intended objectives and outcomes. Conditions considered necessary for recommendation of a project extension are not in place, namely:

1. A reasonable timeline for approval of the regulatory and licensing framework indicated by GoM.
2. High levels of FPA support for the reform agenda.
3. Strong World Bank support (buy-in).

³⁸ Recommendation in workshop report: *Support for Sustainable Small Scale Operators in Maputo and Matola*. Workshop Report Executive Summary "Strategy Meeting for the Integration of the Private Water Providers." July 12, 2012.

³⁹ December 2012 (14 months after project start)

⁴⁰ *Entrepreneurs in Transition: Small Scale Private Water Supply Operators in Greater Maputo*, Agence Française de Développement. October, 2010, pp.32-33.

⁴¹ No survey of customers has been carried out, according to *Mozambique – Design of Licensing/Regulatory Framework for Private Water Providers – Inception Report*, November 2012. Thelma Triche & Associates. Section 2.5.2.

⁴² SUWASA/Mozambique Mid-Term Review Report. December, 2012. Section 3.4.

4. Demonstrative evidence that the reform agenda will benefit consumer.

Consequently, this evaluation makes no recommendation for continuation of SUWASA/Mozambique.

4.4 NIGERIA

4.4.1 Background

SUWASA/Nigeria is a three-year, \$4 million project that runs from 2011 to 2014. The project was designed to support the State Government of Bauchi (SGoB) in providing increased access to potable, affordable, and sustainable water services to the urban population of Bauchi State in northeastern Nigeria.

Prior to SUWASA/Nigeria, the Bauchi State Water Board (BSWB) was not collecting sufficient revenue to remain a viable operation. Despite having adequate water resources and a water treatment system capable of serving 80% of local water needs, the BSWB was serving only 17% of the urban population with an estimated 50% of losses due to system leaks. SUWASA/Nigeria was undertaken to counteract this decline in the availability of clean water to residents, particularly the poor.

The project is comprised of a number of elements, including:

- Assisting Bauchi State with development of the Water Bill.
- Establishing the Bauchi State Urban Water and Sewerage Corporation, to be responsible for overseeing the technical and financial operation of water and sanitation utilities serving populations over 20,000.
- Creating a customer database for the BSWB.
- Training the BSWB staff on finance, increasing revenue, improving customer service, and creating clear job descriptions.
- Developing a water billing system, including both hardware and software.
- Implementing a pilot metering program using bulk meters, with a focus on commercial customers.
- Developing a cost-reflective tariff.
- Developing an action plan to boost revenue collection by 100% within six months.

4.4.2 Findings

4.4.2.1 Premise 1: Contribution to the Body of Solutions

According to the Special Assistant to the Governor of Bauchi State, institutional changes and the newly drafted (though not yet passed) Water Bill are applicable to the new SUWASA projects in Rivers and Ebonyi States, and are being considered in other States not associated with SUWASA.

Government, community, and customer stakeholders interviewed by the Evaluation Team, repeatedly stated that SUWASA/Nigeria is different from projects implemented in the past because it is sustainable, works with unions, and is pro-poor and pro-gender in its tariff design. Stakeholders were particularly complimentary about the project's communications strategy and participatory processes that use, among others, radio talk shows and television. Citizens' responses were very positive, and they expressed their community concerns (namely that the water supply was inadequate) on radio and television.

Project results have been disseminated throughout the country and will likely be used in SUWASA's new projects in Rivers and Ebonyi States.

4.4.2.2 Premise 2: Maximum Development Impacts and Aid Effectiveness

Government support for SUWASA/Nigeria is strong and enthusiastic, as evidenced by its \$200,000 contribution to the project. Interviews with local government (Chiroma of Bauchi) and community leaders indicated that they were equally enthusiastic about the project.

SUWASA/Nigeria obtained assistance from Swazi Water to help the BSWB implement field solutions throughout the Bauchi utility.

According to a World Bank representative, SUWASA/Nigeria's work led directly to Bauchi State being eligible to receive loans from a \$400 million pool agreement between Nigeria and the World Bank. Further, according to the World Bank representative to Nigeria, SUWASA/Nigeria has been expanded to other World Bank programs in Rivers and Ebonyi States. In addition, SUWASA provided assistance to USAID's Leadership, Empowerment, Advocacy, and Development (LEAD) local governance program in Bauchi State. SUWASA

coordinated with LEAD to publish the water and sanitation policy, which was later finalized by LEAD and published as the Bauchi State Water, Sanitation, and Hygiene Policy.

4.4.2.3 Premise 3: Value of Service Provider Focus

SUWASA/Nigeria conducted a customer enumeration study and determined that the actual number of customers (most non-paying) is more than double the pre-study estimate. During interviews with the Evaluation Team, several members of the Bauchi State utility expressed concern that an increased staff and more customer service training is necessary to handle the expanded customer base.

The reform process has been conducted along with a strong communications strategy to inform the public and community leaders about changes. While generally positive about the effectiveness of this approach, most interviewees outside of BSWB and SUWASA emphasized the need for communication. Thus, it appears that even though many communication efforts have already been undertaken, they should continue.

The lack of a sanitation policy and operational approach at this stage in the project is a critical issue that must be addressed. Currently, the Bauchi State Environmental Protection Agency (BASEPA) serves as both provider and regulator of sanitation services in Bauchi State, limiting its transparency. According to the Evaluation Team’s interviews with the General Manager (GM) of the BSWB and two community group representatives, BASEPA addresses problems only as they occur, is expensive, and has no proper treatment and disposal method. Under the new Water Law, sanitation services in Bauchi State, which are specifically identified, will be taken over by BSWB upon the Law’s passage. According to the BSWB’s GM, BASEPA has not yet been informed of this change.

SUWASA/Nigeria’s scope includes the development of a sanitation policy, tariff structure, and waste treatment/disposal method. The unfulfilled sanitation task is currently SUWASA/Nigeria’s most critical need.

The revised performance monitoring plan (PMP) is shown in Table 4 below, along with the project’s performance against those targets to date. As is clear from the table, with the exception of developing the requisite policies, laws, agreements, and investment agreements, SUWASA/Nigeria is lagging on some specific targets, including the USAID F-indicators.

Table 4: SUWASA Bauchi State Performance Milestone Performance (Actual) - Nigeria

| Performance Indicator | Target Year 1 | Target Year 2 | Actual |
|--|---------------|---------------|-----------------|
| Number of people gaining access to an improved drinking water source (USAID F-indicator) | 20,000 | 30,000 | 0 |
| Number of people gaining access to an improved sanitation facility (USAID F-indicator) | -- | 3,000 | 0 |
| Number of people receiving improved service quality from existing improved drinking water sources (USAID F-indicator) | 20,000 | 30,000 | 10,720 |
| Percentage of operations and maintenance costs for water supply or sanitation services covered through customers charges | 10% | 20% | 3% |
| Number of new policies, laws, agreements, regulations or investment agreements (public or private) implemented that promote access to improved water supply and sanitation (USAID F-indicator) | 1 | 2 | 4 |
| Amount of new financing accessed by water and sanitation service providers. | \$30,000 | \$50,000 | 0 ⁴³ |
| Number of good practices identified, promoted, and adopted. | 1 | 2 | 4 |

SUWASA/Nigeria has cited a high turnover among senior officials within the Bauchi State Ministry of Water Resources as having impacted their performance against PMP targets. This was verified with visits to SUWASA’s Bauchi State office and to the ministry offices, where the Evaluation Team was introduced to new officials. SUWASA/Nigeria also cited security concerns in northern Nigeria and the resulting reduced deployment of consultants and experts as further challenges to achieving targeted results.

⁴³ No new financing after the Bauchi State input of \$200,000

4.4.2.4 Premise 4: Positive Country-Level Reform

As noted above, government and community groups interviewed by the Evaluation Team showed enthusiasm for and satisfaction with SUWASA/Nigeria. During interviews, this sentiment was repeated by the Special Assistant to the Governor, the GM of the BSWB, the Commissioner of the Ministry of Water Resources (MoWR), the Chiroma of Bauchi, the Network for Civil Society in Water and Sanitation (NEWSAN), and representatives from community groups.

The nature of the project required SUWASA/Nigeria to first develop the tools necessary to make a utility self-sufficient with a trained staff, independent tariff, proper meter reading, and reproducible and transparent billing and collection system before focusing on extending new water services. Focus on institutional and structural changes in Bauchi State Law, and institutional changes to BSWB, were instrumental in moving Bauchi State near the top of the list of Nigerian states eligible for World Bank loans.

4.4.2.5 Premise 5: Correctly Designed, Managed and Implemented Project

SUWASA/Nigeria's timeline for meeting service extensions, service improvements, and financial stability were overly optimistic. Based upon interviews with government officials, utility officials, and operators, as well as visits to key facilities, the Evaluation Team believes that changes made so far by SUWASA/Nigeria, along with Bauchi State and World Bank involvement and Swazi Water assistance, should result in significant improvements, extensions, and overall sustainability that will serve as an example for future projects after the lessons learned have been published and internalized.

SUWASA/Nigeria shifted its initial project delivery focus to that of improving institutional abilities within Bauchi State with assistance by the World Bank and Swazi Water on their ongoing efforts to finance additional infrastructure and improve operational effectiveness, respectively.

Part of the reform process leading to the establishment of the Bauchi State Water Corporation was the rationalization of staffing numbers. This has been accomplished by engaging with the staff union, allowing it to present its concerns over the changes required, and negotiating how these changes can be achieved. This includes giving staff, who were all state government employees, the option of employment in the new Bauchi State Water Corporation or to transfer to a government position elsewhere. The process can serve as an example to other utilities undergoing similar transitions.

Development of recommended uses for the World Bank loan is a major remaining task for SUWASA/Nigeria and might require outside assistance. SUWASA/Nigeria is working with the World Bank to fill in the remaining gaps in its infrastructure master plan in order to complete it by the scheduled project end in 2014.

Little has been accomplished thus far on the sanitation component of the project, and SUWASA/Nigeria staff is aware of this. Outside assistance may be necessary to complete the work within the remaining project timetable.

4.4.3 Issues and Limitations

Despite concerns for security in Bauchi State, the Evaluation Team interviewed all planned and some unplanned stakeholders and visited a number of facilities, including the remote Bauchi Water Treatment Plant site. As a result, the team believed there were no limitations in collecting the necessary data to evaluate the project.

Given the specific nature of SUWASA/Nigeria, the Evaluation Team believed that it was important to assess a number of issues currently confronting the project before the start of the evaluations. Significant outstanding issues to be addressed on the Bauchi State project are as follows:

Passage of the Water Law

1. The single largest issue is the passage of the Water Law, which was partially prepared by SUWASA/Nigeria and has been approved by the Governor of Bauchi State. The Law had not been passed by the Bauchi State Assembly as of July 2013. The Water Law enables much of the work that SUWASA/Nigeria is attempting to accomplish and, although the Evaluation Team was assured of its passage by all – from the Governor's Assistant to the local community leaders – failure to pass the Law would be a serious blow to SUWASA/Nigeria and World Bank projects.
2. A second issue, which is not possible for SUWASA/Nigeria to address, is that the very progressive (and pro-SUWASA) Governor of Bauchi State is leaving office in May 2015. It is possible that the new

governor may not be as pro-active on water issues and could conceivably roll back the work done in the water sector by SUWASA/Nigeria and others.

Need for Sanitation Policy and Approach

1. Virtually all of the SUWASA/Nigeria work to date has been performed in the area of potable water. However, there is a substantial amount of work to be performed before the project ends in May 2014, including the development of a sanitation policy, an operational method for BSWB to properly handle and treat septage wastes, and a tariff structure to handle costs, while continuing to address pro-poor and pro-gender issues. Treatment and disposal of septage has not yet been considered.
2. BASEPA is currently providing sanitation services in the area served by the newly-formed Bauchi State Water and Sewerage Board. Presently, BASEPA charges a significant amount to users to empty an overflowing latrine, despite being unknown to the latrine owner/user. In addition to unforeseen fees for the owner/user, the overflow is only addressed once it has already occurred and already created environmental damage.
3. SUWASA must develop a separate tariff structure or an add-on to the existing water tariff, whereby the cost of the sanitation program is covered. This may include sanitation fees paid in monthly increments with the water bill. The utility could then empty latrines and toilets proactively, on a schedule, and without users paying at the time of service.

Providing Water to a Much Larger Customer Base

1. SUWASA/Nigeria's customer enumeration study found that the number of customers, currently served by the water system, was not 17,000 in the City of Bauchi, as was thought by the utility, but more than twice that number at 40,000.
2. By 2017, the estimated number of water connections will be 109,000. More paying customers in a well-run utility will result in higher revenues and an increased ability to provide quality service. However, such a high customer projection requires that more staff be hired and trained to deal with new customers. Also, the utility must be able to service greater demand in the future with its existing water source, treatment plant, and distribution system.
3. The actual extent of the distribution system leakage and non-revenue water (NRW) is not currently known with any precision because there are no working flow meters at the water treatment plant, and no estimates of water plant production have been made. No estimate of losses or calculations of efficiency are possible without knowing how much water entered the system at the water treatment plant and how much was lost in distribution and billing.
4. While the repair of the meters will be accomplished under SIP, the operations staff has a simple way to measure production flow at the water treatment plant before the repairs are completed. This measurement should be performed several times per day at a minimum to better estimate losses and to address population growth in the future.
5. The Bauchi State Water Treatment Plant has a number of issues that must be addressed by the BSWB, either under their own budget or under the World Bank loan. This is particularly critical given the unexpectedly high number of existing customers, as well as the number of projected customers over the next five years.

4.4.4 Conclusions

The communications strategy has clearly been one of SUWASA/Nigeria's most successful components.

The cost-recovery tariff, combined with a greatly expanded customer base discovered as part of the project, should make BSWB a candidate for great success if other problems, including uncertain continued state government support, lack of a best practices sanitation policy, and potentially insufficient water capacity are addressed.

SUWASA/Nigeria's design and performance have been effective in improving the operation of BSWB. The original project design facilitated the contribution of \$200,000 from SGoB. Specific improvements achieved by SUWASA/Nigeria and the BSWB were cited by World Bank representatives as the principal reasons for Bauchi State being selected to receive proceeds under the World Bank loan to Nigeria.

Bauchi State stakeholders have enthusiastically embraced the project and view it as solving their most pressing concern for adequate potable water. Such sentiment was reiterated in eight interviews with three utility officials, the GM of the BSWB, the Commissioner of MoWR, the Special Assistant to the Governor of Bauchi

State, and two local community officials. All agreed that the project was a success, with more to be realized in the future.

The key to SUWASA/Nigeria's continued success is its ability to deliver on the promise of potable water for all community members without contamination from the many overflowing or poorly maintained pit latrines and public toilets. Therefore, the project's sanitation program must be well conceived, and the water treatment plant and distribution system upgraded and capable of serving a greater-than-planned population within the next five years.

With the new loan money from the World Bank and SIP, SUWASA/Nigeria's PMP indicators for improved access to drinking water will be easily exceeded, although probably not by the project's end due to the time it will take to make necessary repairs to the plant and distribution system.

Revised project targets for sanitation are a concern. As of July 2013, sanitation had not been addressed by SUWASA/Nigeria, and there is much to be completed before May 2014. Meeting the sanitation targets by that time appears unlikely.

Remaining tasks that are critical to project success are passage of the Water Law, development of a best practices sanitation policy, with a progressive pro-poor tariff, and identification and prioritization of needed water treatment and pumping equipment repairs or new equipment necessary to serve the expanded service population.

It is likely that additional expertise is necessary to supplement the SUWASA/Nigeria staff in order to thoroughly evaluate and complete these tasks early enough in the remaining project timeline to allow for their successful implementation.

4.4.5 Recommendations

SUWASA/Nigeria will need to advise the Governor on the implications of the Water Bill supplanting BASEPA as the sanitation provider and insert the newly formed Bauchi State Water and Sewerage Board as the new provider. Transferring the responsibility for sanitation from BASEPA to the new utility, however, may not be easily implemented. Upon passage of the Water Bill, the Governor should be informed of the priority of this task, but only if a sanitation policy is ready.

The project should evaluate simpler, less expensive customer billing systems in concert with the BSWB to assess the capacity of the staff to properly implement them.

SUWASA/Nigeria should contract with an outside firm or an outside consultant or consultants to thoroughly assess the water treatment plant, the pumping station, and distribution system in order to assist the World Bank with the development of a strategy to prioritize the necessary corrective actions needed to assure that sufficient water capacity is available for the projected increased customer base.

The project should consider retaining outside assistance, if necessary, to develop and implement a sanitation program within the remaining project timetable. In addition, suitable sites must be identified for septage treatment and disposal.

4.5 SENEGAL

4.5.1 Background

SUWASA/Senegal is a two-year, \$2.7 million project that started in August 2012 and will continue for 24 months. The project aims to improve the urban poor's access to reliable, sustainable, and affordable sanitation services in selected communities. It has two specific objectives:

1. Assist in the adoption of national public-private strategies for fecal sludge management (FSM) in Tambacounda.
2. Support private sector participation in FSM through a SIP in the Dakar and Tambacounda areas.

SUWASA/Senegal is being implemented by DIG under a subcontract from Tetra Tech in collaboration with two main programs: 1) the *Programme d'Eau Potable et d'Assainissement du Millénaire* or Millennium Drinking Water and Sanitation Program (PEPAM), financed by USAID; and 2) the *Programme de Structuration du Marché des Boues de Vidange dans la Banlieue de Dakar* or Program for Structuring the Fecal Sludge Market in the

Suburbs of Dakar, also known as ONAS-Boues de Vidanges, (ONAS-BV), financed by the Bill and Melinda Gates Foundation (BMGF). ONAS stands for the *Office National de l'Assainissement du Sénégal* or Senegalese National Office for Sanitation, which was created by the Government of Senegal (GoS) in 1996 as part of an ambitious restructuring of the water and sanitation sector.

The focus of the SUWASA/Senegal has been changed since identification during the due diligence process. Originally the project was to address septage management in one area of Dakar, with future expansion to Sédhiou (a secondary town), using three components: 1) local government engagement; 2) entrepreneurial business planning and public-private partnerships; and 3) national policy reform to support public-private partnerships.⁴⁴ Since these areas were taken over by ONAS-BV, SUWASA moved to Tambacounda as a secondary town not then covered by ONAS, while still providing some support to the rehabilitation of a septage treatment plant in Dakar.

According to a recent internal review by SUWASA/Senegal in May 2013, the project is likely to change again:

“The project is being restructured. All project activities will be based in Tambacounda with a refocus on what can be achieved within the policy and regulatory environment and move the focus away from construction. The activities to be prioritized include: a situational analysis of sanitation in Tambacounda; development of policy recommendations; establishment of a system for Local Government Regulation of Private Sector Fecal Sludge Haulers; fecal sludge management site assessment; feasibility study; and a comprehensive Environmental Impact Assessment.”⁴⁵

4.5.2 Findings

4.5.2.1 Premise I: Contribution to Body of Solutions

In order to answer this question, it is necessary to be aware of the body of sector knowledge at the time SUWASA/Senegal was prepared. One of the most comprehensive approaches to septage management, *Septage Management Guide for Local Governments*, was published by RTI in 2007 and is available on the Internet.⁴⁶ This guide covers the range of key components necessary for a septage management program, with emphasis on the regulation of construction and procedures, as well as the need for full cost recovery, social marketing, and local government ordinances or by-laws.

According to the Project Inception Report, the fundamental problem was that “in Tambacounda and other secondary cities, the cost of FSM services is prohibitively high for the urban poor.”⁴⁷ SUWASA took a relatively narrow view of the reforms required to address this problem, with a focus limited to the private sector role, as described by the project’s objectives below:

- The proposed project seeks to assess and support the implementation of commercially viable entrepreneurial sanitation solutions for the urban poor.⁴⁸
- The project is intended to develop affordable septage management services in Dakar and Tambacounda by developing private sector operators and improving the sludge treatment facilities.⁴⁹

There is no in-depth analysis of the current cost of septage services identifying how they can best be reformed so they can become affordable for the urban poor. The design of the project has assumed that developing the private sector and improving the treatment facilities is all that is necessary.

It appears to be unlikely that the project will contribute to the body of solutions at international level. At national level, because of delays and changes to the original design and implementation, there is very little experience for dissemination at this stage.

⁴⁴ Due Diligence Report: Senegal 2011

⁴⁵ SUWASA Weekly report for May 27, 2013

⁴⁶ http://www.rti.org/pubs/septage_management_guide_1.pdf

⁴⁷ Tetra Tech. Oct 2012. Project Inception Report

⁴⁸ SUWASA. April 2011. Quarterly Report VI

⁴⁹ Tetra Tech, Oct 2012, Project Inception Report

4.5.2.2 Premise 2: Maximum Development Impacts and Aid Effectiveness

SUWASA/Senegal was designed to work in collaboration with other organizations and to be complementary with other projects. The project is in partnership with ONAS through an official Memorandum of Understanding (MoU) between the partners. The project has also signed an MoU and formed a partnership with the local government in Tambacounda.

SUWASA/Senegal was designed to work together with two other projects: the USAID-funded PEPAM and the BMGF-funded ONAS-BV. The Due Diligence Report⁵⁰ describes the importance of SUWASA being complementary with ONAS-BV, as both address sector reform in sanitation. For reasons that it was not possible to fully explore in a desk study, the BMGF-funded project ONAS-BV, with its substantially greater funding, took over the areas of Dakar that SUWASA had planned to cover. Regarding PEPAM, a constraining factor for collaboration has been the differing objectives of PEPAM, with its focus on rural areas and on infrastructure, and SUWASA, with its purpose of urban sector reform and focus on septage management. This has led to the inclusion of some components outside the intention of SUWASA, including the construction of subsidized toilets and community-led total sanitation (CLTS).

So far, SUWASA/Senegal has not led to other development projects or raised additional funds, and its activities and results have not contributed to sector strategies.

4.5.2.3 Premise 3: Value of Service Provider Focus

Due to delays and changes to the project, there is no achievement yet to show that the utility-focused reform is proving to be beneficial. It appears at this stage that the lack of analysis of the costs and affordability of septage services will limit the benefits that can be achieved. Premise 3 presumes that a focus on the service provider is sufficient, without considering the wider issues of governance and regulation.

SUWASA/Senegal's Work Plan identifies a number of risks under sub-headings: financial, social, political, institutional, and capacity-related. These do not go into depth or provide substantive mitigation measures. The Inception Report identifies only two risks: 1) insufficient resources for both government and private sector to deliver efficient services; and 2) continually changing institutional arrangements. This assessment of risk appears to be rather limited considering the complexity of the challenges in developing septage management services. Other factors that would seem to be relevant are:

- The affordability of services, particularly in poorer communities.
- The associated challenge of setting and collecting realistic service charges that would at least cover the operational costs.
- The willingness of households to pay for a service, which is hardly recognized as necessary.
- The role of municipalities and their capacity to perform their various responsibilities, particularly for oversight and primary regulation of the private sector and the household responsibilities.

With a year to go, there may still be time for the project to address some of these issues and gaps, as proposed in the recommendations.

4.5.2.4 Premise 4: Positive Country-Level Reform

Given that SUWASA/Senegal started only in August 2012, it is too early to determine whether the activities have improved sector performance at a country level. Therefore there is no progress to report against the planned performance indicators yet.

Table 5: Planned and Achieved Performance Indicators⁵¹

| Performance Indicator | Result Level | Baseline Value 2010 | Target Year 1 | Target Year 2 | LOP Targets (Y1+Y2) | Achievement |
|---|--------------|---------------------|---------------|---------------|---------------------|-------------|
| Number of people gaining access to an improved sanitation facility (USAID F-indicator). | Goal | TBD | 3,000 | 12,000 | 15,000 | - |

⁵⁰ SUWASA: Due Diligence Report: Senegal 2011, (June 2011).

⁵¹ Baseline and targets from Kenya M&E Plan. May 3 2012, achievements at 15 April 2013 from SUWASA/Kenya End of Project Report, May 2013

| Performance Indicator | Result Level | Baseline Value 2010 | Target Year 1 | Target Year 2 | LOP Targets (Y1+Y2) | Achievement |
|--|--------------|---------------------|---------------|---------------|---------------------|-------------|
| Number of good practices identified, promoted, and adopted. | Goal | 0 | 1 | 1 | 2 | - |
| Number of new policies, laws, agreements, regulations, or investment agreements (public or private) implemented that promote access to improved water supply and sanitation (USAID F-indicator). | Output | 0 | 1 | 1 | 2 | - |

4.5.2.5 Premise 5: Correctly Designed, Managed, and Implemented Project

The resources and timeline of the project, as described in its Inception Report, appear to be adequate for the activities as defined. It appears, however, that some steps in the project design were either missing, were weak, or were inappropriate. For example:

- The fundamental problem is defined in the Inception Report as: “In Tambacounda and other secondary cities, the cost of FSM services is prohibitively high for the urban poor.” What seems to be missing from the activities is a comprehensive cost analysis to understand why costs are too high and to identify ways of reducing these costs.
- There is no step for working with the local government in Tambacounda, which has been responsible for sanitation in the absence of ONAS. This is partly covered in the MoU; however, it is mostly about provision of information.
- Construction of subsidized household latrines in limited numbers will only perpetuate the problems of direct subsidies for sanitation. It also contradicts the CLTS approach being proposed by PEPAM, which is supposed to be non-subsidy.
- There is some confusion about the CLTS approach in the Inception Report, implying that it may be applied incorrectly. CLTS is essentially a process for getting people and communities to understand the consequences of poor sanitation practices and hygiene behavior change through triggers and shame and then to determine for themselves the actions needed to address these practices. The work plan is clearer in this respect.
- The regulatory side of the septage management and, in particular, the local authorities’ role and their capacity for this role, do not appear to be adequately addressed. SUWASA/Senegal needs to address both the households’ responsibilities for constructing, maintaining, and regularly emptying septic tanks and pit latrines and the licensing of private operators to ensure correct disposal at the sludge treatment sites.
- The rehabilitation of what appear to be highly mechanized sludge treatment works may not lead to lower operating costs.

Some of these points were also raised in a recent review of the SUWASA/Senegal project by USAID/Washington technical staff and the SUWASA team. The project is currently being restructured as a result of that review.

The Due Diligence Report provides a good assessment of the organizations involved. The M&E Plan appears to be generally sufficient, although it has not been updated to take account of the changes. The first SUWASA Program Level Indicator, “Number of people gaining access to an improved sanitation facility” may not be appropriate, as the main focus of the project is on one component of the safe sanitation chain, not on increasing the number of people with improved sanitation. The indicators are limited in terms of monitoring reform.

4.5.3 Issues and Limitations in the Country

There appear to be two main issues in Senegal that have influenced the design and implementation of the SUWASA project there. Given the nature of the desk review and the limited time for interviews in Nairobi, the Evaluation Team could not explore these issues in depth. Accordingly, they are simply flagged in this report as a concern. The two issues are presented below:

The first issue is donor coordination.⁵² The Due Diligence Report describes the importance of SUWASA/Senegal being complementary to the BMGF-funded ONAS-BV project and developing that relationship during preparation of the respective projects. Subsequently, the BMGF took over in one of the areas of Dakar that SUWASA had planned to cover and included a more comprehensive approach to septage management; the relationship is not mentioned in subsequent reports. The scale of funding available appears to have been a factor in this.

Second, the project had planned to work together with the USAID-funded PEPAM, which had a different focus and therefore influenced SUWASA/Senegal to include components that were not directly appropriate to SUWASA's purpose of reform (construction of subsidized toilets, inappropriate use of CLTS). This indicates that there was a lack of understanding between USAID/Washington and USAID/Senegal.

4.5.4 Conclusions

In the set of projects developed by SUWASA, SUWASA/Senegal is the only project that focuses on sanitation. Therefore, it is unfortunate that the design and implementation do not appear to be adequate to the needs identified in the original concept.

The project seeks to assess and support the implementation of commercially viable entrepreneurial sanitation solutions for the urban poor. The focus is on FSM through national strategies and support for private sector participation. Since the project began only in August 2012, it has not yet produced significant effects.

However, although the project has started only recently, it does not appear that it will add significantly to already-published information in the future.

The fundamental problem is stated in the Inception Report as: "the cost of FSM services is prohibitively high for the urban poor." There was no activity to analyze in depth the complexity of the challenges of operating septage management services and, in particular, a comprehensive cost analysis to understand why costs are too high and to identify ways of reducing them. There is very little analysis of poverty, targeted beneficiaries, affordability, and willingness to pay, among others. The assessment of risk also appears to be rather limited. The result is that the project focuses on two presumed solutions, rather than a comprehensive set of activities covering all aspects of septage management. Some of these issues were noted by a recent review of USAID/Washington, DC, so it is likely that the project will be restructured.

4.5.5 Recommendations

SUWASA should undertake a more in-depth analysis of the issues and challenges to better inform the actions to take in the remaining period of the project. In particular, an in-depth analysis of the costs chain of septage management to identify where these can be reduced is advised. Also, analysis of the role of local government in relation to ONAS would help define governance and regulatory roles.

SUWASA should consider establishing a system for routine area-based emptying and transport of fecal sludge to improve efficiency and reduce the cost of the service, with regular payment as an addition to water bills or house taxes.

Note: The Evaluation Team learned that the project has indeed been redesigned; however, the timing of the evaluation did not allow for this redesign to be examined.

4.6 SOUTH SUDAN

4.6.1 Background

Of the nine countries in sub-Saharan Africa benefitting from the SUWASA project (Liberia is not included in this evaluation), South Sudan has the least advanced urban water sector. This reflects the country's relative

⁵² Evaluation Meeting with SUWASA Team in Nairobi, 24 June 2013

youth⁵³ and its weak institutional base. In addition, South Sudan's water sector is at the emerging (or re-emerging) stage of development after a period of crisis.⁵⁴

Given the considerations above, SUWASA/South Sudan (SUWASA/SS) is taking place in the context of a new democracy that is: 1) recovering from decades of conflict; and 2) suffering from degraded infrastructure, a weak institutional base, a severe shortage of qualified and skilled manpower, and significant levels of poverty across the rural and urban populations.

The overall goal of the SUWASA/SS is to ensure improved access to safe, affordable, sustainable, and reliable urban water services. The project implementing partners are the Government of South Sudan (GoSS), Ministry of Water Resources and Irrigation (MWRI), and the South Sudan Urban Water Corporation (SSUWC).

SUWASA/SS aims to facilitate policy and institutional reforms for improving the sustainability and quality of urban water supply services, which will move water utilities along the pathway towards commercial viability.

The specific objectives of SUWASA/SS are to:⁵⁵

1. Support the establishment of a clear institutional and legal framework for urban water services provision in South Sudan.
2. Facilitate and support the adoption of improved accountability mechanisms between different sector actors.
3. Promote and support implementation of sustainable financial management practices for urban water service.
4. Increase the technical, financial, and managerial capacity and performance of select urban water corporations (UWCs) including support for development, prioritization, and implementation of local strategic performance improvement plans (SPIPs).
5. Assist SSUWC and its donor partners to identify a limited number of critical capital investments at target UWCs that would provide cost-effective service expansion and build operational sustainability.

SUWASA/SS has embraced the concept of peer to peer capacity building and has engaged the services of an experienced regional water utility, namely, the National Water and Sewerage Corporation – Uganda (NWSC), to carry out capacity building for the project's Specific Objective 4: "Supported Urban Water Stations in South Sudan."

As part of the capacity building effort, NWSC undertook a rapid assessment of the current situation of the urban water sector to identify institutional, regulatory, operational, and financial challenges, as well as priority areas of intervention in which SUWASA can add value, particularly by complementing other players' and donors' activities.

A key aspect of the project is that it works at both the national level on policy and institutional issues, and at the utility level to improve the quality of service delivery to urban water customers.

At the **national level**, SUWASA/SS engages on the following three key areas:

1. Support for urban water supply institutional development
2. Support for evolution of targeted UWC operational autonomy
3. Strengthening and formalization of institutional relations between SSUWC and targeted UWCs

At the **utility level**, SUWASA/SS focuses on the following three key areas:

1. Operational autonomy



⁵³ South Sudan gained independence in July 2011 after a period of protracted conflict.

⁵⁴ AMCOW Country Status Overviews Regional Synthesis Report, Pathways to Progress, Transitioning to Country-Led Service Delivery Pathways to Meet Africa's Water Supply and Sanitation Targets. WSP World Bank, UNICEF, African Development Bank. 2011.

⁵⁵ Reform Work Plan. August 2011.

2. Financial management
3. Investment prioritization

The purpose is to improve management, performance, and overall sustainable financing for operations.

At the national level, SUWASA/SS coordinates and collaborates with sector stakeholders through the Urban Water Working Group (UWWG). At the utility level, the focus is on the SSUWC stations (i.e., utilities) of Wau and Maridi. The reason for their selection was that both locations have had significant infrastructure investments and now struggle with the management capacity and commercial orientation required to be financially and operationally sustainable.

- **Wau** (population 150,000): The Wau utility has recently received a significant amount of USAID infrastructure investment for the rehabilitation and expansion of the system's water treatment plant. Wau is a regional capital and a major market center for South Sudan. The SUWASA/SS engagement in Wau aims to strengthen the utility's management and build capacity for financially sustainable operations in order to guarantee the long-term viability of USAID investments. Wau is considered an excellent candidate to illustrate commercial-oriented operations with the current SSUWC management structure.
- **Maridi** (population 12,000): The Maridi utility was recently built by a Chinese contractor funded by the Unity Fund of Sudan. By South Sudan standards, it is a very substantial infrastructure investment and has arguably been over-engineered, resulting in high running costs. Maridi is a trading town that falls within the USAID's geographic area for health programming in West Equatoria and has an electric utility built by USAID. The local government is open to commercial operation principles and, overall, Maridi provides an excellent platform to demonstrate what can be achieved with private operator performance contracts in South Sudan.

4.6.2 Findings

4.6.2.1 Premise 1: Contribution to the Body of Solutions

There is an extensive body of experience in similar approaches to water sector reform and water utility performance improvement in Africa and elsewhere. Therefore, SUWASA/SS cannot be considered innovative, *per se*. In attempting to undertake utility reform in two regional urban centers relatively remote from the capital city of Juba, SUWASA/SS could be considered pioneering rather than innovative.

The challenges facing the project and the South Sudan water sector at large are daunting and include: the almost complete lack of an institutional framework; low literacy levels of the workforce (adult literacy is 27%); poor or (mostly) absent managerial and technical skills; moribund economy and lack of investment in the sector; lack of financial and management autonomy; and lack of independence of SSUWC Board from political interference.

To date, SUWASA/SS has made limited headway in achieving its targets. This is expected to improve in the remaining months of the project. In particular, it is expected that SUWASA/SS' experience at Wau and Maridi will provide some lessons for other small urban water utilities in South Sudan, which is a key objective of the SUWASA project.

4.6.2.2 Premise 2: Maximum Development Impacts and Aid Effectiveness

The current USAID-funded Electrification Sustainability Program in South Sudan electrifies the town of Maridi. This is providing opportunities for synergy with SUWASA/SS. Electrical supply is being extended to the water treatment plant at Maridi, funded by the SSIP component of SUWASA/SS.

This will significantly benefit SSUWC Maridi Station through lower pumping energy costs and provide energy security (currently the supply of diesel fuel by road from Juba is erratic). The Maridi Station will at the same time become the largest customer for the new power station, and this will help increase the load and efficiency of the power plant. Although the electrification will contribute significantly to reliability of water supply at Maridi and will be a major and measurable achievement of the project, it is not reflected in the project milestones and indicators.

The major donors active in the urban water sector are USAID, GIZ, DFID, and JICA. There are various structures in place to enable sector coordination to take place: The WASH Sector Donor Group; the UWWG, which is a technical advisory body to government but is regarded as largely ineffective; and the

Water Sector Steering Committee, chaired by the MWRI's Director Urban Water Supply, which brings together all sector actors (government, donors, and non-governmental organizations (NGOs)).

SUWASA/SS has actively pursued donor coordination through its regular attendance at sector meetings and by extending invitations to GIZ and JICA to participate at SUWASA/SS workshops.

There is no obvious synergy between donor programs; however, there is a good level of understanding of each other's programs and activities, as well as coordination mechanisms in place to ensure adequate consultation to avoid overlap.

GIZ representatives interviewed by the Evaluation Team, who provided constructive feedback, know the sector well, and have been present in South Sudan a long time, see SUWASA/SS's national-level focus on the SSUWC (and its Board of Directors) to be at odds with the Draft Water Act which, when approved, will result in the SSUWC having a different focus – as a regulator – and, therefore, reduced scope and powers. However, the SSUWC is appreciative of the support provided by SUWASA. The field trip to Uganda was reported as “opening the eyes” of many Board members as to how a Board operates and the associated required roles and responsibilities. The Director of Urban Water Supply at MWRI keenly supports SUWASA/SS and regards Maridi and Wau Stations as models of how to move towards eventual privatization/commercialization of the utilities. The Director acknowledges there is some way to go to achieve this, and that there is a need to counter the “existing inertia to maintain the status quo.” The SSUWC does not envision privatization as a realistic option for water utilities and, consequently, there is a divergence of views at the decision-making level in government.

JICA's assistance is focused exclusively on Juba, where it is funding: 1) water supply infrastructure improvements (treatment plant expansion, distribution system replacement/expansion, and public kiosks); and 2) capacity building of the Juba UWC. GIZ is providing technical assistance to MWRI and SSUWC and has established water supply infrastructure and capacity building based on a new model of semi-autonomous water utility in the town of Yei. The Urban Water Supply Division of MWRI anticipates that the SUWASA experience at Wau and Maridi will provide useful lessons for future reform of small utilities in South Sudan. The peer-to-peer arrangement adopted by SUWASA/SS is regarded as a useful approach to building capacity and is one that they would seek to continue in some form.

SUWASA/SS has actively pursued donor coordination through attendance at sector meetings and invitations to GIZ and JICA to participate at SUWASA workshops. However, more could be done to exploit opportunities for synergy across donors in the areas of training and capacity building, and standardization of tariff models and performance contracts for water utility applications.

4.6.2.3 Premise 3: Value of Service Provider Focus

To date, operations staff at SSUWC Wau and Maridi Stations have benefitted from some limited training (by NWSC), which has improved understanding and practices (i.e. record keeping and maintenance at the water treatment plants). This has not yet led to measurable improvements in performance for the following reasons:

- The main factor affecting utility operations is availability of fuel (for pumps), chemicals, and spare parts; these have often been in short supply for periods of time. Utilities are still largely dependent on SSUWC Head Office in Juba in this regard.
- Wau and Maridi Stations do not measure their performance in any significant way (i.e., through use of benchmark performance indicators). Flow metering is almost completely absent at both stations, and Maridi Station does not have a dedicated computer. Accordingly, record keeping is done manually and to a very limited extent. Wau has a basic computer-based list of customers, but not billing or collection records, despite the training in Uganda.
- The NWSC training provided to date has been too short in duration (three trainings for two weeks each at Maridi and one training for two weeks in Wau) to result in sustainable improvements in operations. This will ultimately require: further repetition of on-the-job training with follow-up mentoring by SUWASA/SS; provision of basic tools and safety gear for operators; and provision and/or replacement of some key equipment (flow metering, chemical mixing/dosing pumps, computer/printer, transport vehicle or motor cycle, and office space).
- The capacity building efforts have been directed at the operations staff without the full engagement or participation of the station's management and in the absence of any clear objective to re-shape the management approach.

Over the next six months, further training of utility staff at Wau and Maridi in billing collection efficiency and tariff setting is scheduled and delivery of SSIP-financed pipes and 950 domestic flow meters (850 for Wau and 100 for Maridi) will provide a significant expansion of service to new customers.

At Wau, the number of people accessing piped water could increase by 5,000 once the connections are installed.⁵⁶ At Maridi, where communal water points are proposed in two new service areas, the number of people accessing piped water could increase by up to 10,000, people once meters and connections are installed.

The SUWASA/SS design gave due attention to training of operator staff at the Wau and Maridi Stations. However this training was significantly trimmed for budget ceiling⁵⁷ reasons, which reduced its impact.

The SSIP budget has been increased, which will result in more positive outcomes in terms of visible infrastructure improvements and increased population served. Therefore, there is still a reasonable possibility that the project could achieve (and in fact exceed) one of its main performance targets: Indicator 1: “Number of people gaining access to an improved drinking water source.” Accordingly, the priority for SUWASA/SS over the remaining period should be to ensure that these water meters are installed and the new connections are made.

Overall, SUWASA/SS makes good use of a variety of media to publicize and disseminate its findings (i.e., website, newspaper articles, regional conference papers, regional conference attendances, etc.). The project is not yet at a stage where there is a body of results and/or lessons to be documented. Progress is expected to accelerate in the latter part of the project period, and this will result in some useful lessons for replication elsewhere.

4.6.2.4 Premise 4: Positive Country-Level Reform

At the national level the role of the SUWASA/SS is appreciated, although the influence of the project at that level is relatively minor. At the local government level there is appreciation of the SUWASA/SS presence but there is also lack of clarity around the project’s objectives and frustration at the lack of tangible progress (i.e., Maridi). To date, Maridi’s community members and local government have observed no noticeable improvement in their water supply, and the same holds true for Wau, given the nature of support under SUWASA/SS so far. In Maridi, where only 36 out of 100 communal water points are operational, local government is wondering why SUWASA/SS has not been able to improve the situation.

The project is not currently on track to achieve the majority of its targets and outcomes (refer to Tables 6-8 below). The corrective actions required to address this are largely beyond the control of the project. SUWASA/SS has limited ability to influence the rate of progress needed at the institutional level to achieve the desired reforms within the project timeline. It is also apparent that SUWASA/SS has little flexibility to react quickly to changed environment because it is subject to the USAID/Washington approval process, which has been described as “slow and bureaucratic.”

However, there is still scope for the project to achieve (and indeed exceed) Indicator 1: *Number of people gaining access to an improved drinking water source* (see Table 9 below). The end-of-project target is 9,000 people, and the SSIP pilot could potentially reach up to 15,000 people if the 950 new meters and connections can be installed by end of project. If this is achieved, it would be a good result for SUWASA/SS in what has been a challenging operating environment.

Table 6: Status of National Milestones and Deliverables – South Sudan

| National Milestones and Deliverables | Schedule | Status/Update |
|--|--------------|--|
| Minister approval of the Urban Water Sector Reform | 1 Nov. 2011 | Approved by the Undersecretary MWTI (awaiting Ministerial signing) |
| SUWASA PMP | 15 Nov. 2011 | PMP submitted to USAID South Sudan Mission on Nov. 3, 2011 and revised M&E plan submitted on April 4, 2013 |

⁵⁶ According to Wau Area Manager.

⁵⁷ SUWASA has authority to issue a subcontract up to \$150,000 ceiling without need for USAID approval, which can be time-consuming, hence this acts as a budget ceiling in practice.

| National Milestones and Deliverables | Schedule | Status/Update |
|--|--------------|---|
| Calling of the first SSUWC Board Meeting | 15 Dec. 2011 | The first meeting of the Board took place on 20 August 2012 |
| Working through UWWG to prioritize the reform agenda items | 30 Dec. 2011 | UWWG has not been effective due to inertia and poor government participation |
| Standardizing performance management contracts through the UWWG | 15 Feb. 2012 | No progress due to UWWG long-lasting lethargy. UWWG meetings restarted on June 28, 2013. Performance contracts will be the key topic in the agenda. However, SUWASA support consultant is currently working with SSUWC for establishment of performance contracts. Expected completion is September 2013. |
| Securing government support for ring fencing revenue in Maridi and Wau. | 1 Mar. 2012 | Agreed in principle at the SUWASA & GIZ Roles and Responsibilities Workshop on 16-17 April, 2011, but needs to be formalized through SSUWC Board of Directors. SUWASA/USAID lobby and prevailing financial crisis with the GoSS resulted in the Minister authorization for SSUWC stations to retain their revenues for procurement of fuel and chemicals. |
| Reporting back to UWWG the preliminary results of the performance contract in Maridi | 30 Aug. 2012 | Rescheduled subject to completion of support to SSUWC for establishment of performance contracts expected in September 2013. Three months of monitoring and assistance for implementation is planned thereafter. |

Table 7: Status of WaU UWC Milestones and Deliverables – South Sudan

| Wau Milestones and Deliverables | Schedule | Status/Update |
|--|--------------|---|
| Complete review of the NWSC's Situational Analysis of Wau and USAID infrastructure investment in Wau | 30 Nov. 2011 | Completed as scheduled. |
| Drafting of an MoU outlining the roles and responsibilities of MWRI, SSUWC, Local Government, and the local Board of directors for the Wau UWC | 30 Feb. 2012 | Completed during 16-17 April 2011 National Roles and Responsibilities Stakeholders Consultation Workshop |
| Formation of local UWC Board for Wau UWC | 15 Mar. 2012 | Not yet achieved. Subject to completion of the development of vision/mission statement and Corporate plan by September 2013. |
| Opening of a bank account for the ring fenced Wau UWC | 30 Apr. 2012 | Not yet achieved. Account to be opened in the course of performance contracts establishment between SSUWC Managing Director and UWC Stations Area Managers by September 2013. |
| Development of a Wau UWC business plan for sustainable financing of operations | 20 May 2012 | Not yet achieved. Rescheduled to be implemented in FY2014. |
| Sourcing of NWSC technical support for training on collection efficiency and tariff setting. | 1 July 2012 | Not yet achieved. Expected to start by Aug 1, 2013. |
| Eight-month review of progress towards commercialization of the Wau UWC | 15 Dec. 2012 | Not yet achieved. Rescheduled to be completed by February 2014. |

Table 8: Status of Maridi UWC Milestones & Deliverables – South Sudan

| Maridi Milestones and Deliverables | Schedule | Status/Update |
|---|--------------|---|
| Comprehensive Situational Analysis of the Maridi Water Utility. | 15 Dec. 2011 | Completed. |
| Drafting of an MoU outlining the roles and responsibilities of MWRI, SSUWC, Local Government, and the local Utility Board for the Maridi Urban Water Utility. | 25 Jan. 2012 | Completed during 16-17 April 2011 Stakeholders National Consultation Workshop Roles and Responsibilities. |
| Standardizing performance management contracts through the UWWG for use in Maridi. | 15 Feb. 2012 | Not yet achieved. UWWG was inactive for about one year but resumed meeting starting 28 June 2013. Performance contracting is the core topic for the next meeting scheduled in September 2013. |
| Formalization and finalization of MoU roles and responsibilities and endorsement of performance management contract with Maridi Utility Board | 15 Mar. 2012 | Completed during 16-17 April 2011 National Roles and Responsibilities Stakeholders Consultation Workshop. |
| Competitive selection of private sector firm to operate Maridi Water Utility under a performance management contract | 15 Apr. 2012 | Not yet achieved. Delayed pending formalization of recommendations from National Roles and Responsibilities Workshop on 16-17 April 2012. |
| Private operator management contract begins | 1 June 2012 | Not yet achieved. Delayed pending formalization of recommended organizational framework (re. 16-17 April 2012 National Roles and Responsibilities Workshop) |
| Preliminary field report on overall performance of private operator | 30 Aug. 2012 | Not yet achieved. Delayed pending formalization of recommended organizational framework (re. 16-17 April 2012 National Roles and Responsibilities Workshop). |
| Six-month review of overall performance of private operator | 15 Jan. 2013 | Not yet achieved. Delayed due to SSUWC reluctance to engage in privatization and delays in formalizing the stakeholders proposed organizational framework. |

Table 9: SUWASA/SS M&E Plan (Revised April 2013) Indicators and Targets – South Sudan

| Performance Indicator | Baseline Value 2010 | Target Year 1 | Target Year 2 | Target Year 3 | Total | Expected (Qtr 4 2013)* |
|---|---------------------|----------------------------------|----------------------------------|-------------------------------------|----------------------|------------------------------|
| 1. Number of people gaining access to an improved drinking water source | 0 | 0 | Wau-3000; Maridi-500 | Wau-3000; Maridi-500 | 9,0000 | 3,500 |
| 2. Number of people gaining access to an improved sanitation facility | 0 | 0 | 0 | 25,000 | 25,000 | 0 |
| 3. Number of people receiving improved service quality from existing improved drinking water sources | Collected in 2012 | 4,000 in Maridi 10,000 in Wau | 6,000 in Maridi 10,000 in Wau | 20,000 in Wau | 50,000 | 16,000 |
| 4. Percentage of operation and maintenance (O&M) costs for water supply and sanitation services covered through customers charges | TBD | Avg 10% increase over BL | Avg 25% increase over BL | Avg 50% increase over BL | 50% increase over BL | 10% increase over baseline |
| 5. Number of good practices identified, promoted and adopted | 0 | 2 (Water) | 1 (San) | 2 (1 Water & 1 San) | 5 | 0 |
| 6. Number of new policies, laws, agreements, regulations or investment agreements (public or private) implemented that promote | 0 | 0 | 1 (Maridi UWC Business Plan) | 1 (Juba Sanitation Investment Plan) | 3 | 1 (Maridi UWC Business Plan) |

| Performance Indicator | Baseline Value 2010 | Target Year 1 | Target Year 2 | Target Year 3 | Total | Expected (Qtr 4 2013)* |
|--|---------------------|---------------|---------------|--------------------------|-------|------------------------|
| access to improved water supply and sanitation | | | | 1 (WauUWC Business Plan) | | |
| 7. Number of staff trained and working in O&M and management | 0 | 15 | 20 | 25 | 55 | 0 |
| 8. Number of knowledge products produced and disseminated within South Sudan sanitation sector | 0 | 0 | 2 | 1 | 3 | 2 |
| 9. Number of performance contracts developed, approved and implemented | 0 | 0 | 2 | - | 2 | 2 |
| 10. Number of water stations with a revised tariff structure | 0 | 0 | 0 | 2 | 2 | 0 |

4.6.2.5 Premise 5: Correctly Designed, Managed and Implemented Project

South Sudan is still at the establishment or re-establishment stage of its development pathway following years of crisis. It faces many challenges, not least being the lack of capacity at all levels and almost absence of an effective institutional framework for the water sector. The country is still at the nascent stage in developing this architecture.

Although some progress is being made, the rate of progress is slow due to external factors largely beyond the capacity of donors to influence. SUWASA/SS has a wide a range of activities, but lacks critical impact in any one area. It has relatively limited objectives at the national level, where other donors are more active and focused. At the utility level (Wau and Maridi), the capacity building efforts have been too modest to have real impact and have been undertaken in the absence of any objective to re-shape the management approach. However, the SSIP component of the project still offers potential for positive outcomes and impact in the time remaining.

At the national level, the “inertia to maintain the status quo,” according to the Director of Urban Water Supply (MWRI), is slowing the pace of institutional change. The composition of the SSUWC BOD (comprising mainly political appointees) is at odds with the sector reform agenda being proposed. The transition to introduction of the Water Act and the envisaged changes to SSUWC will extend well beyond the life of the SUWASA/SS. SSUWC and the MWRI hold different views on the reform route towards commercialization and privatization of the water utilities. The current institutional environment poses challenges for the SUWASA/SS efforts to strengthen the effectiveness of the SSUWC BOD.



Maridi Water Station

At the utility level, the training provided by NWSC has been relevant, but of too short a duration to have a sustainable impact on operations (at Wau and Maridi Stations), and this was expected to be one of the main outcomes of the project (Indicators 3 and 7). Further training will take place in the next months in billing and collections, but no further training is scheduled for operations and maintenance of the water supply systems.

Procurement logistics has delayed the arrival of water meters for new connections at Wau and Maridi under the SSIP component. However the water meters are expected to be delivered soon, and there is still time for the new customer connections to be made.

In Maridi, the lack of incentives for private operation of the communal water points has resulted in many of them being closed,⁵⁸ and this may be a continuing trend. To date, SUWASA/SS has not engaged with stakeholders to resolve this issue.

SUWASA/SS field staff should have the capacity to support the training provided by NWSC and provide:

- Ongoing, regular mentoring of Wau and Maridi Station staff (in operations and maintenance, billing and revenue collections, reporting).
- Oversight of the installation of new water meters and connections.
- Compilation of operations, administrative, and financial performance data (benchmark indicators) on the utility performance.

The SUWASA/SS project risk needs to be seen in the context of USAID's larger Water, Sanitation, and Hygiene (WASH) portfolio investment of \$16million in South Sudan. To this extent, SUWASA/SS can be seen as complementing the larger USAID (mainly infrastructure) investment by developing much needed institutional capacity. This is a sound risk-averse approach, as SUWASA/SS neatly complements the earlier USAID investment.

4.6.3 Conclusions

SUWASA/SS is taking place in an enabling environment that is extremely challenging. South Sudan is re-establishing its institutional architecture following years of crisis. The sector is facing many challenges, not least of which is the lack of capacity at all levels. The water sector's enabling environment is characterized by an "inertia to maintain the status quo," according to the Director of Urban Water Supply (MWRI). This is especially evident in SSUWC, which maintains its traditional top-down approach. Urban utilities, such as Wau and Maridi, are only allowed limited powers and financial autonomy by SSUWC and this may not improve significantly over the remainder of the project period.

The project is currently not on track to achieve the majority of its targets and outcomes. The corrective actions required to address this are largely beyond the control of the project. However, there is still a possibility for the project to achieve (and even exceed) Indicator 1: "Number of people gaining access to an improved drinking water source" by the end of project.

The allocation of the SUWASA/SS resources is weighted too heavily towards project administration and oversight, with insufficient funding directed towards activities that will achieve tangible benefits. The SUWASA/SS project team will need to become more engaged with Wau and Maridi Station staff to facilitate the new connections in the limited time available to achieve Indicator 1 and to serve as mentors to support the training provided by NWSC.

4.6.4 Issues and Limitations

The weak sector institutional framework, lack of capacity at all levels, and the political influence at the Board level within SSUWC, are all factors that were foreseen, but nevertheless have provided challenges to achieving project outcomes.

During the field visits, the Evaluation Team was unable to interview the Managing Director of SSUWC. However, interviews with other senior staff of SSUWC were possible.

4.6.5 Recommendations

- I. For the remainder of the time available, the project should focus more strongly at the utility level (Wau and Maridi Stations) where there is still the realistic possibility to achieve significant outcomes. Specifically:
 - Give priority to the completion of the SIP projects, which will increase the number of people with improved access to piped water.

⁵⁸ Only 37 out of 100 water points are in service. The reasons for this are twofold: (1) lack of incentives for the meter Rate Collectors; and (2) some of the water points are poorly located (too near to other water points) and so are not required.

- In Maridi, engage with stakeholders to resolve issues around incentives for collection of water fees at community water points in order to open up more water points and improve access to water.
 - Provide follow-up training to operator staff at Wau and Maridi Stations to consolidate the gains made and support with some targeted provision of materials, tools, equipment, and facilities.
2. In support of Recommendation 1, for the remainder of the project period the SUWASA/SS field staff will need to more actively engage with the Wau and Maridi Station staff by providing:
 - Ongoing, regular mentoring in operations and maintenance, billing and revenue collections, and reporting.
 - Support and oversight for the the installation of new water meters and connections; and
 - Compilation of operations, administrative, and financial performance data (benchmark indicators) on the utility performance.
 3. The project should provide some useful lessons for establishing small, autonomous commercially-based water utilities in South Sudan and perhaps lessons for other countries emerging from periods of conflict. If successful, the project could lead to replication of this model in other small towns in South Sudan and increase the financial sustainability of the water sector nationally.

4.7 UGANDA

4.7.1 Background

The original SUWASA project in Uganda (SUWASA/Uganda) was designed to build on the progress made by the Government of Uganda (GoU) in engaging private operators to manage water systems in small and medium towns. While the operators have achieved marked improvement in water services, they currently do not provide financing for any necessary infrastructure improvements.

Under the original project, which began in December 2010, SUWASA sought to scale up an existing World Bank pilot program using an OBA approach to implement a contracting process in selected towns employing a so-called design build operate (DBO) concept.

Under the proposed structure, the existing water system operator was supposed to team with a local contractor in a kind of consortium that would be eligible for an infrastructure loan under the OBA approach. However, the approach proved difficult to implement. First, it was not easy to attract qualified and interested contractors who had no prior relationship with the water operators and with whom they would have shared the loan risk. Second, the costs and risks of setting up a DBO consortium or joint-venture are significant, regardless of the project size. As a result, these types of service delivery options are usually used for larger projects more able to bear those costs and risks by spreading them over a larger customer base.

Third, in terms of financing the project, there were no donor funds available for this purpose. In addition, the GoU did not contribute its required payments to the escrow fund to back the loans as previously agreed.

As a result, SUWASA/Uganda undertook an internal mid-term review in January 2012 to assess project progress to date (after one year of implementation), determine stakeholders' views of the project, and identify possible modifications in the second year to increase impact.

The main conclusion of the review was that the timing of the design build operate-output based aid (DBO-OBA) approach for financing infrastructure in the small towns was not appropriate to secure the anticipated impact of the project. After consultation with USAID, it was decided that the project be restructured to focus on activities that could bring about results within the remaining time frame.

The revised June 2012 work plan for SUWASA/Uganda is now focused upon working in concert with GIZ and with key stakeholders in Uganda, including USAID/Uganda, the Ministry of Water and Environment (MWE), the Association of Private Water Operators (APWO), and various development partners in the water sector in Uganda.

The project is now focused on three primary activities, which aim to develop:

- I. Institutional options, including a regulatory oversight framework for all urban water services within Uganda, in consultation with local and national stakeholder.

2. A cost-benefit analysis of the recommended regulatory approach, including a range of feasible options, benefits, and risks of various approaches and necessary implementation steps.
3. An implementation plan and timetable to create the recommended approach.

4.7.2 Findings

4.7.2.1 Premise 1: Contribution to the Body of Solutions

It is possible that the proposed project was too innovative for Uganda, as the prospective DBO contractors did not understand the offering, were skeptical of working with an operator unknown to them, and were not interested in assuming the perceived risk. The original project suffered from some problems:

- Although the original lending goal was \$8 million, no tenders were issued and GoU failed to fund the escrow account as agreed.
- Donor agencies, particularly the Austrian Development Corporation, did not support OBA and withdrew their support from the project. Other donors, even those that were enthusiastic about OBA, did not provide financial backing.
- Many activities were too small to be worth the risk, expense, and effort of forming a joint venture, or even a DBO structure, under a MoU.
- The project was not well understood by prospective borrowers.
- The GoU lacked champions who tried to make the project work.
- The GoU did not make the contributions to the escrow account that had been agreed upon.

As initially envisioned, SUWASA/Uganda was intended to piggy-back on a completed OBA pilot program to finance water projects in 11 towns. Although the pilot program had some success, its achievements were at a very small level. While not all 11 projects reported an exact number of connections, the Evaluation Team learned that a total of about 1,000 connections were achieved overall.

Given the successes of some of the pilot projects, the original SUWASA/Uganda project might have met its goals. However, a series of factors, highlighted in the previous section, prevented the project from succeeding. Most, but not all, appear to be the result of intransigence and/or indifference in the applicable GoU ministry, as well as in the donor community. Key personnel present for the pilot work, particularly in the MWE, had changed jobs or were unavailable for the SUWASA/Uganda work, leaving little or no institutional memory of the pilot work.

While many of these factors could not have been foreseen prior to developing the SUWASA/Uganda project, it appears that the SUWASA-developed materials and communications program were not successful to convince MWE and prospective bidders that the DBO structure and the projects were desirable.

In addition, many of the projects in the small towns are too small for the cost, effort and risk of creating formal joint ventures, or more informal MOU-based partnerships between private operators and architecture/engineering companies to perform them. Larger, regional water schemes would make such ventures more attractive to engineers and contractors, but the legal structure within Uganda makes such regional projects more difficult and time consuming.

4.7.2.2 Premise 2: Maximum Development Impacts and Aid Effectiveness

As indicated, SUWASA/Uganda's design, while based upon a successful program, did not enjoy the support of other donors or the MWE. This fact only became apparent after the project was approved and funded and, in the opinion of the Evaluation Team, could not have been foreseen.

SUWASA/Uganda was based on pilot programs with 250-300 water connections, which is far too small to consider for innovative financing and project structuring. This is evidenced by the lack of interest in the project by prospective tenderers.

The two-year timeframe was optimistic and too short to develop project feasibility studies, educate prospective bidders and government officials, obtain buy-in from stakeholders, develop tender documents, secure financing, and award the project. Although SUWASA/Uganda was not designed to generate feasibility studies and develop and award tenders, these activities should have been prepared by others within the SUWASA time frame to achieve SUWASA/Uganda's targets.

The OBA pilot program, for example, began in 2005 and, although it had enthusiastic support from the GoU and donors, the results were not quantifiable for six years. Thus, it appears that SUWASA/Uganda would have been unlikely to produce the program targets in only two years, with or without GoU and donor support.

It is likely that in the future, given SUWASA/Uganda’s complementary relationship with the on-going GIZ program, the project’s concepts and practices will be adopted into national strategies. However, tangible results before the end of the project are unlikely to be seen. So far, not all government agencies have bought in to the idea of an independent regulator overseeing the water operators.

4.7.2.3 Premise 3: Value of Service Provider Focus

The initial DBO-OBA program did not produce improvements because no tenders were awarded for the reasons highlighted previously.

The original project was not successful for a variety of reasons, as previously discussed. Fortunately, SUWASA/Uganda recognized that the finance activity was not going to be successful and re-focused its effort on institutional strengthening, complementing an on-going activity, and continuing the GIZ program.

At the request of GoU, SUWASA/Uganda is now focused on more regulatory structure and oversight work. While it is not clear that this will directly lead to the desired improvements, these goals may be achievable in the future with on-going GIZ assistance. However, the results of SUWASA/Uganda’s effort may not be apparent by the completion date of the project in November 2013.

4.7.2.4 Premise 4: Positive Country Level Reform

SUWASA/Uganda was significantly modified in 2012, with two indicators and targets for the remainder of the project as shown in Table 10, below:

Table 10: Modified Performance Indicators – Uganda

| Performance Indicator | Baseline Value | Target Year 1 | Actual |
|---|----------------|---------------|---------------|
| Number of good practices identified, promoted, and adopted | 0 | 1 | Fully met |
| Number of new policies, laws, agreements, regulations, or investment agreements (public or private) implemented that promote access to improved water supply and sanitation (USAID F-indicator) | 0 | 1 | Partially met |

The first performance indicator was clearly met with the submission of a lessons learned document in January 2013, which documented stakeholder perceptions and problems encountered from all sides: SUWASA/Uganda, GoU, donors, financial institutions, engineers, contractors, and water operators. The analysis was thorough, frank, and clear in its findings.

The second performance indicator, at the time of the evaluation, was partially met. However, it is the Evaluation Team’s understanding that regulatory and legislative policy frameworks have already been developed by SUWASA/Uganda and will be implemented in August 2013.

4.7.2.5 Premise 5: Correctly Designed, Managed, and Implemented Project

It appears that the timeline for the DBO-OBA project was overly optimistic in terms of time, funds, human resources, and GoU’s involvement. The project may have been ahead of its time in terms of effective use in Uganda, but may well also be an example for future projects after the lessons learned have been published and internalized.

The two-year period assigned to perform the original SOW was probably half of the amount of time that was necessary, given SUWASA/Uganda’s innovative nature within GoU, an apparent lack of understanding within both GoU and the private sector, and the lack of an identified champion within the GoU.

The initial premise of the project made unrealistic assumptions that a full-service private sector offering to design, construct, and operate infrastructure would be financed by GoU from a managed escrow account at the current time. While this system has been made to work in other countries, it appears to have been premature for Uganda.

While the proposed project was not inherently risky, as it has been undertaken by the World Bank in other countries, it appears that the risks were mainly perceived by the private sector, which did not understand the offering and, further, did not trust private operators who were largely ignorant of the project and who would have been their partners.

4.7.3 Issues and Limitations

The principal limitation in the evaluation of SUWASA/Uganda was the inability to speak to stakeholders in the country. However, because of good documentation of the initial project, difficulties in the lessons learned memo, and discussions with SUWASA staff in Nairobi, this limitation was overcome.

4.7.4 Conclusions

It appears that two years was not enough time to implement such a project that required a strong understanding of the GoU's culture and existing practices, and a comprehensive education program to attract interested companies willing to participate in this DBO-OBA approach.

The application of a DBO-OBA approach seems premature in a country with thin human and financial resources in the private sector. Engineering design and construction staff capabilities are not robust, nor are design standards well known. The GoU's willingness and ability to undertake an innovative program of financing may have been over-estimated. Prior successes using the DBO-OBA approach were found to be very small-scale, required a large commitment in management and oversight resources, and do not appear to be sustainable in all cases.

The initial premise made an unrealistic assumption that the private sector was both interested and capable to design, construct, and operate infrastructure financed by commercial lenders and secured by GoU from a managed escrow account. While this system has been made to work in other countries, it appears to have been premature for Uganda.

The private sector in Uganda does not appear to have the capability to perform projects like SUWASA/Uganda, particularly at the small town level yet. And the GoU had neither the capability nor interest to establish the agreed-upon escrow account to interest commercial lenders to loan on such projects.

SUWASA/Uganda recognized that the original design was not feasible and has done well to pivot to a more realistic and sustainable project of developing a regulatory framework and implementation plan, which is now (August 2013) in its final stages.

The biggest success on this project has been the willingness of SUWASA/Uganda to recognize the DBO-OBA limitations early in the process, switch focus to more achievable goals within the project time frame, and – presumably – produce positive outcomes in the water sector in the future. SUWASA's timely recognition of the project's limitations in Uganda is laudable, as it is never easy or expedient to make such a significant change. The current focus on developing a regulatory scheme for Uganda's medium and small towns seems to be the right choice for the remaining project time and in the current policy climate in Uganda.

4.7.5 Recommendations

Specific projects involving financing schemes that are complicated, or new to the country, should be avoided, unless a full four to five year commitment to the project is made.

In most cases, USAID would be better served playing a support role in developing legal and regulatory tools to facilitate projects, which is the current SUWASA role in Uganda, or working with other donors in commissioning project feasibility studies, specifying water source capacity, specific population and extension projections, providing project affordability, willingness and ability-to-pay surveys, identifying environmental impacts, etc.

In those cases where USAID desires to take a more active role in financing and tendering of specific projects, feasibility studies should be prepared first, probably by partners. Projects with the best possibility of success and furthest reach in terms of population served and public health issues reduced should be identified from such studies before moving on to financing and tendering. Clearly, government buy-in to such funding schemes needs to be assured, as well as the legal and regulatory ability to consider more regional schemes, which are more financially feasible.

There should likely be a focus on creating the necessary legal and regulatory environment for regionalizing water projects to improve the economies of scale. Further, any feasibility studies commissioned by the GoU in developing water solutions – regional or local – must consider the sustainable water quantity and quality of the water source in order to ensure that projected connections will actually be served.

4.8 ZAMBIA

4.8.1 Background

SUWASA/Zambia is a one-year, \$950,000 project that was designed to improve direct service delivery and access to water and sanitation services by promoting cost recovery in the urban water sector. In particular, the project goal was to support the national regulator (the National Water Supply and Sanitation Council or NWASCO), which regulates 48 licensed operators/commercial utilities (CUs) to improve sustainability through the adoption of improved tariff models that are reflective of actual costs. The project was implemented between August 2012 and August 2013.

Prior to SUWASA/Zambia, NWASCO used a cost-plus tariff model whereby CU tariff proposals used historical cost structures as the basis for requesting tariff adjustments. While this model worked reasonably well over the previous 10 years, its deficiencies were apparent. SUWASA/Zambia assisted NWASCO by undertaking a cost of water study, which helped establish optimum cost structures for CUs.

In addition, in partnership with GIZ, SUWASA/Zambia further supported NWASCO by determining appropriate governance structures with clearly defined roles and responsibilities for the CU boards, shareholders, and managers.

The project has the following two mutually reinforcing objectives:

1. Support NWASCO to improve sustainability by promoting urban water sector cost recovery.
2. Promote good water utility corporate governance.

The expected project results include:

1. Urban water service financial and operational efficiency improved by revising tariffs to reflect operational costs and by creating incentives to reduce inefficiencies.
2. Development, approval, and implementation of tariff models with future tariff adjustments transparent to all stakeholders and based on considerations of cost recovery, efficiency, equity, and affordability.
3. Improved governance and accountability of the urban water sector.
4. Revised corporate governance guidelines developed and implemented.

4.8.2 Findings

4.8.2.1 Premise I: Contribution to the Body of Solutions

In Zambia, the optimal cost structures for CUs were not well understood and were considered difficult to achieve due to the variation in costs of water and sanitation services (WSS) service delivery for each CU, and the numerous operational inefficiencies (i.e., high NRW, low revenue collection, inefficient operations and maintenance), which distorted cost structures. Prior to SUWASA/Zambia, NWASCO was also experiencing challenges in implementing tariff adjustments under its cost-plus tariff model due to the differing cost structures and operating environment for each utility. Additionally, many CUs did not fully understand tariff adjustment procedures, and the need to provide accurate and well-presented information to support a tariff analysis.

Although NWASCO had recognized the need to change its tariff model⁵⁹ to one that was more easily understood by CUs and was more reflective of actual costs, it was not in a position to do so without assistance. SUWASA/Zambia helped NWASCO determine the optimum cost of water for each CU, which was a critical input into the tariff model developed under the project. As part of the revised tariff model,

⁵⁹Since 2000, water tariffs in Zambia have declined in real terms, as they did not keep up with the annual inflation rate of around 20%. Source: Zambia Reform Work Plan.

SUWASA/Zambia also developed an appropriate “cost of water service” measure to be used as a baseline for CUs when applying for tariff adjustment.

Prior to the project, Zambia’s water sector was considered among the most advanced in Africa⁶⁰ given its decentralized institutions and a national regulator, advanced laws, and national performance indicators in place. However, the corporate governance principles that were being practiced by water sector institutions needed to be revised. SUWASA/Zambia’s revision of the 2002 Guidelines on Corporate Governance has brought them in line with the current best practices, and has clearly defined roles and relationships between boards, shareholders, and water utility management.

To disseminate the information and knowledge gained, SUWASA/Zambia carried out a number of training and workshops. One of those was the training on cost and tariff models, which was conducted in May 2013, and attended by NWASCO and 11 other utilities. As a result of this training, seven of the 11 participating utilities expressed their intent to use SUWASA/Zambia’s tariff model when submitting applications for forthcoming tariff adjustments in September 2013.

As SUWASA/Zambia was of relatively short (one year) duration, it is too soon to expect tangible results of the tariff and corporate governance reforms. Typically a two to three year time horizon is required in order for project results and outcomes to be realized.

4.8.2.2 Premise 2: Maximum Development Impacts and Aid Effectiveness

SUWASA/Zambia has not integrated with other development activities *per se*, but has built on previous investment projects and will lay the foundation for others. GIZ has directly supported NWASCO for nearly 20 years but now provides only occasional support on specific activities. SUWASA/Zambia has liaised with GIZ to seek opportunities for collaboration.

The SUWASA/Zambia activity was originally suggested to USAID by the Millennium Challenge Corporation (MCC), which had signed a Compact with the Government of Zambia (GoZ) that included a \$350 million investment in the water and drainage sector in Lusaka. SUWASA/Zambia was designed to complement the MCC Compact, by ensuring that infrastructure investments were embedded in the regulatory framework and that the population enjoyed a fair and technically sound tariff regime. The project worked collaboratively with the MCC office in Lusaka, using their combined resources and experiences to sensitize stakeholders across the Zambian water sector and to exchange technical information.

4.8.2.3 Premise 3: Value of Service Provider Focus

SUWASA/Zambia ended in August 2013, one month after the evaluation mission was conducted. Therefore, it is too soon to expect tangible results of the implementation of the utility-focused reform measures. However, feedback from CU participants in the tariff training was very positive, with 44% believing they were sufficiently prepared to use the tariff models on their own. Feedback also revealed that the majority of CUs have no difficulty applying the new approach because the (Excel-based) models are not complicated. Based on a survey conducted, 7 of the 11 utilities that participated in the training plan to use the new approach in their upcoming tariff applications. However, according to Zambia’s regulatory calendar, implementation of the new tariffs will not begin until fall 2013.

At the time of this evaluation, NWASCO was deemed capable of supporting CUs to use the new tariff models, ensuring sustainability of use. In addition, should further support be deemed necessary NWASCO now has the financial resources to fund external consultancies.

4.8.2.4 Premise 4: Positive Country-Level Reform

Stakeholders, including NWASCO, the Ministry of Local Government and Housing, and various CUs, have all expressed a high level of satisfaction with SUWASA/Zambia. However, as previously noted, it is still too early to see tangible results from the project’s activities. Nevertheless, comparison of expected outputs against documented results shows that the project accomplished its goals, as shown in Tables 11 and 12, next page.

⁶⁰ See <http://www.nwasco.org.zm/uploads/SectorRpt12.pdf>

Table 11: Project Milestones and Deliverables Status Update – Zambia

| Project Milestones and Deliverables | Status Update |
|---|---------------|
| Objective 1: Cost of Service Study | |
| 1.1 Compile and compare current costs categories among CUs | Completed |
| 1.2 Develop uniform cost category structure | Completed |
| 1.3 Stakeholder consultative workshop to receive their input | Completed |
| 1.4 Estimate CU costs and develop cost structure model | Completed |
| 1.5 Stakeholder consultative workshop to receive their input | Completed |
| Objective 2: Tariff Evaluation Model | |
| 2.1 Improve existing tariff evaluation model | Completed |
| 2.2 Demand analysis for each CU | Completed |
| 2.3 Stakeholder consultative workshop to receive their input | Completed |
| 2.4 Improvements on tariff evaluation model based on workshop feedback | Completed |
| Objective 3: Corporate Governance | |
| 3.1 Analyze current corporate governance guidelines | Completed |
| 3.2 Update and revise the corporate governance | Completed |
| 3.3 Hold stakeholder workshop to present recommended updates to revised guidance | Completed |
| 3.4 Training and capacity building on the revised corporate governance guidelines | Completed |

Table 12: Performance Indicators - Zambia

| Performance Indicator | Target Year 1 | Actual |
|---|-----------------|--------|
| 1. Number of new policies, laws, agreements, regulations, or investment agreements (public or private) implemented that promote access to improved water supply and sanitation (USAID F-indicator). | 2 ⁶¹ | 2 |
| 2. Number of good practices identified, promoted, and adopted. | 2 ⁶² | 2 |

Overall sector performance improvement, demonstrated through measurement of performance indicators, will likewise take several years to be realized.

4.8.2.5 Premise 5: Correctly Designed, Managed, and Implemented Project

The project resources and targets allocated are considered realistic for the attainment of SUWASA/Zambia's goals. Furthermore, the project's timing and focus corresponded well with NWASCO's desire to revise its costing and tariff structures. Project buy-in from the GoZ (which included NWASCO, the Ministry of Local Government and Housing, and the utilities) was high. During implementation of SUWASA/Zambia, no revisions or adjustments were necessary. The project was successfully implemented without significant challenges or difficulties.

4.8.3 Conclusions

SUWASA/Zambia was only operational for one year and ended in August 2013. Therefore, it is too soon to assess its impact on the sector and the full extent to which it has contributed to the body of sector knowledge. Preliminary feedback from stakeholder perceptions and documented results indicates that the project has successfully accomplished its designed objectives.

SUWASA/Zambia was simple in its design and responsive to sector needs. The project was implemented in an environment with relatively advanced sector institutions and high levels of interest from stakeholders to put into practice the suggested improvements. SUWASA/Zambia's method of determining the optimal cost of water for each CU by utilizing a baseline and new tariff model added significantly to Zambia's body of sector knowledge. It is hoped that the project's tools, if applied correctly in the future, will lead to the removal of some service constraints for NWASCO, as well as for other utilities throughout the country.

⁶¹ 1) The new corporate governance guidelines and 2) performance agreement between the CU's and board

⁶² 1) The tariff model and 2) performance agreement

Although SUWASA/Zambia did not directly integrate other development activities, its work to strengthen NWASCO and the regulatory framework laid the groundwork for, and will enhance the sustainability of, the upcoming MCC investment.

It is premature to conclude whether SUWASA/Zambia has demonstrated whether utility-focused reform is as beneficial as assumed, as implementation of the new tariff structure is scheduled for later in 2013 (due to the country's regulatory calendar). Additionally, because of the project's short timeframe, SUWASA/Zambia will be unable to provide follow-up trainings for CUs when they prepare tariff applications.

SUWASA/Zambia built its costing and tariff models in Excel, making them easily replicable anywhere, at little to no cost.

One major factor of success for SUWASA/Zambia was the high level of government and utility buy-in. Its timing and focus, corresponding to NWASCO's needs for tariff and cost restructuring, also enhanced the project. Furthermore, the project was developed in the context of a highly developed water sector, in terms of institutions, legal framework, sound practices, and appropriate performance monitoring and indicators.

The major issue that weakened SUWASA/Zambia was its short lifespan, which did not allow for necessary follow-up activities. The project, which focused on tariff reform, also did not coincide well with Zambia's regulatory calendar for tariff submission and approval, potentially lessening the effect of its activities.

4.8.4 Recommendations

A follow-up impact evaluation should be performed in two to three years to assess project outcomes and impact and to learn whether the project's utility-focused reform is as beneficial as assumed.⁶³

Should SUWASA implement a follow-on project in Zambia or similar SUWASA project elsewhere, a longer duration should be specified to allow sufficient time for follow-up training and to ensure that project activities are fully understood by project's end.

5.0 OVERALL SUWASA PROGRAM RECOMMENDATIONS

Recommendations have already been made for each country in the specific country write-ups. The recommendations in this section are for future USAID water and sanitation projects in Africa. These recommendations should be revisited at the completion of the SUWASA project:

1. To the extent possible, select projects in advance of commencing the project. Ideally, a small feasibility study should be prepared in advance of selection, highlighting the project need, estimating costs, identifying ongoing donor programs and synergies, and assessing the level of government involvement. While probably not possible before SUWASA, the experience gained from the project should aid in the development of such studies. Local Mission involvement would also be important in identifying potential projects.
2. Standardize common programs, such as tariff reform, to use the same model to the maximum extent possible, allowing for differing country regulations and practices.
3. Identify programs where specific personnel needs may require longer USAID approvals and adjust the program length accordingly.
4. In programs with high service connection targets, allow at least two to three years for projects to reflect project life cycle considerations. The time may be shortened if existing feasibility studies and/or design plans already exist.
5. Ensure that all studies of water service expansion include verification that the water source and any accompanying treatment have the capacity to serve the new water connections. This also holds true for existing wastewater treatment plant capacity and future sewer connections.
6. Based upon the limited focus of SUWASA, expand the sanitation scope in future projects, including comprehensive septage management and various methods for reflecting the costs of sanitation in

⁶³ SUWASA's M&E specialist in Nairobi plans to continue post-project closure monitoring the project's results against M&E targets during the remaining two years of the SUWASA project, *pers comm SUWASA Project Management*.

existing water tariff structures. USAID's past program in the Philippines is an excellent example with particular application for SUWASA.

7. The DMM approach should be considered for future work in Kenya and elsewhere.
8. In any extension or further phase of SUWASA, gender and other cross-cutting issues (i.e. poverty, vulnerability) should be addressed. The core team should have the expertise to ensure that these essential elements are adequately addressed and conform with the Paul Simon Water for the Poor Act.

ANNEXES

ANNEX I: DESKTOP COUNTRY REPORTS

ETHIOPIA DESKTOP REPORT—REVISED AFTER PHASE 2

INTRODUCTION

The report on Ethiopia project was prepared based on the desktop review of materials made available by SUWASA and on the interviews conducted with the SUWASA Team based in Nairobi. The findings and conclusions that follow below, as well as the specific answers to the evaluation questions in the matrix at the end of this country report are based on the above and the judgment of the evaluator and whenever has been possible, are backed by evidence made available by SUWASA team and which is either cited in the text, or attached at the end of this report.

It is important to note that this evaluation is happening just 2-3 months after the closing of the project. As a result, while some targets originally established in the scope of work have been materialized, other targets related to quantifiable performance indicators in terms of improvement of service provision is reasonable to state that is too early to expect to see materialized. While the performance of the utility has certainly been enhanced through the implementation of better work practices, it will take time as well as capital investments to see how these will translate into tangible and sustainable results. In order to complete the assessment of impacts of SUWASA in all the designated areas and indicators, it would therefore be necessary to undertake another evaluation exercise in 1-2 years' time.

PROJECT BACKGROUND

SUWASA has implemented a two year reform project in Ethiopia since June 2011. The project focuses on the overall objective of introducing efficient and innovative water and sanitation services in the municipality of Hawassa, the capital of the Southern Nations Nationalities Peoples Region (SNNPR), with the aim to transform the Hawassa Town Water Supply and Sanitation Services Enterprise (HTWSSSE) into a utility that:

1. Can operate as a business enterprise
2. Has the ability and tools to implement cost reflective pricing
3. Has the authority to make investment decisions
4. Is held accountable for transparent performance standards and targets to a board of directors that promotes commercial viability as a principle of managing the utility

Key anticipated results are:

1. Access to safe, affordable, sustainable and reliable water services in Hawassa improved
2. Improved operational and financial efficiency
3. Results oriented performance agreements adopted
4. Institutional and regulatory framework improved
5. Organizational set-up improved
6. Investment and finance plans developed
7. Cost reflective tariffs developed
8. Commercialization strategies developed

In order to achieve the above results, the specific project objectives include:

1. Facilitate transformation of HTWSSSE into an autonomous utility with a Board of Directors that includes representation by key Hawassa stakeholders

2. Develop an incentive-based performance agreement (PA) between HTAWSSSE and the Hawassa Town Water Board that includes the commonly agreed performance targets and a clear monitoring framework
3. Update the HTAWSSSE corporate and business plans, including the capital investment and finance plan, that provide a clear road map for achieving the targets in the performance agreement through an incentive based management framework
4. Implement institutional, financial, and managerial reforms to achieve business plan objectives

The project budget was USD 1,450,000 and is expected to produce the following results, as shown in Table I below:

Table I – Results

| Objectives | Activities | Output Level Results | Outcome Level Result | Goal/Impact Level Result |
|---|---|---|---|--|
| Support transformation of HWSSE into an autonomous utility | Support implementation of incentive-based performance agreement Assist in improving institutional and regulatory framework | <ul style="list-style-type: none"> ○ Results oriented performance agreements adopted ○ Institutional and regulatory framework improved | Improved operational and financial efficiency | Access to safe, affordable, sustainable and reliable water services in Hawassa town improved |
| Support organizational and operational efficiency | Support organizational development of HTWSSSE Develop investment and finance plan Promote cost-efficient operations | <ul style="list-style-type: none"> ○ Organizational set-up improved ○ Investment and finance plans developed ○ Cost reflective tariffs developed ○ Commercialization strategies developed | | |

SUMMARY OF FINDINGS

Ethiopia is a country where the water sector institutions have developed to an extent and depth that is uncommon in Africa. At the same time, the country has developed a highly complex legal and regulatory framework, which impacts the sector in various ways, but that is not elaborated to the level of tools that would ultimately enable the service providers to implement it in an adequate manner. Within the given scope, SUWASA project in Ethiopia tries exactly to make the necessary links between the overarching provisions in the national policy and strategy and legal/regulatory framework and the

manner in which the above can be implemented and that would, ultimately, lead to improved performance in the sector.

SUWASA focused in two different areas/levels¹:

- a. At the utility level and operational area, by developing and/or refining those tools that enable a better functioning of the utility (to include tariff structuring responsive to the specific conditions, adequate asset management practices, business and strategic planning, etc.).
- b. At the institutional relations between the utility, the board and the local government, who is the owner of the utility. In this area, the focus was on strengthening corporate governance practices, by promoting the incentive-based performance agreements between these the utility and the other two stakeholders.

In spite of the delayed start, which reduced the effective life of the project to 1.5 years, the range of deliverables/outputs foreseen within the project was completed, in terms of developing (in full) and implementing (in part), with those related to the utility level of work developed and implemented completely, while the performance agreements were developed but not yet implemented at the time of preparation of this report. However, the three concerned stakeholders have strongly assured that they will sign the performance agreements within July-August 2013 and SUWASA team was very confident that it will happen. To summarize, at the end of the project results to have been developed the following documents and performed the activities as listed below:

- Asset evaluation completed.
- Cost-reflective tariffs implemented.
- Management Information System (accounting, billing, financial system) in place, resulting in improved systems and standards.
- Strategic plan and business plans developed and endorsed by HTWSSE.
- Revised organizational structure and improved recruitment of talent.
- Established sanitation unit.
- Finalization of performance agreements: These consist of a performance agreement between the Regional Water Bureau and the Town Water Board, and another between the Town Water Board and the HTWSSSE. Both were promised to be signed by July 2013, and SUWASA team is highly confident that that will happen.

The detailed findings answering the five basic evaluation questions and the related sub-questions are shown in the matrix at the end of this country report. The findings below are presented in a more generalized manner, yet following the five basic questions outlining the matrix.

Premise I – Contribution to the Body of Solutions

SOW Question I – *Based on analysis of the country activities and the SUWASA project overall, to what extent, how, and at what level (local, country, regional, sector) has SUWASA added to the body of sector knowledge and engendered a learning agenda about how to alleviate service constraints?*

Although the underlying concepts of the tools developed under SUWASA are widely known and applied in many other countries since decades, in doing so, the project has, if not added, **stressed** important

¹ The details of the findings are shown in the matrix at the end of this country report.

knowledge to the sector and **provided practical tools to implement it**. In addition, has done so in a way that is replicable in other parts of the country and beyond.

According to major stakeholders, government mentality in the management of operations in main cities and towns, lack of a customer service culture, absence of incentives for performance improvement and lack of strategic planning are the critical challenges hampering the proper functioning of the sector. SUWASA work was challenging precisely these shortcomings.

Finally, it is worth reminding the reader that practical knowledge in the services sector is generational and of such a nature that is not always transmittable if there is no continuity, meaning that even if things maybe known in theory, if they are not practiced, are not accessible to a given generation of practitioners, especially when we consider the level of service provision.

Premise 2 – Maximum Development Impacts and Aid Effectiveness

SOW Question 2 – *Has SUWASA been effective at integrating other development activities in a way that maximizes development impact and aid effectiveness? If so, are there specific ways that this has been accomplished that could inform future USAID programming?*

SUWASA has been well aligned with a World Bank funded “Urban Water Supply and Sanitation Project”, which among other, is constructing a wastewater treatment facility. The link here is that SUWASA has provided for the management structure of that facility upon its completion, i.e. the established sanitation unit, within the HTWSSSE. Such a coincidence of events no doubt contributes to maximizing aid effectiveness.

Based on the Mid-Term Review Report, the Donor Assistance Group has shown interest in the activities of SUWASA and discussion has been going on how to create synergies with other projects. However there is no information to date on how such discussions may have evolved.

The USAID Small Investment Program is closely linked to this project. In addition, there is some indication that the Water Resource Development Fund (WRDF) may contribute with capital investment, linked to SUWASA activities, but which have not been materialized so far.

The approach taken by SUWASA was to obtain information, before and during the project life, on what other donors (including USAID) and domestic actors were doing, or were planning to do in the sector around the timeframe planned for this project, and align and time its own activities to objectives of all related ongoing or planned work of others, to the extent possible and following a logical sequence. There is nothing specific or original in this approach, and probably is hard to be original in these matters, but it is, nevertheless, extremely useful:

In absence of other specific information or indications of synergies between donors, and having in mind the range of activities under SUWASA, one can, nevertheless, infer with confidence that more could be done to exploit opportunities for synergy across donors as well as domestic stakeholders, in the areas of training and capacity building, standardising on tariff models, business planning and performance contracts at the country level.

Premise 3 – Value of service provider focus

SOW Question 3 – *Can SUWASA demonstrate evidence that utility-focused reform is as beneficial as assumed? If yes, what lessons can be extrapolated from the SUWASA design or implementation for replication elsewhere? If not, what aspects of the project concept, design or implementation have impeded this result from being demonstrated? Is this still a possible result for the remainder of the project?*

Evidence on benefits of the work done under SUWASA in Ethiopia compared against planned targets is limited at this point in time because the project has just been completed. The nature of interventions under SUWASA, being focused on institutional strengthening, is such that measurable results take time to materialize, anyhow. Nevertheless, it can be mentioned the following benefits expected to be materialized in hard numbers in a short term:

- The successful implementation of a new tariff, substantially higher than the existing one (in effect since 2004) brought about significant improvement in utility finances², which in theory enables, over time, release of funding for service improvement and expansion. Importantly, the tariff increase put HTWSSSE in the position to repay its debt on the loan taken from the WRDF.
- Completed asset registration opens the way for improved asset management practices, essential to the good management of the facilities.
- Completion of Management Information System (accounting, billing, financial system) resulted in improved systems and standards, to include potential reduction in NRW (due to administrative failures) and better financial reporting, which could result in cost reduction, optimized allocation of resources, etc.
- Same considerations are valid for the business plan and strategic plan – both being tools that if properly used can turn out useful to management and ultimately, to the customers.

Another evaluation exercise effectuated at a later point in time would enable to respond in full to the question above.

In addition to the above, the project seems to have produced other benefits, apparently not foreseen originally. One is the opening of the way, from the legal standpoint, of the performance agreements (btw board and utility). The apparent legal obstacle to such agreement was overcome under SUWASA, which means that if any other such agreement would have to be developed in any other part of the country, the knowledge gained under this project does remove any real or apparent obstacle to doing that. In light of the above, a lesson would be that when such benefits occur, a degree of propagation of work done and results, to inform the public and other potentially interested stakeholders is necessary.

Premise 4 – Positive country level reform

SOW Question 4 – *Based on analysis of the specific country activities, including results against the M&E plans, how well have the country activities improved sector performance, in terms of stakeholder perception and documented results?*

With Regard to stakeholder perception, SUWASA is well regarded and this is being manifested through reactions of various stakeholders in meetings and workshops, the full support, key to the

² Following the implementation of the cost-reflective tariffs, monthly revenues of the Enterprise have more than doubled from their previous level of USD 45,000/month to USD 105,000/month, 87% of which is attributed to increased tariffs with the balance due to increased sales volume (resulting from increased daily production of water) as of July 2012. Source: Mid Term Review Report. No further information on this topic was made available.

project success of the GM of HTWSSSE. **More specifics on this theme are shown in the Matrix on Ethiopia Project at the end of the Report.**

Sector performance is a broad definition that can be interpreted to include performance at the utility level and performance regarding the level and quality of service. The goals of SUWASA are, in fact, defined in both aspects, with a list of Activities that lead to improvement of utility performance and quantifiable Goals that illustrate improvements in the level/quality of service provided to the customers.

In terms of documented results, the comparison can therefore be done in these two aspects.

At the Activity level, the planned outcomes have been achieved almost completely, with the exception of the signing act of the performance agreements, although there is high expectation and confidence by SUWASA team that these will be signed shortly. Table II below illustrates the above:

Table II Activities Planned and Outputs

| Objectives | Planned Activities | Output Level Results |
|---|---|---|
| Support transformation of HWSSE into an autonomous utility | Support implementation of incentive-based performance agreement Assist in improving institutional and regulatory framework | <ul style="list-style-type: none"> ○ Results oriented performance agreements (PAs) drafted, negotiated and finalized. Not signed yet; but expected to be signed shortly. ○ Institutional and regulatory framework improved through legalizing PAs |
| Support organizational and operational efficiency | Support organizational development of HTWSSSE Develop investment and finance plan Promote cost-efficient operations | <ul style="list-style-type: none"> ○ Organizational set-up improved by establishing the new Sanitation Unit. ○ Asset evaluation completed. ○ Cost-reflective tariffs developed and implemented. ○ Management Information System (accounting, billing, financial system) in place, resulting in improved systems and standards. ○ Business plan developed. ○ Strategic plan developed. |

In terms of service improvement, as measured through performance indicators, which targets are shown in Table 2 below, it can be said that none, except the increased Percentage of operations and maintenance costs for water supply services covered through customer charges has been materialized. In line with the comments done under Premise 3 above, it is reasonable to say that first, the implementation of physical infrastructure under SIPS, the WRDF loan or other future funding would produce outcomes of the nature described in the Table 2 and second, in any case, even if SUWASA interventions may produce later some of these outcomes (e.g. by better management resulting in funding of new infrastructure with own sources, reduction of NRW, etc.), these will need some time to pass before materializing.

Table 2 – Planned Performance Indicators

| Performance Indicator | Result Level | Baseline Value 2010 | Target Year 1 | Target Year 2 |
|---|--------------|---------------------|---------------|---------------|
| Number of people gaining access to an improved drinking water source (USAID F-indicator) | Goal | 0 | 7,500 | 7,500 |
| Number of people receiving improved service quality from existing improved drinking water sources (USAID F-indicator) | Goal | 0 | 20,000 | 20,000 |
| Percentage of operations and maintenance costs for water supply services covered through customer charges | Outcome | 65% | 90% | 100% |
| Amount of new financing accessed by HTWSSE | Output | 0 | \$16,000 | \$16,000 |
| Number of good practices identified, promoted and adopted | Output | 0 | 2 | 2 |
| Number of agreements and regulations implemented that promote access to improved water supply | Output | 0 | 1 | 1 |

Premise 5 – Correctly designed, managed and implemented project

SOW Question 5 – *How could the approach to selecting and implementing a portfolio of activities have been improved – both to achieve better results in each country and to better develop an evidence base for the specific sector reform option? Define the approaches – from strategy, management and implementation – that enhanced the project and identify the ones that can be replicated in the future. Also identify the ones that weakened the project and how these can be alleviated for the remainder of the project and in future programs. What priorities should be set for the project for the remainder of the contract and what would project success look like?*

The project tried and succeeded in developing and maintaining strong relations with the HTWSSE, specifically, the General Manager, and that was part of the design and preparatory work leading to the selection of Hawassa (and HTWSSE) for the project in Ethiopia. In addition, the project developed good relations with the other stakeholders, namely the Regional Water Bureau and the Town Water Board. **These, especially the relation with the GM, proved to be instrumental in achieving the desired inputs and should be given clear priority in any future endeavor to extend similar projects in other areas, or proceed with follow-up work in Hawassa. Indeed, this consideration is valid in any environment.**

The project faced a few challenges, that in past at least, could have been mitigated, while some were outside its control. One such aspect regarded administrative delays, especially related to staff approvals. In particular, SUWASA suffered from delays of 125 days; 89 days and 56 days of; respectively, two different utility experts and a driver, which in practice contributed to a 6-month delay of the project start. Furthermore, the delay did not benefit the public relations (PR) aspect of the project³ and the project team was not sufficiently responsive and pro-active in amending such perception though a pro-active PR campaign. This suggests that an adequate, timely and transparent PR primarily inside the country where the project is being implemented is quite important to facilitate cooperation and work environment throughout the project. Clearly, that needs to be backed by results at some stage.

³ SUWASA Team in Nairobi explained that there was some unfavorable publicity in the local media in that regard.

Another challenge was presented by the unforeseen complexity of the legal framework and the time consuming endeavor to find full justification for the implementation of the performance agreements along the lines they were finally drafted proved to be an unexpected difficulty that was not accounted for during the inception phase. In addition to the above and in spite of the outcome, it emerges that the selection of Hawassa was not based on the most adequate set of criteria that would be expected. The “Due Diligence Reports for Potential SUWASA First Round Projects” states that “...the city of Hawassa was selected for its unique characteristics of having a high concentration of highly educated population, a successful multicultural and peaceful environment, and a common language spoken (Amharic).” While no doubt these are positive factors, do not seem, however, to connect well with the purpose of the project.

The difficulty of establishing a satisfactory working relationship between Ethiopian staff and international staff, in spite of the obvious benefit of having in place a strong local team.

CONCLUSIONS

Overall, the project design has been in line with the needs of the sector in Ethiopia, in general, and HTWSSSE, in particular. The tools developed under the project and activities performed are conform good practice and there is some evidence that have improved utility business performance even at this early stage.

The project has developed the outputs and delivered the activities as planned⁴, The deliverables are replicable and have attracted the interest of other utilities, thus underlining a need for similar work to be done in other parts of the country. Replicable and relevant activities, findings and results should be promulgated not only at country level, but also internationally, at the program level, more so given the similarities in objectives with some of the other countries included under SUWASA. (Most of these were addressed and identified in the preceding sections of this desk review).

The choice of the project site seems to have been based on some general criteria, as stated in the project documents⁵ that are not necessarily sufficient to justify the choice. (Anecdotal evidence suggests that the positive predisposition of the HTWSSSE GM played an important factor in the choice, which is more sensible).

Moreover, the country and utility context have not been taken sufficiently into account, in particular with regard to the complexity of the legal framework and the situation of the tariff levels in Hawassa, leading to a very substantial increase⁶, which in spite of the successful outcome, bore a risk.

The main lessons from the project are related to the necessity to a develop adequate risk assessment prior to starting, the importance of identifying a champion and building good relations with the stakeholders, the necessity to pay attention to public relations and the media, the agility in staff appointment and need for a better responsiveness by USAID administration when such matters arise.

⁴ With exception of the signing of the two performance agreements, for which there is confidence that will be signed, but that in any case, having parties sign agreements is arguably, beyond the reach of the project.

⁵ E.g. the “Due Diligence Reports for Potential SUWASA First Round Projects”.

⁶ There was no, however, exact evidence made available to the evaluation team on the magnitude of the increase, besides anecdotal evidence that it was very substantial.

To the extent information was made available, the project developed some synergies with other donor projects. It seems that the degree of support with capital investment through the SSIP is not sufficient to mitigate the problematic with water supply and need to increase the number of connections, which would help achieve the project outcomes in quantitative terms. Finally, the outcomes of this project as defined in terms of performance indicators have not been achieved and it is reasonable to expect that: It is too early to see such results from the type of assistance provided and again, solid investment in infrastructure is needed to scale up service levels.

RECOMMENDATIONS FOR FUTURE WORK IN ETHIOPIA

Recommendations for future work on Ethiopia would fall under two lines:

Firstly, support and build on work done in Hawassa by providing for capital investment in that city to expand water supply (having been identified as a problem) and expanding the number of connections, besides other assistance related to the operation and maintenance work. Such follow up makes sense not only because needed, but because apparently solid capacity and institutional basis have been already established, which provides a guarantee for sustainable investment. At the same time, such physical investments would forge and consolidate what is already achieved through SUWASA so far. In particular:

- The cost-reflective tariff model could be replicated in other parts of the country, with little adjustments as may be the case, but the principle remains.
- The business plan, as implemented in Hawassa could be implemented in other utilities.
- Performance agreements, apparently needed in other utilities could be implemented in a similar way as in Hawassa.

It would be desirable if both the business plans and the performance agreements were standardized at the regional (or national) level and efforts in that direction, to first, gauge the interest of potential stakeholders in country and see what options are there can be also included in a future SOW.

Secondly, based on knowledge of the problematic at the country level, the interest shown by similar utilities in other cities of Ethiopia and the initial consideration of Addis Ababa for this project, it makes sense to roll on similar SOW of SUWASA I in one or more such cities. The SOW would include a subset of what was developed so far in Hawassa, following a needs assessment exercise. The knowledge acquired under SUWAASA so far and lessons learnt are an important asset that would enable a smoother proceeding.

| Ethiopia Evaluation Matrix | | |
|--|---|--|
| Sub-Questions | Evidence | Source |
| Premise I – Contribution to the Body of Solutions | | |
| SOW Question I – <i>Based on analysis of the country activities and the SUWASA project overall, to what extent, how, and at what level (local, country, regional, sector) has SUWASA added to the body of sector knowledge and engendered a learning agenda about how to alleviate service constraints?</i> | | |
| Ia. In what way is this project new or innovative? | <ul style="list-style-type: none"> Based on the sector legal and regulatory framework of Ethiopia, water and sanitation enterprises are authorized to outsource services and, in fact, the Ministry of Water Resources (MOWR) strongly encourages the outsourcing of functions that are not within the core competencies of the local operators, e.g., service contracting for meter reading as well as more specialized tasks such as performance auditing, preparing and updating business plans, improving operational efficiency, and expanding the systems. However, while Government of Ethiopia (GoE) policy promotes and encourages outsourcing, the outsourcing concept has not been used by most WSSE's except in exceptional cases. Furthermore, WSSEs generally have not integrated performance based management and accountability systems within their management guidelines and practices. There are no clear standards against which the performance of WSSEs can be measured. The novelty that the project brings consists on introducing performance standards and providing for transparent management. It implies that the agreement between the Hawassa Town Water Board and the utility provides transparent and measurable performance standards, targets, and associated incentives. This should lead to better implementation of sound corporate governance principles. More information is required to confirm whether the performance based management agreement between the Board of HTWSSSE and the Enterprise management has been signed, following the final workshop, as was promised. | Reform Work Plan for Introducing Efficient and Innovative Water and Sanitation Services in the Municipality of Hawassa, Ethiopia (November 2010) |
| Ib. To what extent will (has) the project add(ed) to the body of sector knowledge? | <ul style="list-style-type: none"> Incentive-based performance agreements, following a thorough research of the complex legal framework, not done before, are new and have contributed to the body of sector knowledge. Not there before. The introduction of a tariff structure tailored to a differentiated customer base, if not new in Ethiopia was new in Hawassa and has added to their knowledge, at least. No information yet. (This could be assessed through the trainings conducted, if an evaluation of the level of acquired knowledge of trainees were performed, e.g. by means of tests conducted prior and after the training.) Assessment of such impacts to be done at the end of the project. | |
| Ic. How will (has) the project alleviate(d) service constraints? | <ul style="list-style-type: none"> Following the implementation of the cost-reflective tariffs, monthly revenues of the Enterprise have more than doubled from their previous level of USD 45,000/month to USD 105,000/month, 87% of which is attributed to increased tariffs with the balance due to increased sales volume (resulting from increased daily | Mid Term Review Interviews with SUWASA Team in Nairobi |

| Ethiopia Evaluation Matrix | | |
|--|---|---|
| Sub-Questions | Evidence | Source |
| | <p>production of water) as of July 2012.</p> <ul style="list-style-type: none"> The eventual establishment of a unit within the utility to deal with sanitary and sewerage services would be instrumental in managing the sewerage treatment plant (drying bed) that is currently under construction with support from the World Bank. More information is needed as to the status of establishment of such unit. More information required with regard to the Small Investment Projects progress and eventual impact. | |
| <p>Id. How has this experience and knowledge been disseminated (and at what levels?)</p> | <ul style="list-style-type: none"> No information yet, specific to the above. At the country level: In April 2013, trainings in Accounting and Tariff Review were conducted with HTWSSSE finance / accounting staff. In December 21-24, 2012, twenty-four participants from utilities in Ethiopia's secondary towns participated in a training workshop on developing cost-reflective tariffs. Representatives from the Urban Water Utilities, Zonal Water Departments, Ministry of Water and Energy and Water Resource Development Fund attended the training. At the program level: In January 21-23 in .USAID/SUWASA Regional Office and the project teams from Ethiopia, Kenya, Mozambique, Nigeria, Senegal and South Sudan organized an internal knowledge sharing meeting in Mombasa, Kenya. The meeting brought together SUWASA's Contracting Officer's Representative (COR) at USAID, USAID points of contacts from the different Missions, SUWASA program staff, and senior management from Tetra Tech Headquarters. At the international level: See Table 1- SUWASA Summary of Conferences and Paper Presentations, and Table 2 - Planned Presentations/Materials at the end of the matrix for further information relevant to Ethiopia | <p>Interviews with SUWASA Team in Nairobi and information on specific trainings provided by the same.</p> |
| <p>Ie. Is the unlocking of service constraints likely to be sustainable/ replicable?</p> | <ul style="list-style-type: none"> What has been delivered under this project and to the extent they contribute to unlocking of service constraints is very likely to be sustainable and replicable. These include establishment of the sanitation unit, the development and implementation of new tariff structure, improvement in accounting, billing, financial systems, etc. With regard to the "further unlocking of service constraints" – yet to be seen, and reasonably so, it could be said that the work done under the project should lead to such improvements, but at this early stage cannot be assessed how sustainable they could be potentially as other factors, beyond SUWASA-related factors will have an impact.. It would seem to be possible, but more information needed. | <p>Interviews with SUWASA Team in Nairobi</p> |
| <p>If. How effective has the dissemination of products been (knowledge of products, application of knowledge?)</p> | <ul style="list-style-type: none"> No information available. The HTWSSSE has implemented/ completed, as a result of the project, the following. Asset evaluation completed. Cost-reflective tariffs implemented. Management Information System (accounting, billing, financial system) in place, resulting in improved systems and standards. | <p>Interviews with SUWASA Team in Nairobi</p> |

| Ethiopia Evaluation Matrix | | |
|--|--|--|
| Sub-Questions | Evidence | Source |
| | <ul style="list-style-type: none"> • Strategic plan and business plans developed and endorsed by HTWSSE. • Revised organizational structure and improved recruitment of talent. • Established sanitation unit. • Finalization of performance agreements: These consist of a performance agreement between the Regional Water Bureau and the Town Water Board, and another between the Town Water Board and the HTWSSSE. Both were promised to be signed by July 2013, and SUWASA team is highly confident that that will happen. • In addition, performance agreements are being backed by Water Resource Development Fund (WRDF) and other donors. | |
| Premise 2 – Maximum Development Impacts and Aid Effectiveness SOW Question 2 – Has SUWASA been effective at integrating other development activities in a way that maximizes development impact and aid effectiveness? If so, are there specific ways that this has been accomplished that could inform future USAID programming? | | |
| 2a. What is the level of Government support for SUWASA? | <ul style="list-style-type: none"> • A key stakeholder workshop, held in July 2012 to discuss SUWASA’s draft proposals on tariff revision, performance agreement etc., was attended by the Federal Ministry of Water and Energy (MoWE), and the Water Resources Development Fund (WRDF), among others. • The Workshop on the Performance Agreement held at the end of the project was well received by participants who included national, regional and Hawassa stakeholders. • An end of project workshop in May 2013 was held by Hawasa city administration, the MoWE, and the WRDF, among others. • The Regional Water Resources Bureau, though not directly engaged in SUWASA activities or day to day operations of the utility, recognizes that SUWASA is playing a vital role in strengthening the capacity of the utility to have more efficient and sustainable operations. The Bureau is keen to see the outcomes of the project and replication of good practices in other utilities. • More information is needed on interactions with the national and regional governments, and whether there was expressed and tangible support. It should be noted that the Inception Report does not indicate anything on such an interaction early on in the project. | Weekly Reports Mid –Term Review Inception Report |
| 2b. What is the level of synergy between SUWASA and other (current or planned) Donor programs? | <ul style="list-style-type: none"> • The WB, through its “Urban Water Supply and Sanitation Project” is providing substantial financial assistance for upgrading water supply and sewerage services in the capital city of Addis Ababa and four secondary towns including Hawassa. The project has been operational since 2007 and was already closed on May 2013. Based on the updated action plan of June 2011, the assistance provided by the WB for Hawassa foresaw the procurement of works, goods and services, amounting to USD 2.6, 2.7 and 0.4 million, respectively before December 2012. The interventions planned under SUWASA are timely in accelerating the utilization of funds availed by the WB while simultaneously upgrading technical and operational capacities of the HTWSSSE and creating an enabling environment for the adoption and multiplication of sound institutional and operational reforms. | Inception Report Weekly Reports Mid Term Review |

| Ethiopia Evaluation Matrix | | |
|---|--|---|
| Sub-Questions | Evidence | Source |
| | <ul style="list-style-type: none"> • These are early days, but probably worth mentioning, the Donor Assistance Group has shown interest in the activities of SUWASA and discussion has been going on how to create synergies with other projects. | |
| 2c. Is there evidence that SUWASA activities have enabled /supported other development projects (either by Government of donors)? | <ul style="list-style-type: none"> • The USAID Small Investment Program is closely linked to this project. • There is some indication that the Water Resource Development Fund (WRDF) may contribute with capital investment, linked to SUWASA activities. | Interviews with SUWASA Team in Nairobi |
| 2dc. Is there evidence of SUWASA concepts and practices being adopted into national strategies? | <ul style="list-style-type: none"> • No information available. However, it can be stated that the concepts introduced by SUWASA are mostly tools, and of a level of detail that usually is not part of strategic or policy documents. However, the underlying conceptual background leading to them seems to already be present in Ethiopia's strategic documents regarding the water sectors, which, however, have not so far been translated into action through development of other tools (which usually are of such level of detail that national strategies do not contain) and which SUWASA is doing. (Tools include tariff structures, skillfully drafted incentive based performance agreements, strengthening private sector participation including but not limited to outsourcing of selected functions, development of cost reflective tariffs, improving adopted tariff strategies, introduction of improved accounting systems, adoption of asset management plans, application of advanced MIS and integration of sewerage and sanitary services in the structure of the utility. etc.) | See Reform Plan, (Context of the Project). |
| 2ed. Are lessons learned from SUWASA being incorporated into USAID knowledge base at the program level (country and Washington level)? | <ul style="list-style-type: none"> • No information available. In January 21-23 USAID/SUWASA Regional Office and the project teams from Ethiopia, Kenya, Mozambique, Nigeria, Senegal and South Sudan organized an internal knowledge sharing meeting in Mombasa, Kenya. The meeting brought together SUWASA's Contracting Officer's Representative (COR) at USAID, USAID points of contacts from the different Missions, SUWASA program staff, and senior management from Tetra Tech Headquarters. | Interviews with SUWASA Team in Nairobi |
| 2f. What is the amount of funding for SUWASA, and has additional funding been provided by government, other donors, other sources? | <ul style="list-style-type: none"> • Total Funding: USD 1,450,000. • No additional funding has been provided. Office accommodation for the SUWASA project team was provided by HTWSSSE, at an estimated cost of around \$36,000. • Loan granted by WRDF after SUWASA started, The loan was taken to extend network and improve water resources. (No information has been made available on the amount of this loan). | RWP Budget for Ethiopia, 2010 Interviews with SUWASA Team in Nairobi Updated Budget Information provided by SUWASA Team in Nairobi. |
| 2g. How were additional funds and project linkages developed - facilitating factors and constraining factors | <ul style="list-style-type: none"> • There is no specific information on this point. More information is required on Small Investment Project funding dynamics. | |
| Premise 3 – Value of service provider focus | | |
| SOW Question 3 – Can SUWASA demonstrate evidence that utility-focused reform is as beneficial as assumed? If yes, what lessons can be extrapolated from the SUWASA design or implementation for replication elsewhere? If not, what aspects of the | | |

| Ethiopia Evaluation Matrix | | |
|--|---|--|
| Sub-Questions | Evidence | Source |
| <i>project concept, design or implementation have impeded this result from being demonstrated? Is this still a possible result for the remainder of the project?</i> | | |
| 3a. Is there evidence of measurable improvement in Utility (or beneficiary institution) performance resulting from SUWASA? | <ul style="list-style-type: none"> Following the implementation of the cost-reflective tariffs, monthly revenues of the Enterprise have more than doubled from their previous level of USD 45,000/month to USD 105,000/month, 87% of which is attributed to increased tariffs with the balance being due to increased sales volume (resulting from increased daily production of water) as of July 2012. In August 2013, SUWASA intends to perform an impact analysis. More information required | Mid Term Review Interviews with SUWASA Team in Nairobi |
| 3b. If so, how is this leading to improvements in service and customer satisfaction? | <ul style="list-style-type: none"> From point 3.a above, it follows that water sales in value and volume have increased, meaning there is no more water available to customers, However no data or indicators are/is available as yet. Should become upon completion of the impact analysis mentioned here. More information is required. | Interviews with SUWASA Team in Nairobi |
| 3c. Are results and lessons identified adequately documented in a format that can facilitate replication elsewhere? | <ul style="list-style-type: none"> They will be all documented in one report, the End of Project Report. In addition, the performance agreements and tariff model are documented in easy to use and distribute/replicate formats (doc., and xls.). | Interviews with SUWASA Team in Nairobi Mid Term Review |
| 3d. How is SUWASA using national and regional networks to publicise lessons learned? | <ul style="list-style-type: none"> Due to a keen interest shown by other utilities on SUWASA's work regarding tariff development, and in light of the results for Hawassa after applying for a cost-reflective tariff (see 3.a), a training on that theme was conducted for a total of 24 participants from seven major secondary towns within as well as outside the SNNPR, nine Water Resource Development Bureaus, the MoWE and the WRDF. See Table 1- SUWASA Summary of Conferences and Paper Presentations, and Table 2 - Planned Presentations/Materials at the end of the matrix for further information relevant to Ethiopia. SUWASA Online Platform will provide for further sharing of results and materials. (See TABLE 3 - SUWASA Tools and Materials for sharing on SUWASA's online platform at the end of this matrix). More information is required. | Interviews with SUWASA Team in Nairobi and information provided by the same on this topic. Mid Term Review Report |
| 3e. Have difficulties and challenges been adequately documented and measures taken to alleviate them (and that lessons have been learned as a result)? | <ul style="list-style-type: none"> The Mid Term Review has a section on challenges and difficulties. The Project Status Report of June 2012 also addresses challenges and difficulties. Quarterly Reports also address challenges and measures taken to alleviate them. More information needed. | Project Status Report of June 2012 Mid Term Review Interviews with SUWASA Team in Nairobi |
| 3f. What measures or corrective actions (if any) have been taken to ensure the project will achieve its intended | <ul style="list-style-type: none"> More information required in order to overcome difficulties arising from delays in staff approvals, SUWASA team sent people from the central office to support project work in Ethiopia. Alternatively, later in the project, whenever possible and | Interviews with SUWASA Team in Nairobi |

| Ethiopia Evaluation Matrix | | |
|---|--|--|
| Sub-Questions | Evidence | Source |
| results and outcomes? | reasonable, was established a practice of using consultants who had already been approved for previous work in the project. | |
| 3g. What were/are the factors in the concept, design and implementation that have made reform successful: social, institutional (including strategic and operational management), service delivery, infrastructure investment | <ul style="list-style-type: none"> • The choice of Hawassa HTWSSSE for this kind of project proved to be was adequate – and that is part of the design. Based on discussions with SUWASA Team, it would seem that the <i>a priori</i> made known fact that the GM of HTWSSSE would be (and in fact, became) a key supporter of the project had its weight upon the decision to select Hawassa. It should be noted that the criteria for selecting Hawassa, (as opposed to Addis Ababa), as stated in “Due Diligence Reports for Potential SUWASA First Round Projects” states that “...the city of Hawassa was selected for its unique characteristics of having a high concentration of highly educated population, a successful multicultural and peaceful environment, and a common language spoken (Amharic).” While no doubt these are positive factors, do not seem, however, to connect well with the purpose of the project. • The use of local experts was a factor to success, (in spite of resulting in poor linkage with international experts) <p>Other factors to be determined</p> | <p>Inception Report</p> <p>Due Diligence Reports for Potential SUWASA First Round Projects April 2010</p> <p>(made available by SUWASA Team)</p> <p>Interviews with SUWASA Team in Nairobi</p> |
| 3h. What could be changed in the original concept, design and implementation, in order to avoid identified difficulties that eventually have lead to underperformance? | <ul style="list-style-type: none"> • In the implementation phase: Communication inside Ethiopia of results and approaches by the project would have had to be more pro-active and effective. • Ensure a better linkage, (probably through combined staff from the start), between local and international consultants. • Not well anticipated degree of complexity of legal background, which was related to drafting of performance agreements. <p>Other factors to be determined</p> | <p>Interviews with SUWASA Team in Nairobi</p> |
| Premise 4 – Positive country level reform | | |
| SOW Question 4 – Based on analysis of the specific country activities, including results against the M&E plans, how well have the country activities improved sector performance, in terms of stakeholder perception and documented results? | | |
| 4a. Is there evidence of improved sector performance resulting from SUWASA? | <ul style="list-style-type: none"> • More information required. At the utility (HTWSSSE) level, performance in discharging the duties at various departments has improved as a result of the implementation of project outputs (see If above). With regards to the level of service provided to customers, it is still too early to assess impact, though expected to be seen after a reasonable time (which length is subject also to the completion of capital investments, to include the WB facility) has elapsed. | <p>Interviews with SUWASA Team in Nairobi</p> |
| 4b. What is the level of stakeholder satisfaction resulting from SUWASA activities? | <ul style="list-style-type: none"> • There is a general consensus among stakeholders, including the HTWSSSE management and Board, that the use of performance agreements is a good practice in increasing transparency, accountability and enhancing performance. • The Regional Water Resources Bureau, though not directly engaged in SUWASA activities or the day to day operations of the utility, recognizes that SUWASA is playing a vital role in | <p>Mid Term Review</p> |

| Ethiopia Evaluation Matrix | | |
|---|--|--|
| Sub-Questions | Evidence | Source |
| | <p>strengthening the capacity of the utility to be more efficient and sustainable in its operations. The Bureau is keen to see the outcomes of the project and replication of good practices in other utilities.</p> <ul style="list-style-type: none"> • The utility sees SUWASA as a key partner and has very high expectations from the project in the identified areas of support. • The City Administration, through the Mayor of Hawassa and Head of Finance and Economic Planning, acknowledge that SUWASA is playing a critical role in enhancing service delivery and strengthening the capacity of the utility. The role of SUWASA in reviewing the tariff structure and introducing performance agreements was singled out as a significant input towards achieving financial sustainability and improved performance. The town administration feels that the performance of the utility has improved over the last few months based on the quarterly reviews conducted by the Town Water Board. • More information required | |
| 4c. What evidence is there of beneficiary satisfaction resulting from SUWASA activities? (where feasible) | <ul style="list-style-type: none"> • No evidence is available so far. Evidence would become available after the implementation of the SIP's and upon the impact assessment to be done in August 2013. More information required. | Interviews with SUWASA Team in Nairobi |
| <p>Premise 5 – Correctly designed, managed and implemented project</p> <p>SOW Question 5 – <i>How could the approach to selecting and implementing a portfolio of activities have been improved – both to achieve better results in each country and to better develop an evidence base for the specific sector reform option? Define the approaches – from strategy, management and implementation – that enhanced the project and identify the ones that can be replicated in the future. Also identify the ones that weakened the project and how these can be alleviated for the remainder of the project and in future programs. What priorities should be set for the project for the remainder of the contract and what would project success look like?</i></p> | | |
| 5a. Was the overall project design realistic (timeline, funds, human resources, targets) to achieve the expected outcomes and impact? | <ul style="list-style-type: none"> • More time should have been allowed. In part this is due to the delays – unforeseen (above all delays in staff approval), which in practice reduced the project time to 1.5 years. However, given the scope, the planned 2 years seem understated timewise. The reasoning behind is that the counterparts need more time to absorb and endorse what is being proposed. • The rest of considerations – budget, HR, targets, were realistic. • Given the delays probably not, but needs to be determined. | Interviews with SUWASA Team in Nairobi |
| 5b. Have Project risks and assumptions been taken into account in the Project design and at implementation? | <ul style="list-style-type: none"> • The [known] fact that the tariffs had not been changed since 2004, yet were designed to be changed (substantially) in the course of the project were not considered as a risk factor. Although it did not materialize, it could have happened that the HTWSSSE and/or relevant authorities in charge had rejected the proposed tariff increase, thus resulting in lower related outcomes. No information, to be determined | Interviews with SUWASA Team in Nairobi |
| 5c. Was the country context sufficiently taken into account? How was that reflected in the project design (e.g. revised targets, tailored risk analysis) | <ul style="list-style-type: none"> • To some extent, but not fully. For example, the complexity of the legal framework related to the performance agreements took had not been anticipated, thus resulting in taking longer time to research it than had been thought. • Not clear, to be determined | Interviews with SUWASA Team in Nairobi |

| Ethiopia Evaluation Matrix | | |
|--|--|---|
| Sub-Questions | Evidence | Source |
| 5d. Has the project demonstrated sufficient flexibility to adjust to changing circumstances and conditions? | <ul style="list-style-type: none"> • More information required. This is not clear, but as stated above, some of the associated risks have not materialized, which was fortunate. | |
| 5e. Is the Project monitoring and reporting effective in identifying project successes and areas of weakness? | <ul style="list-style-type: none"> • The Monitoring and Evaluation Plan is very well developed to address the issue. • The Mid Term Review is one of the tools to address the issue and has done that quite well. But more information required to assess how the recommendations of the Mid Term Review were addressed. | Mid Term Review |
| 5f. What were/are the main reasons for project success (if any) and can they be replicated? | <ul style="list-style-type: none"> • The identification of a champion: the General Manager was key factor to success, by providing full support to the project from the start throughout. • Use of local experts was a factor to success, (in spite of resulting in poor linkage with international experts) • More information required | Interviews with SUWASA Team in Nairobi |
| 5g. What were/are the main challenges or obstacles in terms of achieving project outcomes, and how have they been addressed? | <ul style="list-style-type: none"> • Delayed start of the project. In one aspect, the delays in appointment procedures of two utility Technical Specialists by 85 and 125 days, respectively, was considered a factor for such delays. • Communication within Ethiopia of project approach and achievements. • Inadequate linkage between local consultants and external consultants. • Complex legal framework, beyond expectation. • Key challenges were the delays and inaction by HWSSE and the Board to adopt the proposed changes – including tariff schemes, organizational structure (esp. the sanitary department), and adopt performance agreements. • The lack of expertise of HWSSE, particularly with regard to procurement. • More information required | Progress Report June 2012 Mid Term Review Interviews with SUWASA Team in Nairobi and evidence on delays provided by the same. |
| 6. Cross Cutting Issues | | |
| 6a. In what terms has the project taken account of social issues, including poverty and gender aspects? | <ul style="list-style-type: none"> • According to the final tariff study report the utility requires a better tariff regime to make it financially viable, promote more efficient water usage, target subsidies to the poorest, and to enhance and expand service delivery. • The impact assessment to be conducted in August 2013 will include a gender impact component. More Information required | Mid Term Review Tariff Study Interviews with SUWASA Team in Nairobi |
| 6b. What mechanisms exist for ensuring that adequate attention is paid to these issues at each stage of the project cycle? | <ul style="list-style-type: none"> • Information required. With regard to the tariff structure, allowing for a lifeline component, clearly the answer is consistency in pursuing that throughout the process of development and implementation | Interviews with SUWASA Team in Nairobi |
| Is there evidence of tangible results/positive impact on poverty | <ul style="list-style-type: none"> • Information required. See second paragraph of point 6a. • An End of Project Evaluation, which will “Assess the impact, effectiveness, efficiency, relevance and sustainability of SUWASA | Interviews with SUWASA Team in Nairobi |

| Ethiopia Evaluation Matrix | | |
|---|--|---------------|
| Sub-Questions | Evidence | Source |
| alleviation and gender aspects? If so, what are they? | interventions in Hawassa, including the gender and poverty dimensions of the project” is planned to be conducted by SUWASA Team in August 2013. It may provide information and data needed under this point. | |

ANNEX I

TABLE I - SUWASA SUMMARY OF CONFERENCES AND PAPER PRESENTATIONS

| | EVENT | TOPIC | FORMAT | DATE |
|----------|--|--|--|-------------|
| 1 | USAID Washington Infrastructure Workshop | Engaging Private Sector in Water for the Poor in Africa | Plenary presentation | Dec-13 |
| 2 | World Bank Institute Championing Water Utility Reform, Nigeria | Supporting Economic Regulation of Urban Water Services in Zambia | Plenary presentation | Jan-13 |
| 3 | 4th Africa Water Week, Egypt | Does Regulation Matter in Attracting Private Sector Investment? | Theme Conveners of the Track: Private Sector Investment in Water and Sanitation. | May-12 |
| 4 | 4th Africa Water Week, Egypt | Water Institutional Arrangements for WSS Reform | Plenary presentation | May-12 |
| 5 | 3rd Water Week, Ethiopia | Reforms in South Sudan, Ethiopia and Kenya | Side Event | Nov-10 |
| 6 | 2nd AfWA Congress, Uganda | Introducing SUWASA in the Sector | Side Event | Mar-10 |
| 7 | SADC WASH Meeting, Mozambique | Transforming Water Utilities into Sustainable Business Enterprises | Plenary presentation | 2011 |
| 8 | IWA Utility Leaders Forum, Swaziland | Trends, Challenges & Opportunities for Water Utilities in Africa | Plenary presentation | 2010 |

ANNEX 2

Table 2 - Planned Presentations/Materials

| | | | | |
|---|------------------------|--|--|--------|
| 1 | 3rd IWA Congress Kenya | Are Cost-Reflective Tariffs a Panacea for Utility Financial Challenges? Lessons from Hawassa, Ethiopia | Narrated Presentation with downloadable article on the IWA Congress Site | Oct-13 |
| 2 | 3rd IWA Congress Kenya | Performance agreements; tool for enhancing performance of public utilities? | Narrated Presentation with downloadable article on the IWA Congress Site | Oct-13 |
| 3 | 3rd IWA Congress Kenya | Development of a Performance Improvement Plan through a Water Utility Partnership Tool | Narrated Presentation with downloadable article on the IWA Congress Site | Oct-13 |

TABLE 3 - SUWASA Tools and Materials for sharing on SUWASA's online platform

| | | Format | Due Date |
|---|--|-----------------------|-------------|
| 1 | Example of performance agreements | Example template | July-13 |
| 2 | Example Business Plan | Example template | December-13 |
| 3 | Example Strategic Plan | Example template | December-13 |
| 4 | Market Assessment Tools | Example tool | August-13 |
| 5 | Template for Customer Enumeration | Example template | October-13 |
| 6 | Creating Incentives for Reform | Narrated Presentation | March-14 |
| 7 | Moving towards Cost Reflective Tariffs | Narrated Presentation | March-14 |
| 8 | Champion and Stakeholder Engagement | Narrated Presentation | March-14 |

KENYA DESKTOP REPORT—REVISED AFTER PHASE 2

The evaluation is based on a desk review of various reports, discussion the SUWASA team in Nairobi during the visit to Kenya, and visits to Kisumu and Nakuru by the Evaluation Team to meet with beneficiaries and the utilities KIWASCO and NAWASSCO. Two focus group discussions were held with some beneficiaries in Nakuru. The Evaluation Team also met with the two COMMERCIAL BANKS, K-Rep Bank and the Family Bank. The documentation available to the Evaluation Team did not include the progress reports by SUWASA's subcontractor, Development Innovations Group (DIG).

PROJECT BACKGROUND

In 2002 the Water Sector Reforms momentum in Kenya culminated in the enactment of the Water Act 2002 which was gazetted in October 2002. The Act introduced new water management institutions to govern water and sanitation issues in Kenya. With the enactment of the Water Act and subsequent water sector reforms, the Kenya government committed herself to adopting a Human Rights Based Approach (HRBA) in the sector as expounded in the National Water Services Strategy (NWSS).⁷

Key components of the reform include⁸:

- (a) Water Act 2002.
- (b) National Water Services Strategy.
- (c) National Water Resources Management Strategy.
- (d) Water Services Regulatory Board Tariff Guidelines and Model.
- (e) Pro-poor Implementation Plan for Water Supply and Sanitation.

Water sector reforms are intended to⁹:

- Enhance water resource management
- Increase efficiency in water and sanitation services provision
- Improve customer care and increase customer satisfaction
- Increase development and investment
- Improve professionalism in the sector

The key principles underlying the Water Sector Reform are¹⁰:

- Stakeholder involvement and participation
- Decentralized decision making; separation of policy, regulation and service provision
- Socially responsible commercialisation of water services and private sector participation
- Cost-recovery principle that takes into account a pro-poor pricing policy that meets equity, economic, financial and environmental concern
- Delegation of responsibilities for water actors and separation of Water Resource Management from Water Services Provision

The SUWASA Project: Innovative financing for water and sanitation in Kenya (The Nexus Initiative) provides one component in support of the overall reform agenda.

⁷ KWAHO (2009). Enhancing Water and Sanitation Governance in Kenya: Human Rights Based Approach to Reforms in the Kenya Water Sector

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid.

The Main Objective is:

Improve access to safe, reliable, affordable and demand-driven water and sanitation solutions in urban, peri-urban and informal settlements (“urban communities” or “urban realm”)

Specific Objectives are:

1. To create and manage innovative partnerships between water service providers (WSPs) and microfinance banks in the country to share experiences and strategies that increase access to water and sanitation.
2. To develop and roll out microfinance and metafinance products that meet the water and sanitation needs and affordability of the urban poor, and implement institutional arrangements for financing that link WSPs, microfinance banks, small businesses and communities.
3. To promote sector reform by developing sustainable business models that increase access to water and sanitation services for the urban poor and improve the commercial viability of the WSP.

The Development Innovations Group (DIG) implemented the project under a subcontract from Tetra Tech as part of the SUWASA program. The project was implemented over two and a half years, from November 2010 to May 2013. It developed an innovative financing model in Kenya that allowed water and sanitation utilities to access bank financing to extend and improve their services to the urban poor. SUWASA worked with two urban utilities and two banks, Kisumu Water & Sanitation Company (KIWASCO) and K-Rep Bank in Kisumu and Nakuru Water and Sanitation Services Company (NAWASSCO) and Family Bank in Nakuru.¹¹

In Kisumu, SUWASA facilitated the replication of a system of Master Operators (MO), but with the innovation of a loan arrangement from the bank to pay for the household connections in a poorer area of the city. MOs are selected community groups that run the service under a delegated management system by KIWASCO. The MO is responsible for the local distribution system and individual meters serving a few hundred households – the MO bills the consumers, and is in turn billed for the water passing through a bulk meter to the local distribution.

In Kisumu, over 1,500 metered connections were installed for households, a kiosk and institutions including seven schools and two medical facilities. Approximately 4,550 students are served by the water connection at the seven schools. 12,000-13,000 (including the students) people are served. Under the financing arrangement, households pay a total of KES 450 (USD 5.49) per month for up to 6cu.m of clean and treated KIWASCO water. Other benefits include convenience, health, 24/7 water access and reduced time in getting water.¹²

In Nakuru, SUWASA facilitated the installation of a distribution system in a poor area of the city with consumers served through pre-paid water meters. The consumer buys credit on an electronic token, which is debited each time s/he takes water.

NAWASSCO had installed 89 meters serving 9,120 people. For the consumers, the standard tariff for a private connection is about KSH 1.2 (USD 0.01) per 20-liter jerrican.¹³

¹¹ SUWASA Kenya: End of Project Report, May 2013

¹² Ibid.

¹³ Ibid.

Evaluation Questions

| Kenya Evaluation Questions | | |
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| Sub-Questions | Evidence | Source |
| <p>Premise I – Contribution to the Body of Solutions</p> <p>SOW Question I – <i>Based on analysis of the country activities and the SUWASA project overall, to what extent, how, and at what level (local, country, regional, sector) has SUWASA added to the body of sector knowledge and engendered a learning agenda about how to alleviate service constraints?</i></p> | | |
| <p>Ia. In what way is this project new or innovative?</p> | <ul style="list-style-type: none"> • “There are two critical financing points in the water/sanitation equation: 1) how utility companies finance the trunk infrastructure to the community; and 2) how the urban poor, homes and communities connect to the trunk infrastructure. Addressing only one of these critical points produces disequilibrium in the market, most adversely affecting the urban poor and disadvantaged. It is this group that is plagued by excessive pricing for services or simply has no access at all. To avoid this pitfall, the Nexus Initiative seeks to bridge utility finance (to finance the trunk mains) and urban poor microfinance (to finance the urban poor and enable them connect to the trunk main) to achieve sustained reform and minimize market distortions. This linkage between utility finance and microfinance is what is unique and innovative about this project.” • Because of difficulties in coordinating the timing for the two components, and based on the World Bank Water and Sanitation Program (WB-WSP) experience, it was realized that the combined finance approach would not be feasible. • The idea for using microfinance for developing access to water and sanitation services has been around for some time – one of the references in Cook and Onjala is 2003, and they cite Mehta in 2008. • By 2009, there were two examples of commercial bank lending for water services – one for a community loan by K-Rep Bank (one of the project partners) for small towns, which was scaling up nationwide in 2008; and one for communities in two small towns for borehole and distribution improvement. There are also a number of examples of loans to small and medium enterprises (SMEs) in other countries in Africa. • In answer to their own question of what types of “innovative financing” seem to be the most promising for the Kenya water supply and sanitation sector,” Cook and Onjala suggest household “retail” loans, and group lending in urban settings for water supply, but not for sanitation. • The Inception Report is not very clear on how the project is new or innovative. It defines one of the key challenges as financing connections for the urban poor. “The Nexus Initiative will serve as a catalyst to bring together MFIs and water service providers (WSPs) in order to allow WSPs to better understand this clientele, and to create financial products and mechanisms to extend services to the urban poor in a financially viable manner.” In the context of the discussion in Cook and Onjala, it appears that the innovation is to apply experience from other countries in | <p>SUWASA (June 2010). Quarterly Report III</p> <p>SUWASA (June 2010). Quarterly Report III</p> <p>Cook, J. and J. Onjala (2009). Microfinance in the Water Supply and Sanitation Sector in Kenya, Global Water Challenge</p> <p>DIG (February 2011). Project Inception Report, SUWASA</p> |

| Kenya Evaluation Questions | | |
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| Sub-Questions | Evidence | Source |
| | <p>Kenya.</p> <ul style="list-style-type: none"> The best explanation of the innovations is provided in the Summary of Mid-Term Review of SUWASA-Kenya Project. The innovations are different in Kisumu and Nakuru. The various concepts of how the project was innovative evolved during the course of the project, so that in the end “SUWASA Kenya developed and rolled-out metafinance products that met the water and sanitation needs and affordability of the urban poor in Kisumu and Nakuru. The metafinance products linked the communal demand and individual capacity to pay with commercially viable financing to the utility. | <p>Mid-Term Review of SUWASA-Kenya Project (Jan 2012) Tetra Tech ARD.</p> <p>SUWASA Kenya: End of Project Report (May 2013)</p> |
| Ib. To what extent will (has) the project add(ed) to the body of sector knowledge? | <ul style="list-style-type: none"> “SUWASA Kenya created win-win partnerships among financial institutions, utilities and low-income consumers to help the urban poor access water and sanitation services. The project increased the urban poor’s access to water by providing technical assistance to utilities to increase their capacity to develop bankable proposals, to banks to determine the creditworthiness of the utilities, and to consumers to understand their demand and willingness and ability to pay for water.” The project has identified a number of lessons and good practices for future project, classified under themes covering: <ul style="list-style-type: none"> a. Government policy, regulatory support and complementary initiatives b. Water financing environment for lenders and borrowers c. Macroeconomic environment d. Considerations and recommendations for working with WSP partners e. Considerations and recommendations for working with bank partners | SUWASA Kenya: End of Project Report (May 2013) |
| Ic. How will (has) the project alleviate(d) service constraints? | <ul style="list-style-type: none"> In Kisumu, over 1,500 metred connections have been enabled, serving more than 8,500 beneficiaries. In Nakuru, services to more than 8,000 people have been enabled to have metered connections, and 95 pre-paid meters serving more than 15,000 people have been installed, the first of its kind in Kenya. | SUWASA (February 2013). Kenya, Project Status Report |
| Id. How has this experience and knowledge been disseminated (and at what levels)? | <p>International events:</p> <ul style="list-style-type: none"> Debate at 3rd Africa Water Association Congress in Morocco Paper “Innovative Financing for Water in Kenya”, at 3rd AfWA Congress Side event at 3rd Water Week, Ethiopia Paper “Capacity Development Workshop on Lessons Learned from the Public Pre-paid Meter Pilot in Nakuru”, plus a workshop at 36th WEDC Conference, Kenya Presentation “Public pre-paid meters- a viable service option for low income areas? The Nakuru experience” at 3rd International Water Association (IWA) Congress in Kenya <p>SUWASA Website:</p> | SUWASA Summary of Conferences and Paper Presentations, provided after evaluation meeting in Nairobi |

| Kenya Evaluation Questions | | |
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| Sub-Questions | Evidence | Source |
| | <ul style="list-style-type: none"> Narrated presentations on “Linking Utilities with financial institutions to improve service delivery” and “Prepaid water meters as an option for providing services to the urban poor”. <p>National events:</p> <ul style="list-style-type: none"> Several listed in the Project Final Report <p>USAID:</p> <ul style="list-style-type: none"> Good practice Note: Access and Affordability through Public Pre-paid Meters, A pilot project in Nakuru, Kenya Articles in “Frontlines” and “Global Waters” | SUWASA Kenya: End of Project Report (May 2013) |
| 1e. Is the unlocking of service constraints likely to be sustainable/ replicable? | <ul style="list-style-type: none"> In Kisumu the system of community organisations as Master Operators (MO) should be sustainable, based on use of this system by KIWASCO in other areas. The financing system should be possible to replication in other places, based on confidence gained by the project In Nakuru, sustainability will depend on the continued functioning of the technology in the pre-paid meters – the lack of support from the supplier is a concern. There is substantial interest in replicating the system in other areas in Nakuru and throughout Kenya – the CEO of WSTF is promoting it. | Field visits by the Evaluation Team, June 2013 |
| 1f. How effective has the dissemination of products been (knowledge of products, application of knowledge?) | <ul style="list-style-type: none"> SUWASA has not monitored the results of dissemination at international or national events, apart from noting the interest shown through immediate discussion. | Meeting/interview with SUWASA team in Nairobi |
| Premise 2 – Maximum Development Impacts and Aid Effectiveness SOW Question 2 – Has SUWASA been effective at integrating other development activities in a way that maximizes development impact and aid effectiveness? If so, are there specific ways that this has been accomplished that could inform future USAID programming? | | |
| 2a. What is the level of Government support for SUWASA? | <ul style="list-style-type: none"> The project builds on the principles of the Water Act 2002 (as outlined by the Kenya Water for Health Organization (KWAHO) (2009)). Meeting with the Water and Sanitation Regulatory Board (WASREB) Head of Regulatory Services, was held at project inception stage A key implementing partner is the Water Services Trust Fund (WSTF) | DIG (February 2011). Project Inception Report, SUWASA SUWASA Kenya: End of Project Report (May 2013) |
| 2b. What is the level of synergy between SUWASA and other (current or planned) Donor programs? | <ul style="list-style-type: none"> In Kisumu, the Project supports WSP (the Kusama Water and Sanitation Company (KIWASCO) in the distribution and connections which are possible as a result of completed projects funded by African Development Fund and UN HABITAT that doubled the water supply to the city and increased piped infrastructure to urban poor communities. The Inception Report also mentions “UN Habitat, French Development Agency (AFD), African Development Bank (AfDB), the World Bank Water and Sanitation Program (WB-WSP) and the Netherlands Development Organization (SNV), among others have also been investing and supporting the sector through infrastructure investments, assessments, investment planning and | DIG (February 2011). Project Inception Report, SUWASA DIG (February 2011). Project Inception Report, SUWASA |

| Kenya Evaluation Questions | | |
|---|---|---|
| Sub-Questions | Evidence | Source |
| | <p>training making the opportunity to complement this work”; the synergy between these, however, is not made explicit.</p> <ul style="list-style-type: none"> • In Kisumu, the project works in close partnership with the K-Rep Bank and its <i>Maji ni Maisha</i> financing mechanism. It has developed the loan mechanism to enable the WSP to provide connections with repayment through water bills serviced through Master Operators (<i>to be checked</i>) • There is a link with World Bank-WSP Output Based Aid (OBA) to pay 50% of the loan and 50% of the interest accumulated during the grace period if KIWASCO reaches the target of 1,500 connections. • In Nakuru, the COMMERCIAL BANK partner is Family Bank, with a loan from the FB to the WSP for installation costs of meters and training on use. The pre-pay system uses FB’s M-Pesa system. • The Water Services Trust Fund (WSTF) contributed KES 3,400,000 for 15 meters and associated equipment, software and training. Neither USAID nor SUWASA are mentioned as a partner on the WSTF website. • The Project linked with the USAID Small Investment Program as a source of additional funding. | <p>Summary of Mid-Term Review of SUWASA-Kenya Project (Jan 2012) Tetra Tech ARD</p> <p>Mid-Term Review of SUWASA-Kenya Project (Jan 2012) Tetra Tech ARD SUWASA (February 2013). Kenya, Project Status Report</p> |
| Is there evidence that SUWASA activities have enabled /supported other development projects (either by Government of donors)? | <ul style="list-style-type: none"> • The CEO of WSTF has proposed the use of pre-paid meters should be replicated throughout Kenya. • KIWASCO would like to expand the system of master operators serving poor areas of the city, but this is dependent on external loan finance. • There is no evidence yet of substantive proposals for other projects. | SUWASA Kenya: End of Project Report (May 2013) ET Meeting with KIWASCO, June 2013 |
| 2c. Is there evidence of SUWASA concepts and practices being adopted into national strategies? | <ul style="list-style-type: none"> • The WSTF CEO has announced plans to scale the approach throughout Kenya | SUWASA Kenya: End of Project Report (May 2013) |
| 2d. Are lessons learned from SUWASA being incorporated into USAID knowledge base at the program level (country and Washington level)? | <ul style="list-style-type: none"> • There is no evidence of use of the project experience by USAID in Kenya. • USAID has published a Good Practice Note on the pre-paid meters, and two articles in its online publications. | interview with USAID Kenya WASH specialist SUWASA Kenya: End of Project Report (May 2013) |
| What is the amount of funding for SUWASA, and has additional funding been provided by government, other | <p>SUWASA TA: US\$ 1,787,789</p> <p>Kisumu</p> <p>KIWASCO: KES 7.2 million (US\$87,805)</p> <p>Community: KES 2.55 million (US\$31,098)</p> <p>K-Rep Bank: KES 20.1 million (US\$245,863) (loan)</p> | SUWASA Kenya: End of Project Report (May 2013) |

| Kenya Evaluation Questions | | |
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| Sub-Questions | Evidence | Source |
| donors, other sources? | <p>WB-WSP: OBA: 50% of loan + 50% of interest from grace period (value \$133,461)</p> <p>Total (excl. TA): KES 29.9 million (US\$364,766)</p> <p>Nakuru</p> <p>USAID/SUWASA SIP: KES 12 million (US\$146,670)</p> <p>NAWASSCO: KES 2 million (US\$ 23,390) (KES 1 million Family Bank loan; KES 1 million equity)</p> <p>Family Bank loan to NAWASSCO: KES 1 million</p> <p>Community: KES 900,000 (US\$10,976)</p> <p>WSTF: KES 3.4 million (US\$ 41,463)</p> <p>Total (excl. TA): KES: 18.3 million (USD 223,499)</p> | |
| How were additional funds and project linkages developed - facilitating factors and constraining factors | <ul style="list-style-type: none"> • The SIP funds were obtained because NAWASSCO requested co-funding to reduce its exposure. • The COMMERCIAL BANK funding was negotiated as part of the project development • the WSTF funds were also negotiated as part of project development | SUWASA (February 2013). Kenya, Project Status Report |
| <p>Premise 3 – Value of service provider focus</p> <p>SOW Question 3 – Can SUWASA demonstrate evidence that utility-focused reform is as beneficial as assumed? If yes, what lessons can be extrapolated from the SUWASA design or implementation for replication elsewhere? If not, what aspects of the project concept, design or implementation have impeded this result from being demonstrated? Is this still a possible result for the remainder of the project?</p> | | |
| 3a. Is there evidence of measurable improvement in Utility (or beneficiary institution) performance resulting from SUWASA? | <ul style="list-style-type: none"> • “K-Rep Bank views the project as a new financing model for urban WSPs”. • In Kisumu, the results of the project are currently being disrupted by a roadworks contractor digging up the distribution main. However, based on its other similar decentralised management schemes, KIWASCO expects to reduce non-revenue water to less than 5% in the served areas, compared with 50% generally. • In Nakuru, Net Present Value analysis of the investment shows cost recovery on the investment in year 3 with 16% profitability. In year 5, profitability reaches 72% and profits of KES 6,779,596 (USD 82,678). The break-even is month 25.5. • The success of the pre pay meters has had a positive impact of the profile of the Pro Poor Unit within NAWASSCO | <p>SUWASA (February 2013). Kenya, Project Status Report</p> <p>ET Meeting with KIWASCO, June 2013</p> <p>SUWASA Kenya: End of Project Report (May 2013)</p> <p>ET interview with NAWASSCO, June 2013</p> |
| 3b. If so, how is this leading to improvements in service and customer satisfaction? | <ul style="list-style-type: none"> • In Nakuru, people appreciated that water is available nearby; the price of water is low; there is no scramble or argument over water; and it is available when needed. • In Kisumu, it was not possible to gauge satisfaction because the water is not yet available. However, service is expected to be cheaper with access at household level | Evaluation focus group discussions, June 2013 |
| 3c. Are results and lessons identified adequately documented in a format that can | <ul style="list-style-type: none"> • The Project Final Report has identified a comprehensive range of lessons grouped into various categories. This will certainly aid dissemination to targeted audiences and replication | SUWASA Kenya: End of Project Report (May 2013) |

| Kenya Evaluation Questions | | |
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| Sub-Questions | Evidence | Source |
| facilitate replication elsewhere? | | |
| 3d. How is SUWASA using national and regional networks to publicise lessons learned? | <ul style="list-style-type: none"> As listed in Q1d, SUWASA is disseminating through regional conferences and through other for a. | |
| 3e. Have difficulties and challenges been adequately documented and measures taken to alleviate them (and that lessons have been learned as a result)? | <ul style="list-style-type: none"> “The NAWASSCO board felt that the risk in financing the full project was too high. SUWASA Kenya sought other financing options to lessen the exposure to NAWASSCO through a Small Investment Program (SIP) fund” This raises a fundamental question about how the risk of funding services to the poor is allocated/shared between stakeholders and how it is managed. The way the lessons are explained in the the Final Report also brings out the challenges, and the means for addressing those challenges. | <p>SUWASA (February 2013). Kenya, Project Status Report</p> <p>SUWASA Kenya: End of Project Report (May 2013)</p> |
| 3f. What measures or corrective actions (if any) have been taken to ensure the project will achieve its intended results and outcomes? | <ul style="list-style-type: none"> A number of challenges are explained in the final report, and the actions taken to overcome them. In Kisumu, the main challenges were a delay in approval of the loan by K-Rep; and road construction which has repeatedly damaged the main distribution pipe. Together these put the OBA funding at risk – the part for construction of connections has now been released; the part for revenue generation has been allowed extra time to achieve. There was also some internal resistance to the project within KIWASCO. In Nakuru, the main challenge has been the poor performance of the pre-paid meter supplier – one factor behind this is delays in approval by USAID of VAT exemption documents, so the supplier has had to bear the cost of this until reimbursement which may take some years. SUWASA had to make more inputs to compensate for the poor performance. The other challenge is that it was not possible to use a mobile telephone payment system because of government regulations. This part of the project had to be dropped. | |
| 3g. What were/are the factors in the concept, design and implementation that have made reform successful: social, institutional (including strategic and operational management), service delivery, infrastructure investment | <ul style="list-style-type: none"> The project built on the foundation of sector reform set in process through the 2002 Water Act. This allowed water service providers to integrate business practices into their operations. SUWASA brought together the interests of financial institutions, the water service providers and low-income consumers. SUWASA provided a critical role in catalysing and facilitating these relationships, as well as technical support in planning and cost recovery analysis. | SUWASA Kenya: End of Project Report (May 2013) |
| What could be changed in the original concept, design and implementation, in order to avoid identified | <ul style="list-style-type: none"> There is little that would need to be changed in the original concept and design. In the implementation there was only one supplier of the pre-paid meters. In retrospect, it may have helped for SUWASA to have | Interviews by the Evaluation Team |

| Kenya Evaluation Questions | | |
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| Sub-Questions | Evidence | Source |
| difficulties that eventually have lead to underperformance? | <p>sourced internationally.</p> <ul style="list-style-type: none"> The two banks have put themselves in a position where they are taking virtually no risk, yet they are charging very high interest rates for the 5 year loans to the utilities – these charges are passed on to the consumers in the form of a surcharge on the normal bill for the 5-year loan period. With more interest from other banks, the competition may result in lower interest rates in future projects. | |
| Premise 4 – Positive country level reform | | |
| SOW Question 4 – Based on analysis of the specific country activities, including results against the M&E plans, how well have the country activities improved sector performance, in terms of stakeholder perception and documented results? | | |
| 4a. Is there evidence of improved sector performance resulting from SUWASA? | <ul style="list-style-type: none"> On sector performance at a local level in the two cities there is evidence of improved revenue generation by the two utilities, and increased service coverage to groups who are often neglected by utilities. On sector reform at a national level, there is certainly interest from sector players such as WSTF and other financial institutions. | |
| 4b. What is the level of stakeholder satisfaction resulting from SUWASA activities? | <ul style="list-style-type: none"> Both utilities expressed satisfaction with the process and results, and appreciated SUWAS’s role The two banks appreciate the opportunities for supporting a new market in the water sector The Master Operators in Kisumu, who are community based groups, appreciate their new business opportunities which are raising finance for other development activities | Interviews by the Evaluation Team |
| 4c. What evidence is there of beneficiary satisfaction resulting from SUWASA activities? (where feasible) | <ul style="list-style-type: none"> From focus group discussion in Nakuru and discussion with MOs in Kisumu, consumers appreciate the easier access to cheaper water | FGDs and interviews by the Evaluation Team |
| Premise 5 – Correctly designed, managed and implemented project | | |
| SOW Question 5 – How could the approach to selecting and implementing a portfolio of activities have been improved – both to achieve better results in each country and to better develop an evidence base for the specific sector reform option? Define the approaches – from strategy, management and implementation – that enhanced the project and identify the ones that can be replicated in the future. Also identify the ones that weakened the project and how these can be alleviated for the remainder of the project and in future programs. What priorities should be set for the project for the remainder of the contract and what would project success look like? | | |
| 5a. Was the overall project design realistic (timeline, funds, human resources, targets) to achieve the expected outcomes and impact? | <ul style="list-style-type: none"> Generally, the design and resourcing was satisfactory for the intended outcomes. These have been achieved within the timeframe and funding. | |
| 5b. Have Project risks and assumptions been taken into account in the Project design and at implementation? | <ul style="list-style-type: none"> Several risks are described in the Inception Report, including the challenges of the WSPS in old infrastructure; highly subsidised water; weak structures with a non-business like ethos; the politics and political interference in running services. One risk not discussed is the governance of the WSPs. Both Kisumu and Nakuru are cited by WASREB in its Annual Report 2012 with “Notices of Intention to Prosecute” (Kisumu for “Regular tariff issue”; Nakuru for “Lack of Service Provision | DIG (February 2011). Project Inception Report, SUWASA WASREB (2012). Annual Report 2012. |

| Kenya Evaluation Questions | | |
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| Sub-Questions | Evidence | Source |
| | <p>Agreement” (SPA).</p> <ul style="list-style-type: none"> The project was designed to work in the challenging context at the time. | |
| 5c. Was the country context sufficiently taken into account? How was that reflected in the project design (e.g. revised targets, tailored risk analysis) | <ul style="list-style-type: none"> The Inception Report was based on a thorough analysis of the context, both in the water sector and in the microfinance sector. It also covers the risks and how to manage them Based on the review of the original proposal, the project took on a second COMMERCIAL BANK, which has provided a contrast and usefully shown two slightly different approaches by COMMERCIAL BANKS. | DIG (February 2011). Project Inception Report, SUWASA |
| 5d. Has the project demonstrated sufficient flexibility to adjust to changing circumstances and conditions? | <ul style="list-style-type: none"> Generally yes, DIG worked closely with K-Rep when approval for the loan arrangement was delayed; SUWASA made up for the problems with the pre-paid meter supplier; misgivings within utilities were overcome by groundwork by the DIG personnel | SUWASA Kenya: End of Project Report (May 2013) Evaluation interviews |
| 5e. Is the Project monitoring and reporting effective in identifying project successes and areas of weakness? | <ul style="list-style-type: none"> The monitoring plan is generally satisfactory. The expected results and indicators for promotion of sector reform are not directly within the control of the project. | Kenya: Monitoring and Evaluation Plan, April 2012 |
| 5f. What were/are the main reasons for project success (if any) and can they be replicated? | <ul style="list-style-type: none"> See 3g | |
| 5g. What were/are the main challenges or obstacles in terms of achieving project outcomes, and how have they been addressed? | <ul style="list-style-type: none"> See 3f | |
| 6. Cross Cutting Issues | | |
| 6a. In what terms has the project taken account of social issues, including poverty and gender aspects? | <ul style="list-style-type: none"> “Focus on the “working poor,” who are the typical microfinance clientele, rather than the poorest of the pool.” The Market Demand Assessment Report only gives average incomes, not the range or disaggregation by gender, women-headed HHs, etc. Existing water service providers have significantly lower income (60%) compared to the overall average. The assessment found that “lending to this group should <i>not</i> be a priority for microfinance partners” due to risks and lower ability to repay, and the provision of small pipe infrastructure in low-income settlements, “providing new opportunities for sourcing water through other means than vendors.” [emphasis added]. The implication of this is that the poorer people who rely on water service provision for 80% of their income are being put out of business. It is not clear if there is provision within the project to address this. The Mid-term Review raises a concern in Nakuru about | Fineline (November 2011). The Market Demand Assessment for Water and Sanitation Services, DIG |

| Kenya Evaluation Questions | | |
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| Sub-Questions | Evidence | Source |
| | <p>accessibility to pre-paid meters – these are being placed inside the compounds of private landlords (for security). The concern is that residents living outside the compounds may have access restricted.</p> <ul style="list-style-type: none"> • NAWASCO recently prepared a Pro-poor Strategic Plan, which included use of the pre-paid meter system • One of the Master Operators in Kisumu is a women’s community group | <p>Summary of Mid-Term Review of SUWASA-Kenya Project (Jan 2012) Tetra Tech ARD</p> <p>Weekly report for March 25, 2013</p> <p>Evaluation Team field work</p> |
| 6b. What mechanisms exist for ensuring that adequate attention is paid to these issues at each stage of the project cycle? | In Nakuru, NAWASSCO has only belatedly taken on a consultant (with funding from the Netherlands) for community outreach. There is no community outreach specialist on its staff to explain the program and solicit community input. | Summary of Mid-Term Review of SUWASA-Kenya Project (Jan 2012) Tetra Tech ARD |
| Is there evidence of tangible results/positive impact on poverty alleviation and gender aspects? If so, what are they? | <ul style="list-style-type: none"> • It is too soon to determine this, and the project has not established monitoring indicators, with a baseline, to determine this. | |

Expanded Answers to Evaluation Questions

Premise I: Contribution to Body of Solutions

SUWASA has taken a critical problem, how to finance the expansion of services to poor urban areas, and developed the interest and capacity of microfinance institutions to engage with water utilities to address this problem. “SUWASA Kenya created win-win partnerships among financial institutions, utilities and low-income consumers to help the urban poor access water and sanitation services. The project increased the urban poor’s access to water by providing technical assistance to utilities to increase their capacity to develop bankable proposals, to banks to determine the creditworthiness of the utilities, and to consumers to understand their demand and willingness and ability to pay for water.¹⁴”

Parts of the solution had already been proven – microfinance for water and sanitation, mainly in a rural context; delegated management of water services to master operators. SUWASA has built on these and combined them in a way that is innovative. In the process, it has overcome a number of challenges, which individually as well as collectively add to the body of solutions.

The resistance of COMMERCIAL BANKs to engage in the urban water sector and in particular with public utilities because of risk and lack of collateral has been addressed by developing terms that substantially reduce the risk. The resistance by utilities to provide services to poor groups in urban areas has been overcome; in Kisumu this used an existing approach of master operators but with the

¹⁴ SUWASA Kenya: End of Project Report (May 2013)

addition of finance to develop these services; in Nakuru it has taken a new technology, the pre-paid meters, again with the addition of finance. And it has enabled poor households to get access to water services by a system that allows them to pay back the high connection charges over time. In the process, the initial idea of using microfinance evolved into metafinance – lending to an intermediary organisation (in this case the water utility) which takes on the risk and recovers the loan from multiple consumers.

The innovation has mainly been at a local level, in the two cities, but it has also started to affect reform at a country level. Other banks are reported to be interested in similar forms of lending. A national level institution in the sector is advocating for the approach to be used elsewhere in Kenya. SUWASA is also disseminating the findings at international events.

Premise 2 – Maximum Development Impacts and Aid Effectiveness

The project builds on the principles of the reforming Water Act 2002. SUWASA linked with key organisations in the sector, included the government Water Services Trust Fund, which contributed to the work in Nakuru. The work in Kisumu built on previous development of the MO system by UN HABİYAT with funding from the African Development Fund. SUWASA identified the K-Rep Bank as a potential partner because of its *Maji ni Maisha* (water) financing mechanism. The project also attracted support from the World Bank Water & Sanitation Program, which contributed Output Based Aid (OBA) to pay 50% of the loan and 50% of the interest accumulated during the grace period in Kisumu¹⁵.

There is no evidence yet of substantive proposals for other projects, although the WSTF CEO has announced plans to scale the approach throughout Kenya.

Thus, SUWASA and its sub-contractor, DIG, have been effective in integrating with the reform process and other development initiatives. They appear to have done this through developing a thorough understanding of the context and the organisation involved, and good networking. The context itself has also been important, the Water Act laid the foundation for reform and allowed for opportunities take initiatives.

Premise 3 – Value of service provider focus

The results on the ground are impressive. Although in Kisumu, the new distribution systems are not fully operational due to disruption by the roadwork, KIWASCO explained the benefits through experience of earlier decentralised management schemes with MOs, which have improved revenue from about 50% overall to more than 95% locally. KIWASCO is now convinced that it is worth investing in these poorer areas of the city. Its limitation is that it cannot fund such expansion from its own resources.¹⁶

In Nakuru the results have demonstrated that this sort of investment is worthwhile. The results have convinced WSTF that the pre-paid meter system is worth adopting in other urban areas in Kenya. In both places, customers appreciate the results¹⁷. The results of the project are reported to have raised the interest of other banks for lending for this part of the sector.

The End of Project Report provides a number of lessons for application in developing projects elsewhere. These are grouped under various themes:

¹⁵ Summary of Mid-Term Review of SUWASA-Kenya Project (Jan 2012) Tetra Tech ARD

¹⁶ Evaluation Team interview with officials of KIWASCO

¹⁷ Evaluation Team FGDs in Nakuru and meetings with MOs and residents in Kisumu.

- Government policy, regulatory support and complementary initiatives
- Water financing environment for lenders and borrowers
- Macroeconomic environment
- Considerations and recommendations for working with WSP partners
- Considerations and recommendations for working with bank partners

Many of these lessons are about the importance of understanding and working with the context in which the development takes place.

Overall, there are two aspects that should be addressed in the design of a replication project. There was only one supplier of the pre-paid meters, and the performance of this company has not been satisfactory. Part of the cause of this may have been delays by USAID in providing the papers to get exemption of VAT on the import of the meters – as a result the supplier will have to wait some years to recover this from the Revenue Office. In retrospect, it may have helped for SUWASA to have sourced internationally.

The two banks have put themselves in a position where they are taking virtually no risk, yet they are charging very high interest rates for the 5 year loans to the utilities – these charges are passed on to the consumers in the form of a surcharge on the normal bill for the 5-year loan period. With more interest from other banks, the competition may result in lower interest rates in future projects.

Premise 4 – Positive country level reform

On sector performance at a local level in the two cities there is evidence of improved revenue generation by the two utilities, and increased service coverage to groups who are often neglected by utilities. The results of improvements are documented in the Project Final Report.

On sector reform at a national level, there is certainly interest from sector players such as WSTF and other financial institutions

Both utilities expressed satisfaction with the process and results, and appreciated SUWAS's role. The two banks appreciate the opportunities for supporting a new market in the water sector. The Master Operators in Kisumu, who are community based groups, appreciate their new business opportunities which are raising finance for other development activities. From focus group discussion in Nakuru and discussion with MOs in Kisumu, consumers appreciate the easier access to cheaper water.

Premise 5 – Correctly designed, managed and implemented project

A key to the success of this project was the thorough assessment of the context, the policy and law, the organisations involved on the sector, the financing organisations, and the current experience internationally in finance, to fully understand the opportunities for addressing the problem identified. This was followed a tenacious effort by the SUWASA Team and the staff of its sub-contractor, DIG, in particular, to push and persuade often reluctant and sceptical organisations to take action. This is in contrast to the project in Senegal, in which there was an insufficient understanding of the current best practice internationally.

The project is now complete, so alleviating weaknesses is not relevant. The two main challenges are discussed under Premise 3.

6. Cross Cutting Issues

The early documentation of the project made it clear that it was targeting the “working poor”, not the poorest urban dwellers. It is probably a case of one step at a time. Facilitating utilities and finance

organisations to address the needs of this segment of the population and feel confident doing it is a significant step in its own right.

As part of the assessment to understand the challenges, SUWASA commissioned a study, The Market Demand Assessment for Water and Sanitation Services. Whilst this is an important study to understand the socio-economic status of the target group, it does have a weakness. The Report only gives average incomes, not the range or disaggregation by gender, women-headed HHs, and other vulnerable groups.

Existing water service providers have significantly lower income (60%) compared to the overall average. The assessment found that “lending to this group should not be a priority for microfinance partners” due to risks and lower ability to repay, and the provision of small pipe infrastructure in low-income settlements, “providing new opportunities for sourcing water through other means than vendors.” [emphasis added].¹⁸ The implication of this is that the poorer people who rely on water service provision for 80% of their income are being put out of business. There was no provision in the project to address this loss of livelihood by a relatively poorer segment of the population in the target areas.

Issues and Limitations in country

One important issue was the very high interest rates charged by the two banks. During the period of project and loan preparation the Central Bank of Kenya (CBK) raised interest rates to curb inflation. This translated to higher commercial loan interest rates, on which interest rates to the utilities were based – K-Rep Bank charged a 21% annual percentage interest (api) to KIWASCO. When inflation began to subside, the CBK reduced the interbank rate but banks maintained a high commercial loan rate. K-Rep Bank only reduced the rate on the loan to KIWASCO to 19% api.¹⁹ Kiwasco itself was not directly affected, as it passed this cost onto the consumers as a higher surcharge for repayment for the household connection. For the future, as more banks become involved in this form of lending in the sector, the interest rates should become more competitive.

There appear to be few limitations. Essentially the Water Act 2002 had set the legal and policy environment for sector reforms.

Findings and Conclusions

The SUWASA project appears to have successfully integrated with the sector reforms as set out in the Water Act 2002 and other subsequent government provisions. It has worked with two microfinance institutions (COMMERCIAL BANKs) to develop the way these institutions work with the sector. Furthermore, it has influenced partner organisations to consider scaling up the approach to other places in Kenya, although more information is needed to provide a conclusion on the actual uptake.

In Kisumu, over 1,500 metered connections have been completed that serve more than 8,500 beneficiaries. In Nakuru, services to more than 8,000 people have been enabled to have metered connections, and 95 pre-paid meters serving more than 15,000 people have been installed, the first of its kind in Kenya.

Overall, the Nexus Project in Kenya was a genuinely incrementally innovative project addressing a gap in service coverage to poorer urban populations and demonstrating how this can be done. It represents a very good example of what SUWASA was designed to achieve.

¹⁸ Fineline (November 2011). The Market Demand Assessment for Water and Sanitation Services, DIG

¹⁹ SUWASA Kenya: End of Project Report (May 2013)

One of the main factors inhibiting the development of services for the urban poor is risk. Traditional both finance institutions and service providers have been reluctant to cater for the needs of poor urban inhabitants because of the risk of non-payment and default on loans. In this project, the finance institutions have overcome this reluctance by transferring the risk to the utilities, although still charging high interest rates. The two utilities have reduced their risk in different ways.

KIWASCO has extended the delegated management model (DMM) of using master operators to run the local distribution network, billing customers and collecting the revenue, including the loan repayment for KIWASCO to repay the bank. The MOs, which are actually community based organisations, benefit through using the profit from running the service to fund their social development activities. NAWASCO has adopted the new technology of pre-paid meters. These ensure payment for water so taking the risk out of serving shifting poor urban populations.

All that remains to be done is to disseminate the concept, results and success story of the Nexus Project, an activity that is already in progress.

Recommendations

As the project is complete, there are no recommendations necessary.

People met

| | | |
|---------------------|---------------------------------|---|
| SUWASA | Dennis D. Mwanza | Chief of Party |
| | Sam Huston | Deputy Chief of Party |
| | George Acolor | Regional Project Coordinator |
| | Japheth Mbuvi | Utility Reform Specialist |
| | Eng. Robert T.Hanjahanja | Water Utility Operations Specialist |
| | Lukas Barake | Monitoring and Evaluation Specialist |
| SUWASA Kenya | Eric Adams | Kenya Team Leader |
| | Isabella Asamba | Team Leader, Kisumu |
| KIWASCO | Eng. David Onyango | Managing Director |
| | James Angawa Okeyo | Head of Finance |
| | Frank David Ochieng' | Customer Care Manager |
| | George Onor Wasdnea | Zonal Superior |
| | Isaac Okoyo | Pro-Poor Water Coordinator |
| Kisumu | Olaketi Women's Group | Master Operator |
| | Koyuga Ochich Self-Help Group | Master Operator |
| | Pius Nthenge | Customer |
| USIAD Kenya | Martin Mulongo | Water, Sanitation & Hygiene (WASH) Specialist |
| NAWASSCO | | Managing Director |
| | Zaituni Kanenge | Head of Pro Poor Unit |
| Family Bank, Nakuru | Nancy Njau | Manager |
| K-Rep Bank, Nairobi | | |
| Nakuru | Women of Kaptembwo, Nakuru Town | Focus Group Discussion |

MOZAMBIQUE DESKTOP REPORT—REVISED AFTER PHASE 2

PROJECT BACKGROUND

The SUWASA - Mozambique project is designed to assist the Government of Mozambique (GoM) in establishing a clear and transparent regulatory framework to assure effective oversight of the delivery of water services by small private operators in urban and peri-urban areas to their customers. SUWASA has partnered with GoM's water regulatory body, the Conselho de Regulação do Abastecimento de Água (CRA), to assist the agency in expanding its current oversight program to include small scale private operators.

The two-year project was launched on October 17, 2011 and is expected to end by October 16, 2013.

This SUWASA Mozambique project will be implemented in Maputo and the nearby town of Matola. The existing water networks do not cover the entire service areas of these localities resulting in a shortage of piped water services in urban pockets and peri-urban areas. Consequently, a number of small scale private providers or *Pequenos Operadores Privados* (POPs) have established themselves to fill this service void. The POPs now form an integral part of urban water supply arrangements in the country, particularly in the Maputo-Matola corridor.

A 2010 study estimated that, in Maputo municipality alone, there were around 500 POPs with about 380 standpipes and 50,000 private connections serving close to 360,000 inhabitants. At that time, Águas da Região de Maputo (AdM)²⁰ had 100,000 connections and 300 standpipes. POPs are estimated to cover about 23% of the total peri-urban population of Maputo and Matola.²¹ However, until recently the urban water supply sector of Mozambique has struggled to develop an effective strategy and a practical licensing framework that formally recognizes, legitimizes, and regulates the role of POPs in urban water provision.

The POPs networks were historically constructed for individual households, but as demand grew some POPs evolved into business schemes serving entire neighborhoods. While most POPs serve less than 100 connections, there are currently four large POPs with more than 500 connections. The GoM was initially skeptical of the role of POPs, but acceptance of the important role of the POPs has increased in the last five years.

The overall goal of the SUWASA initiative is to improve the provision of water within the existing and expanded service areas of Maputo and Matola by clarifying the institutional and regulatory framework within which the POPs operate.

The objectives of the SUWASA/Mozambique project are (per RWP):

1. Strengthening the policy legal, operational, and regulatory framework for small scale infrastructure providers of water
2. Supporting the Regularization of POPs
3. Developing Pilot/Demonstration small scale infrastructure provider (SSIP) Projects

²⁰ The main network water supply provider in Mozambique is a concessionaire consortium called 'Águas de Moçambique' (AdM)

²¹ Mozambique - Design of Licensing/Regulatory Framework for Private Water Providers, Inception Report. Thelma Triche & Associates, November 2012.

The objectives were later revised in the Inception Report, resulting in the following set of objectives:

1. Support DNA and stakeholders with the development of a comprehensive strategy for accreditation of the informal water sector in urban areas and small towns;
2. Strengthening the legal, operational and regulatory framework for the POPs;
3. Facilitate understanding and formalize the role of public-private partnership (PPP) within the water sectors for urban areas and small towns.

At the Inception Report stage, the refocus of the project objectives further resulted in a necessary revision of the project tasks/activities. The revisions are summarized in the Project Summary Sheet below.

Overview of Mozambique water and sanitation reforms

The passage of the National Water Act in 1991 formally recognized the role of the private sector in the provision of water and sanitation services in Mozambique. 1995 saw the approval of the National Water Policy (PNA) and the Manual de Implementação dos Projectos de Água Rural (MIPAR), with specific requirements for financial and administrative decentralization of water supply and an emphasis on using private sector operators. Based on lessons learned from financial decentralization pilots, government has developed specific frameworks for implementation of decentralized services and the utilization of private-sector operators. The water supply systems for central Maputo, Quelimane, Nampula, and Pemba are being operated by private contractors, namely Águas de Moçambique. The capacity and operations of CRA have been strengthened considerably in recent years and it now has the ability, systems and frameworks in place to regulate the provision of water services throughout the country. Recently, GOM has created an organization, similar to FIPAG, with responsibility for oversight and management of all small and medium towns' water and sanitation services. The World Bank will be providing assistance to build the capacity of this organization.

Project Summary Sheet

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| Project Title | Support for Sustainable Small Scale Operators in Maputo and Matola |
| Country | Mozambique |
| Project Goal | To improve the provision of water within the existing and expanded areas of Maputo and Matola by clarifying the operational framework within which small-scale service providers (POPs) operate. |
| Reform Work Plan <i>(now superseded by Inception Report)</i> | |
| Specific Objectives (now superseded) | <ol style="list-style-type: none"> 1. Strengthening the Policy Legal, Operational, and Regulatory Framework for Small Scale Infrastructure Providers of Water 2. Supporting the Regularization of POPs 3. Developing Pilot/Demonstration SSIP Projects |
| Project Components & Tasks (now superseded) | <p>Component 1: Strengthening the Policy, Legal, Operational & Regulatory Framework for Small Scale Infrastructure Providers of Water</p> <p><i>Task 1A:</i> Assist GOM in Developing Policy Objectives and Dissimulating a Clearly Defined Policy Statement on POPs and SSIPs</p> <p><i>Task 1B:</i> Assist in the development of the legal and institutional framework for the formalization/regularization of POPs and establishment of SSIP arrangements</p> <p><i>Task 1C:</i> Assist in the development of the regulatory framework for monitoring POP and SSIP operations and enforcing regulations</p> <p><i>Task 1D:</i> Assist in Improving Public-Private Dialog</p> |
| | <p>Component 2: Supporting the Regularization of the POPS</p> <p><i>Task 2A:</i> Support Regularization of POPs</p> <p><i>Task 2B:</i> Support Operationalization of POPs/SSIPs</p> |
| | <p>Component 3: Developing Pilot/Demonstration SSIP Projects</p> <p><i>Task 3A:</i> Develop Lease Contracts to operate new public water supply systems</p> <p><i>Task 3B:</i> Develop PPPs between the main operator and POPs</p> |
| Inception Report (Objectives and Tasks) | |
| Specific Objectives | <ol style="list-style-type: none"> 1. Support DNA and stakeholders with the development of a comprehensive strategy 2. Strengthening the legal, operational and regulatory framework for the POPs 3. Facilitate understanding and formalize the role of PPP within the water sector |
| I. Support DNA and stakeholders with the development of a comprehensive strategy | <ul style="list-style-type: none"> • Prepare stakeholder facilitation plan • Undertake situation analysis on POPs (stakeholder interviews and focus groups) • Develop communication strategy for the POPs • Hold consultation meetings with all key stakeholders for buy-in to a facilitated strategy process • Conduct information sharing workshop • Develop a zero strategy for review and discussion with key |

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| | <p>stakeholders</p> <ul style="list-style-type: none"> Facilitate workshop with all key stakeholders to agree and draft a five year strategy for regulatory framework of informal water operators |
| 2. Strengthening the legal, operational and regulatory framework for the POPs | <ul style="list-style-type: none"> Analyze current legal issues of POPs, licensing procedure, Identify issues and challenges Analyze existing regulatory policies and guidelines for POPs licenses Review and make recommendations on licensing procedures Review and make recommendations on regulatory policies, guidelines and strategies Support the Ministry of Health and DNA on realistic approaches to monitoring compliance for water quality standards of POPs Support DNA with the implementation of the five year strategy for a regulatory framework of the informal water operators |
| 3. Facilitate understanding and formalize the role of PPP within the water sector | <ul style="list-style-type: none"> Literature review on private sector involvement in urban water sector Review of current water Government policies and strategies on domestic private sector involvement in urban water Support POPs to be able to articulate operators concerns and be able to dialogue with Government regulators |

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| Budget | \$1,024,422 |
| Implementing Partner | Directorate of Water (DNA) |
| Planned start date of Project | May 2011 |
| Effective start of Project | October 17, 2011 |
| Currently foreseen End Date | October 16, 2013 |
| Linkages/complementarity | World Bank – WSP DfID – Domestic Private Sector Participation (DPSP) AFD (France) support to POPs over 5 years |

PROJECT STAKEHOLDERS

| Type of stakeholder | Name of stakeholder |
|------------------------|--|
| Implementing Agencies | Tetra Tech ARD, through SUWASA Regional Office, Nairobi. |
| | Directorate of Water (DNA), Mozambique |
| Partner Agencies | FIPAG (Asset holding and investment fund) |
| | CRA (Water Regulatory Council) |
| | AMATI, AFORAMO, ARASUL |
| Direct beneficiaries | AMATI, AFORAMO, ARASUL |
| | POPs (Small scale independent providers) |
| Indirect beneficiaries | POP consumers |

| Mozambique Evaluation Questions | | |
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| Sub-Questions | Evidence | Source |
| Premise I – Contribution to the Body of Solutions | | |
| SOW Question I – <i>Based on analysis of the country activities and the SUWASA project overall, to what extent, how, and at what level (local, country, regional, sector) has SUWASA added to the body of sector knowledge and engendered a learning agenda about how to alleviate service constraints?</i> | | |
| Ia. In what way is this project new or innovative? | <ul style="list-style-type: none"> • SUWASA intervention in Mozambique is relatively innovative in its attempt to recognize and regulate the key role played by small scale water operators (POPs) in under-served peri-urban areas. POPs emerged the end of the 1980s and now have a significant market share. However their role to date has not been formalized and this is restricting their willingness to invest and improve/expand services. To date GoM has been unsuccessful in their own attempts to bring these disparate parties together to reach consensus on the way forward. This project was a bold attempt to succeed where GOM failed. | Reform Work Plan Oct 2011 |
| Ib. How will the project add to the body of sector knowledge? | <ul style="list-style-type: none"> • The use of self-funded POPs on a relatively large scale as found in Maputo (supplying 50,000 out of 150,000 connections) is of significant interest. Many African cities have similar problems to Maputo in terms of limited network coverage in many (especially low income) areas. This project will provide useful lessons for other African cities. | |
| Ic. How will the project alleviate service constraints? | <ul style="list-style-type: none"> • Mozambique needs to approximately double urban water coverage to reach the Millennium Development Goals by 2015. As noted by the most recent National Poverty and Well Being Assessment (September 2010), urban service coverage in the south of the country from improved sources is increasing phenomenally (20% rise between 2002 – 2008). This contrasts sharply with the rest of the country, where the trend has been a slight drop in access to clean water. It is highly likely that the high access rate reported in the south is due to the increased numbers of connections made by POPs (<i>Ref. Entrepreneurs in Transition: Small Scale Private Water Supply Operators In Greater Maputo</i>). • For the first time, the National Water Policy adopted in 2007 officially recognized the existence of POPs. Despite this official recognition, POPs continue to operate in an insecure and unpredictable environment in which it is risky to make new investments in water supply systems. POPs now feel that the GOM (through its main utility <i>Águas da Região de Maputo</i> or AdM) is increasingly taking on the role of a competitor to them, and want recognition and to avoid what they regard as unfair competition. | |
| Ie. Is the unlocking of service constraints likely to be sustainable/ replicable? | <ul style="list-style-type: none"> • Indications are that small scale providers (POPs) are operating sustainably, and are increasing access to water for many unserved people. Since there are over 500 POPs it has been considered a good business. However POPs operate in an insecure and unpredictable environment. This project aims to improve the provision of water within the existing and expanded service areas of Maputo and Matola by clarifying the institutional and regulatory framework within which the POPs operate. The improved operating environment for POPs will encourage continued investment by POPs, and is likely to be | Entrepreneurs In Transition: Small Scale Private Water Supply Operators In Greater Maputo. Oct 2010. |

Mozambique Evaluation Questions

| Sub-Questions | Evidence | Source |
|---|--|---|
| | both sustainable and replicable. | |
| Premise 2 – Maximum Development Impacts and Aid Effectiveness SOW Question 2 – <i>Has SUWASA been effective at integrating other development activities in a way that maximizes development impact and aid effectiveness? If so, are there specific ways that this has been accomplished that could inform future USAID programming?</i> | | |
| 2a. What is the level of Government support for SUWASA? | <ul style="list-style-type: none"> • At the project due diligence stage GOM support for the SUWASA initiative was reported to be strong (“CRA, FIPAG, and DNA have enthusiastically embraced this proposed initiative”). However this endorsement did not result in a smooth project start-up. GOM demanded a Project Implementation Agreement (PIA) be signed before any formal engagement of GOM agencies could take place. This delayed implementation by about 6 months. Also not all GOM agencies were enthusiastic about SUWASA: some agencies were initially opposed to the idea of formalizing the role of POPs in the water supply sector. There also existed a level of skepticism in some agencies that a consensus could ever be reached between the different parties and vested interests. The Stakeholder Workshop (held in July 2012) was considered a breakthrough, and was the first time all of the stakeholders had got together to discuss their grievances in a constructive way. As a result of the outcomes of the Stakeholder Workshop, all GOM agencies have fallen into line and become far more supportive of the project. • At the Stakeholder Workshop there was a strong commitment expressed to continue the engagement and dialogue (supported by SUWASA) to elaborate an implementation strategy for integration of POPs in the water system. The key stakeholders are now all supportive if the SUWASA reform agenda. • SUWASA is seen as a neutral intermediary between the POPs and Government agencies and this has helped to build trust and confidence in the ongoing reform efforts. | <p>Due Diligence Report</p> <p>Project Inception Report, Feb 2012</p> <p>FPA Stakeholders Workshop Report, July 2012</p> <p>SUWASA Briefings Nairobi, June 2013</p> |
| 2b. What is the level of synergy between SUWASA and other (current or planned) Donor programs? | <ul style="list-style-type: none"> • The Water and Sanitation Program (WSP) is supportive of the SUWASA activities (but not matched by financial support), and WSP representative took part in the Stakeholder Workshop. • There is potential synergy with the DfID-financed Domestic Private Sector Participation (DPSP) and the French Government (AFD) has been supporting POPs under another program (the MWSP), which is regarded as complementing the SUWASA. • However there are no examples of synergy between the donor activities. | Reform Work Plan (RWP) |
| 2c. Is there evidence of SUWASA concepts and practices being adopted into national strategies? | <ul style="list-style-type: none"> • Yes. The bureaucracy and legal process in Mozambique moves slowly, but a Draft Regulatory and Licensing Framework has been developed (with the assistance of SUWASA) and submitted for Draft Decree’ then ‘Minister Assent’ before it can be rolled out. • The Framework was developed by a team of international and local consultants following consultation with key government agencies and representatives of the POPs. However the | |

| Mozambique Evaluation Questions | | |
|---|--|---|
| Sub-Questions | Evidence | Source |
| | granting of Ministerial Assent is not expected to happen within the timeframe of the project. | |
| 2d. Are lessons learned from SUWASA being incorporated into USAID knowledge base at the program level (country and Washington level)? | <ul style="list-style-type: none"> SUWASA was aware that a previous attempt at brokering an agreement between the stakeholders had failed. It regards its success (in achieving consensus) as being due to the patient and consultative approach it has adopted with all stakeholders. The formation of the Regulatory Consultative Group (RCG) has been an effective tool in bringing stakeholders together to find a common solution to the issue of POPs. | |
| Premise 3 – Value of service provider focus | | |
| SOW Question 3 – Can SUWASA demonstrate evidence that utility-focused reform is as beneficial as assumed? If yes, what lessons can be extrapolated from the SUWASA design or implementation for replication elsewhere? If not, what aspects of the project concept, design or implementation have impeded this result from being demonstrated? Is this still a possible result for the remainder of the project? | | |
| 3a. Is there evidence of measurable improvement in small-scale service providers (POPs) performance resulting from SUWASA? | <ul style="list-style-type: none"> Improvement in POP performance is an intended longer term outcome once the Regulatory and Licensing Framework is approved and rolled out. However due to delays experienced, many project outcomes will not be achieved within the project timeframe. | |
| 3b. If so, how is this leading to improvements in service and customer satisfaction? | <ul style="list-style-type: none"> The licensing and regulation of POPs will aim to ensure minimum standards for water quantity and quality, and encourage fair and affordable water tariffs. POPs will have greater security of operation and consequently an incentive to invest and expand. POPs will also benefit from a more effective member service association, which will represent their interests and advocate on their behalf. The beneficiaries of the project are: <ul style="list-style-type: none"> National-level agencies: CRA, FIPAG and DNA Private operators i.e. POPS Peri-urban neighborhoods where there is a significant proportion of lower income or disadvantaged families. | |
| 3c. Are results and lessons learned adequately documented in a format that can facilitate replication elsewhere? | <ul style="list-style-type: none"> Overall the SUWASA Project makes good use of a variety of media to publicize and disseminate its findings (website, newspaper articles, regional conference papers, regional conference attendances etc). The SUWASA Mozambique Project is not yet at a stage where there is a body of results and/or lessons to be documented. | |
| 3e. Have difficulties and challenges been adequately documented and measures taken to alleviate them (and that lessons have been learned as a result)? | <ul style="list-style-type: none"> At the outset the project was considered of relatively low risk because of the strong level of government support. It was further considered that the proposed activities had ‘a high probability of being completed within the 24 month period, mainly because of the relevance of the proposed project to the government’s programs. Additionally, the regulatory framework was largely in place, and DNA, CRA, and FIPAG staff have relevant and appropriate skills, experience and commitment to implement this proposed activity’. In practice it was difficult to accurately anticipate the | Project Inception Report, Feb 2012 & Mid Term Review Report, December, 2012 |

| Mozambique Evaluation Questions | | |
|--|--|--|
| Sub-Questions | Evidence | Source |
| | bureaucratic hurdles especially the GOM insistence on the signing of a PIA (resulting in a 6 month delay) and the extremely slow legislative process. | |
| 3f. What measures or corrective actions (if any) have been taken to ensure the project will achieve its intended results and outcomes? | <ul style="list-style-type: none"> The Project Mid Term Review observed that a 'request for a time extension will be inevitable' but this was not approved by USAID. No other corrective actions were identified in the Mid Term Review report. The USAID mission (Maputo) lacked WASH expertise and consequently was not fully engaged at the early stages of project implementation. However this improved in the later stages of implementation. This was in line with a recommendation of the Mid Term Review, to "Strengthen communication with the USAID local mission through a more structured and continuous information sharing approach". | Mid Term Review Report, December, 2012 SUWASA briefing, Nairobi |
| Premise 4 – Positive country level reform | | |
| SOW Question 4 – <i>Based on analysis of the specific country activities, including results against the M&E plans, how well have the country activities improved sector performance, in terms of stakeholder perception and documented results?</i> | | |
| 4a. Is there evidence of improved sector performance resulting from SUWASA? | <ul style="list-style-type: none"> There is substantial evidence that POPs are already having a positive impact on sector performance, but this is now in danger of stalling. The SUWASA project will sustain this positive impact through improved regulation and reform, however the impact of the SUWASA initiative will only be realized in the longer term when the Regulatory and Licensing Framework is approved by GoM and rolled out. | Entrepreneurs In Transition: Small Scale Private Water Supply Operators In Greater Maputo. Oct 2010. |
| 4b. What is the level of stakeholder satisfaction resulting from SUWASA activities? | <ul style="list-style-type: none"> Workshops and consultation with stakeholders has had a positive impact on satisfaction generally, and has helped to overcome some level of distrust of government intentions regarding POPs. | Project Inception Report, Feb 2012 & Mid Term Review Report, December, 2012. Progress Reports. |
| 4c. What evidence is there of beneficiary satisfaction resulting from SUWASA activities? (where feasible) | <ul style="list-style-type: none"> Evidence of beneficiary (i.e. POP customers) satisfaction will only be realized in the longer term when the Regulatory and Licensing Framework is in place, and POPs are required to achieve minimum performance standards. | |
| Premise 5 – Correctly designed, managed and implemented project | | |
| SOW Question 5 – <i>How could the approach to selecting and implementing a portfolio of activities have been improved – both to achieve better results in each country and to better develop an evidence base for the specific sector reform option? Define the approaches – from strategy, management and implementation – that enhanced the project and identify the ones that can be replicated in the future. Also identify the ones that weakened the project and how these can be alleviated for the remainder of the project and in future programs. What priorities should be set for the project for the remainder of the contract and what would project success look like?</i> | | |
| 5a. Was the overall project design realistic (timeline, funds, human resources, targets) to achieve the expected outcomes and impact? | <ul style="list-style-type: none"> Regulatory reform involves dealing with a variety of government and non-government actors, processes/procedures and timelines are difficult to predict with certainty and largely outside the influence of the implementers (in this case). The project resources, with the exception of the project timeline, were realistic to achieve the expected outcomes. The 6 month delay on commencement (awaiting signing of the PIA) was not foreseen and resulted in a reduced scope for the | Progress Reporting |

| Mozambique Evaluation Questions | | |
|---|---|--|
| Sub-Questions | Evidence | Source |
| | <p>project.</p> <ul style="list-style-type: none"> The time taken in the legislative process (the issuing of a Ministerial Decree can take 9 months) was under-estimated. With hindsight this project needed more time. | |
| 5b. Have Project risks and assumptions been taken into account in the Project design and at implementation? | <ul style="list-style-type: none"> The Due Diligence Report cited: 'Limited risks exist to successful implementation mainly because of extremely strong government support for this activity'; 'and Activities proposed have a high probability of being completed within the 24 month period, mainly because of the relevance of the proposed project to the government's programs. Additionally, the regulatory framework is in place' The project allowed for a solid consultation process to take place between all stakeholders, so that issues and grievances could be aired, and the risks assessed. However not all risks could be properly assessed prior to this consultation process taking place. | Project Inception Report, Feb 2012 & Mid Term Review Report, December, 2012 |
| 5c. Was the country context sufficiently taken into account? | <ul style="list-style-type: none"> Above comment also applies. | |
| 5d. Has the project demonstrated sufficient flexibility to adjust to changing circumstances and conditions? | <ul style="list-style-type: none"> The delays experienced during the project start-up necessitated the refocusing of planned activities. Consequently, most of the activities under the third objective (i.e. facilitate understanding and formalize the role of PPP within the water sector) were shelved and more focus was given on consolidating efforts to ensure that the legal, operational and regulatory/licensing framework for POPs is strengthened. In a short 2-year project options for project revision (i.e. flexibility) are limited. SUWASA is also subject to the USAID approval process. In this instance the refocusing of the project objectives, following the start-up delays, was achieved in consultation with the USAID COR. | <p>RWP & Project Inception Report, Feb 2012</p> <p>Mid Term Review Report</p> <p>Project Briefing, Nairobi</p> |
| 5e. Is the Project monitoring and reporting effective in identifying project successes and areas of weakness? | <ul style="list-style-type: none"> The M&E Plan gives only 2 indicators for this project. These are output indicators and do not adequately reflect the consultation process which has been the key to achieving stakeholder consensus. However the project delays experienced at start-up, and the slow pace of the legislative process, have resulted in the project not achieving some of its intended objectives. <p><u>Objective 1: Support DNA and stakeholders with the development of a comprehensive strategy</u> has been achieved.</p> <p><u>Objective 2: Strengthening the legal, operational and regulatory framework for POPs</u> has been partly achieved. However the implementation of the regulatory framework strategy is awaiting legislative approval (i.e. Ministerial Decree) and is unlikely to be achieved by end of project.</p> <p><u>Objective 3: Facilitate understanding and formalize the role of PPP within the water sector:</u> this objective has mostly been shelved as a result of the early delays experienced at start-up.</p> | M&E Plan, Aug 2012 |

| Mozambique Evaluation Questions | | |
|---|---|---|
| Sub-Questions | Evidence | Source |
| | <ul style="list-style-type: none"> While some good work has been achieved – indeed the consensus reached by all stakeholders has been described as a ‘breakthrough’ – more time is needed to (i) shepherd the Draft Framework through the legislative process and (ii) ensure its roll-out and practical implementation. | |
| 5f. What were/are the main reasons for project success (if any) and can they be replicated? | <ul style="list-style-type: none"> SUWASA was aware that a previous attempt at brokering an agreement between the stakeholders had failed. It regards its success (in achieving consensus) as being due to the patient and consultative approach it has adopted with all stakeholders. The formation of the Regulatory Consultative Group (RCG) has been an effective tool in bringing stakeholders together to find a common solution to the issue of POPs. | Progress Reporting |
| 5g. What are the main challenges or obstacles in terms of achieving project outcomes, and how will they be addressed? | <ul style="list-style-type: none"> Regulatory reform is subject to the Mozambique bureaucratic and legislative process, while this was anticipated, the length of time required in navigating the bureaucratic process was underestimated. The initial delays experienced have reduced the scope of the project, and outcomes will not be achieved within the project timeframe. USAID has not approved the needed time extension to realize outcomes. | Project Inception Report, Feb 2012 & Mid Term Review Report, December, 2012 |

The Monitoring and Evaluation (M&E) Plan (April 2012) for the SUWASA Mozambique Project gives the following preliminary²² indicators and targets:

| Performance Indicator | Baseline Value 2010 | Target Year 1 | Target Year 2 |
|---|---------------------|---------------|---------------|
| Number of good practices identified, promoted and adopted | 0 | - | 2 |
| Number of new policies, laws, agreements, regulations or investment agreements (public or private) implemented that promote access to improved water supply and sanitation. | 0 | - | 1 |

FINDINGS

Premise I – Contribution to the Body of Solutions

The SUWASA intervention in Mozambique is relatively innovative²³ in its attempt to recognize and regulate the key role played by small scale water providers (POPs) in under-served peri-urban areas. POPs emerged the end of the 1980s and now have a significant market share. In the Maputo metropolitan area alone, there are reportedly 600 private water providers serving about 360,000 residents, compared to the main utility which has about 100,000 connections in the same area.

The role played by self-funded POPs on this relatively large scale, as found in Maputo, is of significant interest. Many African cities have similar problems to Maputo in terms of limited network coverage in many (especially low income) areas. This project will provide a blueprint for future integration of formal and informal water suppliers elsewhere on the continent.

²² The indicators and targets were preliminary due to uncertainty (at the time) about future revisions to the RWP.

²³ A search of the literature has revealed only a few relevant cases of attempts to register and regulate independent water service providers in other countries.

As part of its investigation into options for the regulation and Licensing of POPs, SUWASA has carried out a comprehensive review of the existing Regulatory and Licensing framework²⁴ in Mozambique, and proposed a range of options for Regulatory and Licensing Regimes²⁵. This review has added significantly to the body of sector knowledge by:

- clarifying the role of POPs and the key issues that need to be resolved, and the guiding principles to be applied in the design of the licensing and regulatory regimes
- comprehensively analysing the legal basis for licensing and regulating POPs
- proposing appropriate licensing and regulatory regimes
- proposing institutional options for implementing licensing and regulation of POPs

Premise 2 – Maximum Development Impacts and Aid Effectiveness

The Stakeholder Workshop (held in July 2012) was considered a breakthrough, and was the first time all of the stakeholders had got together to discuss their grievances in a constructive way. At the Workshop there was a strong commitment expressed to continue the engagement and dialogue (initiated by SUWASA) to elaborate an implementation strategy for integration of POPs in the water system. The key stakeholders are now all supportive of the SUWASA reform agenda.

According to the President of the CRA (Water Regulatory Council), the project is addressing a critical issue that CRA tried to address in the past but did not succeed. Although he was critical of the SUWASA project at the beginning, he now appreciates the value that the project would add to the water sector with high chances of success.²⁶

SUWASA was aware that a previous attempt at brokering an agreement between the stakeholders had failed. It regards its success (in achieving consensus) as being due to the patient and consultative approach it has adopted with all stakeholders.

Premise 3 – Value of service provider focus

The delays experienced during the project start-up necessitated the refocusing of planned activities. Consequently, most of the activities under the third objective (i.e. facilitate understanding and formalize the role of PPP within the water sector) were shelved and more focus was given on consolidating efforts to ensure that the legal, operational and regulatory/licensing framework for POPs is strengthened. As a result the project will not achieve many of the intended objectives.

Objective 1: Support DNA and stakeholders with the development of a comprehensive strategy has been achieved

Objective 2: Strengthening the legal, operational and regulatory framework for POPs has been partly achieved. However the implementation of the regulatory framework strategy is awaiting legislative approval (ie Ministerial Decree) and is unlikely to be achieved by end of project.

Objective 3: Facilitate understanding and formalize the role of PPP within the water sector: this objective has mostly been shelved as a result of the early delays experienced at start-up.

The main project achievement to date is the consensus building process that took place, which allowed for the drafting and submission of a Regulatory and Licensing Framework. This Framework is now

²⁴ Design of Licensing/Regulatory Framework for Private Water Providers, Thelma Triche & Associates, Inception Report, November 2012.

²⁵ Design of Licensing/Regulatory Framework for Private Water Providers, Thelma Triche & Associates, Proposals and Options for the Regulatory and Licensing Regimes, December 2012.

²⁶ SUWASA Mid Term Review Report December, 2012.

proceeding, at a slower than expected pace, through the legislative process. The intended outcomes will only be achieved when the framework is approved and implemented.

Critical to the effectiveness of the project, and the achievement of outcomes, is the Implementation phase of the framework. This will require an effective 'communication strategy' to prepare the POPs for the new Regulatory and Licensing Framework and how the changes will affect their operations. Progress on developing the communication strategy is on hold pending the approval of the Regulatory and Licensing Framework by the Minister. Implementation of the Regulatory and Licensing Framework, key to achieving project outcomes, is unlikely to be initiated under the current project timeline.

Premise 4 – Positive country level reform

There is substantial evidence that POPs are already having a positive impact on sector performance, but this is now in danger of stalling. The SUWASA project will sustain this positive impact through improved regulation and reform, however the impact of the SUWASA initiative will only be realized in the longer term when the Regulatory and Licensing Framework is approved by GoM and the strategy is implemented.

The licensing and regulation of POPs will aim to ensure minimum standards for water quantity and quality, and encourage fair and affordable water tariffs.

POPs will have greater security of operation and consequently an incentive to invest and expand. POPs will also benefit from a more effective member service association, which will represent their interests and advocate on their behalf.

The project has already achieved some stakeholder good will, as a result of the consultation process facilitated by SUWASA. But this will diminish unless SUWASA is allowed to stay the course and see the Regulatory and Licensing Framework through to implementation.

Premise 5 – Correctly designed, managed and implemented project

Regulatory reform is subject to the Mozambique bureaucratic and legislative process, while this was anticipated, the length of time required in navigating the bureaucratic process was under-estimated. The initial delays experienced have reduced the scope of the project, and many outcomes will not be achieved within the project timeframe. USAID has not approved the needed time extension to realize outcomes.

The original project design was largely sound and appropriate but the Due Diligence Report was overly optimistic in its assessment of risks, and assumed that the strong level of government support would result in a relatively smooth project implementation process.

The main (and significant) success to date has been the patient and consultative approach adopted which has managed to bring all the parties together in a constructive manner, enabling differences to be aired and debated, and issues resolved. This has laid a good foundation on which further progress can be made. The main obstacle now to achieving project outcomes is the lack of time remaining under the project to await the approval of the Regulatory and Licensing Framework, and to facilitate the roll-out and implementation.

ISSUES

The current licensing framework that is being implemented by DNA, suffers from several deficiencies:

- POPs have not been integrated into the medium to long-term strategy for the development of urban water supply services.
- The issue of 'turf' (where the national water utility expands into areas that POPs consider their service zone) has not been resolved.

- There are no mechanisms or institutional arrangements for monitoring and enforcing minimum construction, technical and service standards for POP systems, or for assisting the POPs and their clients to resolve disputes.

For their part, the POPs feel they are providing better service than the national utility, but are facing unfair competition, and lack of recognition of their role. For the POPs many issues still need to be clarified:

- In some service areas, POPs are facing competition (for customers) with the public water utility. They feel that the public utility is able to set lower tariffs (see Table below) since they are subsidised by government, and so feel this is unfair competition.
- Most POPs are informal businesses and therefore any loans to expand the business have to be taken out in their personal capacity, often using their house as collateral.
- Most POPs do not take loans, because the interest rate is very high (i.e 30%)
- Government is only issuing limited numbers of licenses to control the total number of POPs
- POPs want 5 year licenses, not one year as originally offered.
- POPs are wary of Government setting tariffs; they feel POPs need to set their own tariffs that allow them to recover investments made.
- POPs have concerns over the calculation of compensation to be paid to them in cases where their assets are bought out (and incorporated into the public utility). The Government has offered to compensate the asset value only, and not the potential loss of earnings.

| ServiceProviders | Cost per cubic meter |
|---|-----------------------------|
| Aguasda Maputo (surfacewater, conventional treatment) | 19 Mts |
| FIPAG (groundwatersmall scale systems, privately managed) | 25 Mts |
| POPs (groundwatersmall scale systems, privately owned and operated) | 30 Mts |

This project is highly relevant, has strong government support and has made good headway in bringing all the stakeholders together. The review and investigations undertaken in developing the Regulatory and Licensing Framework have added to the body of sector knowledge by analysing and clarifying the legal basis for licensing and regulating POPs, and offering institutional and regulatory options for implementation. The project is now at a crucial stage. If the project is not allowed to go through to implementation then all the goodwill established from the consultation process will likely be undone, and there will be little to show in terms of outcomes.

LIMITATIONS

- The SUWASA Mozambique Project is a well-conceived and much needed intervention to regulate and sustain small scale water providers in peri-urban areas unserved by the national water utility. The Project was well designed and adequately resourced and had the strong support of government and other stakeholders and was therefore considered a relatively low risk intervention. Yet despite the level of support and optimism for the project, it has not been problem-free and is now unlikely to realise its intended outcomes. This indicates the inherent sensitivity (and risk) of regulatory reform projects to the legal processes and bureaucracy, which can be unpredictable in nature.
- A significant limitation of this review has been the lack of a field visit, and consequent lack of access to the key stakeholders in Mozambique. The review has been based on a desk top review of the project documentation prepared by SUWASA and its consultants, supplemented by

briefings from the SUWASA Head Office team in Nairobi. The Mid Term Review (in December 2012) was also undertaken by SUWASA Project staff. The reviewers did not visit the project site, and were unable to interview any of the Mozambican stakeholders.

RECOMMENDATION

Pending clarification of the GoM commitment to the signing of the Minister Decree, this project should continue to be supported through to implementation of the Regulatory and Licensing Framework. This can be achieved either directly, by SUWASA (as per original but extended schedule), or it can be achieved using an alternative, acceptable exit strategy.

NIGERIA DESKTOP REPORT

PROJECT BACKGROUND

The SUWASA project in Nigeria has been a wide-ranging project designed to support the State Government of Bauchi in providing increased access to potable, affordable, and sustainable water services to the urban population of Bauchi State in northeastern Nigeria. Beginning in 2011, these services were undertaken to counteract a decline in the availability of clean water to the residents of Bauchi State, particularly the poor, over a three-year period.

The Bauchi State Water Board (BSWB) was not collecting sufficient revenue to remain a viable operation. Despite having adequate water resources and a water treatment system capable of serving 80% of local water needs, BSWB was serving only 17% of the urban population, with an estimated 50% losses due to system leaks.

The SUWASA program is comprised of a number of elements, including:

- Assistance to Bauchi State in developing the Water Bill establishing the Bauchi State Urban Water and Sewerage Corporation, which will be responsible for overseeing the technical and financial operation of water and sanitation utilities with populations over 20,000 within Bauchi State.
- The creation of a customer database for Bauchi State
- Training of BSWB staff on finance, the need to increase revenue, improved customer service, and creating clear job descriptions
- The development of a water billing system, including both hardware and software
- Implementation of a pilot metering program using bulk meters, with a focus on commercial customers
- The development of a cost-reflective tariff
- Development of an action plan to boost revenue collection by 100% within 6 months

SUWASA's efforts in strengthening the Bauchi State Water Board have facilitated a World Bank loan of \$400 million for infrastructure investment.

Significant components of SUWASA's ongoing work in Bauchi State include the development of a medium-term investment plan for infrastructure development, implementation of a performance improvement plan for BSWB (with assistance of Swazi Water), continued human resource capacity within the Water Board, and the development of a public awareness program.

Performance Measurement Program (PMP) indicators show a generally positive trend, with the policy development and implementation programs exceeding Year 1 and 2 targets. Other trends specifically related to service expansion for water and sanitation are lagging, although the initial need for institutional strengthening appears to have taken priority. Combining implementation of needed institutional and financial measures with the WB infrastructure loan should begin to result in expansion of services to new customers, and improved service to existing customers.

Similarly, the financial health of the BSWB, as measured by the percentage of O&M costs covered by the tariff should improve with the new tariff, and increased focus on accurate metering, billing and revenue collection.

SUWASA has cited a high turnover among senior officials within the Bauchi State Ministry of Water Resources as having impacted their performance against PMP targets. This was further verified upon visits to SUWASA’s Bauchi State office, and to the ministry offices where the evaluation team was introduced to officials new in their jobs. They also cited the security conditions in northern Nigeria and the resulting reduced deployment of consultants and experts as further challenges to achieving the targeted results.

EVALUATION METHODS AND LIMITATIONS

The following appear to be limitations to the evaluation methodology described in Nigeria. The perceived limitations to the evaluation methodology, and the methods for addressing those limitations are summarized below:

- **Mid-term evaluations and lagging indicators.** While a number of indicators relating to institutional strengthening have been met or exceeded, it may be still too early to determine concrete results of the SUWASA project, related to improved and expanded service offerings. Lacking a tariff that permitted sustainable cost recovery and strong corporate governance tools within the Water Board, SUWASA’s water and sanitation targets appear to be overly optimistic. The lag time in developing and adopting sweeping regulations and institutional changes is significant and is likely the major factor in the delay in achieving targeted service goals. However, with solid institutional improvements and the resulting World Bank loan, it seems likely that the targeted improvements will be achieved or well on the way when the SUWASA program is finished.

| Nigeria Evaluation Questions | | |
|--|--|---|
| Sub-Questions | Evidence | Source |
| Premise I – Contribution to the Body of Solutions | | |
| SOW Question I – <i>Based on analysis of the country activities and the SUWASA project overall, to what extent, how, and at what level (local, country, regional, sector) has SUWASA added to the body of sector knowledge and engendered a learning agenda about how to alleviate service constraints?</i> | | |
| Ia. In what way is this project new or innovative? | <ul style="list-style-type: none"> • It is not. The project incorporates standard institutional strengthening measures in an area of Nigeria where such measures are clearly required to go forward with water service and sanitation improvements and extensions | |
| Ib. To what extent will (has) the project add(ed) to the body of sector knowledge? | <ul style="list-style-type: none"> • The institutional changes and the newly drafted Water Bill are reportedly being used or considered in other States and may be applicable to new SUWASA projects in Rivers State and Ebonyi State. | Bauchi State Draft Water Law |
| Ic. How will (has) the project alleviate (d) service constraints? | <ul style="list-style-type: none"> • Project required institutional changes to first be enacted. As a result service constraints are now beginning to be alleviated. | SUWASA Bauchi State Mid-Term Review February 2013 |
| Id. How has this experience and knowledge been disseminated (and at what levels)? | <ul style="list-style-type: none"> • Yes. This experience has been shared in other parts of Nigeria. New SUWASA projects, that are similar to the Bauchi State project are currently (June 2013) being implemented in River and Ebonyi States. | Interviews with Miguel Ramirez of WB and Sam Huston DCOP SUWASA |
| Ie. Is the unlocking of service constraints likely to be sustainable/ replicable? | <ul style="list-style-type: none"> • Yes. The cost-recovery tariffs, the newly created Bauchi State Urban Water and Sewerage Corporation, and strengthened Bauchi State Water Board make this very likely. | Bauchi Regulatory Framework Report July 2012 Analysis and Design of Institutional, Legal |

Nigeria Evaluation Questions

| Sub-Questions | Evidence | Source |
|--|--|---|
| | | and Regulatory Framework Final Report, September 2012 |
| How effective has the dissemination of products been (knowledge of products, application of knowledge)? | <ul style="list-style-type: none"> The results have been disseminated throughout the country and will likely be used in SUWASA’s new projects in River and Ebonyi States. A listing of past and planned conferences and papers on the SUWASA program is included in the Evaluation Report. | Interviews with Miguel Ramirez of WB and Sam Huston DCOP SUWASA Subsequent data supplied by SUWASA-Nairobi staff. |
| <p align="center">Premise 2 – Maximum Development Impacts and Aid Effectiveness SOW Question 2 – Has SUWASA been effective at integrating other development activities in a way that maximizes development impact and aid effectiveness? If so, are there specific ways that this has been accomplished that could inform future USAID programming?</p> | | |
| 2a. What is the level of Government support for SUWASA? | <ul style="list-style-type: none"> Government support appears to be strong and enthusiastic, though high government turnover of key officials was cited as a limitation by SUWASA. This was further shown in the evaluation team’s interviews with the key aide to the Bauchi State Governor and others in the state government. Further, local government leaders (Chimera of Bauchi) and community leaders were equally enthusiastic about the program. | Interview with DCOP Sam Huston Study Tour Report Visit to Zambia and South Africa by Bauchi State Delegation, April 2012 SUWASA-Bauchi State Customer Enumeration Training Course Materials 2012 Interviews with Bauchi State government and local officials (July 2013) |
| 2b. What is the level of synergy between SUWASA and other (current or planned) Donor programs? | <ul style="list-style-type: none"> SUWASA’s work has directly led to a \$400 M loan agreement between Nigeria and the World Bank. Also, current program involves operational assistance to Bauchi State by Swazi Water. As indicated, the SUWASA program has been expanded to other WB programs in River and Ebonyi States. | Interviews with Miguel Ramirez of WB Memorandum of Understanding (MOU) Between Swazi Water and BSWB, March 2013 |
| 2c. Is there evidence of SUWASA concepts and practices being adopted into national strategies? | <ul style="list-style-type: none"> Yes. The concepts embraced in Bauchi State appear to have been promoted to the Federal and State governments in River and Ebonyi States. | Interviews with Miguel Ramirez of WB and Sam Huston DCOP |

| Nigeria Evaluation Questions | | |
|---|---|---|
| Sub-Questions | Evidence | Source |
| | | SUWASA |
| 2d. Are lessons learned from SUWASA being incorporated into USAID knowledge base at the program level (country and Washington level)? | <ul style="list-style-type: none"> Yes, particularly in Nigeria, where other states besides River and Ebonyi wished to be considered. | Interview with USAID-Nigeria WASH coordinator (July 2013) |
| How were additional funds and project linkages developed - facilitating factors and constraining factors | <ul style="list-style-type: none"> Bauchi State contributed \$200 K to the project, and World Bank has concluded a \$400 M infrastructure loan agreement. | MOU between Bauchi State and USAID November 2012 Interviews with Miguel Ramirez of WB and Sam Huston DCOP SUWASA SUWASA Small Investment Project Proposal, Bauchi State, January 2013 |
| Is there evidence that SUWASA activities have enabled /supported other development projects (either by Government of donors)? | <ul style="list-style-type: none"> Yes. See above. | MOU between Bauchi State and USAID November 2012 Interviews with Miguel Ramirez of WB and Sam Huston DCOP SUWASA SUWASA Small Investment Project Proposal, Bauchi State, January 2013 |
| Premise 3 – Value of service provider focus | | |
| SOW Question 3 – Can SUWASA demonstrate evidence that utility-focused reform is as beneficial as assumed? If yes, what lessons can be extrapolated from the SUWASA design or implementation for replication elsewhere? If not, what aspects of the project concept, design or implementation have impeded this result from being demonstrated? Is this still a possible result for the remainder of the project? | | |
| 3a. Is there evidence of measurable improvement in Utility (or beneficiary institution) performance resulting from SUWASA? | <ul style="list-style-type: none"> Early program measures focused on institutional strengthening, though improved service is expected and seems likely in the concluding years of the project. | SUWASA Reform Work Plan, November 2010 SUWASA Inception Report Bauchi State, August 2011 Bauchi State Project Status Report, March |

| Nigeria Evaluation Questions | | |
|---|--|---|
| Sub-Questions | Evidence | Source |
| | | 2013 USAID SUWASA Portfolio Review Letter, June 2013 |
| 3b. If so, how is this leading to improvements in service and customer satisfaction? | <ul style="list-style-type: none"> Operational and organizational improvements, a more self-sufficient tariff and a VWB loan should improve utility revenues to allow for service improvements, treatment plant improvements, and system extensions | SUWASA Bauchi State Mid-Term Review February 2013 |
| 3c. Are results and lessons adequately identified & documented in a format that can facilitate replication elsewhere? | <ul style="list-style-type: none"> Not known at this time. | |
| 3d. How is SUWASA using national and regional networks to publicize lessons learned? | <ul style="list-style-type: none"> It is clear it is happening, but it's not known how this was done at this time. | |
| 3e. Have difficulties and challenges been adequately documented and measures taken to alleviate them (and that lessons have been learned as a result)? | <ul style="list-style-type: none"> Cited challenges: high government turnover and security issues are outside of SUWASA's control. SUWASA appears to be succeeding in spite of the challenges, albeit somewhat more slowly. | Interviews with Sam Huston DCOP SUWASA SUWASA Bauchi State Mid-Term Review February 2013 |
| What were/are the factors in the concept, design and implementation that have made reform successful: social, institutional (including strategic and operational management), service delivery, infrastructure investment | <ul style="list-style-type: none"> Buy-in by Bauchi State government and effective program design and execution by SUWASA. | Study Tour Report Visit to Zambia and South Africa by Bauchi State Delegation, April 2012 SUWASA-Bauchi State Customer Enumeration Training Course Materials 2012 SUWASA Bauchi State Mid-Term Review February 2013 |
| Premise 4 – Positive country level reform | | |
| SOW Question 4 – Based on analysis of the specific country activities, including results against the M&E plans, how well have the country activities improved sector performance, in terms of stakeholder perception and documented results? | | |
| 4a. Is there evidence of improved sector performance resulting from SUWASA? | <ul style="list-style-type: none"> While delayed, it seems to be happening now. | |
| 4b. What is the level of stakeholder satisfaction resulting from SUWASA activities? | <ul style="list-style-type: none"> Too early to tell. | |

| Nigeria Evaluation Questions | | |
|--|---|--|
| Sub-Questions | Evidence | Source |
| 4c. What evidence is there of beneficiary satisfaction resulting from SUWASA activities? (where feasible) | <ul style="list-style-type: none"> • Too early to tell | |
| Premise 5 – Correctly designed, managed and implemented project SOW Question 5 – <i>How could the approach to selecting and implementing a portfolio of activities have been improved – both to achieve better results in each country and to better develop an evidence base for the specific sector reform option? Define the approaches – from strategy, management and implementation – that enhanced the project and identify the ones that can be replicated in the future. Also identify the ones that weakened the project and how these can be alleviated for the remainder of the project and in future programs. What priorities should be set for the project for the remainder of the contract and what would project success look like?</i> | | |
| 5a. Was the overall project design realistic (timeline, funds, human resources, targets) to achieve the expected outcomes and impact? | <ul style="list-style-type: none"> • It appears that the timeline for meeting the service extensions, service improvements and financial stability were overly optimistic in terms of time. It is believed that the changes made so far, along with Bauchi State and VVB involvement, and Swazi Water assistance should result in significant improvements, extensions, and overall sustainability that will be an example for future projects after the lessons learned have been published and internalized. | SUWASA Reform Work Plan, November 2010 SUWASA Inception Report Bauchi State, August 2011 Interviews with Miguel Ramirez of WB and Sam Huston DCOP SUWASA MOU Between Swazi Water and BSWB, March 2013 |
| 5b. Have Project risks and assumptions been taken into account in the Project design and at implementation? | <ul style="list-style-type: none"> • Yes. | SUWASA Bauchi State Mid-Term Review February 2013 |
| 5c. Was the country context sufficiently taken into account? How was that reflected in the project design (e.g. revised targets, tailored risk analysis) | <ul style="list-style-type: none"> • It's not clear as to whether the delays have been a result of specific conditions in Bauchi State or in Nigeria as a whole. More information is needed here. | |
| 5d. Has the project demonstrated sufficient flexibility to adjust to changing circumstances and conditions? | <ul style="list-style-type: none"> • Yes. The project has shifted from an initial project delivery focus to more of a focus on improving institutional abilities within Bauchi State, and assisting other donors (WB and Swazi Water) on their ongoing efforts to finance additional infrastructure and improve operational effectiveness, respectively. | SUWASA Reform Work Plan, November 2010 SUWASA Inception Report Bauchi State, August 2011 Interviews with Miguel Ramirez of WB and Sam Huston DCOP |

| Nigeria Evaluation Questions | | |
|--|--|--|
| Sub-Questions | Evidence | Source |
| | | SUWASA MOU Between Swazi Water and BSWB, March 2013 |
| 5e. Is the Project monitoring and reporting effective in identifying project successes and areas of weakness? | <ul style="list-style-type: none"> The lessons learned phase should be upcoming, and should be published via seminars, professional papers, etc. | |
| 5f. What were/are the main reasons for project success (if any) and can they be replicated? | <ul style="list-style-type: none"> The biggest success on this project has been the buy-in by the Bauchi State government and effective program design and execution by SUWASA. Also, the program leveraged off the specific concerns of the WB in considering a loan to Nigeria | Interviews with Miguel Ramirez of WB and Sam Huston DCOP SUWASA SUWASA Small Investment Project Proposal, Bauchi State, January 2013 MOU Between Swazi Water and BSWB, March 2013 |
| 5g. What were/are the main challenges or obstacles in terms of achieving project outcomes, and how have they been addressed? | <ul style="list-style-type: none"> The major challenges were the lack of a cohesive management structure within Bauchi Water, poor utility financial performance (insufficient revenues, major leakage issues, lack of sufficient customer base), and a non-sustainable tariff. These issues had to be addressed before project outcomes related to service improvements could be achieved. | SUWASA Reform Work Plan, November 2010 SUWASA Inception Report Bauchi State, August 2011 Analysis and Design of Institutional, Legal and Regulatory Framework Final Report, September 2012 |
| 6. Cross Cutting Issues | | |
| 6a. To what extent has the project taken account of social issues, including poverty and gender aspects? | <ul style="list-style-type: none"> Not clear at this point. More information needed. | |
| 6b. What mechanisms exist for ensuring that adequate attention is paid to these issues at each stage of the project cycle? | <ul style="list-style-type: none"> Not clear at this point. More information needed | |
| Is there evidence of tangible results/positive impact on poverty | <ul style="list-style-type: none"> Not clear at this point. More information needed | |

Nigeria Evaluation Questions

| Sub-Questions | Evidence | Source |
|---|----------|--------|
| alleviation and gender aspects? If so, what are they? | | |

SENEGAL DESKTOP REPORT—REVISED AFTER PHASE 2

The country was not visited, so the evaluation is based on a desk review of various reports, and discussion with the SUWASA team in Nairobi during the visit to Kenya. The documentation available to the Evaluation Team did not include the progress reports by SUWASA's subcontractor, Development Innovations Group (DIG).

PROJECT BACKGROUND

In 1996, the Government of Senegal (GoS) undertook an ambitious restructuring of the water and sanitation sector. As part of this, it created the state-owned Senegalese National Office for Sanitation (ONAS). ONAS is responsible for sanitation service delivery in the urban areas. Its mission is to plan, manage and operate sanitation infrastructure at the household and collective levels in urban and peri-urban areas, including fecal sludge treatment stations. SUWASA/Senegal will coordinate closely with ONAS. (Tetra Tech October 2012)

In June 2005, the GoS drafted a sector policy paper listing key development objectives related to sanitation services to be achieved by 2015. These objectives were established through the Millennium Drinking Water and Sanitation Program (PEPAM) and are designed to achieve two goals:

1. Increase access to sanitation services from 56.7% of households in 2004 to 78% in 2015 through the completion of 135,000 individual sanitation works including domestic sewage and wastewater disposal
2. Improve sewage disposal from 19% treatment in 2004 to 61% treatment by 2015 through installing adequate facilities for the treatment of 94,242 m³/day of wastewater

Under the USAID-SUWASA project, the two-year, \$2.7 million SUWASA Senegal project aims to improve the urban poor's access to reliable, sustainable and affordable sanitation services in selected communities. It has two specific objectives:

1. Assist in the adaptation of national public-private strategies for fecal sludge management in Tambacounda
2. Support private sector participation in fecal sludge management through a small investment program (SIP) in the Dakar and Tambacounda areas.

The project is being implemented in collaboration with two main programs, the USAID-financed Millennium Drinking Water and Sanitation Program (Programme d'Eau Potable et d'Assainissement du Millénaire, (USAID/PEPAM)); and the Bill and Melinda Gates Foundation (BMGF) financed Program for Structuring the Fecal Sludge Market in the Suburbs of Dakar (Programme de structuration du marché des boues de vidange dans la banlieue de Dakar) or ONAS-Boues de Vidanges for short (ONAS-BV).

The Project started in August 2012, with a duration of 24 months. Development and implementation of the project was subcontracted to the Development Innovation Group.

The focus of the project has been changed since identification in the Due Diligence process. Originally it was to address septage management in one area of Dakar with future expansion to Sèdhiou (a secondary town) with three components: local government engagement; entrepreneurial business planning and public-private partnerships; and national policy reform to support public-private

partnerships²⁷. These areas were taken over by the BMGF funded project, so SUWASA moved to Tambacounda, as a secondary town then not covered by ONAS, with some support to the rehabilitation of a septage treatment plant in Dakar.

Following a recent internal review, the project is likely to change again:

“The project is being restructured. All project activities will be based in Tambacounda with a refocus on what can be achieved within the policy and regulatory environment and move the focus away from construction. The activities to be prioritized include: a situational analysis of sanitation in Tambacounda, development of policy recommendations, establishment of a system for Local Government Regulation of Private Sector Fecal Sludge Haulers, fecal sludge management site assessment, feasibility study and a comprehensive Environmental Impact Assessment.²⁸

EVALUATION QUESTIONS

| Senegal Evaluation Questions | | |
|--|---|--|
| Sub-Questions | Evidence | Source |
| Premise I – Contribution to the Body of Solutions | | |
| SOW Question I – <i>Based on analysis of the country activities and the SUWASA project overall, to what extent, how, and at what level (local, country, regional, sector) has SUWASA added to the body of sector knowledge and engendered a learning agenda about how to alleviate service constraints?</i> | | |
| Ia. In what way is this project new or innovative? | <ul style="list-style-type: none"> • SUWASA considers “commercial solutions to sanitation requirements in informal settlements represent a largely untapped potential for innovative approaches to sustainable service delivery. Hence, the proposed project seeks to assess and support the implementation of commercially viable entrepreneurial sanitation solutions for the urban poor.” • In international terms, the innovation is difficult to discern. USAID’s support to septage management in South-East Asia, and specifically the Philippines, appears to offer a much more comprehensive and innovative approach to the challenges of septage management. • The Project is being carried out in collaboration with ONAS-BV, a consortium of Water and Sanitation for Africa (WSA) and Innovations for Poverty Actions (IPA), conducting a four year \$12.2 million research program funded by the Bill and Melinda Gates Foundation. It appears that much of the research and innovation is contained in the research agenda of the latter program. | <p>SUWASA (April 2011). Quarterly Report VI</p> <p>Tetra Tech, Oct 2012, Project Inception Report WSA (2013), "Market structuring of sludge management project - Dakar</p> |
| Ib. To what extent will (has) the project add(ed) to the body of sector knowledge? | <ul style="list-style-type: none"> • Although the project has only recently started, it does not appear that it will add significantly to already published information (e.g.: (Department of Health 2008), (Robbins 2007) although it may add to knowledge in Africa. | |
| Ic. How will (has) the project alleviate(d) service constraints? | <ul style="list-style-type: none"> • The project is intended to develop affordable septage management services in Dakar and Tambacounda by developing private sector operators and improving the sludge treatment facilities. | Tetra Tech, Oct 2012, Project Inception Report |
| Id. How has this experience and | <ul style="list-style-type: none"> • There is little to disseminate at this stage because of delays and changes to the original design and implementation. | Meeting/interview with SUWASA |

²⁷ Due Diligence Report: Senegal 2011

²⁸ SUWASA Weekly report for May 27, 2013

| Senegal Evaluation Questions | | |
|---|---|---|
| Sub-Questions | Evidence | Source |
| knowledge been disseminated (and at what levels)? | | team in Nairobi |
| I.e. Is the unlocking of service constraints likely to be sustainable/ replicable? | <ul style="list-style-type: none"> • Not clear yet. To some extent replicability depends on the costs involved in rehabilitating the treatment plants. In other places these may need to be constructed new. • Sustainability depends to a large extent on the operational costs of the service and its affordability for poorer sections of the population – there is no information on this yet. | |
| How effective has the dissemination of products been (knowledge of products, application of knowledge)? | <ul style="list-style-type: none"> • The project is still on-going and there have been substantial changes over time, so products for dissemination are not available yet. | |
| Premise 2 – Maximum Development Impacts and Aid Effectiveness SOW Question 2 – <i>Has SUWASA been effective at integrating other development activities in a way that maximizes development impact and aid effectiveness? If so, are there specific ways that this has been accomplished that could inform future USAID programming?</i> | | |
| 2a. What is the level of Government support for SUWASA? | <ul style="list-style-type: none"> • The project is in partnership with ONAS, the state-owned Senegalese National Office for Sanitation. An official MoU has been signed between the partners. • “SUWASA involvement in this multi-partner project begins at the level of local government engagement and continues to support reform and modernization of existing informal private sector involvement”. Lack of local government capacity for regulatory and oversight roles is also mentioned. However, the relationship with and support from local government in Tambacounda is not mentioned in subsequent project reports, although there is a formal signed MoU between SUWASA and “La Commune de Tambacounda” (undated); this defines the authority’s roles in support of the project. | <p>Tetra Tech, Oct 2012, Project Inception Report</p> <p>Due Diligence Report: Senegal 2011</p> |
| 2b. What is the level of synergy between SUWASA and other (current or planned) Donor programs? | <ul style="list-style-type: none"> • The “Due Diligence” Report describes importance of SUWASA’s project being complementary with the Bill and Melinda Gates Foundation (BMGF) funded project. Subsequently, the BMGF took over in areas that SUWASA had planned to cover. • The project was planned to work together with two other projects: the USAID funded PEPAM (Programme d’Eau Potable et d’Assainissement du Millenaire), and the Bill and Melinda Gates Foundation-financed Program for Structuring the Fecal Sludge Market in the Suburbs of Dakar (Programme de structuration du marche des boues de vidange dans la banlieue de Dakar) or ONAS-Boues de Vidanges for short (ONAS-BV). • According to the Inception Report, “while USAID/PEPAM increases the demand for sanitation services, SUWASA Senegal will focus on improving the supply of sanitation services to meet the expected increased demand.” • The European Union is mentioned in the Work Plan as a collaborating partner, for PPP operation of sludge treatment facilities and for technical designs of treatment facilities other than SUWASA interventions | <p>Due Diligence Report: Senegal 2011</p> <p>Tetra Tech, Oct 2012, Project Inception Report</p> <p>Tetra Tech, Oct 2012, Project Inception Report</p> |

| Senegal Evaluation Questions | | |
|---|---|--|
| Sub-Questions | Evidence | Source |
| Is there evidence that SUWASA activities have enabled /supported other development projects (either by Government of donors)? | <ul style="list-style-type: none"> SUWASA activities have not led to other development projects. | Meeting/interview with SUWASA team in Nairobi |
| 2c. Is there evidence of SUWASA concepts and practices being adopted into national strategies? | <ul style="list-style-type: none"> Too early to determine. It is possible that the experience and lessons of the project will contribute, but the main inputs are more likely to come from the WSA project. | |
| 2d. Are lessons learned from SUWASA being incorporated into USAID knowledge base at the program level (country and Washington level)? | <ul style="list-style-type: none"> There are no clear lessons at this stage. | |
| What is the amount of funding for SUWASA, and has additional funding been provided by government, other donors, other sources? | <ul style="list-style-type: none"> SUWASA Senegal is US\$2.7 million The USAID/PEPAM is for \$21 million over 5 years the ONAS-BV is for \$12.2 million over 4 years | |
| How were additional funds and project linkages developed - facilitating factors and constraining factors | <ul style="list-style-type: none"> There have not been any additional funds or project linkages A constraining factor has been the differing objectives of the USAID Senegal Mission's PEPAM Project, with its focus rural areas and on infrastructure, and SUWASA with its purpose of urban sector reform and focus on septage management. This led to the inclusion of some components outside the intention of SUWASA, such as the construction of subsidised toilets, and CLTS. | Meeting/interview with SUWASA team in Nairobi |
| Premise 3 – Value of service provider focus | | |
| SOW Question 3 – Can SUWASA demonstrate evidence that utility-focused reform is as beneficial as assumed? If yes, what lessons can be extrapolated from the SUWASA design or implementation for replication elsewhere? If not, what aspects of the project concept, design or implementation have impeded this result from being demonstrated? Is this still a possible result for the remainder of the project? | | |
| 3a. Is there evidence of measurable improvement in Utility (or beneficiary institution) performance resulting from SUWASA? | <ul style="list-style-type: none"> According to the “Due Diligence” Report, the proposed project “contains policy reform, service delivery improvements, and demand-creation to meet this population’s sanitation needs”. Too early to determine, as the project is still on-going, with changes and delays | SUWASA (June 2011). Due Diligence Report: Senegal 2011 |
| 3b. If so, how is this leading to improvements in service and customer satisfaction? | <ul style="list-style-type: none"> Too early to determine. | |
| 3c. Are results and lessons identified adequately documented in a format that can facilitate replication elsewhere? | <ul style="list-style-type: none"> Too early to determine – lessons have not yet been identified | |

| Senegal Evaluation Questions | | |
|---|--|--|
| Sub-Questions | Evidence | Source |
| 3d. How is SUWASA using national and regional networks to publicise lessons learned? | <ul style="list-style-type: none"> • Too early to determine. | |
| 3e. Have difficulties and challenges been adequately documented and measures taken to alleviate them (and that lessons have been learned as a result)? | <ul style="list-style-type: none"> • The Work Plan identifies a number of risks under sub-headings: financial; social; political; institutional; and capacity related. These do not go into depth or substantive mitigation measures. • The Inception Report identifies only two risks: insufficient resources for both government and private sector to deliver efficient services; and continually changing institutional arrangements. • The assessment of risk appears to be rather limited considering the complexity of the challenges in developing septage management services. Other factors that would seem to be relevant are <ul style="list-style-type: none"> - The affordability of services, particularly in poorer communities - The associated challenge of setting and collecting realistic service charges that would at least cover the operational costs; - The willingness of households to pay for a service which is hardly recognised as necessary - The role of municipalities and their capacity to perform their various responsibilities, particularly for oversight and primary regulation of the private sector and the household responsibilities | <p>Tetra Tech (May 2012), Senegal Reform Work Plan</p> <p>Tetra Tech, Oct 2012, Project Inception Report</p> |
| 3f. What measures or corrective actions (if any) have been taken to ensure the project will achieve its intended results and outcomes? | <ul style="list-style-type: none"> • Because the BMGF-funded project was developed to cover activities in Dakar, SUWASA has made considerable changes to the project since the Due Diligence Report, including selecting an alternative secondary town, Tambacounda, for the main activities. • Further changes are in process as a result of the Mid-Term Review. | |
| What were/are the factors in the concept, design and implementation that have made reform successful: social, institutional (including strategic and operational management), service delivery, infrastructure investment | <ul style="list-style-type: none"> • . The question presumes success. At present it is too soon to determine success and whether it is sufficiently addressing reform. | |
| What could be changed in the original concept, design and implementation, in order to avoid identified difficulties that eventually have lead to underperformance? | <ul style="list-style-type: none"> • A fuller analysis of the issues and challenges would better inform the actions to take. In particular, an in-depth analysis of the costs chain of septage management to see where these can be reduced is advised (see 5a). Also, analysis of the role of local government in relation to ONAS would help in defining governance and regulatory roles. • Consideration should be given to establishing a system for routine area based emptying and transport to improve efficiency and reduce the cost of the service, with regular payment as an addition to water bills or house tax. | |
| Premise 4 – Positive country level reform | | |
| <p>SOW Question 4 – <i>Based on analysis of the specific country activities, including results against the M&E plans, how well have the country activities improved sector performance, in terms of stakeholder perception and documented results?</i></p> | | |

| Senegal Evaluation Questions | | |
|--|---|---|
| Sub-Questions | Evidence | Source |
| 4a. Is there evidence of improved sector performance resulting from SUWASA? | <ul style="list-style-type: none"> • Too early to determine. | |
| 4b. What is the level of stakeholder satisfaction resulting from SUWASA activities? | <ul style="list-style-type: none"> • Too early to determine. | |
| 4c. What evidence is there of beneficiary satisfaction resulting from SUWASA activities? (where feasible) | <ul style="list-style-type: none"> • Too early to determine. | |
| Premise 5 – Correctly designed, managed and implemented project SOW Question 5 – <i>How could the approach to selecting and implementing a portfolio of activities have been improved – both to achieve better results in each country and to better develop an evidence base for the specific sector reform option? Define the approaches – from strategy, management and implementation – that enhanced the project and identify the ones that can be replicated in the future. Also identify the ones that weakened the project and how these can be alleviated for the remainder of the project and in future programs. What priorities should be set for the project for the remainder of the contract and what would project success look like?</i> | | |
| 5a. Was the overall project design realistic (timeline, funds, human resources, targets) to achieve the expected outcomes and impact? | <ul style="list-style-type: none"> • The resources and timeline as described in the Inception Report (without the annexes) appear to be adequate for the activities as defined. • It appears, however, that some steps are missing or weak or inappropriate. <ul style="list-style-type: none"> – The fundamental problem is defined as: “In Tambacounda and other secondary cities, the cost of fecal sludge management services is prohibitively high for the urban poor. Only businesses and high-income residents can afford to engage the services of mechanized <i>vidangeurs</i> to empty septic tanks and haul away the contents.” What seems to be missing from the activities is a comprehensive cost analysis to understand why costs are too high, and to identify ways of reducing the costs. – There is no step for working with Local Government in Tambacounda, which has been responsible for sanitation in the absence ONAS. It is partly covered in the MoU, but most of that is about provision of information. – Construction of subsidised household latrines in limited numbers will only perpetuate the problems of direct subsidies for sanitation. It also contradicts the community led total sanitation (CLTS) approach, which is supposed to be non-subsidy, being proposed by PEPAM. – There is some confusion about the CLTS approach in the Inception Report, implying that it may be applied incorrectly – CLTS is essentially a process for getting people as communities to understand the consequences of poor sanitation practices and hygiene behaviour change behaviour, and then to determine their actions to address these practices. The Work Plan is clearer in this respect. – The regulatory side of the septage management does not appear to be adequately addressed, and in particular, the local authorities’ | <p>Tetra Tech, Oct 2012, Project Inception Report</p> <p>Tetra Tech, Oct 2012, Project Inception Report</p> |

| Senegal Evaluation Questions | | |
|--|---|--|
| Sub-Questions | Evidence | Source |
| | <p>role and capacity for this role. It needs to address both the households' responsibilities for constructing, maintaining and regularly emptying septic tanks and pit latrines, and the licensing of private <i>vidangeurs</i> and ensuring correct disposal at the sludge treatment sites.</p> <ul style="list-style-type: none"> - The rehabilitation of what appear to be highly mechanised sludge treatment works may not lead to lower operating costs. • Some of these points are also raised in a recent review of the SUWASA Senegal project by USAID/Washington technical staff and the SUWASA team: "The project is being restructured. All project activities will be based in Tambacounda with a refocus on what can be achieved within the policy and regulatory environment and move the focus away from construction. The activities to be prioritized include: a situational analysis of sanitation in Tambacounda, development of policy recommendations, establishment of a system for Local Government Regulation of Private Sector Fecal Sludge Haulers, fecal sludge management site assessment, feasibility study and a comprehensive Environmental Impact Assessment. | Weekly report for May 27, 2013 |
| 5b. Have Project risks and assumptions been taken into account in the Project design and at implementation? | <ul style="list-style-type: none"> • See 3e | |
| 5c. Was the country context sufficiently taken into account? How was that reflected in the project design (e.g. revised targets, tailored risk analysis) | <ul style="list-style-type: none"> • From the Due Diligence Report, there is a good assessment of the organisations involved. It appears that a good understanding was developed with BMGF, but subsequently that project took over a substantial part of the planned SUWASA scope. | SUWASA (June 2011). Due Diligence Report: Senegal 2011 |
| 5d. Has the project demonstrated sufficient flexibility to adjust to changing circumstances and conditions? | <ul style="list-style-type: none"> • SUWASA adapted by taking on a different secondary town. | |
| 5e. Is the Project monitoring and reporting effective in identifying project successes and areas of weakness? | <ul style="list-style-type: none"> • The M&E Plan appears to be generally sufficient, although it has not been updated to take account of the changes. • The first SUWASA Program Level Indicator ("Number of people gaining access to an improved sanitation facility") may not be appropriate as the main focus of the project is on one component of the safe sanitation chain. It is not about increasing numbers of people with improved sanitation. The indicators are limited in terms of monitoring reform. | Tetra Tech (Oct 2012), M&E Plan |
| 5f. What were/are the main reasons for project success (if any) and can they be replicated? | <ul style="list-style-type: none"> • Too early to determine. | |
| 5g. What were/are the main challenges or obstacles in terms of achieving project | <ul style="list-style-type: none"> • There are a number of challenges which do not appear to be adequately defined or addressed. These are described 5a. | |

| Senegal Evaluation Questions | | |
|--|---|---|
| Sub-Questions | Evidence | Source |
| outcomes, and how have they been addressed? | | |
| 6. Cross Cutting Issues | | |
| 6a. In what terms has the project taken account of social issues, including poverty and gender aspects? | <ul style="list-style-type: none"> Although the basic problem is about the unaffordable costs of septage management service for the poor, there is very little analysis of poverty, the targeted beneficiaries, affordability analysis, willingness to pay, etc. | |
| 6b. What mechanisms exist for ensuring that adequate attention is paid to these issues at each stage of the project cycle? | <ul style="list-style-type: none"> The Work Plan notes as a social risk that “A strong focus will need to be maintained to ensure that the project keeps a focus on the needs, capacity, and service provision among the unserved urban poor. It will be too easy for both the proposed policy reforms and the expanded provision of sanitation services by the private sector to improve services for the middle and upper classes as the market is more cash-friendly and easily reachable.” The means to address this is not specified. | Tetra Tech (May 2012). Senegal Reform Work Plan |
| Is there evidence of tangible results/positive impact on poverty alleviation and gender aspects? If so, what are they? | <ul style="list-style-type: none"> Too early to determine. | |

EXPANDED ANSWERS TO EVALUATION QUESTIONS

Premise I: Contribution to Body of Solutions

In order to answer this question, it is necessary to be aware of the body of sector knowledge at the time this project was prepared. One of the most comprehensive approaches to septage management, *Septage Management Guide for Local Governments*, was published by RTI in 2007 and is available on the internet²⁹. This covers the range of key components necessary for a septage management program, with emphasis on the regulation of construction and procedures, and the need for full cost recovery, social marketing and local government ordinances or by-laws.

The fundamental problem was defined as: “in Tambacounda and other secondary cities, the cost of fecal sludge management services is prohibitively high for the urban poor”³⁰. SUWASA took a relatively narrow view of the reforms required to address this, with a focus limited to the private sector role:

- the proposed project seeks to assess and support the implementation of commercially viable entrepreneurial sanitation solutions for the urban poor.³¹
- The project is intended to develop affordable septage management services in Dakar and Tambacounda by developing private sector operators and improving the sludge treatment facilities³²

²⁹ http://www.rti.org/pubs/septage_management_guide_1.pdf

³⁰ Tetra Tech, Oct 2012, Project Inception Report

³¹ SUWASA (April 2011). Quarterly Report VI

³² Tetra Tech, Oct 2012, Project Inception Report

There is no in-depth analysis of the cost of septage services to identify how they can best be made reformed to make them affordable for the urban poor. The design of the project has assumed that developing the private sector and improving the treatment facilities is all that is necessary.

It appears to be unlikely that the project will contribute to the body of solutions at international level. At national level, because of delays and changes to the original design and implementation, there is very little experience for dissemination at this stage.

Premise 2 – Maximum Development Impacts and Aid Effectiveness

The Senegal project was designed to work in collaboration with other organisations and to be complementary with other projects. The project is in partnership with ONAS, the state-owned Senegalese National Office for Sanitation, with an official MoU between the partners. The project has also formed a partnership with the local government in Tambacounda, again with an MoU. The project was planned to work together with two other projects: the USAID funded PEPAM (Programme d'Eau Potable et d'Assainissement du Millenaire); and the Bill and Melinda Gates Foundation-financed Program for Structuring the Fecal Sludge Market in the Suburbs of Dakar (Programme de structuration du marche des boues de vidange dans la banlieue de Dakar) or ONAS-Boues de Vidanges for short (ONAS-BV). The "Due Diligence" Report describes importance of SUWASA's project being complementary with the latter, as both address sector reform in sanitation. For reasons that it was not possible to fully explore in a desk study, the BMGF funded project, with its substantially greater funding, took over the areas of Dakar that SUWASA had planned to cover.

So far, SUWASA has not led to other development projects, or raised additional funds, and its activities and results have not contributed to sector strategies.

Premise 3 – Value of service provider focus

Due to delays and changes to the project, there is no achievement yet to show that the utility focused reform is proving to be beneficial. It appears at this stage that the lack of analysis of the costs and affordability of septage services will limit the benefits that can be achieved. The question presumes that a focus on the service provider is sufficient, without considering the wider issues of governance and regulation.

The Work Plan identifies a number of risks under sub-headings: financial; social; political; institutional; and capacity related. These do not go into depth or substantive mitigation measures. The Inception Report identifies only two risks: insufficient resources for both government and private sector to deliver efficient services; and continually changing institutional arrangements. This assessment of risk appears to be rather limited considering the complexity of the challenges in developing septage management services. Other factors that would seem to be relevant are:

- The affordability of services, particularly in poorer communities
- The associated challenge of setting and collecting realistic service charges that would at least cover the operational costs;
- The willingness of households to pay for a service which is hardly recognised as necessary
- The role of municipalities and their capacity to perform their various responsibilities, particularly for oversight and primary regulation of the private sector and the household responsibilities

With a year to go, there may still be time to address some of these issues and gaps, as proposed in the recommendations.

Premise 4 – Positive country level reform

It is too early to determine whether the activities have improved sector performance at a country level.

Premise 5 – Correctly designed, managed and implemented project

The resources and timeline as described in the Inception Report (without the annexes) appear to be adequate for the activities as defined. It appears, however, that some steps in the project design were missing or weak or inappropriate, as well as the weaknesses in the risk analysis described under Premise 3:

- The fundamental problem is defined as: “In Tambacounda and other secondary cities, the cost of fecal sludge management services is prohibitively high for the urban poor.” What seems to be missing from the activities is a comprehensive cost analysis to understand why costs are too high, and to identify ways of reducing the costs.
- There is no step for working with Local Government in Tambacounda, which has been responsible for sanitation in the absence ONAS. It is partly covered in the MoU, but most of that is about provision of information.
- Construction of subsidised household latrines in limited numbers will only perpetuate the problems of direct subsidies for sanitation. It also contradicts the community led total sanitation (CLTS) approach, which is supposed to be non-subsidy, being proposed by PEPAM.
- There is some confusion about the CLTS approach in the Inception Report, implying that it may be applied incorrectly – CLTS is essentially a process for getting people as communities to understand the consequences of poor sanitation practices and hygiene behaviour change behaviour, and then to determine their actions to address these practices. The Work Plan is clearer in this respect.
- The regulatory side of the septage management does not appear to be adequately addressed, and in particular, the local authorities’ role and capacity for this role. It needs to address both the households’ responsibilities for constructing, maintaining and regularly emptying septic tanks and pit latrines, and the licensing of private *vidangeurs* and ensuring correct disposal at the sludge treatment sites.
- The rehabilitation of what appear to be highly mechanised sludge treatment works may not lead to lower operating costs.

Some of these points are also raised in a recent review of the SUWASA Senegal project by USAID/Washington technical staff and the SUWASA team. The project is currently being restructured as a result of that review.

The Due Diligence Report provides a good assessment of the organisations involved. The M&E Plan appears to be generally sufficient, although it has not been updated to take account of the changes. The first SUWASA Program Level Indicator (“Number of people gaining access to an improved sanitation facility”) may not be appropriate as the main focus of the project is on one component of the safe sanitation chain. It is not about increasing numbers of people with improved sanitation. The indicators are limited in terms of monitoring reform.

6. Cross Cutting Issues

Although the basic problem is about the unaffordable costs of septage management service for the poor, there is very little analysis of poverty, the targeted beneficiaries, affordability analysis, willingness to pay, etc. The Work Plan notes as a social risk that “A strong focus will need to be maintained to ensure that the project keeps a focus on the needs, capacity, and service provision among the unserved urban poor. It will be too easy for both the proposed policy reforms and the expanded provision of sanitation services by the private sector to improve services for the middle and upper classes as the market is more cash-friendly and easily reachable.” The means to address this is not specified, and action on this is not mentioned in subsequent reports.

ISSUES AND LIMITATIONS IN COUNTRY

There appear to be two main issues in Senegal that have influenced the design and implementation of this project. The nature of a desk review with a short discussion in Nairobi means that it has not been possible to explore these in depth – they are simply flagged in this report as a concern.

First, donor coordination appears to be an issue³³. The “Due Diligence” Report describes importance of SUWASA’s project being complementary with the Bill and Melinda Gates Foundation (BMGF) funded project, and the importance of developing that relationship during preparation of the respective projects. Subsequently, the BMGF took over in areas of DAKAR that SUWASA had planned to cover, and included a more comprehensive approach to septage management; the relationship is not mentioned in subsequent reports. The scale funding available appears to have been a factor in this.

Second, the project was planned to work together with the USAID funded PEPAM (Programme d’Eau Potable et d’Assainissement du Millenaire). This had a different focus, and influenced SUWASA to include components that were not directly appropriate to SUWASA’s purpose of reform (construction of subsidised toilets, inappropriate use of CLTS). This indicates that there was a lack of understanding between USAID in Washington and the USAID Mission in Senegal.

FINDINGS AND CONCLUSIONS

In the set of projects developed by SUWASA, this is the only project that focuses on sanitation. It is unfortunate, therefore, that the design and implementation do not appear to be adequate to the needs identified in the original concept. The project seeks to assess and support the implementation of commercially viable entrepreneurial sanitation solutions for the urban poor. The focus is on fecal sludge management through national strategies and support for private sector participation. The program began only in August 2012 and has not yet produced significant effects.

In international terms, the innovation is difficult to discern, with better examples in other regions and countries. Although the project has only recently started, it does not appear that it will add significantly to already published information.

The fundamental problem is stated as “the cost of fecal sludge management services is prohibitively high for the urban poor.” There was no activity to analyse in depth the complexity of the challenges of operating septage management services, and in particular a comprehensive cost analysis to understand why costs are too high, and to identify ways of reducing costs. There is very little analysis of poverty, the targeted beneficiaries, affordability analysis, willingness to pay, etc. The assessment of risk also appears to be rather limited. The result is that the project focuses on two presumed solutions, rather than a comprehensive set of activities covering all aspects of septage management. Some of these issues have been noted by a recent review mission, so it is likely that the project will be restructured.

³³ Evaluation Meeting with SUWASA Team in Nairobi, 24 June 2013

Recommendations

Recommendation S1

SUWASA should undertake a fuller analysis of the issues and challenges to better inform the actions to take in the remaining period of the project. In particular, an in-depth analysis of the costs chain of septage management to identify where these can be reduced is advised. Also, analysis of the role of local government in relation to ONAS would help in defining governance and regulatory roles.

Recommendation S2

SUWASA should consider establishing a system for routine area based emptying and transport to improve efficiency and reduce the cost of the service, with regular payment as an addition to water bills or house tax.

SOUTH SUDAN DESKTOP REPORT—REVISED AFTER PHASE 2

PROJECT BACKGROUND

Of the 8 countries in sub-Saharan Africa benefitting from the SUWASA Program, South Sudan can be considered as having the least advanced urban water sector. This reflects the country's relative youth³⁴ and its weak institutional base. Its water sector is at the emerging (or re-emerging) stage of development after a period of crisis³⁵.

Hence the South Sudan SUWASA project (SUWASA/SS) is taking place in the context of a new democracy recovering from decades of conflict, suffering from degraded infrastructure and a weak institutional base, a severe shortage of qualified and skilled manpower, and significant levels of poverty within the rural and urban populations.

The overall goal of the SUWASA/SS is to ensure improved access to safe, affordable, sustainable and reliable urban water services. The project implementing partners are the Government of South Sudan (GoSS) Ministry of Water Resources and Irrigation (MWRI) and the South Sudan Urban Water Corporation (SSUWC).

The project aim is to facilitate policy and institutional reforms to improve the sustainability and quality of urban water supply services, and which will move water utilities along the pathway towards commercial viability.

The specific objectives of SUWASA/SS³⁶ are:

1. Support the establishment of a clear institutional and legal framework for urban water services provision in South Sudan.
2. Facilitate and support the adoption of improved accountability mechanisms between different sector actors.
3. Promote and support implementation of sustainable financial management practices for urban water services.
4. Increase the technical, financial and managerial capacity and performance of select UWCs, including support for development, prioritization and implementation of local strategic performance improvement plans (SPIPs).
5. Assist SSUWC and its donor partners to identify a limited number of critical capital works investments at target UWCs that would provide cost effective service expansion and build operational sustainability.

SUWASA/SS has embraced the concept of 'peer to peer capacity building', and has engaged the services of an experienced regional water utility, namely, the National Water and Sewerage Corporation – Uganda (NWSC), to carry out Capacity Building for SUWASA/SS Supported Urban Water Stations in South Sudan (Specific Objective 4).

³⁴ South Sudan gained independence in July 2011 after a period of protracted conflict. .

³⁵ AMCOW Country Status Overviews Regional Synthesis Report, Pathways to Progress, Transitioning to Country-Led Service Delivery Pathways to Meet Africa's Water Supply and Sanitation Targets. WSP World Bank, UNICEF, African Development Bank. 2011.

³⁶ Reference: Reform Work Plan, August 2011.

The supported water stations are Maridi (population 12,000) and Wau (population 150,000)³⁷. As part of the capacity building project NWSC undertook a rapid assessment of the current situation of the urban water sector in terms of institutional, regulatory, operational and financial challenges and to identify priority areas of intervention in which SUWASA can add value, particularly by complementing other players' and donors' activities.

SUWASA/SS coordinates and collaborate with sector stakeholders at the National level through the Urban Water Working Group (UWWG).

As stated in the RWP: "The institutional side of the urban water sector in South Sudan remains pre-nascent and progress over the last several years has been painfully slow". The assessment of the water stations (Wau & Malidi) carried out by NWSC confirmed that the water systems were failing to meet basic levels of operational performance and service to customers.

A key aspect of the project is that it works at both the national level on policy and institutional issues, and at the utility level to improve the quality of service delivery to urban water customers.

SUWASA has refined and focused its approach and key areas of interventions since the drafting of the SUWASA South Sudan Reform Work Plan (RWP). While the overall goal remains the same, under the revised approach there are now 'national level' and 'utility level' priorities, namely:

At the **national level** the SUWASA/SS engages on the following three key areas:

1. Support for urban water supply institutional development;
2. Support for evolution of targeted UWC operational autonomy; and
3. Strengthen and formalize institutional relations between SSUWC and targeted UWCs.

At the **utility level**, SUWASA/SS focuses on the following three key areas in order to improve management, performance and overall sustainable financing for operations:

1. Operational autonomy;
2. Financial management; and
3. Investment prioritization

At the utility level, the focus is on the SSUWC Stations (i.e utilities) of Wau and Maridi. The reasons for their selection was that both locations have had significant infrastructure investments and now struggle with the management capacity and commercial orientation required to be financially and operationally sustainable.

Wau (population 150,000): The Wau utility has recently received a significant amount of USAID infrastructure investment for the rehabilitation and expansion of the system's water treatment plant. Wau is a regional capital and a major market center for South Sudan. The SUWASA engagement in Wau aims to strengthen the utility's management and build capacity for financially sustainable operations in order to guarantee the long term viability of USAID investments. Wau is considered an excellent candidate to illustrate commercial orientated operations with the current SSUWC management structure.

Maridi (population 12,000): The Maridi utility was recently built by a Chinese contractor funded by the Unity Fund of Sudan. By South Sudan standards it is a very substantial infrastructure investment and

³⁷ The reason for their selection is that both locations have had significant infrastructure investments and now struggle with the management capacity and commercial orientation required to be financially and operationally sustainable (Ref Inception Report).

has arguably been over engineered resulting in high running costs. Maridi is a trading town that falls within the USAID’s geographic area for health programming in West Equatoria and has an electric utility built by USAID. The local government is open to commercial operation principles and overall Maridi provides an excellent platform to demonstrate what can be achieved with private operator performance contracts in South Sudan.

Project goals and objectives are summarised below in Table 1 and 2

Table 1: Project Summary (Reform Work Plan)

| | |
|----------------------|---|
| Project Title | Institutional Reform of the Urban Water Sector in South Sudan (RWP) |
| Location/Country | Wau, Maridi, Juba - South Sudan |
| Project Goal | Improved access to safe, affordable, sustainable and reliable urban water services (RWP) |
| Specific Objectives | <ul style="list-style-type: none"> • Support the establishment of a clear institutional and legal framework for urban water services provision in South Sudan. • Facilitate the adoption of improved accountability mechanisms between sector actors • Promote and support implementation of sustainable financial management practices for urban water services • Increase the technical, financial and managerial capacity and performance of select UWCs, including support for development, prioritization and implementation of local strategic performance improvement plans (SPIPs). • Assist SSUWC and its donor partners to identify a limited number of critical capital works investments at target UWCs that would provide cost effective service expansion and build operational sustainability |

Table 2: Revised Project Objectives (Inception Report)

| | |
|-----------------------------|--|
| National Level – Objectives | <ul style="list-style-type: none"> • Support urban water supply institutional development • Support evolution of targeted UWC operational autonomy • Strengthen and formalize institutional relations between SSUWC and targeted UWCs |
| Utility Level – Outcomes | <ul style="list-style-type: none"> • Operational autonomy: increase technical, financial and management capacity and performance • Financial management: promote and support implementation of sustainable financial management practices • Investment prioritization: assist UWC and its donor partners a limited number of critical capital works investments |

| | |
|-----------------------------|--|
| Budget | \$5,000,000 |
| Effective start of Project | September, 2011 |
| Currently foreseen End Date | September, 2014 (36 months duration) |
| Linkages/complementarity | USAID Wau Water Treatment Works expansion and rehabilitation project. Sudan Infrastructure Services Project (SISP) implemented by Louis Berger Inc (NWSC Uganda sub contracted to do capacity building). |

Table 3: Project stakeholders

| Type of stakeholder | Name of stakeholder |
|------------------------|--|
| Implementing Agency | Tetra Tech ARD, through SUWASA Regional Office, Nairobi. |
| | Uganda National Water and Sewerage Corporation (NWSC) |
| Partner Agencies | Ministry of Water Resources & Irrigation (MWRI) |
| | NWSC (Uganda) |
| Direct beneficiaries | South Sudan Urban Water Corporation (SSUWC) |
| | Wau Urban Water Company (UWC) |
| | Maridi UWC |
| Indirect beneficiaries | Previously unserved consumers of Wau & Maridi |

FIELD VISIT (ACTIVITIES UNDERTAKEN)

The field visit to South Sudan took place over a six day period (June 30 to July 5) during which the South Sudan Team (of Albana Vuji and Tom Ryan) split with Albana Vuji travelling to Wau and Tom Ryan to Maridi, before re-joining in Juba for meetings with government stakeholders and Donors.

The field visit to Wau covered.

- meetings with representatives of MWRI branch office in Wau
- meeting with representative of **South Sudan Urban Water Corporation (SSUWC)** in Wau
- meeting with Area Manager of **South Sudan Urban Water Corporation (SSUWC)** (eqv. of Director of the Wau Water Utility)
- meetings with other managers of Wau Water Utility site visit to the water treatment plant and informal meetings with the operational staff

The field visit to Maridi included:

- briefing from the SUWASA Project staff in Maridi
- site visit to the water treatment plant and meeting with the operational and administrative staff;
- meetings with local government and mayor;
- meeting with the project management of the USAID-funded Electrification Sustainability Program in South Sudan
- inspections of communal water points in the town, and informal discussions with , Communal Water Point Rate Collectors.

In Juba the team was briefed by the SUWASA/SS Team Leader and USAID WASH representative, and met with MWTI and SSUWC senior representatives (including representatives of the SSUWC Board of Directors), as well as with representatives from USAID, GIZ and JICA.

At the end of the field visit a de-briefing meetings was held with the SUWASA/SS Team Leader and USAID WASH representative, to discuss the main findings and observations of the visit, and to seek further clarification and validation of these findings.

EVALUATION QUESTIONS

| South Sudan Evaluation Questions | | |
|--|---|--|
| Sub-Questions | Evidence | Source |
| Premise I – Contribution to the Body of Solutions | | |
| SOW Question I – <i>Based on analysis of the country activities and the SUWASA project overall, to what extent, how, and at what level (local, country, regional, sector) has SUWASA added to the body of sector knowledge and engendered a learning agenda about how to alleviate service constraints?</i> | | |
| Ia. In what way is this project new or innovative? | <ul style="list-style-type: none"> There is an extensive body of experience in similar approaches to water sector reform, and water utility performance improvement, in Africa and elsewhere. In the South Sudan context, JICA is undertaking an extensive program of capital investment and capacity improvement of the Juba Urban Water Utility. Therefore this project cannot be considered innovative in terms of utility reform in South Sudan. In attempting to undertake utility reform in two regional urban centers, relatively remote from the capital city of Juba, SUWASA could be considered pioneering rather than innovative. | Meeting with JICA, GIS. Project Reports. |
| Ib. How will (has) the project add(ed) to the body of sector knowledge? | <ul style="list-style-type: none"> If the Project is successful in achieving its goals, it should provide some useful lessons for establishing small, independent water utilities in South Sudan. If successful, the Project could lead to replication of this model in other small towns in South Sudan, and increase the financial sustainability of the water sector nationally. | Project Reports. Interviews with SUWASA & SSUWC staff. |
| Ic. How will the project alleviate service constraints? | <ul style="list-style-type: none"> At the national level, SUWASA will improve the understanding of the SSUWC Board of Directors (BoD): resulting from training and study tours provided. As a result the BoD will be better informed of their duties and responsibilities. This is expected to have a positive impact on SSUWC's management and decision-making. However there remain significant issues with the BoD, which is comprised mainly of political appointees, and so lacks the independence and objectivity required in the role. The SSUWC BoD is also seen as being at odds with the MWRI (the head Ministry and authority for the urban water sector) in critical aspects of the strategy and vision for the urban water sector. This scenario is still playing out, and is likely to reduce any positive impact that SUWASA may exert, at the national level, At the utility level the Station operator staff have received operator training from NWSC (Uganda) which has been highly relevant and effective, but its impact is limited by (i) the relatively short duration (training provided on 3 occasions for 2 weeks at a time) (ii) the Station Management did not fully partake in the training and so will be unable to reinforce the training (iii) training has been undertaken in the absence of any objective to strengthen and re-shape the management approach. Further short term training by NWSC (in financial management, billing) is foreseen in the next phase of this Project. In comparison, JICA (at Juba Station) provides almost continuous on-the-job training/mentoring by international specialists who oversee operation and reinforce learning by doing. While to date there has been no significant impact on service levels at Maridi and Wau that can be directly attributed to SUWASA, this should improve over the next 6 months due to (i) electrification of the Maridi treatment plant which will reduce | Meetings: SSUWC Head Office; SSUWC Wau & Maridi Stations; SUWASA/South Sudan & Nairobi Briefings JICA Briefing, Juba |

| South Sudan Evaluation Questions | | |
|--|---|--------|
| Sub-Questions | Evidence | Source |
| | <p>power shortages and hence supply interruptions at Maridi and (ii) delivery of (procured) pipes and meters will allow extension of piped water to new service areas in Wau and Maridi.</p> <ul style="list-style-type: none"> • Currently water availability at the communal water points in Maridi is hampered by the service contracts between the SSUWC and the Rate Collectors (who manage the water point and collect payment) which offer little in the way of incentives for them to continue to manage the water points. As a result only 37 out of 100 water points are operational and people have to walk much further to reach water. There is potential for SUWASA to engage with the community, SSUWC and the municipal authorities to resolve this impasse and improve accessibility to water. There is still time available for SUWASA to have a significant impact on improving access and availability of piped water for many in Maridi. | |
| Id. How has this experience and knowledge been disseminated (and at what levels?)? | <ul style="list-style-type: none"> • Generic response for all SUWASA projects ???? | |
| Ie. Is the unlocking of service constraints likely to be sustainable/ replicable? | <ul style="list-style-type: none"> • The prospects for sustainability in South Sudan are weak. This is due a number of factors: the almost complete lack of an institutional framework; low literacy levels (adult literacy is 27%) of the population, including government employees and utility staff; moribund economy, lack of investment in the sector. South Sudan is transitioning from the humanitarian to the development stage in its evolution and notions of sustainability must be considered unrealistic in the short to medium term. • However it can be expected, by the end of the project, that Maridi and Wau Stations will show some improvements in operations and record keeping and improved revenue from new connections. Sustainability will require: significant further investment in training and capacity building, with some selective capital expenditure in spares, tools and equipment; a coherent national water strategy in place with competent institutions at the national and local level, and; on-going donor support to encourage partnerships, twinning and mentoring arrangements. • The SUWASA Project has been less effective at the national level, where the institutional environment is more complex and subject to political influence. In the time remaining, the SUWASA Project should focus its efforts at the utility level (Wau and Maridi) where the prospects for achieving tangible results are improved. • At the utility level, the SSIP component of the SUWASA/SS holds the best prospects now of achieving some positive results, if the 950 metered connections can be installed by end of project. | |
| Premise 2 – Maximum Development Impacts and Aid Effectiveness SOW Question 2 – Has SUWASA been effective at integrating other development activities in a way that maximizes development impact and aid effectiveness? If so, are there specific ways that this has been accomplished that could inform future USAID programming? | | |
| 2a. What is the level of Government support for SUWASA? | <ul style="list-style-type: none"> • SUWASA operates at both the national level and the utility level. At national level SUWASA works through the UWWG chaired by the General Manager of the SSUWC. The SSUWC is appreciative | |

South Sudan Evaluation Questions

| Sub-Questions | Evidence | Source |
|--|--|--|
| | <p>of the support provided by SUWASA. The field trip to Uganda was reported as ‘opening the eyes’ of many Board members as to how a Board operates, and the required roles and responsibilities. The Director of Urban Water Supply (MWRI) keenly supports the SUWASA initiative in the sector and regards Maridi and Wau Stations as models of how to move towards eventual privatization/commercialization of the utilities. He acknowledges there is some way to go to achieve this, and that there is a need to counter the “existing inertia to maintain the status quo”. The SSUWC does not envisage privatization as a realistic option for water utilities and consequently there is a divergence of views at the decision-making level in government. It should be noted that under the proposed Water Act (prepared with GIZ support) the SSUWC may continue to exist as either a regulatory body or as a service provider organization, but not both (as is currently the case).</p> <ul style="list-style-type: none"> • At the local government level while there is clear support for improvements to the water utility operations, there is less understanding/awareness concerning autonomy or privatization of the utilities, and a lack of clarity around SUWASA objectives and activities. | |
| 2b. What is the level of synergy between SUWASA and other (current or planned) Donor programs? | <ul style="list-style-type: none"> • The major donors active in the urban water sector are: USAID, GIZ, DFID and JICA. There are various structures in place to enable sector coordination to take place, such as: the WASH Sector Donor Group; the Urban Water Working Group which is a technical advisory body to government, but is regarded as largely ineffective; the Water Sector Steering Committee, chaired by the MWRI (Director Urban Water Supply) which brings together all sector actors (Government, Donors, NGOs). This Steering Committee meets regularly (quarterly, or when there is a critical issue to discuss). • SUWASA has actively pursued donor coordination through attendance at sector meetings and invitations to GIZ and JICA to participate at SUWASA workshops, etc. • There is no obvious synergy between Donor programs, however there is a good level of understanding of each other’s programs and activities and coordination mechanisms in place to ensure adequate consultation and to avoid overlap. GIZ sees SUWASA’s national-level focus on the SSUWC (and its BoD) to be at odds with the Draft Water Act which, when approved, will result in the SSUWC having a different focus (as a regulator) and reduced scope and powers. | SUWASA Reporting. MWRI (Director Urban Water Group). |
| 2c. Is there evidence of SUWASA concepts and practices being adopted into national strategies? | <ul style="list-style-type: none"> • The Urban Water Supply Division of MWRI anticipates that the SUWASA experience at Wau and Maridi will provide useful lessons for future reform of small utilities in South Sudan. The peer-to-peer arrangements adopted by SUWASA is regarded as a useful approach to building capacity, and is one that they would seek to continue in some form. | Meetings MWRI, SSUWC |

Premise 3 – Value of service provider focus

SOW Question 3 – *Can SUWASA demonstrate evidence that utility-focused reform is as beneficial as assumed? If yes, what lessons can be extrapolated from the SUWASA design or implementation for replication elsewhere? If not, what aspects*

South Sudan Evaluation Questions

| Sub-Questions | Evidence | Source |
|---|---|--------|
| <i>of the project concept, design or implementation have impeded this result from being demonstrated? Is this still a possible result for the remainder of the project?</i> | | |
| <p>3a. Is there evidence of measurable improvement in Utility (or beneficiary institution) performance resulting from SUWASA?</p> <p>3b. If so, how is this leading to improvements in service and customer satisfaction?</p> | <ul style="list-style-type: none"> • Operations staff at Wau and Maridi Stations have to date benefitted from some limited training (by NWSC Uganda) which has improved understanding and practices (e.g. record keeping and maintenance at the water treatment plants. This has not as yet led to measurable improvement in performance, since: <ul style="list-style-type: none"> ○ the main factor affecting utility performance is availability of fuel, chemicals and spare parts and these have often been in short supply for periods of time. Utilities are still largely dependent on SSUWC Head Office Juba in this regard. ○ Wau and Maridi Stations do not measure their performance in any significant way (i.e. through use benchmark performance indicators). Flow metering is almost completely absent (at Maridi, Wau??) and Wau Station does not have a dedicated computer so all records are manual. ○ to sustain/optimize the benefits of the training provided under SUWASA will require: further repetition of on-the-job training; provision of basic tools and safety gear for operators; provision/replacement of some key equipment (flow metering, chemical mixing/dosing pumps, computer/printer, transport – vehicle or motor cycle, office space). • Over the next 6 months, (i) further training of utility staff in collection efficiency and tariff setting is scheduled, and (ii) delivery of SSIP-financed pipes and 950 domestic flow meters (Wau 850; Maridi 100) will allow a significant expansion of service to new customers. At Wau, the number of people accessing piped water will increase by 8,500 once the meters and connections are installed. At Maridi, where communal water points are proposed in two new service areas, the number of people accessing piped water could increase by 10,000 to 15,000 people. The priority for SUWASA over the remaining period is to ensure that these new connections are made. | |
| <p>3c. Are results and lessons learned adequately documented in a format that can facilitate replication elsewhere?</p> | <ul style="list-style-type: none"> • Overall the SUWASA Project makes good use of a variety of media to publicize and disseminate its findings (website, newspaper articles, regional conference papers, regional conference attendances etc). The SUWASA/South Sudan Project is not yet at a stage where there is a body of results and/or lessons to be documented. Progress is expected to accelerate in the latter part of the project period, and this will result in some useful lessons for replication elsewhere. | |
| <p>3e. Have difficulties and challenges been adequately documented and measures taken to alleviate them (and that lessons have been learned as a result)?</p> | <ul style="list-style-type: none"> • The challenges for the water sector in South Sudan are well documented in the GOSS Water Policy, which lists them as follows: <ul style="list-style-type: none"> ○ Lack of coherent policy framework to guide water sector development ○ Inadequate sector institutional arrangements: ○ Low levels of access to basic water supply and sanitation services ○ Underdevelopment of available water resources compared | |

South Sudan Evaluation Questions

| Sub-Questions | Evidence | Source |
|--|---|--------|
| | <p style="padding-left: 40px;">with neighboring countries</p> <ul style="list-style-type: none"> ○ Limited participation by water users in sectoral development processes ○ Sustainability of water infrastructure ○ Growing environmental concerns ○ Management and mitigation of water related disasters ○ Water use conflicts ○ Management of trans-boundary waters ○ Limited human resources and weak organizational capacity ○ Lack of a clear financing strategy <ul style="list-style-type: none"> ● All donors accept that these challenges are significant and have consequently adopted limited and realistic goals and targets. South Sudan is regarded as almost unique in terms of its nascent stage of development, and the almost complete absence of institutional framework and capacity. ● SUWASA was well apprised of conditions in South Sudan through site visits at the formulation stage, and through briefings by USAID's long term WASH staff in Juba. The challenges are well documented in the Due Diligence Report, the Inception Report and the NWSC Rapid Assessment Report. ● The SUWASA/SS Project will help to secure the water sector infrastructure investments already made at Wau (by USAID) and Maridi (by ???), and this was clearly a major justification for the project. The SUWASA/SS project design gave due attention to training of operator staff at the Wau and Maridi Stations, however this training was significantly trimmed for budget reasons, and this has reduced its impact. The SSIP budget has been increased and this will result in more positive outcomes in terms of visible infrastructure improvements, and increased population served. ● The current balance of the SUWASA/SS resources is weighted too heavily towards project administration and oversight, with insufficient funding directed towards activities that will yield tangible benefits. | |
| 3f. What measures or corrective actions (if any) have been taken to ensure the project will achieve its intended results and outcomes? | <ul style="list-style-type: none"> ● The Project takes place in an institutional environment, described as exhibiting an 'inertia to maintain the status quo'. This is especially evident in SSUWC which maintains its traditional top-down approach. Regional utilities such as Wau and Maridi are only allowed limited powers and financial autonomy by SSUWC and this may not improve significantly over the remainder of the project period. The best outcome for the project, in the time remaining, is for it to focus on (i) completion of the SSIP projects by installing 950 water meters, potentially providing an additional 20,000 people in Wau and Maridi with improved access to piped water; (ii) in Maridi, engage with stakeholders to resolve issues around incentives for collection of water fees at community water points, in order to open up more water points and improve access to water (iii) provide follow-up training to operator staff at Wau and Maridi Stations to consolidate the gains made, supported with some targeted provision of materials, tools, equipment, facilities. ● The project is currently not on track to achieve the majority of its outcomes. The corrective actions required to redress this are | |

| South Sudan Evaluation Questions | | |
|--|---|--------|
| Sub-Questions | Evidence | Source |
| | largely beyond the control of the project. SUWASA/SS has limited ability to influence the rate of progress needed, at the institutional level, to achieve the desired reforms within the project timeline. It is also apparent that SUWASA/SS has little flexibility to react quickly to changed environment since it is subject to the USAID Washington approval process, which has been described as 'slow and bureaucratic'. | |
| Premise 4 – Positive country level reform | | |
| SOW Question 4 – <i>Based on analysis of the specific country activities, including results against the M&E plans, how well have the country activities improved sector performance, in terms of stakeholder perception and documented results?</i> | | |
| 4a. Is there evidence of improved sector performance resulting from SUWASA? | <ul style="list-style-type: none"> The SUWASA/SS investments in training and capacity building have had a positive but limited impact on utility performance to date. However for this to be sustained beyond the project period will require further training and mentoring. Improved sector performance is not measurable/quantifiable since performance data is currently not being monitored at the utility level, and there are no plans for performance measurement to be introduced in the short term (NB Maridi Station lacks even basic equipment such as computer). However by the end of the project it is still possible for the Project performance indicator 'Number of people gaining access to an improved drinking water source' to be exceeded. The end-of-project target is 9,000 persons, and the SSIP pilot can potentially reach 20,000 persons. This achievement, on its own, would be a significant result for the project. | |
| 4b. What is the level of stakeholder satisfaction resulting from SUWASA activities? | <ul style="list-style-type: none"> At the national level the SUWASA role is appreciated. At the regional level there is appreciation of the SUWASA presence but also lack of clarity around project objectives and frustration at the lack of signs of visible progress (Maridi). In (Wau?/) and Maridi community members and local government have to date observed no noticeable improvement in their water supply. In Maridi, where only 36 out of 100 communal water points are operational, people are wondering what SUWASA is doing. By the end of project there is potential for community satisfaction level to increase significantly as a result of the 950 new meters installed, providing up to 20,000 additional people with water. | |
| 4c. What evidence is there of beneficiary satisfaction resulting from SUWASA activities? (where feasible) | <ul style="list-style-type: none"> Appreciation for SUWASA role and achievements expressed in meetings with central government and local government stakeholders. | |
| Premise 5 – Correctly designed, managed and implemented project | | |
| SOW Question 5 – <i>How could the approach to selecting and implementing a portfolio of activities have been improved – both to achieve better results in each country and to better develop an evidence base for the specific sector reform option? Define the approaches – from strategy, management and implementation – that enhanced the project and identify the ones that can be replicated in the future. Also identify the ones that weakened the project and how these can be alleviated for the remainder of the project and in future programs. What priorities should be set for the project for the remainder of the contract and what would project success look like?</i> | | |
| 5a. Was the overall project design realistic (timeline, funds, human resources, targets) to | <ul style="list-style-type: none"> The Project Budget is realistic but the allocation of the SUWASA/SS resources is weighted too heavily towards project administration and oversight, with insufficient funding directed | |

South Sudan Evaluation Questions

| Sub-Questions | Evidence | Source |
|---|--|--------|
| achieve the expected outcomes and impact? | <p>towards activities that will yield tangible benefits.</p> <ul style="list-style-type: none"> • Overall, the project lacks focus, has too wide a range of activities, but lacks critical mass (and therefore impact) in any one area. • The current SUWASA/SS Project team lacks expertise in urban water supply operations and maintenance, which is a key focus of the utility level activities. SUWASA/SS field staff should be experienced and able to support the training provided by NWSC, and provide: <ul style="list-style-type: none"> ○ ongoing, regular mentoring of Wau and Maridi Station staff, ○ oversee the installation of new water meters and connections ○ collect operational, administrative and financial data (benchmark performance indicators) on the utility performance. • Given the emerging stage of the country's institutional architecture, and the lack of existing capacity at all levels in the water sector, a longer project timeframe could have been envisaged. | |
| 5b. Have Project risks and assumptions been taken into account in the Project design and at implementation? | <ul style="list-style-type: none"> • South Sudan is still at the establishing or re-establishing stage of its development pathway following years of crisis. It faces many challenges, not least being the lack of capacity at all levels, and almost absence of an effective institutional framework for the water sector. It is still at the nascent stage in developing this architecture. Though some progress is being made, the rate of progress is slow, due to external factors largely beyond the capacity of Donors to influence. In this context goals and ambitions need to be relatively modest, and timeframes accordingly generous. • The SUWASA/SS project risk needs to be seen in the context of USAID's larger WASH Portfolio (\$16million) investment in South Sudan. To this extent, the SUWASA/SS project can be seen as complementing the larger USAID (mainly infrastructure) investment by developing much needed institutional capacity. This is a sound risk averse approach since SUWASA/SS neatly complements the earlier USAID investment. | |
| 5c. Was the country context sufficiently taken into account? | <ul style="list-style-type: none"> • Yes, USAID and SUWASA had a good appreciation of the context, and inherent risks. USAID's WASH portfolio had been active in the country for many years in the humanitarian theatre initially, before transitioning to the development theatre, with strategic investments in urban water system hardware (at Wau) which preceded the SUWASA/South Sudan Project. The former USAID WASH Adviser in South Sudan (during much of this transition period) is now engaged with the consultants implementing SUWASA, and so this contextual knowledge is available for the SUWASA/South Sudan. | |
| 5d. Has the project demonstrated sufficient flexibility to adjust to changing circumstances and conditions? | <ul style="list-style-type: none"> • Project has undergone revision in scope from the RWP, to accommodate changed circumstances. However it is clear, from our discussions with SUWASA staff (Nairobi), that the (USAID) approval process regarding changes is slow and highly centralized (in Washington) and this reduces the possibilities for the project | |

South Sudan Evaluation Questions

| Sub-Questions | Evidence | Source |
|--|---|--------|
| | to react to altered circumstances, and severely limits project flexibility. | |
| 5e. Is the Project monitoring and reporting effective in identifying project successes and areas of weakness? | <ul style="list-style-type: none"> • M&E Plan is quite detailed for this project, with 10 key performance indicators. Indicators relate to outputs, rather than outcomes. The Indicators 1 to 4 would suggest the project should have a strong focus on operator training, and investment in new connections (Indicator 2 on sanitation is no longer applicable). The M&E Plan is broadly appropriate but most of the targets are yet to be achieved. | |
| 5f. What were/are the main reasons for project success (if any) and can they be replicated? | <ul style="list-style-type: none"> • To date there have been few successes. There is still scope for the project to achieve (and indeed exceed) Indicator 1 (number of new connections) in the time remaining. This should be the focus of the project going forward. | |
| 5g. What are the main challenges or obstacles in terms of achieving project outcomes, and how have/will they been addressed? | <ul style="list-style-type: none"> • For the SUWASA/SS Project the key challenges are: <ul style="list-style-type: none"> (i) at the national level, the already identified ‘inertia to maintain the status quo’ is slowing the pace of institutional change. The composition of the SSUWC BoD (stacked with political appointees) is counter-productive to the sorts of sector reforms envisaged. Given its timeframe, SUWASA is unable to wait out the transition to introduction of the Water Act and the envisaged changes to SSUWC. A minimum engagement by SUWASA at the national level is appropriate to maintain credibility of the project. (ii) at the utility level, the reduction in the original training (number of days) by NWSC has reduced impact in terms of operational improvements and efficiencies (at Wau and Maridi), and this was expected to be one of the main outcomes of the project (Indicators 3 and 7). Further training will take place in the next months, in billing and collections, but no further training is programmed for operations and maintenance of the water supply systems. (iii) Procurement logistics has delayed the arrival of water meters for new connections at Wau and Maridi. The Project will need to become more engaged with Station staff to facilitate the new connections in the limited time available (Indicator 1). (iv) In Maridi the lack of incentives for private operation of the communal water points has resulted in many of them being closed, and this may be a continuing trend. To date SUWASA/SS has not engaged with stakeholders to resolve this issue. SUWASA/SS should pro-actively engage with stakeholders to resolve this and open up more communal water points for community use (Indicator 3). (v) The current SUWASA/SS Project team lacks expertise in urban water supply operations and maintenance, which is a key focus of the utility level activities. SUWASA/SS field staff should be able to support the training provided by NWSC, and provide: <ul style="list-style-type: none"> ○ ongoing, regular mentoring of Wau and Maridi Station staff, ○ oversee the installation of new water meters and connections | |

South Sudan Evaluation Questions

| Sub-Questions | Evidence | Source |
|---------------|--|--------|
| | <ul style="list-style-type: none">○ collect operations, administrative and financial data (benchmark performance indicators) on the utility performance. | |

FINDINGS

Premise 1 – Contribution to the Body of Solutions

There is an extensive body of experience in similar approaches to water sector reform, and water utility performance improvement, in Africa and elsewhere. Therefore SUWASA/SS cannot be considered innovative *per se*. In attempting to undertake utility reform in two regional urban centres, relatively remote from the capital city of Juba, the SUWASA/SS could be considered pioneering rather than innovative.

The Project should provide some useful lessons for establishing small, autonomous, commercially-based water utilities in South Sudan, and perhaps lessons for other countries emerging from periods of conflict. If successful, the Project could lead to replication of this model in other small towns in South Sudan, and increase the financial sustainability of the water sector nationally.

The challenges facing the project, and the South Sudan water sector at large are daunting, and include: the almost complete lack of an institutional framework; low literacy levels (adult literacy is 27%) of the workforce; poor or (mostly) absent managerial and technical skills; moribund economy, and lack of investment in the sector; lack of financial and management autonomy; lack of independence of SSUWC Board from political interference.

To date the SUWASA/SS has made limited headway in achieving its targets. This is expected to improve in the remaining months of the project. In particular, it is expected that the SUWASA/SS experience at Wau and Maridi will provide some lessons for other small urban water utilities in South Sudan, which is a key objective of the SUWASA program.

Premise 2 – Maximum Development Impacts and Aid Effectiveness

The current USAID-funded 3-year Electrification Sustainability Program in South Sudan, is electrifying the town of Maridi. This is providing opportunities for synergy with the SUWASA/SS. Electrical supply is being extended to the water treatment plant at Maridi, funded by the SSIP component of SUWASA/South Sudan.

This will significantly benefit SSUWC Maridi Station through lower pumping energy costs, and provide energy security (currently supply of diesel fuel by road from Juba is erratic). The Maridi Station will at the same time become the largest customer for the new power station, and this will help to increase the load and efficiency of the power plant. Although the electrification will contribute significantly to reliability of water supply at Maridi, and will be a major and measurable achievement of the project, it is not reflected in the project milestones and indicators.

The major donors active in the urban water sector are: USAID, GIZ, DFID and JICA. There are various structures in place to enable sector coordination to take place, such as: the WASH Sector Donor Group; the Urban Water Working Group which is a technical advisory body to government, but is regarded as largely ineffective; the Water Sector Steering Committee, chaired by the MWRI (Director Urban Water Supply) which brings together all sector actors (Government, Donors, NGOs).

SUWASA has actively pursued donor coordination through its regular attendance at sector meetings and by extending invitations to GIZ and JICA to participate at SUWASA workshops.

There is no obvious synergy between Donor programs, however there is a good level of understanding of each other's programs and activities and coordination mechanisms in place to ensure adequate consultation and to avoid overlap.

GIZ sees SUWASA's national-level focus on the SSUWC (and its BOD) to be at odds with the Draft Water Act which, when approved, will result in the SSUWC having a different focus (as a regulator) and reduced scope and powers. JICA assistance is focused exclusively on Juba, where it is funding (i) water supply infrastructures improvements (treatment plant expansion, distribution system replacement/expansion and public kiosks), and (ii) capacity building of the Juba UWC. GIZ is providing technical assistance to the MWRI and SSUWC and has established water supply infrastructure and capacity building based on a new model of semi- autonomous water utility in the town of Yei.

More could be done to exploit opportunities for synergy across donors in the areas of training and capacity building, standardising on tariff models, performance contracts for water utility applications.

Premise 3 – Value of service provider focus

Operations staff at SSUWC Wau and Maridi Stations have to date benefitted from some limited training (by NWSC Uganda) which has improved understanding and practices (eg record keeping and maintenance at the water treatment plants). This has not yet led to measurable improvements in performance, since:

- the main factor affecting utility operations is availability of fuel, chemicals and spare parts and these have often been in short supply for periods of time. Utilities are still largely dependent on SSUWC Head Office Juba in this regard.
- Wau and Maridi Stations do not measure their performance in any significant way (i.e. through use benchmark performance indicators). Flow metering is almost completely absent (at Maridi, Wau) and Maridi Station does not have a dedicated computer so record keeping is done manually (and to a very limited extent), while Wau has basic computer based list of customers, but not billing or collection records, in spite of the training in Uganda.
- the NWSC training provided to date has been of too short duration (3 x 2 weeks at Maridi and 2 weeks in Wau) to result in sustainable improvements in operations and will require: further repetition of on-the-job training, with follow-up mentoring by SUWASA/SS; provision of basic tools and safety gear for operators; provision/replacement of some key equipment (flow metering, chemical mixing/dosing pumps, computer/printer, transport – vehicle or motor cycle, office space).
- the capacity building efforts have been directed at the operations staff without the full engagement/participation of the Station management, and in the absence of any clear objective to re-shape the management approach.

Over the next 6+ months, (i) further training of utility staff (at Wau and Maridi) in collection efficiency and tariff setting is scheduled, and (ii) delivery of SSIP-financed pipes and 950 domestic flow meters (Wau 850; Maridi 100) will allow a significant expansion of service to new customers.

At Wau, the number of people accessing piped water could increase by 5,000³⁸ once the connections are installed. At Maridi, where communal water points are proposed in two new service areas, the

³⁸ According to Wau Area Manager.

number of people accessing piped water could increase by 10,000 to 15,000 people once meters and connections are installed.

There is therefore still the reasonable possibility of the project achieving (and in fact exceeding) one of its main performance targets (Indicator I: 'Number of people gaining access to an improved drinking water source') and the priority for SUWASA/SS over the remaining period should be to ensure that these meters are installed and the new connections are made.

Premise 4 – Positive country level reform

At the national level the SUWASA role is appreciated, although the influence of the project at this level is relatively minor. At the local government level there is appreciation of the SUWASA presence but also lack of clarity around project objectives and frustration at the lack of tangible progress (Maridi). Maridi community members and local government have to date observed no noticeable improvement in their water supply and the same holds true for Wau, given the nature of support under SUWASA so far. In Maridi, where only 36 out of 100 communal water points are operational, local government is wondering why SUWASA has not been able to improve this situation.

The project is currently not on track to achieve the majority of its targets and outcomes (refer Tables I – 3). The corrective actions required to redress this are largely beyond the control of the project. SUWASA/SS has limited ability to influence the rate of progress needed, at the institutional level, to achieve the desired reforms within the project timeline. It is also apparent that SUWASA/SS has little flexibility to react quickly to changed environment since it is subject to the USAID Washington approval process, which has been described as 'slow and bureaucratic'.

However there is still scope for the project to achieve (and indeed exceed) Indicator I: 'Number of people gaining access to an improved drinking water source' (Table 4). The end-of-project target is 9,000 persons, and the SSIP pilot can potentially reach 20,000 persons if the 950 new meters and connections can be installed by end of project. If this is achieved it would be a good result for the project, in what has been a challenging operating environment.

Table I: Status of National Milestones & Deliverables

| National Milestones and Deliverables | Schedule | Status/Update |
|--|--------------|--|
| Minister approval of the Urban Water Sector Reform | 1 Nov. 2011 | Not yet approved. |
| SUWASA Performance Monitoring Plan (PMP). | 15 Nov. 2011 | PMP submitted to USAID South Sudan Mission on Nov. 3, 2011 and revised M&E plan submitted on April 4, 2013 |
| Calling of the first SSUWC Board Meeting. | 15 Dec. 2011 | The 1st meeting of the Board took place on 20 August 2012 |
| Working through UWWG to prioritize the reform agenda items. | 30 Dec. 2011 | UWWG has not been effective due to inertia and poor government participation |
| Standardizing performance management contracts through the UWWG. | 15 Feb. 2012 | No progress due to UWWG long lasting lethargy. UWWG meetings restarted on June 28, 2013. Performance contracts will be the key topic in the agenda. However, SUWASA support consultant is presently working with SSUWC for establishment of performance contracts. Expected completion: September 2013. |
| Securing government support for ring fencing revenue in Maridi and Wau. | 1 Mar. 2012 | Agreed in principle at the SUWASA & GIZ Roles and Responsibilities Workshop 16-17 April, 2011, needs to be formalized thru SSUWC Board of Directors. SUWASA/USAID lobby and prevailing financial crisis with the GoSS resulted in the Minister authorization for SSUWC stations to retain their revenues for procurement of fuel and chemicals |
| Reporting back to UWWG the preliminary results of the performance contract in Maridi | 30 Aug. 2012 | Rescheduled subject to completion of support to SSUWC for establishment of performance contracts expected in September 2013. Three month monitoring and assistance for implementation is planned thereafter. |

Table 2: Status of Wau UWC Milestones & Deliverables

| Wau Milestones and Deliverables | Schedule | Status/Update |
|--|-----------------|--|
| Complete review of the NWSC's Situational Analysis of Wau and USAID infrastructure investment in Wau. | 30 Nov. 2011 | Completed as scheduled |
| Drafting of an MOU outlining the roles and responsibilities of MWRI, SSUWC, Local Government and the local Board of directors for the Wau UWC. | 30 Feb. 2012 | Completed during 16-17 April 2011 National Roles and Responsibilities Stakeholders Consultation Workshop |
| Formation of local UWC Board for Wau UWC. | 15 Mar. 2012 | Not yet achieved. Subject to completion of the development of Vision/Mission statement and Corporate plan by September 2013 |
| Opening of a bank account for the ring fenced Wau UWC. | 30 Apr. 2012 | Not yet achieved. Account to be opened in the course of Performance contracts establishment between SSUWC Managing Director and UWC stations Area Managers by September 2013 |
| Development of a Wau UWC business plan for sustainable financing of operations. | 20 May 2012 | Not yet achieved. Rescheduled to be implemented in FY2014 |
| Sourcing of NWSC technical support for training on collection efficiency and tariff setting. | 1 July 2012 | Not yet achieved. Expected to start by Aug 1, 2013 |
| 8 month review of progress towards commercialization of the Wau UWC | 15 Dec. 2012 | Not yet achieved. Rescheduled to be completed by February 2014 |

Table 3: Status of Maridi UWC Milestones & Deliverables

| Maridi Milestones and Deliverables | Schedule | Status/Update |
|--|-----------------|---|
| Comprehensive Situational Analysis of the Maridi Water Utility. | 15 Dec. 2011 | Completed |
| Drafting of an MOU outlining the roles and responsibilities of MWRI, SSUWC, Local Government and the local Utility Board for the Maridi Urban Water Utility. | 25 Jan. 2012 | Completed during 16-17 April 2011 Stakeholders National Consultation Workshop Roles and Responsibilities |
| Standardizing performance management contracts through the UWWG for use in Maridi. | 15 Feb. 2012 | Not yet achieved. UWWG was inactive for about one year but resumed meeting starting 28 June 2013. Performance contracting is the core topic for the next meeting scheduled in September 2013. |
| Formalization and finalization of MOU roles and responsibilities, endorsement of performance management contract with Maridi Utility Board. | 15 Mar. 2012 | Completed during 16-17 April 2011 National Roles and Responsibilities Stakeholders Consultation Workshop |
| Competitive selection of private sector firm to operate Maridi Water Utility under a performance management contract. | 15 Apr. 2012 | Not yet achieved. Delayed (?? or rejected??) pending formalization of recommendations from National Roles and Responsibilities Workshop (16-17 April 2012) |
| Private operator management contract begins. | 1 June 2012 | Not yet achieved. Delayed (?? or rejected??) Delayed pending formalization of recommended organizational framework (re. 16-17 April 2012 National Roles and Responsibilities Workshop) |

| | | |
|--|--------------|--|
| Preliminary field report on overall performance of private operator. | 30 Aug. 2012 | Not yet achieved. Delayed (?? or rejected??) Delayed pending formalization of recommended organizational framework (re. 16-17 April 2012 National Roles and Responsibilities Workshop) |
| 6 month review of overall performance of private operator. | 15 Jan. 2013 | Not yet achieved. Delayed (?? or rejected??) Delayed due to SSUWC reluctance to engage in privatization and delays in formalizing the stakeholders proposed organizational framework |

Table 4: SUWASA/SS M&E Plan (Revised April 2013) Indicators and Targets:

| Performance Indicator | Baseline Value 2010 | Target/ Actual Year 1 | Target/ Actual Year 2 | Target/ Actual Year 3 | |
|---|---------------------|----------------------------------|----------------------------------|--|----------------------|
| 1. Number of people gaining access to an improved drinking water source | 0 | 0/0 | Wau-3000/0; Maridi-500/0 | Wau-3000; Maridi-500 | 9,0000 |
| 2. Number of people gaining access to an improved sanitation facility | 0 | 0/0 | 0/0 | 25,000/0 | 25,000 |
| 3. Number of people receiving improved service quality from existing improved drinking water sources | Collected in 2012 | 4,000 in Maridi 10,000 in Wau | 6,000 in Maridi 10,000 in Wau | 20,000 in Wau | 50,000 |
| 4. Percentage of O&M costs for water supply and sanitation services covered through customers charges | TBD | Avg 10% increase over BL | Avg 25% increase over BL | Avg 50% increase over BL | 50% increase over BL |
| 5. Number of good practices identified, promoted and adopted | 0 | 2 (Water) | 1 (San) | 2 (1 Water & 1 San) | 5 |
| 6. Number of new policies, laws, agreements, regulations or investment agreements (public or private) implemented that promote access to improved water supply and sanitation | 0 | 0 | 1 (Maridi UWC Business Plan) | 1 (Juba Sanitation Investment Plan) 1 (Wau UWC Business Plan) | 3 |
| 7. Number of staff trained and working in O&M and management | 0 | 15 | 20 | 25 | 55 |
| 8. Number of knowledge products produced and disseminated within South Sudan sanitation sector | 0 | 0 | 2 | 1 | 3 |
| 9. Number of performance contracts developed, approved and implemented | 0 | 0 | 2 | - | 2 |
| 10. Number of water stations with a revised tariff structure | 0 | 0 | 0 | 2 | 2 |

Premise 5 – Correctly designed, managed and implemented project

South Sudan is still at the establishing or re-establishing stage of its development pathway following years of crisis. It faces many challenges, not least being the lack of capacity at all levels, and almost absence of an effective institutional framework for the water sector. It is still at the nascent stage in developing this architecture.

Though some progress is being made, the rate of progress is slow, due to external factors largely beyond the capacity of Donors to influence. The project lacks focus, has a wide a range of activities, but lacks critical impact in any one area. It has relatively limited objectives at the national level, where other Donors are more active and focussed. At the utility level (Wau and Maridi) the capacity building efforts have been too modest to have real impact, and have been undertaken in the absence of any objective to re-shape the management approach. However the SSIP component of the project still offers potential for positive outcomes and impact in the time remaining.

At the national level the ‘inertia to maintain the status quo’ is slowing the pace of institutional change. The composition of the SSUWC BoD (comprising mainly political appointees) is at odds with the sector reform agenda being proposed. The transition to introduction of the Water Act and the envisaged changes to SSUWC will extend well beyond the life of the SUWASA/SS. SSUWC and the MWRI hold different views on the reform route towards commercialization and privatization of the water utilities. The current institutional environment poses challenges for the SUWASA/SS efforts to strengthen the effectiveness of the SSUWC BoD.

At the utility level, the training provided by NWSC (Uganda) has been relevant, but of too short a duration to have a sustainable impact on operations (at Wau and Maridi Stations), and this was expected to be one of the main outcomes of the project (Indicators 3 and 7). Further training will take place in the next months, in billing and collections, but no further training is scheduled for operations and maintenance of the water supply systems.

Procurement logistics has delayed the arrival of water meters for new connections at Wau and Maridi under the SSIP component. However the water meters are expected to be delivered soon, and there is still time for the new customer connections to be made.

In Maridi the lack of incentives for private operation of the communal water points has resulted in many of them being closed³⁹, and this may be a continuing trend. To date SUWASA/SS has not engaged with stakeholders to resolve this issue.

The current SUWASA/SS Project team lacks expertise in urban water supply operations and maintenance, and financial management which are key focus areas of the utility level activities. SUWASA/SS field staff should have a capacity to support the training provided by NWSC, and provide:

- ongoing, regular mentoring of Wau and Maridi Station staff (in operations & maintenance, billing and revenue collections, reporting)
- oversee the installation of new water meters and connections
- gather operations, administrative and financial performance data (benchmark indicators) on the utility performance.

³⁹ only 37 out of 100 water points are in service. The reasons for this are twofold: (i) lack of incentives for the meter Rate Collectors (ii) some of the water points are poorly located (too near to other water points) and so are not required.

CONCLUSION:

The SUWASA/SS is taking place in an enabling environment that is extremely challenging. South Sudan is re-establishing its institutional architecture following years of crisis. The sector is facing many challenges, not least being the lack of capacity at all levels. The water sector enabling environment is characterised by an 'inertia to maintain the status quo'. This is especially evident in SSUWC which maintains its traditional top-down approach. Urban utilities such as Wau and Maridi are only allowed limited powers and financial autonomy by SSUWC and this may not improve significantly over the remainder of the project period.

The project is currently not on track to achieve the majority of its targets and outcomes. The corrective actions required to redress this are largely beyond the control of the project. However there is still scope for the project to achieve (and indeed exceed) Indicator 1 (Number of people gaining access to an improved drinking water source) by end of project. If this is achieved it would be a good result for the project, in what has been a challenging operating environment.

The allocation of the SUWASA/SS resources is weighted too heavily towards project administration and oversight, with insufficient funding directed towards activities that will achieve tangible benefits. The SUWASA/SS Project team lacks expertise in urban water supply operations and maintenance, and financial management which are key focus areas of the utility level activities. The Project staff will need to become more engaged with Wau and Maridi Station staff to facilitate the new connections in the limited time available (Indicator 1), and as mentors to support the training provided by NWSC.

ISSUES AND LIMITATIONS

The weak sector institutional framework, lack of capacity at all levels, and the political influence at the Board level within SSUWC, are all factors which were foreseen but nevertheless have provided challenges to achieving project outcomes.

During the field visits the review team was unable to interview the Managing Director of SSUWC, however interviews with other senior staff of SSUWC were possible. An important project partner has been the NWSC Uganda, who have undertaken assessments of utility (Wau and Maridi) capacity and provided training to utility staff. However NWSC staff were present for interview during the review visit.

RECOMMENDATIONS

1. For the remainder of the time available, the Project should focus more strongly at the utility level (Wau and Maridi Stations) where there is still the realistic possibility to achieve significant outcomes, specifically:
 - (i) priority must be given to the completion of the SSIP projects by installing 950 water meters, potentially providing an additional 20,000 people in Wau and Maridi with improved access to piped water;
 - (ii) in Maridi, engage with stakeholders to resolve issues around incentives for collection of water fees at community water points, in order to open up more water points and improve access to water
 - (iii) provide follow-up training to operator staff at Wau and Maridi Stations to consolidate the gains made, supported with some targeted provision of materials, tools, equipment, facilities.
2. In support of Recommendation 1, for the remainder of the project period, the SUWASA/SS field staff will need to more actively engage with the Wau and Maridi utility staff by providing:

- a. ongoing, regular mentoring of Wau and Maridi Station staff (in operations & maintenance, billing and revenue collections, reporting)
- b. support and oversee the installation of new water meters and connections
- c. gather operations, administrative and financial performance data (benchmark indicators) on the utility performance.

UGANDA DESKTOP REPORT—REVISED AFTER PHASE 2

PROJECT BACKGROUND

The original SUWASA project in Uganda was designed to build on the progress made by the Government of Uganda (GoU) in engaging private operators to manage water systems in small and medium towns. While the operators have achieved marked improvement in water services, they currently do not provide financing for any necessary infrastructure improvements.

Under the original project, begun in December 2010, SUWASA sought to scale up an existing World Bank pilot program using an Output-Based Aid approach to implement a contracting process in selected towns employing a so-called “design-build-operate” (DBO) concept.

Under the proposed structure, the existing water system operator was supposed to team with a local contractor in a kind of consortium that would be eligible for a loan for infrastructure under the OBA approach. However, the approach proved difficult to implement as there was difficulty in attracting qualified and interested contractors who had no prior relationship with the water operators and with whom they would have shared the loan risk.

In addition, the Ugandan government did not contribute its required payments to the escrow fund to service the loans as previously agreed. Also, there were no donor funds available for this purpose.

MID-TERM REVIEW

As a result, SUWASA undertook an internal mid-term review in January 2012 to assess project progress to date (after one year of implementation), determine stakeholders’ views of the project, and identify possible modifications in the second year to increase impact.

The main conclusion of the review was that the timing of the DBO-OBA approach for financing infrastructure in the small towns was not appropriate to secure the anticipated impact of the project. After consultation with USAID, it was decided that the Uganda project be restructured to focus on activities that could bring about results within the remaining time frame for SUWASA.

Revised Work Plan

The revised work plan (June 2012) for the Uganda project now is focused upon working in concert with GIZ and with key stakeholders in Uganda, including the Ministry of Water and Environment (MWE), USAID/Uganda, the Association of Private Water Operators (APWO) and various development partners in the water sector in Uganda.

The program is now focused on three primary activities:

1. To develop institutional options including a regulatory oversight framework for all urban water services within Uganda, in consultation with local and national stakeholders;
2. To develop a cost-benefit analysis of the recommended regulatory approach, including a range of feasible options, benefits and risks of various approaches, and necessary implementation steps.
3. To develop an implementation plan and timetable to create the recommended approach.

EVALUATION QUESTIONS

| Uganda Evaluation Questions | | |
|--|--|---|
| Sub-Questions | Evidence | Source |
| <p align="center">Premise I – Contribution to the Body of Solutions</p> <p>SOW Question I – <i>Based on analysis of the country activities and the SUWASA project overall, to what extent, how, and at what level (local, country, regional, sector) has SUWASA added to the body of sector knowledge and engendered a learning agenda about how to alleviate service constraints?</i></p> | | |
| Ia. In what way is this project new or innovative? | <ul style="list-style-type: none"> Initial project incorporating DBO was innovative for Uganda, but with disappointing results. It's possible the proposed program was too innovative for the country, as the prospective DBO contractors did not understand the offering, were skeptical of working with an operator unknown to them, and were not interested in assuming the perceived risk. Revised project incorporating institutional strengthening more a standard activity. | <p>Original RWP for Uganda, October 2010</p> <p>Uganda RWP for Restructured Project, June 2012</p> <p>SUWASA Lessons Learned Draft Deliverable, January 2013</p> <p>June 2013 interviews with SUWASA Nairobi Staff</p> |
| Ib. To what extent will (has) the project add(ed) to the body of sector knowledge? | <ul style="list-style-type: none"> Revised project in early stages with few tangible results to date. | <p>SUWASA Lessons Learned Draft Deliverable, January 2013</p> <p>M and E Plan for the Restructured Project, February 2013</p> <p>Uganda Project Status Report, April 2013</p> <p>June 2013 interviews with SUWASA Nairobi Staff</p> |
| Ic. How will (has) the project alleviate (d) service constraints? | <ul style="list-style-type: none"> Revised project in early stages with few tangible results to date. | <p>Uganda Project Status Report, April 2013</p> <p>June 2013 interviews with SUWASA Nairobi Staff</p> |
| Id. How has this experience and knowledge been disseminated (and at what levels)? | <ul style="list-style-type: none"> Too early to determine. | <p>June 2013 interviews with SUWASA Nairobi Staff</p> |
| Ie. Is the unlocking of service constraints likely | <ul style="list-style-type: none"> Although the project is early in its inception, private operators have incentive in expanding services to more residents and therefore the | <p>Uganda Project Status Report,</p> |

| Uganda Evaluation Questions | | |
|--|---|---|
| Sub-Questions | Evidence | Source |
| to be sustainable/replicable? | systems are sustainable if financing questions and structure are resolved or changed, and the GoU or a donor is truly interested in financing the activities. | April 2013 June 2013 interviews with SUWASA Nairobi Staff |
| How effective has the dissemination of products been (knowledge of products, application of knowledge)? | <ul style="list-style-type: none"> Too early in the revised project to disseminate results. | June 2013 interviews with SUWASA Nairobi Staff |
| Premise 2 – Maximum Development Impacts and Aid Effectiveness SOW Question 2 – Has SUWASA been effective at integrating other development activities in a way that maximizes development impact and aid effectiveness? If so, are there specific ways that this has been accomplished that could inform future USAID programming? | | |
| 2a. What is the level of Government support for SUWASA? | <ul style="list-style-type: none"> Initial GoU commitments to escrow funds for financing private operators' infrastructure improvements did not happen, necessitating a change to the project focus. GoU support for revised project appears present, but may be too early. | Mid-Term Evaluation Report—Uganda, February 2012 Uganda Project Status Report, April 2013 June 2013 interviews with SUWASA Nairobi Staff |
| 2b. What is the level of synergy between SUWASA and other (current or planned) Donor programs? | <ul style="list-style-type: none"> Initial feeling that GoU and WB programs would be synergistic did not happen, both as a result of GoU inaction and poor finance structuring. Current program involves GoU, GIZ, WB and others. SUWASA now working on the institutional level rather than project level with other donors. | Original RWP for Uganda, October 2010 Mid-Term Evaluation Report—Uganda, February 2012 Uganda Project Status Report, April 2013 June 2013 interviews with SUWASA Nairobi Staff |
| 2c. Is there evidence of SUWASA concepts and practices being adopted into national strategies? | <ul style="list-style-type: none"> It is likely in the future, given SUWASA's complementary relationship with the ongoing GIZ program. However, tangible results before the end of SUWASA's Uganda involvement are unlikely to be seen. Not all government agencies have bought in to the idea of an independent regulator overseeing the water operators. | June 2013 interviews with SUWASA Nairobi Staff |
| 2d. Are lessons learned from SUWASA being incorporated into USAID knowledge base at the | <ul style="list-style-type: none"> Yes. The lessons-learned report cites poor understanding of the financial offering, a financial offering that may not be suitable for Uganda, inconsistent donor priorities and actions, and the need for a | SUWASA Lessons Learned Draft Deliverable, |

| Uganda Evaluation Questions | | |
|---|--|---|
| Sub-Questions | Evidence | Source |
| program level (country and Washington level)? | <p>champion within GoU.</p> <ul style="list-style-type: none"> It also appears that the 2-year SUWASA program was too short to implement such a program that required a strong understanding of the GoU culture and existing practices, an understanding of the private-sector engineering and construction companies and practices, and a comprehensive education program to attract interested companies willing to participate in this DBO-OBA approach. | <p>January 2013</p> <p>June 2013 interviews with SUWASA Nairobi Staff</p> |
| What is the amount of funding for SUWASA, and has additional funding been provided by government, other donors, other sources? | <ul style="list-style-type: none"> As indicated, promised GoU funding setting up escrow account never materialized, making the project untenable in the face of no additional donor funding. | <p>June 2013 interviews with SUWASA Nairobi Staff</p> |
| How were additional funds and project linkages developed - facilitating factors and constraining factors | <ul style="list-style-type: none"> Continuing GIZ assistance should assist SUWASA in achieving its revised goals, after failure of GoU to fund the loan program. | |
| Is there evidence that SUWASA activities have enabled /supported other development projects (either by Government of donors)? | <ul style="list-style-type: none"> Inability of DBO-OBA program forcing GoU and WB to review lessons learned to address the problem. | <p>SUWASA Lessons Learned Draft Deliverable, January 2013</p> <p>Uganda Project Status Report, April 2013</p> |
| Premise 3 – Value of service provider focus | | |
| <p>SOW Question 3 – <i>Can SUWASA demonstrate evidence that utility-focused reform is as beneficial as assumed? If yes, what lessons can be extrapolated from the SUWASA design or implementation for replication elsewhere? If not, what aspects of the project concept, design or implementation have impeded this result from being demonstrated? Is this still a possible result for the remainder of the project?</i></p> | | |
| 3a. Is there evidence of measurable improvement in Utility (or beneficiary institution) performance resulting from SUWASA? | <ul style="list-style-type: none"> It appears that initial DBO-OBA program did not produce improvement. Current program is too early to tell. | |
| 3b. If so, how is this leading to improvements in service and customer satisfaction? | <ul style="list-style-type: none"> SUWASA now focused on more regulatory/oversight work at the request of GoU. Not clear that this will directly lead to those improvements, though with ongoing GIZ assistance, these goals may be achievable in the future. | <p>SUWASA Lessons Learned Draft Deliverable, January 2013</p> <p>Uganda Project Status Report, April 2013</p> |
| 3c. Are results and lessons adequately identified & documented in a format that can facilitate replication elsewhere? | <ul style="list-style-type: none"> Lessons learned from DBO-OBA program were prepared under the current program with draft completed in March 2013. | <p>SUWASA Lessons Learned Draft Deliverable, January 2013</p> |
| 3d. How is SUWASA using national and | <ul style="list-style-type: none"> List of past and upcoming presentations contained in the body of the Evaluation Report | |

| Uganda Evaluation Questions | | |
|---|---|---|
| Sub-Questions | Evidence | Source |
| regional networks to publicize lessons learned? | | |
| 3e. Have difficulties and challenges been adequately documented and measures taken to alleviate them (and that lessons have been learned as a result)? | <ul style="list-style-type: none"> • Yes. The Lessons learned Report is quite thorough in assessing specific reasons for the failure of the initial program. | <p>SUWASA Lessons Learned Draft Deliverable, January 2013</p> <p>Uganda Project Status Report, April 2013</p> |
| What were/are the factors in the concept, design and implementation that have made reform successful: social, institutional (including strategic and operational management), service delivery, infrastructure investment | <ul style="list-style-type: none"> • The initial program was not successful for a variety of reasons, as has been documented. Fortunately, SUWASA recognized that the finance program was not going to be successful and re-focused their effort on institutional strengthening, complementing an ongoing and continuing GIZ program. The results of the SUWASA effort may not be apparent by the completion date of the program in August 2013. | SUWASA Lessons Learned Draft Deliverable, January 2013 |
| What could be changed in the original concept, design and implementation, in order to avoid identified difficulties that eventually have lead to underperformance? | <ul style="list-style-type: none"> • The DBO-OBA program seems very early in a country with thin human and financial resources in the private sector. Engineering design and construction staff are not robust, nor are design standards well-known. GoU willingness and ability to undertake an innovative program of financing may have been over-estimated. | <p>SUWASA Lessons Learned Draft Deliverable, January 2013</p> <p>June 2013 interviews with SUWASA Nairobi Staff</p> |
| Premise 4 – Positive country level reform | | |
| SOW Question 4 – Based on analysis of the specific country activities, including results against the M&E plans, how well have the country activities improved sector performance, in terms of stakeholder perception and documented results? | | |
| 4a. Is there evidence of improved sector performance resulting from SUWASA? | <ul style="list-style-type: none"> • Not as of the evaluation study. (August 2013). | |
| 4b. What is the level of stakeholder satisfaction resulting from SUWASA activities? | <ul style="list-style-type: none"> • Too early to tell with the revised program | |
| 4c. What evidence is there of beneficiary satisfaction resulting from SUWASA activities? (where feasible) | <ul style="list-style-type: none"> • Too early to tell with the revised program | |
| Premise 5 – Correctly designed, managed and implemented project | | |
| SOW Question 5 – How could the approach to selecting and implementing a portfolio of activities have been improved – both to achieve better results in each country and to better develop an evidence base for the specific sector reform option? Define the approaches – from strategy, management and implementation – that enhanced the project and identify the ones that can be replicated in the future. Also identify the ones that weakened the project and how these can be alleviated for the remainder of the | | |

| Uganda Evaluation Questions | | |
|--|---|--|
| Sub-Questions | Evidence | Source |
| <i>project and in future programs. What priorities should be set for the project for the remainder of the contract and what would project success look like?</i> | | |
| 5a. Was the overall project design realistic (timeline, funds, human resources, targets) to achieve the expected outcomes and impact? | <ul style="list-style-type: none"> • It appears that the timeline for the DBO-OBA project was overly optimistic in terms of time, funds, human resources, and in GoU involvement. This project may have been ahead of its time in terms of effective use in Uganda, but may well be an example for future projects after the lessons learned have been published and internalized. • It appears that 2 years to perform the original scope was probably half of what was necessary, given the innovative nature of the program within GoU, an apparent lack of understanding within both government and the private sector, and the lack of an identified champion within the GoU. | <p>Original RWP for Uganda, October 2010</p> <p>Mid-Term Evaluation Report—Uganda, February 2012</p> <p>SUWASA Lessons Learned Draft Deliverable, January 2013</p> <p>Uganda Project Status Report, April 2013</p> <p>June 2013 interviews with SUWASA Nairobi Staff</p> |
| 5b. Have Project risks and assumptions been taken into account in the Project design and at implementation? | <ul style="list-style-type: none"> • The initial premise made unrealistic assumptions that a full-service private sector offering to design/construct/operate infrastructure financed by GoU from a managed escrow account at the present time. While this system has been made to work in other countries, it appears to have been premature for Uganda. • While the proposed program was not inherently risky: it has been done by WB in other countries, it appears that the risks were mostly perceived risks by the private sector in particular who apparently didn't understand the offering, and who didn't trust the private operators who were largely ignorant of the program. | <p>SUWASA Lessons Learned Draft Deliverable, January 2013</p> <p>Uganda Project Status Report, April 2013</p> <p>June 2013 interviews with SUWASA Nairobi Staff</p> |
| 5c. Was the country context sufficiently taken into account? How was that reflected in the project design (e.g. revised targets, tailored risk analysis) | <ul style="list-style-type: none"> • No. The private sector does not appear to have the capability to perform such projects yet, and the GoU either didn't have the capability or interest to establish the agreed-upon escrow account. • SUWASA recognized that the original program was not going to work and has done well to "pivot" to a more realistic and sustainable program of developing a regulatory framework and implementation plan which is now (August 2013) in its final stages. | <p>SUWASA Lessons Learned Draft Deliverable, January 2013</p> <p>June 2013 interviews with SUWASA Nairobi Staff</p> |
| 5d. Has the project demonstrated sufficient flexibility to adjust to changing circumstances and conditions? | <ul style="list-style-type: none"> • Yes. The project has shifted from a project delivery focus to more of a lessons-learned focus, as well as a new focus on improving institutional abilities within the GoU, and assisting other donors (GIZ and WB) on future projects. | <p>Mid-Term Evaluation Report—Uganda, February 2012</p> <p>SUWASA Lessons</p> |

| Uganda Evaluation Questions | | |
|--|---|---|
| Sub-Questions | Evidence | Source |
| | | <p>Learned Draft Deliverable, January 2013</p> <p>Uganda Project Status Report, April 2013</p> <p>June 2013 interviews with SUWASA Nairobi Staff</p> |
| 5e. Is the Project monitoring and reporting effective in identifying project successes and areas of weakness? | <ul style="list-style-type: none"> • Yes. The Lessons Learned Report is quite thorough in assessing specific reasons for the failure of the initial program and should be published via seminars, professional papers, etc. | June 2013 interviews with SUWASA Nairobi Staff |
| 5f. What were/are the main reasons for project success (if any) and can they be replicated? | <ul style="list-style-type: none"> • The biggest success on this project has been the willingness of SUWASA to recognize the DBO-OBA limitations early in the process and to switch focus to more achievable goals within the project time frame and presumably produce positive outcomes in the water sector in the future. | <p>Mid-Term Evaluation Report—Uganda, February 2012</p> <p>Uganda Project Status Report, April 2013</p> <p>June 2013 interviews with SUWASA Nairobi Staff</p> |
| 5g. What were/are the main challenges or obstacles in terms of achieving project outcomes, and how have they been addressed? | <ul style="list-style-type: none"> • The DBO-OBA program implementers (GoU and the private contractors and operators) did not have sufficient ability and experience to execute the very ambitious plan, which intended to improve overall utility economies of scale through expansion of water service in medium and small towns. • The evaluation team believes along with SUWASA, that the original program was poorly conceived, plagued by donor and GoU inefficiency or perhaps obstinacy, and the country simply wasn't ready for the program. Given those factors, the 2-year time frame was clearly insufficient. • The obstacles have been addressed by effectively abandoning the original approach, in favor of a more conventional, approach to funding and regulating infrastructure. | <p>SUWASA Lessons Learned Draft Deliverable, January 2013</p> <p>Uganda Project Status Report, April 2013</p> <p>June 2013 interviews with SUWASA Nairobi Staff</p> |
| 6. Cross Cutting Issues | | |
| 6a. To what extent has the project taken account of social issues, including poverty and gender aspects? | <ul style="list-style-type: none"> • This was not a major focus of the original program, other than women and the poor would share the benefits of expanded or improved water supply and sanitation. The current institutional focus could possibly address poverty and gender through tariff structuring for the poor. | June 2013 interviews with SUWASA Nairobi Staff |

| Uganda Evaluation Questions | | |
|--|--|--------|
| Sub-Questions | Evidence | Source |
| 6b. What mechanisms exist for ensuring that adequate attention is paid to these issues at each stage of the project cycle? | <ul style="list-style-type: none"> The current institutional focus could possibly address poverty and gender through tariff structuring for the poor. | |
| Is there evidence of tangible results/positive impact on poverty alleviation and gender aspects? If so, what are they? | <ul style="list-style-type: none"> No tangible evidence to date. | |

ISSUES AND LIMITATIONS

The principal limitation in the evaluation of the Uganda project was the inability to speak to stakeholders in Uganda to “complete the picture.” This was not deemed a major limitation in this case, given good documentation of the initial project difficulties in the Lessons-Learned Report and as a result of discussions with the SUWASA staff in Nairobi.

While the point of view expressed below is taken mostly from SUWASA’s vantage point, the complete lack of tenders and the GoU failure to fund the necessary escrow account are objective evidence that the program would not have succeeded as originally designed, within the project time frame.

Clearly, the original program suffered from a number of problems. The original goal for lending was \$8 million. In fact, no tenders were issued. The problems were found in the following areas:

- SUWASA’s program design, particularly was apparently different from the Ministry of Water and Environment (MWE) --World Bank OBA pilot program on which it was to be based;
- Donor agencies, particularly the Austrian Development Corporation, did not actually support Output-Based-Aid and withdrew its support. Other donors were either negative or indifferent, or were enthusiastic without any financial backing.
- Many of the projects were too small to be worth the effort to form a joint-venture or devote the time and effort to a DBO structure;
- The contractors and engineers apparently felt that the projects being considered were too small to warrant the risk and expense of a joint venture, particularly with operators they didn’t know;
- The program was not well understood by prospective borrowers;
- There were apparently no “champions” within the GoU who tried to make the program work;
- The GoU did not make the contributions to the escrow account that had been agreed-upon.

FINDINGS AND CONCLUSIONS

As initially envisaged, the SUWASA program was intended to “piggy-back” on a completed OBA pilot program to finance water projects in 11 towns. The lessons-learned memo highlights the successes and near successes of that program, which offered a new way to get financing and expertise into the design and construction of new water services.

It should be noted that the successes of the pilot program were at a very small level. While not all 11 projects reported an exact number of connections, it appears that a total of about 1,000 connections

were achieved overall in all 11 projects. It was also noted in a number of the towns, that there were serious issues with the source water supply being inadequate to serve the new connections.

Given the successes of some of the pilot projects, the original SUWASA program might have met its goals. However, a series of factors, highlighted in the previous section, prevented the program from succeeding. Most, but not all, appear to be the result of intransigence and/or indifference in the applicable GoU ministry, as well as in the donor community. Key personnel present for the pilot work, particularly in the Ministry of Water and Environment, had changed jobs or were unavailable for the SUWASA work leaving little or no institutional memory of the pilot work.

While many of these factors could not have been foreseen prior to developing the SUWASA project, it appears that the SUWASA-developed materials and communications program were not successful in convincing the MWE and prospective bidders that the DBO structure and the projects were desirable.

Also, many of the projects in the small towns are too small for the cost, effort and risk of forming joint-ventures to perform them. Larger, regional water schemes would make such ventures more attractive to engineers and contractors, but the legal structure within Uganda makes such regional projects more difficult and time consuming.

Addressing the concept of time, the SUWASA program in Uganda is a 2-year program. The OBA pilot program, with enthusiastic GoU and donor support, began in 2005 with results only quantifiable 6 years later. Thus, it appears that the SUWASA program would have been unlikely to produce measurable successes in only 2 years, with or without GoU and donor support.

SUWASA's timely recognition of the program limitations is laudable, as it is never easy or expedient to make such a significant program change. The current focus on developing a regulatory scheme for Uganda's medium and small towns seems to be the right choice for the remaining project time and in the current policy climate in Uganda.

There should likely be a focus on creating the necessary legal and regulatory environment for regionalizing water projects to improve the economies of scale. Further, any feasibility studies commissioned by the GoU in developing water solutions, regional or local, must consider the sustainable water quantity and quality of the water source, in order to ensure that projected connections will actually be served.

RECOMMENDATIONS

1. Given the short time frame common to most USAID programs, specific projects involving complicated or new (to the country) financing schemes should be avoided, unless a full 4-5 year commitment to the program is made.
2. In most cases, USAID would be better served playing a support role in developing legal and regulatory tools to facilitate projects (the current SUWASA role in Uganda), or in commissioning project feasibility studies, specifying water source capacity, specific population and extension projections, project affordability, willingness and ability-to-pay surveys, environmental impacts, etc.
3. In those cases where USAID desires to take a more active role in financing and tendering of specific projects, feasibility studies should have been prepared before-hand, probably by others. Projects with the best possibility of success and furthest reach in terms of population served and reducing public health issues should be identified from such studies, before moving on to financing and tendering.

ZAMBIA DESKTOP REPORT—REVISED AFTER PHASE 2

INTRODUCTION

The report on Zambia project was prepared based on the desktop review of materials made available by SUWASA and on the interviews conducted with the SUWASA Team based in Nairobi. The findings and conclusions that follow below, as well as the specific answers to the evaluation questions in the matrix at the end of this country report are based on the above, and the judgment of the evaluator and whenever has been possible, are backed by evidence made available by SUWASA team and which is either cited in the text, or attached at the end of this report.

It is important to note that this evaluation is being conducted one month before the closure of the project. As a result, while some targets originally established in the scope of work have been materialized, other targets related to quantifiable performance indicators in terms of improvement of service provision are too early to expect to see materialized. The measures introduced clearly tend to improve performance, it will, however, take time to see how these will translate into tangible and sustainable results in terms of service improvement. Therefore, in order to complete the assessment of impacts of SUWASA in all the designated areas and indicators, it would be necessary to undertake another evaluation exercise in 1-2 years' time.

PROJECT BACKGROUND

SUWASA work in Zambia has developed into two directions, which can be viewed as are mutually reinforcing:

- Supporting the regulator (NWASCO) to improve sustainability through promotion of cost recovery of the urban water sector and this is being achieved by the determination of the optimum cost of water as a critical input into tariff modeling.
- Promoting good corporate governance of the water utilities.

The project duration is one year (August 2012-August 2013). The budget was 950,000 USD.

Until now, NWASCO used the cost-plus tariff model, which implies that tariff proposals from the Commercial Utilities (CUs), used the historical cost structure as the basis for requesting tariff adjustment. While this tariff model has worked reasonably well over the last ten years, NWASCO through this SUWASA project is addressing the deficiencies of the cost-plus model. The cost of water study has so far estimated an optimum cost structure for each CU which is aimed at cost minimization.

SUWASA, in partnership with GIZ also seeks to support NWASCO in establishing the most appropriate governance structure that clearly defines the roles and relationships between the boards, shareholders and management of CUs. The general composition of boards and the procedure for appointing members will also be considered.

The anticipated project results are as follows:

1. Financial and operational efficiency of urban water services improved based on tariffs reflecting operational costs and incentives to reduce inefficiencies.
2. Tariff model and adjustment that are transparent to all stakeholders and based on consideration of cost recovery, efficiency, equity, and affordability developed, approved and implemented.
3. Governance and accountability of the urban water sector improved.
4. Revised corporate governance guidelines developed and implemented.

SUMMARY OF FINDINGS

SUWASA's technical assistance focuses on supporting NWASCO in upgrading its tariff adjustment procedures to reflect more realistically the actual utility cost of service and promote cost recovery of the urban water sector.

The model will assist NWASCO to meet one of its key objectives; enabling the water sector to continue to function by recovering the costs incurred in the Urban water sector.

At the moment, NWASCO uses the cost plus tariff model, as a basis for tariff adjustments which is limiting as a number of inefficiencies are hidden.

The new model ensures that the cost of service is the basis for tariff setting. The model will act as a guideline when utilities apply for adjustments to their tariffs, making it easy for the regulator to apply and easy for the utilities to understand.

Since 2000, water tariffs in Zambia have declined in real terms as they did not keep up with the annual inflation rate of around 20%.

Premise 1 – Contribution to the Body of Solutions

The concepts embedded in the Zambia project and related activities are known and common in the industry worldwide and not new in Zambia, at least at the level of NWASCO. Regarding cost-reflective tariffs, NWASCO had already recognized the need to change the model that was being used⁴⁰ though apparently was not in a position to do that without assistance. Also, good corporate governance principles promoted through the second project component, are hardly unknown in a country where water sector institutions are amongst the most advanced in Africa⁴¹, though in need of being revised.

It can be said that the project has left behind a concrete reference as to how known concepts can translate into guidelines and practical tools, which the project also helped the utilities to understand and use.

Premise 2 – Maximum Development Impacts and Aid Effectiveness

SUWASA Project in Zambia has preceded and was meant to complement an upcoming Millennium Challenge Corporation USD350 million investment project in the water sector and drainage in the Zambian capital Lusaka. By strengthening the regulatory framework and NWASCO, SUWASA will enhance sustainability of the MCC investments.

As per the approach, the SUWASA team has worked collaboratively with the MCC and MCA office in Lusaka and the USAID Zambia Mission, using their combined resources and experience to sensitize stakeholders across the Zambian water sector and exchange technical information.

Premise 3 – Value of service provider focus

⁴⁰Since 2000, water tariffs in Zambia have declined in real terms as they did not keep up with the annual inflation rate of around 20%. Source: Zambia Reform Work Plan.

⁴¹ Water sector structure is decentralized, with a national economic regulator operating since 10 years, an advanced law and very good performance indicators countrywide. See <http://www.nwasco.org.zm/uploads/SectorRpt12.pdf>

The work done under SUWASA has led 7 out of 11 utilities commit to apply the cost-reflective tariff even at this early stage. The training feedback reveals that the majority of the utilities have no difficulty to apply the new approach. This is clearly a benefit materialized.

Other benefits will, potentially, materialize in a future time. If applied correctly and consistently, the measures taken will lead to cost optimization and cost recovery in the sector, which will translate in improved levels of services, ultimately. However, it is reasonable to say that such improvements will take some time (2-3 years, as a minimum) to materialize.

Premise 4 – Positive country level reform

In terms of stakeholder perceptions, based on anecdotal evidence, SUWASA has been widely supported by both NWASCO and the Ministry of Local Government and Housing.

In terms of documented results, by simply comparing expected outputs against achievements, it emerges that the project has accomplished what was designed for (see tables below).

| Project Milestones and Deliverables | Status Update |
|---|----------------------|
| Objective 1: Cost of Service Study | |
| 1.1. Compile and compare current costs categories among CU's | Completed. |
| 1.2. Develop uniform cost category structure | Completed. |
| 1.3. Stakeholder consultative workshop to receive their input | Completed. |
| 1.4. Estimate CU costs and develop cost structure model | Completed. |
| 1.5. Stakeholder consultative workshop to receive their input | Completed. |

| Project Milestones and Deliverables | Status Update |
|---|----------------------|
| Objective 2: Tariff Evaluation Model | |
| 2.1. Improvement on existing tariff evaluation model | Completed. |
| 2.2. Demand Analysis for each CU | Completed. |
| 2.3. Stakeholder consultative workshop to receive their input | Completed. |
| 2.4. Improvements on tariff evaluation model based on workshop feedback | Completed. |

| Project Milestones and Deliverables | Status Update |
|--|----------------------|
| Objective 3: Corporate Governance | |
| 3.1. Analyze current corporate governance guidelines | Completed. |
| 3.2. Update and revise the corporate governance | Completed. |
| 3.3. Hold stakeholder workshop to present recommended updates to revised guidance | Completed. |
| 3.4. Training and capacity building on the revised corporate governance guidelines | Completed. |

| Performance Indicator | Target Year 1 | Actual |
|--|----------------------|---------------|
| 1. Number of new policies, laws, agreements, regulations or Investment agreements (public or private) implemented that promote access to improved water supply and sanitation (USAID F-indicator). | 2 ⁴² | 2 |

⁴² 1)The new corporate governance guidelines & 2) performance agreement between the CU's and board.

| | | |
|---|-----------------|---|
| 2. Number of good practices identified, promoted and adopted. | 2 ⁴³ | 2 |
|---|-----------------|---|

Sector performance improvement in terms of quantifiable improvements in the performance indicators in the sector will take time to see. The project was 1 year (to be closed in August 2013). It is suggested that another evaluation exercise, undertaken not before 2-3 years' time would be appropriate to reveal such improvements.

Premise 5 – Correctly designed, managed and implemented project

SUWASA Project in Zambia was developed in the context of a highly developed water sector in terms of institutions, legal framework, modern in its conceptualization, very good performance indicators countrywide. Understandably, the scope of assistance in such environments is limited, and SUWASA has targeted exactly those aspects (not central, no need to be) that the sector (regulator in this case) needed to amend and bring up to standard. The outputs produced are valuable (as expressed by stakeholders- see the Zambia matrix for details), as well as replicable in other parts of the country (NWASCO regulates 48 licensed operators, including local governments) if it is relevant, and also in other countries.

It would have been desirable to have had the timing of SUWASA coincide with the regulatory calendar in Zambia (i.e. tariff submission and approval). Arguably, such coincidence may have hindered other priorities at the level of SUWASA Program and may have not been an optimal solution. However, it does not appear that the timing applied has created any problem by (i) building capacity at NWASCO i.e. enabling the regulator to oversee and coach the CU's on the cost and tariff models.

It does not seem that the project had any weakness worth noting, and there is no evidence that it faced any challenges.

CONCLUSIONS

Zambia component of SUWASA was simple in its design, and responsive to the needs of the sector. The project was implemented in an environment with advanced sector institutions and apparent interest from the stakeholders to implement the improvements suggested by its activities. The project achieved its objectives and was well received by the stakeholders. There is no evidence of any challenges, to the contrary, anecdotal evidence suggests that the project went very smoothly. In terms of improvements in sector performance indicators (service levels) as a result of this project, it will take 2-3 years to see tangible results, and reasonably so. However, following the improvements in the cost reporting and tariff submissions, it is to expect more realistic tariffs, which will benefit service levels.

RECOMMENDATIONS

At the moment of the submission of this evaluation report, the project is almost closed. In terms of continuation of work under this project, it does not appear to be a need to continue along the current lines.

Of course, this does not exclude further investigation on sector needs on the basis of which other projects may follow.

⁴³ 1) The tariff model and 2) performance agreement.

EVALUATION QUESTIONS

| Zambia Evaluation Questions | | |
|--|--|--|
| Sub-Questions | Evidence | Source |
| Premise I – Contribution to the Body of Solutions | | |
| SOW Question I – <i>Based on analysis of the country activities and the SUWASA project overall, to what extent, how, and at what level (local, country, regional, sector) has SUWASA added to the body of sector knowledge and engendered a learning agenda about how to alleviate service constraints?</i> | | |
| Ia. In what way is this project new or innovative? | <ul style="list-style-type: none"> The novelty of this project (in the context of Zambia) is the determination of the optimum cost of water for each CU, and that will provide a critical input into a tariff model to be developed under this project. In order to appreciate what is new that this project brings in, is worth explaining the context in which it is being developed: First, is that first, the optimal cost structure of providing the service for each CU is not well understood, making it difficult for NWASCO to implement its mandate effectively. As the cost of WSS service delivery differs significantly from one CU to the other, there are numerous operational inefficiencies such as high non-revenue water, low revenue collection and inefficiencies in operations, which tend to reduce cost coverage and thereby distort the cost structures. Second, NWASCO faces challenges in responding to requests for tariff adjustments due to various bottlenecks in using the current tariff model. Currently NWASCO uses the cost-plus tariff model as a basis for tariff adjustment. While this may be necessary for water services, the approach hides numerous inefficiencies. The cost structure for each utility is different as the operating environments are different. Further, the CUs are generally not highly conversant with the tariff adjustment procedure, especially the need for provision of accurate and well presented information for tariff analysis to be undertaken. NWASCO therefore seeks a tariff model that can easily be understood by the CUs and where all critical factors are appropriately applied. | Zambia Reform Work Plan July 2012 |
| Ib. To what extent will (has) the project add(ed) to the body of sector knowledge? | <ul style="list-style-type: none"> This project adds significant amount and quality to the body of knowledge by deriving an appropriate cost of water services that can be used as a baseline for CUs when they apply for tariff adjustment. It is therefore necessary to undertake the exercise across a representative set of CUs as determined during the inception period. The revision of the Guidelines on Corporate Governance in 2002 with a view to upgrade them to the most appropriate governance structure that clearly defines the roles and relationships between the boards, shareholders and water utility management is the other element of the project that adds to the body of sector knowledge by re-defining the aforementioned in line with best practice. | Zambia Reform Work Plan July 2012 Zambia, Project Status Report Feb 2013 Interviews with SUWASA Team in Nairobi. |
| Ic. How will (has) the project alleviate(d) service constraints? | <ul style="list-style-type: none"> The introduction of tools for establishing an appropriate cost structure will eventually lead to more realistic and true cost-reflective tariffs, which will, if applied correctly, will lead eventually lead to removal of some service constrains. It should be To be noted that the project duration (one year) is | Zambia Reform Work Plan July 2012 Zambia, Project Status Report |

| Zambia Evaluation Questions | | |
|--|--|---|
| Sub-Questions | Evidence | Source |
| | too short to see materialized results within its lifetime. It is reasonable to wait 2-3 years to see tangible results. | Feb 2013 Interviews with SUWASA Team in Nairobi. |
| 1d. How has this experience and knowledge been disseminated (and at what levels?) | <ul style="list-style-type: none"> Based on project design, at the country level: Dissemination of knowledge was/is to be done through workshops, specifically the training of 11 utilities and NWASCO on cost and tariff models, held on May 30-31, May 2013, and training for one staff of NWASCO on June 3-14, 2013. (besides, of course, drafting of documents). However, no information available as yet, specific to the above. At the international level: See “Table I - SUWASA Summary of Conferences and Paper Presentations”, at the end of this report for a list of events where Zambia-related work has been presented and publicized. | Zambia Reform Work Plan July 2012 Interviews with SUWASA Team in Nairobi and information on specific trainings made available after the interviews in Kenya. |
| 1e. Is the unlocking of service constraints likely to be sustainable/replicable? | <ul style="list-style-type: none"> They are expected to be sustainable, provided the implementation of what SUWASA has delivered is applied correctly and consistently. Other than that, there is wide support from CUs and NWASCO to implement the recommendations on cost structure and corporate governance. It would seem to be possible, but more information needed in regard. | Interviews with SUWASA Team in Nairobi. |
| 1f. How effective has the dissemination of products been (knowledge of products, application of knowledge?) | <ul style="list-style-type: none"> One indicator is that as a result of the training with the 11 utilities (mentioned under 1 d), seven utilities declared that they would use these models in submitting their application for tariff review to NWASCO in September 2013. See Annex – “Summary of Participants Feedback Cost of Service and Tariff Evaluation Model Training Workshop”- There is evidenced the degree of perceived benefit from the training, as expressed by the participants, with 44% feeling adequately prepared to use both models, and roughly the same % feeling neutral to using both. .No information available. | Interviews with SUWASA Team in Nairobi. |
| Premise 2 – Maximum Development Impacts and Aid Effectiveness | | |
| SOW Question 2 – Has SUWASA been effective at integrating other development activities in a way that maximizes development impact and aid effectiveness? If so, are there specific ways that this has been accomplished that could inform future USAID programming? | | |
| 2a. What is the level of Government support for SUWASA? | <ul style="list-style-type: none"> Both NWASCO and the Ministry of Local Government and Housing have been very supportive and cooperative throughout the project life. More information needed on interactions with the government, and whether there was an expressed and tangible support. Not much, if anything, on the latter. To be noted that in none of the documents made available for this desk review is mentioned anything specific to that. (Of course, besides NWASCO support). | Interviews with SUWASA Team in Nairobi. |
| 2b. What is the level of synergy between SUWASA and other (current or planned) Donor programs? | <ul style="list-style-type: none"> USAID through SUWASA will complement a Millennium Challenge Corporation US\$350 million investment project in the water sector and drainage in the Zambian capital Lusaka by supporting the regulator, NWASCO’s capacity in tariff setting. The SUWASA project in Zambia will help to ensure that U.S. Government investment in basic infrastructure in Lusaka will be embedded in a favorable and robust regulatory framework and that the | Zambia Reform Work Plan July 2012 Interviews with SUWASA Team in Nairobi. |

| Zambia Evaluation Questions | | |
|--|---|---|
| Sub-Questions | Evidence | Source |
| | <p>population will be subjected to a fair and technically sound tariff regime.</p> <ul style="list-style-type: none"> • The SUWASA team has worked/will work collaboratively with the MCC and MCA office in Lusaka and the USAID Zambia Mission, using their combined resources and experience to sensitize stakeholders across the Zambian water sector and exchange technical information. • Since its inception, NWASCO has received technical assistance from GIZ. However after almost twenty years of support, GIZ is no longer providing direct support to NWASCO. Only once in a while since GIZ occasionally supports subject specific activities of with NWASCO, SUWASA will/has liaised with GIZ to seek out opportunities for collaboration. No other potential partners have been identified. • All the above needs further update and information, being based on the Reform Plan, not factual developments. | |
| 2c. Is there evidence that SUWASA activities have enabled /supported other development projects (either by Government of donors)? | <ul style="list-style-type: none"> • There are several completed and ongoing water projects in several communities within the Eastern province supported by GIZ. The projects ranged from dam rehabilitation, water treatment upgrades, network improvements, borehole construction, pump replacement, and kiosk construction in peri-urban areas. <p>More information needed.</p> | |
| 2dc. Is there evidence of SUWASA concepts and practices being adopted into national strategies? | <ul style="list-style-type: none"> • No information available. However, When considering national strategy level, it can be said that SUWASA concepts in the context of Zambia project seem to be already in these strategies, which, however, have not so far been translated into action through development of other tools (which usually are of such level of detail that national strategies do not contain) and which SUWASA is providing for. | <p>Zambia Reform Work Plan July 2012</p> <p>WBI Workshop January 2013</p> |
| 2de. Are lessons learned from SUWASA being incorporated into USAID knowledge base at the program level (country and Washington level)? | <ul style="list-style-type: none"> • They are potentially, particularly following a presentation on Zambia project held in Washington DC on June 11, 2013.No information available. | Interviews with SUWASA Team in Nairobi. |
| 2f. What is the amount of funding for SUWASA, and has additional funding been provided by government, other donors, other sources? | <ul style="list-style-type: none"> • 950,000 USD. No additional funding provided by other sources. | Interviews with SUWASA Team in Nairobi. |
| 2h. How were additional funds and project linkages developed - facilitating factors and constraining factors | <ul style="list-style-type: none"> • The Millennium Challenge Corporation US\$350 million investment project in the water sector and drainage in the Zambian capital Lusaka is linked to this project, but there is a time gap, meaning that the MCC will follow SUWASA. In that regard, a slightly constraining factor is time – however the order of events is correct: First, build capacity at NWASCO then proceed with capital investments. Information required | Interviews with SUWASA Team in Nairobi. |
| Premise 3 – Value of service provider focus | | |
| <p>SOW Question 3 – Can SUWASA demonstrate evidence that utility-focused reform is as beneficial as assumed? If yes, what lessons can be extrapolated from the SUWASA design or implementation for replication elsewhere? If not, what aspects of the</p> | | |

| Zambia Evaluation Questions | | |
|---|---|--|
| Sub-Questions | Evidence | Source |
| <i>project concept, design or implementation have impeded this result from being demonstrated? Is this still a possible result for the remainder of the project?</i> | | |
| 3a. Is there evidence of measurable improvement in Utility (or beneficiary institution) performance resulting from SUWASA? | <ul style="list-style-type: none"> • More information required. However, Again, it should be noted that the project life is too short to see tangible results, which, however, are expected in a reasonable timeframe, after allowing time for the implementation of knowledge resulting from the project. | Interviews with SUWASA Team in Nairobi. |
| 3b. If so, how is this leading to improvements in service and customer satisfaction? | <ul style="list-style-type: none"> • More information required. Again, it should be noted that the project life is too short to see tangible results. See 3.a above. | |
| 3c. Are results and lessons identified adequately documented in a format that can facilitate replication elsewhere? | <ul style="list-style-type: none"> • More information required on trainings and other formats (if applicable – to be determined. They are, because the models (on costing and tariff) are built in Excel, thus making them easily replicable anywhere and at no cost. | Interviews with SUWASA Team in Nairobi. The models were viewed by the evaluator. |
| 3d. How is SUWASA using national and regional networks to publicise lessons learned? | <ul style="list-style-type: none"> • More information required. This is one of the tasks. • See “Table 1 - SUWASA Summary of Conferences and Paper Presentations”, at the end of this report for a list of events where Zambia-related work has been presented and publicized. • In addition, SUWASA will built a web-based, online platform to upload related materials. See “Table 2 - SUWASA Tools and Materials for sharing on SUWASA's online platform” at the end of this matrix for a list of products to be made available online on the platform. | Interviews with SUWASA Team in Nairobi and information relevant to this question provided by them. |
| 3e. Have difficulties and challenges been adequately documented and measures taken to alleviate them (and that lessons have been learned as a result)? | <ul style="list-style-type: none"> • The Reform Plan contains a section on difficulties and challenges. Routine, internal meetings of SUWASA team served to also discuss on these matters. • More information needed. SUWASA Team noted that there were no any significant difficulties or challenges in this project so that would require any specific measures to overcome them. | Zambia Reform Work Plan July 2012 Interviews with SUWASA Team in Nairobi. |
| 3f. What measures or corrective actions (if any) have been taken to ensure the project will achieve its intended results and outcomes? | <ul style="list-style-type: none"> • Not applicable – see 3e above. More information required | Interviews with SUWASA Team in Nairobi. |
| 3f. What were/are the factors in the concept, design and implementation that have made reform successful: social, institutional (including strategic and operational management), | <ul style="list-style-type: none"> • More information needed. Factors to be determined. Project activities and designed outputs fully matched the needs. • Project was timely: NWASCO was on the verge of seeking to change the costing approach and match it with tariff applications by the CUs. • Working closely with NWASCO was a factor to success. | Interviews with SUWASA Team in Nairobi. |

| Zambia Evaluation Questions | | |
|--|---|---|
| Sub-Questions | Evidence | Source |
| service delivery, infrastructure investment | | |
| 3g. What could be changed in the original concept, design and implementation, in order to avoid identified difficulties that eventually have lead to underperformance? | <ul style="list-style-type: none"> • It would have been desirable to have allowed time for another follow-up set of training/coaching of CUs at the time of their preparation for filing tariff applications. The timeline of the project and tariff application calendar do not match to allow such additional activities within the project life. Although NWASCO is deemed capable to assist the CUs in using the models, and also financially sound (e.g. to be able to obtain external consultancy), and the training feedback was quite positive, (the models are not complex too), still there maybe needed a more extended assistance. • However, SUWASA Team ensured that it is envisioning to provide further help with training. • To be determined | Interviews with SUWASA Team in Nairobi. |
| Premise 4 – Positive country level reform | | |
| SOW Question 4 – <i>Based on analysis of the specific country activities, including results against the M&E plans, how well have the country activities improved sector performance, in terms of stakeholder perception and documented results?</i> | | |
| 4a. Is there evidence of improved sector performance resulting from SUWASA? | <ul style="list-style-type: none"> • In a broad sense yes, because both the regulator and the utilities have improved their knowledge on the relevant matters discussed above and are capable and willing to use that knowledge too. • In terms of tangible improvement of service performance by the CU's is still too early to see, as was argued in several instances of this matrix. More information required. However, it should be noted that the project life is too short to see tangible results. | |
| 4b. What is the level of stakeholder satisfaction resulting from SUWASA activities? | <ul style="list-style-type: none"> • Based on anecdotal evidence from SUWASA team, who have interacted of course with all stakeholders concerned, the level of satisfaction by NWASCO, the Ministry of Local Government and Housing and the CU's is high. More information required • See Annex I – “Summary of Participants Feedback Cost of Service and Tariff Evaluation Model Training Workshop”- There is evidenced the degree of perceived benefit, (and satisfaction) from the training, as expressed by the participants, with an overall positive to strongly positive evaluation for the training, which was related to two of the main products/outputs of SUWASA. | Interviews with SUWASA Team in Nairobi. |
| 4c. What evidence is there of beneficiary satisfaction resulting from SUWASA activities? (where feasible) | <ul style="list-style-type: none"> • Training evaluation feedback is attached (training of 11 CUs). | |
| Premise 5 – Correctly designed, managed and implemented project | | |
| SOW Question 5 – <i>How could the approach to selecting and implementing a portfolio of activities have been improved – both to achieve better results in each country and to better develop an evidence base for the specific sector reform option? Define the approaches – from strategy, management and implementation – that enhanced the project and identify the ones that can be replicated in the future. Also identify the ones that weakened the project and how these can be alleviated for the remainder of the project and in future programs. What priorities should be set for the project for the remainder of the contract and what would project success look like?</i> | | |

| Zambia Evaluation Questions | | |
|--|---|--|
| Sub-Questions | Evidence | Source |
| 5a. Was the overall project design realistic (timeline, funds, human resources, targets) to achieve the expected outcomes and impact? | <ul style="list-style-type: none"> • More information required. Needs to be determined. Overall yes, with the note mentioned under point 3g and a possible better alignment with MCC investment, should that had been possible, being also subject to the planning by MCC. | |
| 5b. Have Project risks and assumptions been taken into account in the Project design and at implementation? | <ul style="list-style-type: none"> • The Reform Plan contains a section on Assumptions and Risks and they have been accounted for, given the approach and activities undertaken together with the fact that the project went on without any problems.. • More information needed to assess how these have been taken into account during implementation. | <p>Zambia Reform Work Plan July 2012</p> <p>Interviews with SUWASA Team in Nairobi.</p> |
| 5c. Was the country context sufficiently taken into account? How was that reflected in the project design (e.g. revised targets, tailored risk analysis) | <ul style="list-style-type: none"> • At the level/phase of the Reform Plan is appears that the country context was well accounted for. Further, the matching of needs in NWASCO and the project activities was a plus. It has not been necessary to revise targets or undertake a specific risk analysis or mitigation measures during implementation, which would suggest that the project design was quite good., however more information needed to determine how later adjustments (if any) to the original project design did (or did not) take country context into account. | <p>Zambia Reform Work Plan July 2012</p> <p>Interviews with SUWASA Team in Nairobi.</p> |
| 5d. Has the project demonstrated sufficient flexibility to adjust to changing circumstances and conditions? | <ul style="list-style-type: none"> • There was no need for such adjustments. More information required | <p>Interviews with SUWASA Team in Nairobi.</p> |
| 5e. Is the Project monitoring and reporting effective in identifying project successes and areas of weakness? | <ul style="list-style-type: none"> • The Monitoring and Evaluation Plan is very well developed to address the issue. • In addition, the Mid Term Review is one of the tools to address the issue and has done that quite well. But more information required to assess how the recommendations of the Mid Term Review were addressed. | <p>Zambia Reform Work Plan July 2012</p> <p>Interviews with SUWASA Team in Nairobi.</p> |
| 5f. What were/are the main reasons for project success (if any) and can they be replicated? | <ul style="list-style-type: none"> • The key factor for success was government (i.e. NWASCO and Ministry of Local Government and Housing) buy-in • Further, interest and buy-in from the utilities' side. • More information required | <p>Interviews with SUWASA Team in Nairobi.</p> |
| 5g. What were/are the main challenges or obstacles in terms of achieving project outcomes, and how have they been addressed? | <ul style="list-style-type: none"> • One challenge would appear to be the ability of CUs and NWASCO to absorb new knowledge. However, this needs to be corroborated through evidence. Data collection has presented a challenge due to the country-wide spread of different CUs • There has been no challenge as such. Data collection at CUs presented some difficulty, but not qualified as a “challenge” by SUWASA Team. • More information required esp. with regard as to how challenges have been dealt with. | <p>Zambia Reform Work Plan July 2012</p> <p>Project Status Report, Feb 2013</p> <p>Interviews with SUWASA Team in Nairobi.</p> |
| 6. Cross Cutting Issues | | |

| Zambia Evaluation Questions | | |
|--|---|---|
| Sub-Questions | Evidence | Source |
| 6a. In what terms has the project taken account of social issues, including poverty and gender aspects? | <ul style="list-style-type: none"> • The tariff model seeks to ensure, among other: <ul style="list-style-type: none"> ○ Equity, including due consideration to the needs of the poor, disadvantaged groups, and women. ○ Affordability, recognizing that modest cross-subsidies among different customer classes may be required to ensure the financial viability of subsidized rates for the first few units of consumption targeted to poor consumers. <p>More Information required</p> | Zambia Reform Work Plan July 2012 |
| 6b. What mechanisms exist for ensuring that adequate attention is paid to these issues at each stage of the project cycle? | <ul style="list-style-type: none"> • Given the nature of the project, it follows seems that the accounting for these issues are intrinsic to the developed materials related to costs and tariff structures. However, if additional mechanisms were applied - information is required. | |
| Is there evidence of tangible results/positive impact on poverty alleviation and gender aspects? If so, what are they? | <ul style="list-style-type: none"> • It should be noted that the project life is too short to see tangible results and the time at which this desk review is being drafted coincides with less than one year of project implementation period. This question is not relevant in this context. • An End of Project Evaluation is planned to take place by October 2013, with the purpose to “Assess the impact, effectiveness, efficiency, relevance and sustainability of SUWASA interventions in Zambia, including the gender and poverty dimensions of the project” | Interviews with SUWASA Team in Nairobi. |

ANNEX

Cost of Service and Tariff Evaluation Model Training Workshop

Venue: Mika Hotel, Lusaka Date: 30-31 May, 2013

Workshop Evaluation

| | | | | | |
|---|----------------|-----------|---------|---------------|--------------------|
| 1. I feel adequately prepared to use the cost of service model | | | | | |
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Disagree | 1 | 3.7 | 3.7 | 3.7 |
| | Neutral | 12 | 44.4 | 44.4 | 48.1 |
| | Agree | 12 | 44.4 | 44.4 | 92.6 |
| | Strongly agree | 2 | 7.4 | 7.4 | 100.0 |
| | Total | 27 | 100.0 | 100.0 | |
| 2. I feel adequately prepared to use the tariff evaluation model | | | | | |
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Disagree | 3 | 11.1 | 11.1 | 11.1 |
| | Neutral | 11 | 40.7 | 40.7 | 51.9 |
| | Agree | 12 | 44.4 | 44.4 | 96.3 |
| | Strongly agree | 1 | 3.7 | 3.7 | 100.0 |
| | Total | 27 | 100.0 | 100.0 | |
| 3. The cost of service model is very applicable to my work | | | | | |
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Disagree | 2 | 7.4 | 7.4 | 7.4 |
| | Neutral | 2 | 7.4 | 7.4 | 14.8 |
| | Agree | 7 | 25.9 | 25.9 | 40.7 |
| | Strongly agree | 16 | 59.3 | 59.3 | 100.0 |
| | Total | 27 | 100.0 | 100.0 | |
| 4. The tariff evaluation model is very applicable to my work | | | | | |
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | disagree | 1 | 3.7 | 3.7 | 3.7 |
| | Neutral | 3 | 11.1 | 11.1 | 14.8 |
| | Agree | 10 | 37.0 | 37.0 | 51.9 |
| | Strongly agree | 13 | 48.1 | 48.1 | 100.0 |
| | Total | 27 | 100.0 | 100.0 | |
| 5. The workshop was participatory and I was provided an opportunity to share my thoughts/ views | | | | | |
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Neutral | 1 | 3.7 | 3.7 | 3.7 |
| | Agree | 9 | 33.3 | 33.3 | 37.0 |
| | Strongly agree | 17 | 63.0 | 63.0 | 100.0 |
| | Total | 27 | 100.0 | 100.0 | |
| 6. The time allocated for the workshop was adequate to discuss the various issues and topics | | | | | |
| | | Frequency | Percent | Valid Percent | Cumulative Percent |

| | | | | | |
|-------|----------------|----|-------|-------|-------|
| Valid | Disagree | 1 | 3.7 | 3.7 | 3.7 |
| | Neutral | 4 | 14.8 | 14.8 | 18.5 |
| | Agree | 10 | 37.0 | 37.0 | 55.6 |
| | Strongly agree | 12 | 44.4 | 44.4 | 100.0 |
| | Total | 27 | 100.0 | 100.0 | |

7. The time allocated for each session was managed well

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|----------------|-----------|---------|------------------|--------------------|
| Valid | Neutral | 3 | 11.1 | 11.1 | 11.1 |
| | Agree | 10 | 37.0 | 37.0 | 48.1 |
| | Strongly agree | 13 | 48.1 | 48.1 | 96.3 |
| | 33.00 | 1 | 3.7 | 3.7 | 100.0 |
| | Total | 27 | 100.0 | 100.0 | |

8. The venue of the workshop was appropriate and had all the required facilities

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------------|-----------|---------|------------------|-----------------------|
| Valid | Strongly disagree | 1 | 3.7 | 3.7 | 3.7 |
| | Neutral | 1 | 3.7 | 3.7 | 7.4 |
| | Agree | 13 | 48.1 | 48.1 | 55.6 |
| | Strongly agree | 12 | 44.4 | 44.4 | 100.0 |
| | Total | 27 | 100.0 | 100.0 | |

9. I was provided with all the relevant workshop materials

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|----------------|-----------|---------|------------------|--------------------|
| Valid | Disagree | 1 | 3.7 | 3.7 | 3.7 |
| | Neutral | 4 | 14.8 | 14.8 | 18.5 |
| | Agree | 9 | 33.3 | 33.3 | 51.9 |
| | Strongly agree | 13 | 48.1 | 48.1 | 100.0 |
| | Total | 27 | 100.0 | 100.0 | |

10. The workshop logistics (planning, invitations, communication etc) was done in an acceptable manner

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|----------------|-----------|---------|------------------|--------------------|
| Valid | Neutral | 2 | 7.4 | 7.4 | 7.4 |
| | Agree | 7 | 25.9 | 25.9 | 33.3 |
| | Strongly agree | 18 | 66.7 | 66.7 | 100.0 |
| | Total | 27 | 100.0 | 100.0 | |

TABLE I - SUWASA SUMMARY OF CONFERENCES AND PAPER PRESENTATIONS

| | EVENT | TOPIC | FORMAT | DATE |
|----------|--|--|--|-------------|
| 1 | World Bank Institute Championing Water Utility Reform, Nigeria | Supporting Economic Regulation of Urban Water Services in Zambia | Plenary presentation | Jan-13 |
| 2 | 4th Africa Water Week, Egypt | Does Regulation Matter in Attracting Private Sector Investment? | Theme Conveners of the Track: Private Sector Investment in Water and Sanitation. | May-12 |
| 3 | 4th Africa Water Week, Egypt | Water Institutional Arrangements for WSS Reform | Plenary presentation | May-12 |
| 4 | 2nd AfWA Congress, Uganda | Introducing SUWASA in the Sector | Side Event | Mar-10 |
| 5 | IWA Utility Leaders Forum, Swaziland | Trends, Challenges & Opportunities for Water Utilities in Africa | Plenary presentation | 2010 |

TABLE 2 - SUWASA Tools and Materials for sharing on SUWASA's online platform

| | Product | Format | Due Date |
|----------|--|-----------------------|-----------------|
| 1 | Tariff Model for Zambia with User Guidelines | Example tool | October-13 |
| 2 | Cost-of-Service Model | Example tool | October-13 |
| 3 | Creating Incentives for Reform | Narrated Presentation | March-14 |
| 4 | Moving towards Cost Reflective Tariffs | Narrated Presentation | March-14 |
| 5 | Champion and Stakeholder Engagement | Narrated Presentation | March-14 |

ANNEX 2: LIST OF DOCUMENTS REVIEWED

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- Butler, J., Summary of Mid-Term Review of SUWASA-Kenya Project, Tetra Tech ARD, January 2012.
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- Cook, J. and J. Onjala, Microfinance in the Water Supply and Sanitation Sector in Kenya, Global Water Challenge, 2009.
- Department of Health, Operations Manual on the Rules and Regulations Governing Domestic Sludge and Septage. Manila, Philippines, DoH and USAID, 2008.
- DIG, Project Inception Report, SUWASA, February 2011.
- Efficient and Innovative Water and Sanitation Services in Hawassa, Ethiopia: Project Status Report, June 2011.
- Entrepreneurs in Transition: Small Scale Private Water Supply Operators in Greater Maputo, October 2012.
- Fineline, The Market Demand Assessment for Water and Sanitation Services, DIG, SUWASA, November 2011.
- Inception and Rapid Assessment Report, NWSC – External Services, Uganda, December 2012.
- Inception Report, July 2011.
- Inception Report Mozambique, February 2012.
- Interim Visit Report, November 2012.
- KWAHO, Enhancing Water and Sanitation Governance in Kenya: Human Rights Based Approach to Reforms in the Kenya Water Sector, 2009.
- M and E Plan for the Restructured Project, February 2013
- Mid-Term Evaluation Report, Uganda, February 2012.
- Mid Term Review Report, August 2012.
- Mid Term Review Report, Mozambique, December 2012.
- Monitoring and Evaluation Plan, August 2012.
- Monitoring and Evaluation Plan, February 2013.

MOU Between Bauchi State and USAID, November 2012.

MOU Between Swazi Water and BSWB, March 2013.

Mozambique Design of Licensing/Regulatory Framework for Private Water Providers, Inception Report, November 2012.

Mozambique Monitoring and Evaluation Plan, August 2012.

Original RWP for Uganda, October 2010.

Rapid Assessment of Bauchi State Water Board Facilities, June 2012.

Reform Work Plan Budget for Ethiopia, November 2010.

Reform Work Plan for Introducing Efficient and Innovative Water and Sanitation Services in the Municipality of Hawassa, Ethiopia, November 2010.

Reform Work Plan for Zambia, July 2012.

Reform Work Plan Mozambique, April 2011

Robbins, D. M, Septage Management Guide for Local Governments. North Carolina, RTI, 2007

RWP for South Sudan, August 2011.

South Sudan Inception Report, November 2011.

South Sudan Monitoring and Evaluation Plan, Revised April 2013.

Strategic Partnership Agreement between Bauchi State, SUWASA and Women's Empowerment Initiative, November 2012.

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ANNEX 3: LIST OF PEOPLE INTERVIEWED

| Name | Position | Organization |
|------------------------------|---|---------------------------------|
| Washington, DC | | |
| John Butler | Home Office Coordinator | SUWASA |
| Alexandra Forrester | Project Manager | SUWASA |
| Sam Houston | Associate, Water Resources & Infrastructure | Tetra Tech |
| Amanda Robertson | Water Advisor, Africa Bureau | USAID |
| Helen Petach | Bureau for Global Health Environmental Health Team | USAID |
| Jessica Rosen | Office of Energy and Infrastructure (formerly), E3 Office | USAID |
| Tony Kolb | Office of Energy and Infrastructure, E3 Office | USAID |
| Allen Eisendrath | Office of Energy and Infrastructure | USAID |
| John Pasch | Office Director, Office of Water, E3 Office | USAID |
| Heather Skilling | COR, SUWASA | USAID |
| Katherine Rostkowski | Environmental Protection Specialist | USAID |
| Miguel Ramirez | Task Leader for Nigeria | World Bank |
| Nairobi, Kenya | | |
| Dennis Mwanza | Chief of Party | SUWASA--Nairobi |
| Sam Huston | Deputy Chief of Party | SUWASA--Nairobi |
| Lukas Barake | Monitoring and Evaluation Specialist | SUWASA--Nairobi |
| Robert Hanjahanja | Water Utility Operations Specialist | SUWASA--Nairobi |
| Japheth Mbuvi | Utility Reform Specialist | SUWASA--Nairobi |
| George Acolor | Regional Project Coordinator | SUWASA--Nairobi |
| Eric Adams | Kenya Team Leader | SUWASA--Nairobi |
| Osadolor Imasuen | Finance/Office Administration Assistant | SUWASA--Nairobi |
| Martin Mulongo | WASH Specialist | USAID-Nairobi |
| Sam Huston | Deputy Chief of Party | SUWASA--Nairobi |
| Robert T. Hanjahanja (Eng.) | Water Utility Operations Specialist | SUWASA--Nairobi |
| | | K-Rep Bank |
| Kisumu, Kenya | | |
| Isabella Asamba | Utility Reform Specialist | SUWASA-Kisumu |
| David Onyango | Managing Director | KIWASCO |
| James Angawa Okeyo | Head of Finance | KIWASCO |
| Frank David Ochieng | Customer Care Manager | KIWASCO |
| Isaac Okoyo | Pro-Poor Coordinator | KIWASCO |
| George Onor Wasdnea | Zonal Supervisor | KIWASCO |
| | Master Operator | Oloketi Women's Group |
| | Water Plant Operator | South Lake Victoria Water Board |
| Pius Nthenge | Customer | N/A |
| Nakuru, Kenya | | |
| Nancy Njau | Manager | Family Bank |
| | | Women of Kaptembwo |
| | | Women of Mwariki |
| | Managing Director | NAWASSCO |
| Zaituni Kanenge | Head of Pro Poor Unit | NAWASSCO |
| Abuja, Nigeria | | |
| Nene Essang | WASH Manager | USAID--Abuja |
| Bauchi State, Nigeria | | |
| Hosanna Dajan | Bauchi State Team Leader | SUWASA |

| Name | Position | Organization |
|-----------------------------|--|--|
| Aminu Gital | General Manager | Bauchi State Water and Sewerage Board |
| Al Hajj Sani Mohammed Burra | Commissioner | Ministry of Water Resources & Rural Development |
| Nuru Adamo Jumba | Chiroma (Local Community Leader) | Bauchi District Council |
| Abdullah Dan Azumi Tulag | Zonal Head—Commercial Zone | Bauchi State Water and Sewerage Board |
| Lydia Haruna Tsammani | Coordinator | Network for Civil Society in Water and Sanitation (WEIN) |
| Yusuf Abba | Consultant | RTI USAID LEAD Project |
| Bashir Hassan | Special Assistant to the Governor | Bauchi State Government |
| | Operator—Water Treatment Plant | Bauchi State Water and Sewerage Board |
| Juba, South Sudan | | |
| Isaac Liabwel | Under Secretary | Ministry of Water Resources and Irrigation |
| Lawrence Muludyang | Acting DG for Planning/Director Urban Water Supply | Ministry of Water Resources and Irrigation |
| Abdoulaye Barro | Team Leader | SUWASA/South Sudan |
| Wondwossen Teffera | WASH Adviser | USAID/South Sudan |
| Safaa Fakorede | Utility Reform Specialist | SUWASA/South Sudan |
| Mogal Gabriel | Secretary General | Southern Sudan Urban Water Coordination |
| Samuel Taban | Director General, Administration and Finance | Southern Sudan Urban Water Coordination |
| Hassan Aggrey | Juba Area Manager | Southern Sudan Urban Water Coordination |
| Hayato Nakazono | | TEC International (JICA) |
| Christine Konig | Program Director | GIZ/South Sudan |
| Christoph Hagenbruch | Technical Adviser | GIZ/South Sudan |
| Maridi, South Sudan | | |
| Daniel Gbandi | Activities Coordinator | SUWASA/South Sudan |
| Aguta Mawa | Laboratory Technician/ Acting Area Coordinator | Southern Sudan Urban Water Coordination, Maridi Station |
| Alfred Tombe | Controller of Accounts | Southern Sudan Urban Water Coordination, Maridi Station |
| Bob Ellinger | Chief of Party, Electrified Sustainability Program | USAID/South Sudan |
| Abud Abdalla | Managing Director | Maridi Electric Company Limited |
| Lona Anibie Daniel | Mayor | Central Payan |
| Charles Edward Doro | Acting Commissioner | Maridi County |
| Joyce Dawa | Communal Water Point Rate Collector | |
| Daniel Elisa | Communal Water Point Rate Collector | |
| Wau, South Sudan | | |
| Romano Ueu Lual | Director General, Physical Infrastructure, Western Bahr El Gazel State | Ministry of Water Resources and Irrigation |
| Sebit Veterino Rabi | Director, Water and Sanitation | Southern Sudan Urban Water Coordination |
| Joseph Anei Akol | Area Manager/Utility Director | Southern Sudan Urban Water Coordination |
| Joseph Mawan | Laboratory Assistant | |
| Mario Udau Yiri | Supervisor | Water Purification |
| Adam Enerico Suleiman | Pump Mechanic | |

| Name | Position | Organization |
|------------------|-----------------|--------------|
| Lowrenc Wol Deng | Electrician | |
| Agustino Atak | Accountant | |
| Gabriel M Mangu | Billing Officer | |
| Marko Makur | Pump Mechanic | |

ANNEX 4: STATEMENT OF WORK

STATEMENT OF WORK

MID TERM PERFORMANCE EVALUATION FOR SUSTAINABLE WATER AND SANITATION IN AFRICA (SUWASA)

I. INTRODUCTION

USAID/Washington wishes to carry out a Mid Term Performance evaluation of the Sustainable Water and Sanitation in Africa (SUWASA) project. The objective from the evaluation is to evaluate the performance and impact of the country-level activities of SUWASA, as well as the overall project, and to inform the direction of the project for the remainder of the contract

2. BACKGROUND AND DEVELOPMENT PREMISE OF SUWASA

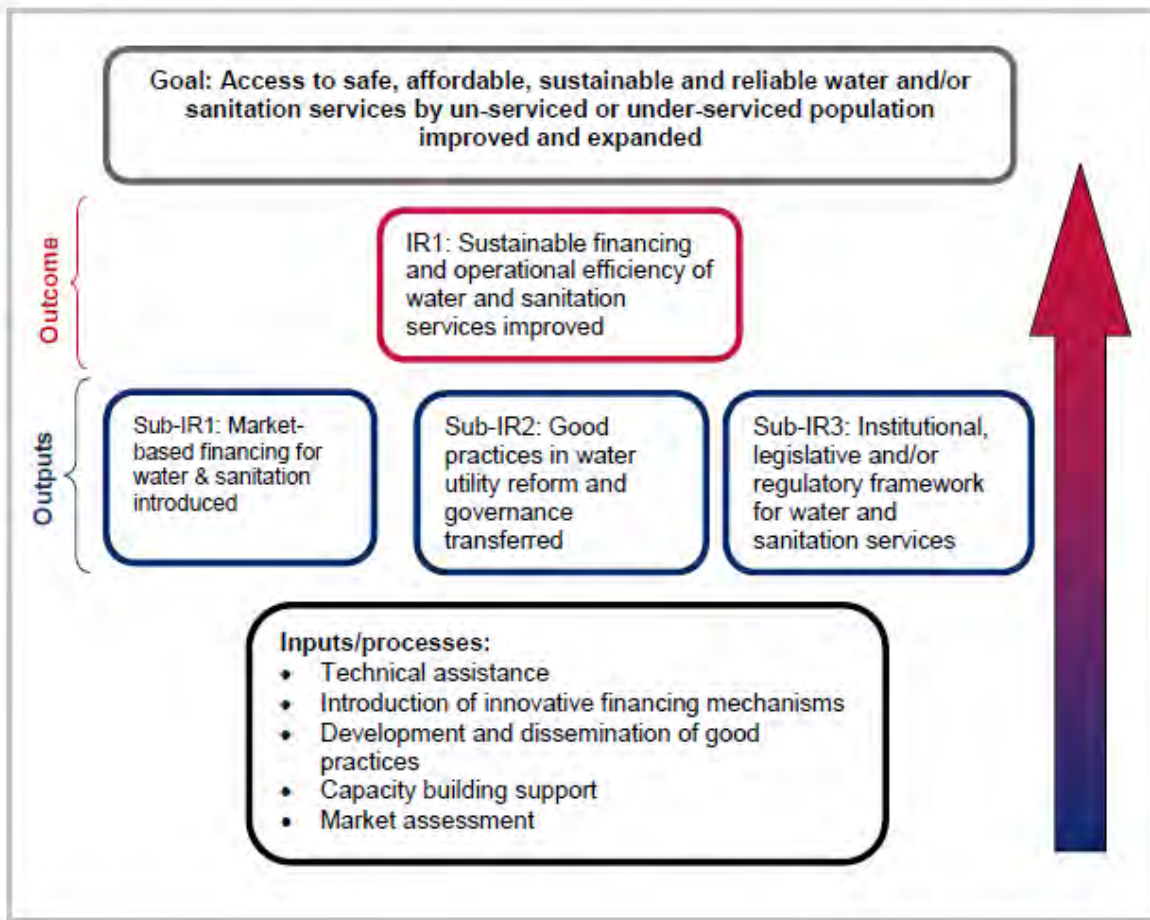
On September 30, 2009, USAID/Washington competitively awarded a four year (48 months) Cost Plus Fixed Fee (CPFF) Task Order (EPP-00-04-00019-00 and Modifications 1-5) to TetraTech ARD Inc. with an initial obligation of US\$10,833,048 and a Ceiling Amount of \$17,708,358. The Ceiling was subsequently raised to \$41,461,512, the obligations were increased to \$21,166,183, and the period of performance was extended to September 29, 2015.

a. SUWASA CONCEPT

The SUWASA project is designed to improve water and sanitation services in Sub Saharan Africa through a focus on the reform of service providers (especially utilities). The project is founded on the understanding that service provider reform is at the core to increased sector access and to the improved flow of essential finance to the sector. SUWASA's definition of reform was broad, to include a range of governance and management interventions as well as operational improvements and expansion of service delivery to the poor.

The results of these reform initiatives were to be documented and shared with national governments, local governments, and other utilities through existing regional associations. At the end of the contract, the Contractor is expected to have developed a range of models that can be adapted and implemented in countries committed to sector reform. The communication and dissemination of lessons learned and models for improved sector performance is fundamental to the project. The value of the specific country level activities was to be magnified through a catalytic impact across the region and sector.

The Results Framework in place for the SUWASA project is demonstrated in the following graphic.



The Performance indicators being used by SUWASA are shown in the box to the right. Targets are achieved through activities at country level and through the project’s ability to document, share and implement good practices as learned at the country level.

b. SUWASA ACTIVITIES

According to the TO Statement of Work, SUWASA was designed to specifically accomplish:

- I. **Country-level activities**, either at the utility level on specific management or service delivery issues, or at the national level on sector reforms such as financing. The contractor is asked to support at least twelve reform initiatives in five or more countries, within sub-Saharan Africa in order to improve and expand the delivery of water and sanitation services, particularly in urban and peri-urban settings. The contract emphasizes:
 - a. The importance of partnerships with the private sector and twinning arrangements with other utilities.
 - b. The need to develop capacity and other mechanisms that support sustainability
 - c. The value in innovative financial solutions for the sector like revolving funds and pro-poor solutions.

Performance indicator

1. Number of people gaining access to an improved drinking water source (USAID F-indicator)
2. Number of people gaining access to an improved sanitation facility (USAID F-indicator)
3. Number of people receiving improved service quality from existing improved drinking water sources (USAID F-indicator)
4. Percentage of operation and maintenance costs for water supply and sanitation services covered through customers charges
5. Amount of new financing accessed by water and sanitation service providers
6. Number of good practices identified, promoted and adopted
7. Number of new policies, laws, agreements, regulations or investment agreements (public or private) implemented that promote access to improved water supply and sanitation (USAID F-indicator)

Each country activity is implemented according to a Reform Work Plan (RWP). A summary of SUWASA country activities is given below and more details of country activity are provided later in this section.

| RWP Country | RWP Activities | Type of Reform(s) | Duration |
|-------------|--|------------------------------------|-----------------------------|
| Ethiopia | Support to Hawassa Water and Sewerage Services Enterprise | Institutional and service delivery | 2 years (Jun 11 - Jun 13) |
| Kenya | Nakuru prepaid meter pilot project | Service delivery | 2 years (Dec 10 - Nov 12) |
| | Kisumu piped water extension pilot project | Finance | 2 years (Dec 10 - Nov 12) |
| Mozambique | Development of regulatory program for small scale operators in Maputo and Matola | Regulatory | 2 years (Oct 11 - Oct 13) |
| Nigeria | Urban water sector-wide reform for Bauchi State | Policy and regulatory | 3 years (May 11 - May 14) |
| | Support to Bauchi State Water Board | Service delivery | 3 years (May 11 - May 14) |
| Senegal | Improved fecal sludge management services and oversight in selected communities | Service delivery and regulatory | 2 years (Aug 12 - Jul 14) |
| South Sudan | Urban water sector-wide reform for South Sudan | Institutional and policy | 3 years (Sep 11 - Sep 14) |
| | Support to the Wau Water Station | Service delivery | 3 years (Sep 11 - Sep 14) |
| | Support to the Maridi Water Station | Service delivery | 3 years (Sep 11 - Sep 14) |
| Uganda | Support for establishment of an autonomous national water regulatory body | Regulatory | 18 months (Jul 12 - Dec 13) |
| Zambia | Support to National Water and Sewerage Commission | Regulatory | 1 year (Aug 12 - Jul 13) |

- 2. Collaborative approaches and learning.** The project design calls for the SUWASA team to work closely with sector practitioners (local and international), other development partners, regional associations such as AfWA, and USAID Missions. This interaction should occur in activity selection, in implementation and in dissemination of results. For instance, country level activities were to be selected through a collaborative process of meetings and discussion. At the activity-level, the Contractor is to carefully monitor and document implementation of the reform activities and the final results with the goal of sharing useful information and replicating project successes. The contractor was encouraged to use existing Africa-wide water organizations as platforms to identify and promulgate specific reform initiatives that had been successful in the African context. The Contractor was to seek out opportunities to complement existing or planned activities of USAID Missions or other partners, like the World Bank, in order to achieve the greatest impact. As an example, SUWASA activities in Ethiopia and Nigeria were to be designed in concert with the World Bank's water sector investment programs in those countries. The intention was that SUWASA activity would improve the utility performance to the point where the utilities would be considered committed to reform and eligible for funding.
- 3. Catalytic impacts.** Country activities under SUWASA were meant to have a catalytic effect, both within the country and potentially across the region. Activities were to be selected, in

part, for their relevance to a broader set of sector challenges and the ability to inform solution that would be important to other countries and/or other development practitioners. As an example, SUWASA selected an activity in Uganda related to the engagement of small private operators in the delivery of water services. Given the large number of small private operators in Africa, and the limitations of existing utilities, it could be valuable to understand how best to regulate, monitor, contract, and finance such operators both within Uganda and in other countries.

The complete Statement of Work is attached in Annex A.

Major milestones during the first three years of project implementation include:

1. Establishment of a Project Office in Nairobi which is used as the base for SUWASA activity. Project staff are based in Nairobi including the COP, Deputy COP, finance, admin, marketing/communications, utility reform specialists, and M&E specialists. The Project Team developed a process for approving and launching country activities which included an initial selection meeting (April 2010), agreement on a Reform Workplan (RWP) for each activity, and implementation of the activities, with the first deliverable being an Inception Report.
2. Selection and implementation of eight country level activities. Six of these were agreed in the April 2010 meeting and two additional activities (Zambia and Senegal) were subsequently added based on demand from MCC and USAID/Senegal. Although twelve activities were required in the contract, it was subsequently agreed that progress, and potential expansion, should be made on the eight country activities under implementation and that additional activities should not be added through 2012.
 - Ethiopia: Hawassa Utility Reform
Ethiopia's Water Policy has a goal of cost recovery and autonomy for water service providers, including an ability to charge rational tariffs. While the Hawassa water company is characterized by a dynamic leadership and staff, there are a number of performance-related issues which have delayed Hawassa's ability to access funding for capital investments under the World Bank's project. SUWASA, therefore, is working with the GOE and the management of the Hawassa water company to implement a program of operational and tariff reform in Hawassa. The activity was selected in May 2010 and the Workplan agreed in December 2010.
 - Kenya: Peri-Urban Microfinance for Water
Kenya enjoys a vibrant microfinance environment, but there has been limited application in the water sector. SUWASA is linking the expertise and experience of commercial banks, with the strategic plans of Water Service Providers to increase access to water and sanitation among the urban poor in Kenya. SUWASA is working with commercial banks K-Rep and Family Bank, both experienced and reputable banks, to create a suite of financial products appropriate to the needs of the urban poor and the needs of the urban utilities. In Nakuru, SUWASA is working with Family Bank and the utility to implement a system of pre-paid community meters. This strategy should help improve the financial standing of the company which will, in turn, improve its creditworthiness. Approved in May 2010, the Inception Report was submitted in March 2011

- Mozambique: Regulation of small scale private providers
 In May 2010, Mozambique was selected as one of the first activities to be undertaken through SUWASA. At that time the scope was to help establish a government policy for small-scale peri-urban operators (POPs), strengthen the service associations, and create a licensing and regulatory regime for POPs. In February 2012, the Inception Report was rendered and described the scope as assisting the Government of Mozambique through the DNA in defining a clear strategy on the future roles of POPs; strengthening the policy, legal, operational, and regulatory framework for Small Scale Providers of Water; and regularizing existing POPs.
- Nigeria: Governance Reform in Bauchi State
 The SUWASA activity in Nigeria targets urban water service improvements in northern Bauchi State, the state which is also the focus of USAID/Nigeria's work. Under the federal system of Nigeria, some positive policy and regulatory developments have occurred at the national level, but certain states are progressing very slowly in water reform. In Bauchi, institutional arrangements are weak and there is only a limited policy and regulatory framework. SUWASA is employing the Country Status Overview (CSO - a Water and Sanitation Program methodology) approach to Bauchi State water sector, to identify sector-specific constraints to reform. From this diagnostic, a reform plan will be developed to include legislative, regulatory, institutional, and performance improvements which are realistic and achievable. This approach was tailored to confirm to requirements for World Bank investment financing with the result that the Bank has now indicated that it will consider Bauchi for its next tranche of financing. USAID/Nigeria has provided significant support for this activity in the form of a buy in and support from technical staff. The activity was approved in May 2010 and the workplan submitted in December 2010.
- Senegal: Sanitation for the Urban Poor
 High interest from USAID/Senegal prompted the first discussions of a SUWASA activity in November 2010. In November 2011, the first work plan was submitted and a revision was rendered in June 2012. The activity is to increase the capacity of community based organizations and local governments to support and promote affordable and safe fecal management services and to support the development and implementation of improved policies and procedures for expanded private sector participation in fecal sludge management (FSM). The activity is meant to leverage and complement the work of the USAID PEPAM project and collaborating partners that include the Bill and Melinda Gates Foundation (BMGF), the European Investment Bank (EIB), and NGOs active in the sanitation sector under USAID's Development Grants Program
- South Sudan: Fostering sustainable utilities
 SUWASA is providing technical support and capacity building to the Government of the Republic of South Sudan to ensure that infrastructure investments made by USAID and other donors continue to operate in a sustainable manner. This will be achieved by developing sustainable financial systems and operations to ensure that customers receive reliable access to affordable and safe drinking water supply from water utilities. Initial focus is on the water utilities of Wau and Maridi, to build capacity and administrative systems that will enable them to operate in an autonomous and financially sustainable manner. At the national level SUWASA is working with other donors especially GIZ in defining a clear institutional and legal framework for provision of water services. Sudan (South) was selected as a SUWASA activity country in May 2010 and the Inception Report was submitted Nov 2011.

- Uganda: Improving oversight and accessibility of urban water services
The Uganda activity was approved in May 2010 with the goal of facilitating private water operator financing for water infrastructure in Uganda's small and medium towns. It was meant to complement World Bank and GPOBA activities and potentially draw in a USAID DCA. A workplan was submitted in September 2010 but the activity did not develop as expected. A midterm review was done in June 2012 and a revised workplan was submitted in June 2012. The scope now entails complementing an activity of GIZ to strengthen regulatory oversight in the sector.
 - Zambia: Regulatory Improvements
In November 2011, USAID and MCC began conversations about the upcoming MCC Compact for support to Lusaka Water. It was discussed that there was potential for a complementary activity with SUWASA supporting the sector regulator, NWASCO. The MCC Compact was signed in 2012 and the SUWASA RWP approved in July 2012. The scope is to help the regulator conduct a cost of service study and update its governance regulations for service providers. Improved governance and cost recovery will help sustain the viability of the infrastructure being provided through MCC.
3. In some countries there has been strong and productive collaboration with USAID Missions and/or other development partners (Nigeria, South Sudan, Zambia). In other countries, the engagement has been difficult or less active (Ethiopia, Kenya, Uganda, Mozambique). In Senegal, the Mission and partners have been supportive of SUWASA, but concerned for the slow pace.
 4. In Nigeria, there has been a scaling up of the initiative, driven in part by the Mission. The Kenya activity may also have a catalytic effect within the sector, spurring additional activities through the Water Services Trust Fund.
 5. In terms of the mandate of SUWASA to foster a sustainable knowledge management network and to contribute to the body of information, SUWASA has participated in international and regional events such as Africa Water Week and the Africa Water Association Congress. Project staff has made presentations on activities.

3. EVALUATION RATIONALE

a. PURPOSE OF, AND AUDIENCE FOR, THE EVALUATION

SUWASA represents a major USAID investment, an investment that was made with the full understanding that the results would be achieved less in terms of direct service delivery (i.e. number of people receiving first time access to water or sanitation services) but in the cultivation of an enabling environment for improved service on a broader scale. That is, SUWASA was to undertake country activities that would have a catalytic effect on a country or regional level. That catalytic value might be in terms of knowledge or new approaches that would unlock previous barriers to service, finance and sustainability.

The purpose of the evaluation is to determine whether this value is being achieved through the current SUWASA project. Where the value is not being achieved, USAID needs to understand the obstacles and how to alleviate them and redirect the project for the remainder of the contract. In order to answer these questions, the evaluation has to be conducted on two levels: On one level, it will be

important to evaluate the results and contribution of country level sector reform activities, but it will be equally important to evaluate whether SUWASA is contributing to the knowledge base of the sector regionally and to USAID. The evaluation is meant to be helpful to the SUWASA project team in particular and to enrich the project design and the team's thinking going forward.

The evaluation results will be used by the USAID/E3/Water Office and AFR/SD/EGEA to determine the course of the SUWASA Contract going forward. It will also influence the future programming of the Water Office and its approach to such centrally funded, regional projects. At the Mission level, the evaluation of specific country activities will be of interest to relevant Missions, particularly those with buy-ins (S Sudan and Nigeria), and the future of those activities beyond the current SUWASA engagement.

b. EVALUATION QUESTIONS

The Evaluation Team should focus its evaluation around the following five evaluation questions and four follow-up questions:

Premise - Contribution to the body of solutions: SUWASA was meant to contribute to the development and dissemination of innovative solutions to prevailing service constraints, such as the lack of services to the poor, the lack of financial flows and financial sustainability, and difficulty in integrating small providers into the service delivery system.

Evaluation Question 1 (a): Based on analysis of the country activities and the SUWASA project overall, to what extent, how, and at what level (local, country, regional, sector) has SUWASA added to the body of sector knowledge and engendered a learning agenda about how to alleviate service constraints?

Premise – Maximum development impacts and aid effectiveness: SUWASA was designed to leverage and collaborate with activities of other development partners and stakeholders with the result of expanding the reach, impact and sustainability of development initiatives.

Evaluation Question 2 (a,b): Has SUWASA been effective at integrating other development activities in a way that maximizes development impact and aid effectiveness? If so, are there specific ways that this has been accomplished that could inform future USAID programming?

Premise – Value of service provider focus: SUWASA was designed around the assumption (supported by a body of evidence) that weak public utilities are at the heart of urban sector challenges in Africa. The project assumed that addressing the regulatory, governance, capacity, commercial, and other issues of service providers would improve access, relieve financial drains on the sector, and enhance sector sustainability.

Evaluation Question 3 (a, b, c, d): Can SUWASA demonstrate evidence that utility-focused reform is as beneficial as assumed? If yes, what lessons can be extrapolated from the SUWASA design or implementation for replication elsewhere? If not, what aspects of the project concept, design or implementation have impeded this result from being demonstrated? Is this still a possible result for the remainder of the project?

Premise – Positive country level reform: SUWASA was designed ambitiously to undertake numerous country activities simultaneously, each contributing to our understanding of what constitutes successful sector reform and each yielding a positive development impact.

Evaluation Question 4(a): Based on analysis of the specific country activities, including results against the M&E plans, how well have the country activities improved sector performance, in terms of stakeholder perception and documented results?

Premise – Correctly designed, managed and implemented project: SUWASA was expected to deliver timely, appropriate, and meaningful outputs and results against the stated objectives. Given the range of sector challenges, the range of available reform options, and the shifting contexts, the SUWASA team was expected to make design and implementation decisions that were reflective of and responsive to the sector.

Evaluation Question 5 (a): How could the approach to selecting and implementing a portfolio of activities have been improved – both to achieve better results in each country and to better develop an evidence base for the specific sector reform option? Define the approaches – from strategy, management and implementation – that enhanced the project and identify the ones that can be replicated in the future. Also identify the ones that weakened the project and how these can be alleviated for the remainder of the project and in future programs. What priorities should be set for the project for the remainder of the contract and what would project success look like?

4. EVALUATION DESIGN AND METHODOLOGY

The Evaluation will be conducted in two phases. The first phase will consist of document review, data analysis and interviews (face-to-face, phone, videoconference) with DC based USAID and project staff. Based on the results of this phase, the second phase will be finalized to include site visits to the Nairobi Project Office and selected country sites. The Team will use the following methodology to conduct the evaluation.

a. EVALUATION PHASES

Phase 1 of the Evaluation will consist of the DC based data review and analysis. It is anticipated that this will be conducted from mid- December through mid-April and require a level of effort of approximately 110 days.

The Evaluation Team should review documentation related to each of the eight (8) country activities as well as the reports and data related to the overarching project objectives. At the conclusion of Phase 1, the Team should submit a Diagnostic Report which summarizes the data analysis and findings, suggests refinements or additions to the evaluation questions, and identifies three projects (in addition to the Kenya country activity) which are recommended as the subject of on-site evaluation. The selection criteria are described further in Section b below.

Phase 2 will consist of interviews with the Project management team based in Nairobi, the site visits, additional on-site data analysis, and submission of the Draft and Final Evaluation Reports.

b. EVALUATION METHODOLOGY

Document Review/Data Analysis: The Team will review SUWASA Project documentation and use this material to inform its evaluation of the project. The primary sources of data/information are:

- The Cost Plus Fixed Fee (CPFF) Task Order (EPP-00-04-00019-00 and Modifications 1-5)

- Annual SUWASA Workplans
- SUWASA PMP (November 2011)
- SUWASA Quarterly Progress Reports
- Activity Reform Workplans (all countries)
- Activity Inception Reports (all countries)
- Activity Mid Term Evaluations (all available)
- Activity Technical Work Products (selected by Evaluation Team)
- Activity M&E Plans (all available)
- SUWASA Knowledge Products (to be identified by SUWASA Team and agreed with Evaluation Team and USAID)

These documents are available on the SUWASA Sharepoint site. A password and user id will be made available. <https://sites.tetrattech.com/projects/188-suwasa/default.aspx>.

Additional information is available at the SUWASA website: <http://usaid-suwasa.org/>

Key Informant Interviews: The Team will conduct interviews with USAID/E3 and AFR staff and SUWASA project team members. DC based interviews will be conducted mainly during Phase I as well as phone/videoconferences with Nairobi based staff as needed. During Phase 2, additional and more detailed interviews can be conducted with Africa-based project personnel and other stakeholders. Project team interviews should be conducted individually as well as any group interviews. Within the selected countries, interviews will also be conducted with USAID Mission staff, country activity teams, activity beneficiaries and development partners. A list of proposed interviewees will be submitted with the proposed approach.

Site Visits: To assess the impact of specific country activities, and the relevance for more sweeping country reform, the Evaluation Team should examine SUWASA work at a country level. Since it is not feasible to examine all eight activities in person, it is recommended that the Team supplement its desk analysis of country activities with field evaluation of country activities in three countries to be recommended at the conclusion of Phase I. Since the SUWASA project office is based in Kenya, where there is also a financially focused country activity (unique to the SUWASA portfolio), it should be efficient to evaluate this activity as well, bringing the total of country level assessments to four (4).

In selecting the four locations for site visits, the following criteria should be considered:

- Range of reform interventions. The SUWASA portfolio encompasses policy and regulatory activities (South Sudan, Zambia, Uganda, Mozambique, Nigeria), utility reform (Ethiopia, Nigeria, South Sudan), financing (Kenya), and sanitation (Senegal). While maintaining a primary reform focus, most activities have to consider multiple facets of reform to be effective. However, the Evaluation team should look for four projects that are broadly representative of the SUWASA reform agenda.
- Involvement of USAID Missions and other development partners. Some activities represent funding collaborations with the USAID Missions (South Sudan, Nigeria); others have been designed and developed in consultation with the Mission (Zambia, Senegal, Kenya, Uganda); and other are essentially parallel to the work of the USAID Mission in-country (Mozambique, Ethiopia). Activities in Uganda, Nigeria, Senegal and Zambia complement the work of GIZ, World Bank, MCC and/or Gates. The Evaluation team should consider a sample of projects that represent different levels of USAID and other partner involvement.
- Development impact. Each activity is designed to have a positive development impact in its focus area. This impact should be measurable through results against indicators, through

beneficiary and stakeholder response, and through the contribution to related development activities. SUWASA country activities are also supposed to be instructive. That is, they should be replicable, scalable and/or catalytic in their ability to stimulate larger scale reforms. The Team should look for activities that appear, from the Phase I assessment, to represent a range of success in terms of development impact.

- Practicality. The Evaluation Team should consider the logistics and cost involved with the different sites. Security conditions in Nigeria, in particular, should be taken into account.

Four sites should be identified and proposed in the Diagnostic Report submitted at the end of Phase I. These sites will be agreed with USAID and arrangements made through the SUWASA project office and the relevant Missions.

| SUMMARY TABLE OF EVALUATION METHODOLOGY | | | | | |
|--|---------------------------|---|--|---|---|
| Evaluation Question | Question Category | Type of Answer Needed | Data Sources and Collection Method | Sampling/Selection Criteria | Identify data analysis results and any limitations |
| 1 (a): To what extent, how, and at what level (local, country, regional, sector) has SUWASA added to the body of sector knowledge about how to alleviate service constraints? | Impact | Mainly Descriptive with tabulation and analysis of knowledge products | Review of SUWASA publications, knowledge materials and presentations at professional events Structured interviews with stakeholders and partners in selected countries | All products available related to sector financing, utility reform, improved governance and regulation. Identify other technical areas where solutions have been identified. Sample of at least five sector professionals per country, with interviewees to be selected from among project staff, Mission, development partners, beneficiaries and host government (appropriate levels). | |
| 2 (a) Has SUWASA been effective at integrating other development activities in a way that maximizes development impact and aid effectiveness? | Cost Effectiveness | Quantitative assessment Qualitative judgment | Quantitative assessment of the SUWASA investment in each country and the additional development resources mobilized, leveraged or complemented. Qualitative judgment as to whether SUWASA activities provide value-added linkage to those | Assessment of all eight country activities – comparative of SUWASA investment and additional resources mobilized. Discussion of impact of integration among development activities. | |

| | | | | | |
|---|--|--|---|---|--|
| | | | <p>other development resources which otherwise might not have been available.</p> <p>Information largely available through SUWASA project analysis/RWPs. Should be confirmed through interviews with development partners.</p> | | |
| <p>2 (b) If 2 (a) is true, are there specific ways that this has been accomplished that could inform future USAID programming?</p> | <p>Relevance</p> | <p>Qualitative analysis</p> | <p>Discussion with project team and actual/potential partners including USAID Missions, donors, government.</p> <p>Comparative review of most and least successful experiences to draw out lessons.</p> | <p>Focused analysis of Nigeria, Senegal, Zambia and comparison with other country activities.</p> | |
| <p>3 (a): Can SUWASA demonstrate evidence that utility-focused reform is as beneficial as assumed?</p> | <p>Validity of Hypothesis and Assumptions</p> | <p>Quantitative analysis of utility performance improvement</p> <p>Qualitative assessment of broader impacts, real and potential, on the overall sector.</p> | <p>Project results as captured in M&E and in other project documentation</p> <p>Structured interviews with utility staff and sector representatives.</p> <p>As possible, interviews with beneficiaries of utility improvements.</p> | <p>Focus on impacts demonstrated in Ethiopia and Nigeria in particular.</p> <p>Impact assessment of other country activities related to reform of service providers such as regulatory reform in Mozambique and Zambia.</p> | |
| <p>3 (b) If yes, what lessons can</p> | <p>Validity of</p> | <p>Mainly descriptive.</p> | | | |

| | | | | | |
|--|---|---|--|---|--|
| be extrapolated from the SUWASA design or implementation for replication elsewhere? | Hypothesis and Assumptions | Summary of project design implementation issues and constraints | As above. | As above. | |
| 3 (c) If not, what aspects of the project concept, design or implementation have impeded this result from being demonstrated? | Validity of Hypothesis and Assumptions | Mainly descriptive. Summary of project design implementation issues and constraints | | | |
| 3 (d) Is this still a possible result for the remainder of the project? | Validity of Hypothesis and Assumptions | Recommendations for course correction for remainder of contract | | | |
| 4(a): Based on analysis of the specific country activities, including results against the M&E plans, how well have the country activities improved sector performance in terms of stakeholder perception and documented results,? | Client Satisfaction Impact | Quantitative analysis Qualitative feedback from beneficiaries | Comparison of targets set and results achieved per SUWASA PMP and country level M&E plans Structured interviews with beneficiaries and stakeholders Analysis of any additional data available through development partners or government | Analysis of M&E plans for each country activity Analysis of SUWASA project PMP | |
| 5 (a): How could the approach to selecting and/or implementing a portfolio of activities have been improved | | | | | |

| | | | | | |
|---|--|--|--|--|--|
| <p>– both to achieve better results in each country and to better develop an evidence base for utility reform? Define the approaches – from strategy, management and implementation – that enhanced the project and identify the ones that can be replicated in the future. Also identify the ones that weakened the program and how these can be alleviated for the remainder of the project and in future programs.</p> | | | | | |
|---|--|--|--|--|--|

5. EVALUATION PRODUCTS

USAID's *Criteria to Ensure the Quality of the Evaluation Report*, shown in the box below.¹

USAID Evaluation Policy - Appendix I
Criteria to Ensure the Quality of the Evaluation Report

- The evaluation report should represent a thoughtful, well-researched and well organized effort to objectively evaluate what worked in the project, what did not and why.
- Evaluation reports shall address all evaluation questions included in the scope of work.
- The evaluation report should include the scope of work as an annex. All modifications to the scope of work, whether in technical requirements, evaluation questions, evaluation team composition, methodology, or timeline need to be agreed upon in writing by the technical officer.
- Evaluation methodology shall be explained in detail and all tools used in conducting the evaluation such as questionnaires, checklists and discussion guides will be included in an Annex in the final report.
- Evaluation findings will assess outcomes and impact on males and females.
- Limitations to the evaluation shall be disclosed in the report, with particular attention to the limitations associated with the evaluation methodology (selection bias, recall bias, unobservable differences between comparator groups, etc.).
- Evaluation findings should be presented as analyzed facts, evidence, and data and not based on anecdotes, hearsay or the compilation of people's opinions. Findings should be specific, concise and supported by strong quantitative or qualitative evidence.
- Sources of information need to be properly identified and listed in an annex.
- Recommendations need to be supported by a specific set of findings.
- Recommendations should be action-oriented, practical, and specific, with defined responsibility for the action.

The Evaluation team will be responsible for producing the following deliverables:

- Proposal with revised evaluation approach, budget and workplan
- Draft initial interview list and draft and final interview questions to be used during interviews/stakeholder meetings (At the start of Phase I for DC based interviews. Phase 2 interview questions should be contained in the Phase I Diagnostic Report.)
- Data request to be submitted to Project team (at start of Phase I)
- Methodology Plan including data collection and analysis plan (at start of Phase I)
- Diagnostic Report (at conclusion of Phase I and before start of Phase 2)
- Debriefing meeting with partners in-country (at conclusion of the field visits)
- Debriefing meeting in Washington, DC prior to drafting report
- Draft Evaluation Report
- Final Evaluation Report and PowerPoint presentation of the report to E3/W, following standard reporting format and branding guidelines (within 2 weeks of receiving comments on draft report).

a. Illustrative Outline for Diagnostic Report

An illustrative outline of the Evaluation Report is provided below:

| Essential Element | Recommended page length | Description |
|---|-------------------------|---|
| Title Page | 1 page | Should include the words “U.S. Agency for International Development” with the acronym “USAID,” the USAID logo, and the project/contract number under which the contract was conducted. Give the title of the evaluation; the name of the USAID office receiving the evaluation; the names, titles, and organizational affiliation of the author; and the date of the report. |
| Contents | | |
| Executive Summary | 2-5 pages | |
| Acronyms | 1 page | |
| Introduction | | |
| Description of the Project | 5-10 pages | Describe the context in which the USAID project took place including relevant history, political situation etc. Describe the specific development problem that prompted USAID to implement the project, the theory underlying the project, and details of project implementation to date. |
| Evaluation Purpose and Methodology | | Describe who commissioned the study, what information they want and how they intend to use the information. Provide the specific evaluation questions, and briefly describe the evaluation design and the analytical and data collection methods. Describe the evaluation team, what the team did, and when and where they did it. Describe the major limitations encountered in data collection and analysis that have implications for the evaluation. Describe the specific purpose of Phase I of the Evaluation based on reports, products and data. |
| Findings, Conclusions and Recommendations | 20 pages | Describe the major findings of the data analysis conducted in Phase I and the preliminary findings. Include the list of recommended site visits and the reason for the recommendations. Describe how the findings will be ratified/investigated through the field visits. Include the list of interview questions to be used in Phase 2 and specific interviews to be requested. Include a proposed schedule of field visits. |
| Annexes <ul style="list-style-type: none"> • Evaluation and Design Methodology • List of People Interviewed • List of Documents Reviewed | | |

b. Illustrative Outline for Evaluation Report

An illustrative outline of the Evaluation Report is provided below:

| Essential Element | Recommended page length | Description |
|--|-------------------------|--|
| Title Page | 1 page | Should include the words “U.S. Agency for International Development” with the acronym “USAID,” the USAID logo, and the project/contract number under which the contract was conducted. Give the title of the evaluation; the name of the USAID office receiving the evaluation; the names, titles, and organizational affiliation of the author; and the date of the report. |
| Contents | | |
| Executive Summary | 2-5 pages | |
| Acronyms | 1 page | |
| Introduction | | |
| Description of the Project | 5-10 pages | Describe the context in which the USAID project took place including relevant history, political situation etc. Describe the specific development problem that prompted USAID to implement the project, the theory underlying the project, and details of project implementation to date. |
| Evaluation Purpose and Methodology | | Describe who commissioned the study, what information they want and how they intend to use the information. Provide the specific evaluation questions, and briefly describe the evaluation design and the analytical and data collection methods. Describe the evaluation team, what the team did, and when and where they did it. Describe the major limitations encountered in data collection and analysis that have implications for the evaluation. |
| Findings, Conclusions and Recommendations | 20-30 pages | |
| Lessons Learned | | |
| Annexes <ul style="list-style-type: none"> • Statement of Work • Evaluation and Design Methodology • List of People Interviewed • List of Documents Reviewed | | |

All reports are to be submitted in English in both electronic and hard copies. The Team will provide 5 printed copies of the Draft and Final Evaluation Reports.

The Final Evaluation Report addressing the comments should be submitted in both Word and PDF formats. Once the PDF format has been approved by the Mission, the Team will submit the Final Evaluation Report to the Development Experience Clearinghouse for archiving within 90 days of acceptance.

6. COMPOSITION OF EVALUATION TEAM

The Evaluation Team shall consist of at least five individuals. This will include two professionals from USAID Washington (Note: possible Allen Eisendrath and Amanda Robertson), a team leader

independent of USAID, and two additional external professionals with expertise in water and sanitation and/or evaluation depending on the experience of the team leader.

The required areas of technical (subject matter) expertise that should be represented on the team correlate to the focus of the SUWASA project:

- Water and sanitation programming
- Water and sanitation service delivery/utility management
- Water sector financing
- Utility performance improvement planning
- Policy/regulatory aspects of service delivery
- Knowledge management

Team:

1. Overall Team Leader – The team leader will serve as the primary point of contact between the USAID/E3/W and Evaluation Team. He/She must:
 - Have knowledge and experience in water and sanitation, particularly utility strengthening, regulatory reform and/or institutional reform
 - Be able to conduct interviews with a range of government officials, development partners and project staff;
 - Have the experience to synthesize large amounts of data and information and synthesize the results into meaningful conclusions in a format usable to USAID and its implementers;
 - Have a proven track record in terms of leadership, coordination, and evaluation delivery for development projects and programs;
 - Have excellent writing/organizational skills and proven ability to deliver a quality written product (Evaluation Report and PowerPoint).
2. Water and Sanitation/Evaluation Specialists (2 Contractor):
3. Utility Reform Specialist (NAME, USAID):
4. Water/Wastewater Service Delivery Specialist (NAME, USAID):

5. USAID MANAGEMENT OF EVALUATION

This activity is proposed to be conducted in Kenya and the U.S. with one trip each to three additional African countries to be identified. The evaluation will be conducted over a calendar period beginning on or about December 15th, 2012 and concluding May 30th, 2013. It is expected that a total of twenty two work weeks will be required over this period to be provided by a team provided by the contractor and USAID. A five-day work week is authorized for this activity.

The Team will allow 5 working days to USAID/E3/W for review and comments on the Phase I Diagnostic Report. A revised Phase I report will not be required, but USAID will prepare a memo documenting agreements for the scope of Phase 2. The Team will allow 10 working days to USAID/E3/W for review and comments on the draft evaluation report, after which time the Team will be expected to spend another 3 days finalizing the report and then submitting the requested deliverables to USAID/E3/W as outlined in this SOW.

The USAID/E3/W point of contact and Activity Manager for the evaluation will be Heather Skilling, Water and Sanitation Advisor. She will be responsible for interacting with the regional and technical bureau points of contact and the Bureau of Policy, Planning and Learning, Office of Learning,

a. Logistics

USAID/E3 Water Office in D.C. will make initial contact with USAID staff in Washington DC and the Missions and other stakeholders (as needed) to alert them to the evaluation and to request cooperation.

The SUWASA Project Office in Nairobi will provide logistical support to the team including the arrangement of site visits and support in the organization of meetings in Nairobi and the other selected African cities. SUWASA Project staff will accompany the Evaluation Team as needed.

The Team will follow up with specific meeting requests and will be responsible for scheduling. The Team will also be responsible for report production, local logistics and travel, and any translation.

The Team Leader will have the primary responsibility for ensuring the final deliverables are completed in a timely manner and are responsive to the scope of work and E3/W comments.

The following provides a notional presentation of a prospective allocation of level of effort for the Evaluation:

b. Time Frame

The approximate timing is presented in table form.

| Approximate Timing | Activity | Expected Duration | Location |
|--|---|---|---------------|
| December 17-21, 2012 | Preparation activities. Document review. Finalization of evaluation methodology and proposed schedule. Development of questionnaires and/or other tools to be used in conducting surveys and fieldwork. Briefing with E3/W and Implementer management team. | 3 days of each team member (15 pd) | U.S. |
| December 24-31 | Christmas, Boxing Day, New Years' Eve Holidays | | |
| January 2-February 1, 2013 | Project interviews in DC area. Review of project reports, products and data. Preliminary analysis of project results. | 10 days of each team member (50 pd) | U.S. |
| February 1-15, 2013 | Development of Phase I Report and recommendations for site visits including field schedule, interview list, additional date requests, and interview questions. | 4 days of each team member (20 pd) | U.S. |
| Feb 19-22, 2013 (Feb 18 is Martin Luther King Holiday – US) | Submission of Phase I Report. Discussion and agreement on Phase 2. | 1 day each team member | U.S. |
| February 25- March 1, 2013 | Travel and Field Work – Nairobi. In-depth interviewing of USAID staff and project implementers, partners, and beneficiaries specific to overall SUWASA project and Kenya activity. Team can split to undertake Kenya activity assessment while conducting Nairobi-based project analysis | 5 days each team member 25 pd | Kenya |
| March 1 - 15, 2013 | Site Visits and Analysis. Clarification of field data and findings. Development of final report outline. Exit discussions with SUWASA team. | 10 days each team member (50 pd) | Countries TBD |
| March 18-29, 2013 | Draft Final report preparation and submission. | | U.S. |
| April 1-12, 2013 | E3/W Review and comment period | | U.S. |
| April 15-19, 2013 | Review and Discussion of comments. Finalization and submission of Evaluation Report. | 4 days each team member | U.S. |
| Late April | Presentation of evaluation findings at AID/W | 1 day each team member | |

ANNEX A – STATEMENT OF WORK

I. Background

There have been remarkable and well documented successes in improving water supply and sanitation services in sub-Saharan Africa as a result of utility reforms. Good examples include Uganda, Senegal, Cote d'Ivoire, Burkina Faso, and Mozambique. However, many countries in Africa have not yet embarked on reforms, or if they have, some have run into implementation problems. Clearly, at this time, there are immediate opportunities to build on successes in countries like Uganda and Senegal, and to spread these effective innovations to other African countries. There is an opportunity to work with countries – and individual utilities – to introduce the reforms that have proven to be effective in expanding access to water and sanitation services. In addition, where reforms have been implemented at the sector and utility level, there are opportunities to develop sustainable financing mechanisms, such as revolving funds, to finance infrastructure investments.

The contractor will support at least twelve reform initiatives in five or more countries, either at the utility level on specific management, service delivery issues, or at the national level on sector reforms such as financing. These initiatives may use existing Africa-wide water organizations as platforms to identify specific reform initiatives, and then provide assistance to design and implement reform initiatives that have succeeded in other countries. The contractor shall assist Missions in designing activities to be implemented through other mechanisms outside SUWASA. The regional water organizations may be used to showcase successful models, and transfer knowledge and practices to other places committed to reform.

While there have been fewer efforts directed at improving sanitation services to date in Africa, the public health benefits and the related impacts on economic productivity from access to proper sanitation warrants greater attention. For those utilities that have responsibility for water and sewerage, the contractor shall help reforming utilities expand sanitation services to cities and towns in addition to improving access to water. A variety of approaches to improving sanitation that are cheaper than large scale wastewater treatment systems can be implemented, including sanitary drainage, improved latrines and community toilets.

The contractor shall include reform activities that demonstrate solutions to key water and sanitation issues, and a regional learning network to share lessons learned. The regional focus could be addressed through developing sub-Saharan utility leadership forums and providing opportunities for technical twinning partnerships or internships to transfer knowledge and good practices from one utility to another.

It is anticipated that the contractor will concentrate on supporting specific water and sanitation utility reform initiatives as outlined above. USAID Missions may fund parallel activities, for example, activities designed to expand services in slum and peri-urban areas covered by utilities that are in the reform process. This would ensure that new services in slum and peri-urban areas are being delivered by utilities able to sustain the infrastructure and maintain services after completion of the SUWASA activity. These Mission-funded slum and peri-urban expansion activities might be carried either through a transfer of funds to SUWASA, or through a project activity that is developed parallel to SUWASA's reform activity. This same approach might be used in a variety of other types of programs where USAID Mission-funded worked. The contractor can work on complementary parts of the same initiative.

II. Technical Direction

While USAID has supported water and sanitation utility reform efforts in other regions, there have been few projects to address water utility reform in sub-Saharan Africa. Few Missions have technical staff equipped to address utility reform issues. More importantly, as Missions address water and sanitation reform issues (or change the mix of activities they implement) it will be important for Missions to know what are the best approaches and lessons learned. Due to the limited technical knowledge or experience of field staff, this program will be managed by USAID/Washington. The Contract will be managed by the Economic Growth, Agriculture & Trade Bureau (EGAT) with policy direction and substantial involvement from the Bureau for Africa, Office of Sustainable Development. Country Task Managers from USAID Missions will provide monitoring and evaluation oversight.

III. Geographic Scope

As a regional program, The contractor will demonstrate successful interventions for water and sanitation, improve African organizations' capacity to implement such, and complement national efforts through a regional platform. This contract will support at least twelve reform activities in sub-Saharan Africa in at least five countries. Priority countries include Angola, Benin, Burundi, Djibouti, Democratic Republic of Congo, Ethiopia, Eritrea, Ghana, Guinea, Kenya, Liberia, Madagascar, Malawi, Mali, Mozambique, Namibia, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Sudan, Tanzania, Uganda, Zambia, and Zimbabwe. The geographic code authorized for this contract is 935.

IV. Tasks

Under SUWASA, the Contractor will identify, promote, and transfer good practice in water utility reform and governance within sub-Saharan Africa in order to improve and expand the delivery of water and sanitation services in urban, peri-urban or rural settings. Working through local partners and networks, the Contractor will support reform initiatives in at least five of the priority water countries. The Contractor will provide assistance to at least twelve utilities, local service providers, or other organizations. The results of these reform initiatives will be documented and shared with national governments, local governments, and other utilities through existing regional associations. At the end of the four years, the Contractor will develop a range of models that can be adapted and implemented in places committed to reform.

As a specific priority, the contractor will demonstrate how utility reform and improvements in governance and management link with and complement efforts to access innovative financing for new investments in infrastructure. The Contractor will assist with the development of water revolving funds in countries that have a credible plan for establishing such a fund in order to demonstrate the viability of market-based financing in sub-Saharan Africa. In addition, priority will be given to developing effective models for expanding and improving services for the poor. Another priority for the activity will be to develop and implement partnerships with the private sector to advance SUWASA objectives.

Task 1: Training/Socialization

The Contractor will organize three introductory regional training sessions to introduce the SUWASA activity and the key concepts promoted by the program. These training sessions will be completed within six (6) months after award date or as approved by the COTR. The purpose of these training sessions is not only to raise general awareness and understanding of key

innovations in water and sanitation utility governance and reform including Environmental Impact Assessments, but to identify partners for the reform activities. The regional training sessions will include representatives from the utility sector, central or local government, USAID, other donors, and associations of water utilities. The training session will (1) introduce potential partners to the types of reforms and approaches that are being successfully applied in sub-Saharan Africa (see illustrative list below); (2) explain the objective and general approach of the SUWASA activity; and (3) identify initial partners.

The Contractor will work with USAID to identify and invite participants. Attendees will include senior managers from reforming utilities in the priority countries, representatives from associations such as the African Water Operators Partnership (AWOP), regulators, and central and/or local government officials. As establishing strategic partnerships will be important to the success of the program, invitees should also include USAID mission staff, donors working in the water sector, and other potential partners.

It is expected that three regional events will be necessary to facilitate maximum participation. The USAID COTR will provide final approval for the location and timing of each event. The Contractor will work closely with the bilateral USAID mission, as appropriate, on issues related to the implementation of the events.

Examples of potential reform initiatives include:

- **Mozambique:** Water utility corporate governance reform and regulation: The Millennium Challenge Corporation (MCC) will be investing in smaller utilities with weak corporate governance and management. In return, the Mozambique Water Regulation Agency (CRA), a leading water regulatory agency in sub-Saharan Africa, has asked for assistance from USAID to address reforms in corporate governance of water utilities to complement the MCC program.
- **Nigeria:** Introduction of pro-poor service delivery models in Lagos; support for a lease contract in Plateau State or another state that commits to reform.
- **Zambia:** Working with individual utilities that are introducing reforms driven by the well-established nationwide water utility regulatory framework.
- The World Bank has also identified Angola, Ethiopia, and Madagascar as places where commitment to utility and/or regulation reform is strong and where a USG investment could make a significant contribution. Output-based Aid (OBA) activities expanding service to the poor in Kampala.
- **Uganda:** National Water & Sanitation Corporation (NWSC) has been successful in turning around the national utility and now serves as a model for other countries. NWSC is already providing technical assistance to utilities in Zambia and elsewhere. The SUWASA activity may provide assistance in establishing a water investment revolving fund to lend to the country's private water operators.

Task 2: Reform Work Plans

Based on the outcomes of the training sessions, the Contractor will refine the list of potential partners for participation in SUWASA along with a brief description of opportunities. The list will be submitted to USAID for approval along with the criteria utilized to prioritize the potential partners. USAID will have final approval of the short-list of partners to be engaged in the reform activities. The USAID Contracting Officer's Technical Representative (COTR) will take the lead in obtaining USAID Mission approval for the activities at the country level.

For each reform activity, the Contractor will negotiate a Reform Work Plan (RWP) which details the commitments of all parties over the period of the reform support activities. Each of the RWPs should cover a period of no more than twenty-four months and will clearly delineate the assistance to be provided under SUWASA, including training and consulting services and any resources intended for capital expenditures or commodities.

The responsibilities and commitment of the participating water utility, water regulator, national or local government will also be laid out in the Reform Work Plan, including a signature block for the participant to indicate their willingness to participate in the ways outlined in the RWP. Therefore, additionally identifying potential USAID support. The RWP should clearly state the commitments of the reforming partner. In particular, the RWP shall state the staff resources available to implement the reform activity and commitment to continuing and expanding the activities of other budget resources contributing to the successful implementation of the activity.

The Contractor will work closely with the relevant bilateral USAID Mission to keep them informed of the RWP development and to ensure that activities are complementary to any bilateral programs on water and sanitation. Bilateral Missions will also be asked to approve the RWPs for activities in their respective countries.

Task 3: Technical Assistance for Reform Activities

Based on the individual Reform Work Plan for each reform activity, SUWASA will provide technical assistance and support to carry out specific reforms that will lead to improvements in management and in-service delivery. The time frame for the reform activities may vary but will take approximately twenty four months of assistance. Reform activities might include: the introduction of improved corporate governance procedures and mechanisms, such as, new board composition bonus schemes for management and staff and corporate bylaws that require commercialized operation; environmental assessments, support for corporatization and design of operating contracts; design of staff incentive schemes; and development of services for poor customers that are commercially viable. At the sector level the development of a non-leveraged water revolving fund is an example of an innovation in finance.

In addition to providing direct technical assistance and training through short and long-term advisors, the Contractor will facilitate technical twinning partnerships and "internships" for technical staff as well as policy-makers as a way to transfer knowledge and best practice. There are examples of well-run utilities in the region and these institutions should serve as resources to others. For example: staff from utilities in Democratic Republic of Congo and Kenya might carry out internships with utilities in Uganda or South Africa; peer-to-peer learning opportunities that include hands-on job training experiences; and using practitioners to provide technical assistance can be a powerful tool. This also builds local capacity to provide on-going technical support beyond the life of the activity. The Contractor will work with AfWA, AWOP and other regional associations to implement these activities as this kind of best practice transfer program

could be developed in to a viable member service thereby increasing the likelihood of sustaining the results of the SUWASA activity.

Task 4: Small Investment Program for Demonstration Projects and Slum/Peri-Urban Services Expansion

The SUWASA Activity will be responsible for managing a small investment component in conjunction with RWPs where small capital investments are necessary and appropriate (but not to exceed \$3.25 million over the first four year period). These investments might be meant to support the reform activities through demonstration projects or expansion of service connections in slum and peri-urban areas. There is no requirement that capital investments should form a part of all or most of the RWPs, or that the ceiling of \$3.25 million must be reached. On a limited basis, pilot activities shall incorporate limited support (up to \$250,000 per RWP) for capital expenditures to demonstrate the viability of expanding services to the poor, or to support small capital investment requirements associated with reforms. Examples might include establishing community standpipes for slum communities in combination with community education, awareness programs to improve hygiene practices, to establish a Water User Group to maintain the community resources, and to engage with the utility. Environmental Assessments must be completed before committing to support of capital expenditure projects.

The Contractor shall develop uniform criteria for reviewing and selecting small investments, including Environmental Impact Assessments as appropriate. The Contractor will consult with USAID to approve and finalize the criteria for selecting small investments prior to discussing this option with reform partners and development of the Reform Work Plans. The Contractor is required to submit a "Small Investments Manual" to the COTR and Contracting Officer for approval prior to any commitment of resources.

Task 5: Provision of Commodities to Support Implementation of Reforms

The Contractor may procure commodities that will be used to implement reforms in specific utilities. The commodities will be provided under the RWP developed with a local, regional or national government agency responsible for water and sanitation services. Commodities can provide for specific reform-related expenditures, such as purchase and installation of new billing and collection systems, bulk meters, metering systems, information technology for analyzing and optimizing hydraulic operations, leak detection equipment, and materials for establishing sectorized and zonal management systems. The Contractor will ensure that the commodities provided by the project are specifically related to implementation of reform activities, and that they are actually used for these purposes. The cost of commodities is part of the \$3.25 million set aside for Task 4 above.

Task 6: Showcase Results

Throughout the activity, the Contractor will carefully monitor and document implementation of the reform activities and the final results. At the conclusion of the reform activities, the Contractor will organize a regional event for water utility operators, national government officials, etc. to give successful reformers an opportunity to showcase their challenges and successes. The showcase event should be coordinated with one of the existing regional associations. The purpose of the final showcase event should not be limited to sharing best practice but should focus on the transfer of that knowledge and good practices to other countries and utilities. The closing event should also allocate time for developing an action plan

of next steps for local partners to implement with their own resources to continue the work initiated under the program.

V. DELIVERABLES

Work Plans

The Contractor will submit a draft work plan for the first year of the SUWASA activity, describing in reasonable detail plans for carrying out the initial training sessions, identification of the reform activities and completion of the Reform Work Plans, within forty five (45) days after the signing of the contract for SUWASA. Following review and comment by USAID, the Contractor shall prepare a final work plan for COTR approval. Subsequent draft annual work plans shall be due no later than the 11th month of the prior year for submission to USAID for review and approval.

Performance Monitoring Plan

The Contractor will submit a draft performance monitoring plan (PMP) to USAID no later than ninety (90) days after the contract has been signed. After review and comment by USAID, the Contractor shall finalize the PMP. Reporting on performance will be incorporated in the Quarterly Reports.

Reform Work Plans

The Contractor will negotiate a work plan with each local partner (e.g. local or national water utility, water regulator, NGO, local government, etc) for the reform activities and prepare and submit to USAID an assistance work plan for each reform activity. The Reform Work Plans shall describe the work plan goals, technical assistance to be provided as well as any limited capital investments, together with delineation of the timing and duration of such activities, the approximate resources required, the personnel responsible, and the expected results. In addition to detailing the commitments of assistance resources by SUWASA, the Reform Work Plans shall describe the commitments made by the local partner in terms of resources, and the goals to which the local partner is committed to achieving with SUWASA support. Reform Work Plans shall be reviewed and approved by USAID before being signed by the reforming partner.

Criteria for Small Investments Program

The Contractor will prepare and submit to USAID for approval, criteria for evaluating and finalizing small investments for capital expenditures for demonstration purposes. The required "Small Investments Manual" must be approved in writing by the COTR and Contracting Officer prior to any funds being committed. The Small Investments Manual will be submitted within 90 days after signing

Quarterly Reports

The Contractor will prepare and submit to USAID/Washington COTR and copies to participating Mission quarterly reports on SUWASA activities, issues, constraints, progress toward goals, and achievements. Quarterly reports shall be submitted no later than two weeks following the end of each quarter of the contract for SUWASA.

Final Report

The Contractor will prepare and submit to USAID a final report summarizing the results of the program. The Final Report will include the findings and all materials from the Showcase Event. The Contractor shall provide recommendations in the Final Report for next steps to be taken by local partners in each of the pilot activity sites.

**ANNEX 5: SUMMARY OF
EMPLOYEE APPROVAL TIMES BY
COUNTRY AND POSITION**

Summary of Employee Approval Times by Country and Position (from SUWASA Records)

| Position | Country | Advertised | Interviewed | RFA Sent | Approved | Days* |
|---|------------------|------------|-------------|-----------|----------------|-----------|
| Finance Manager | Kenya | 03 Dec 09 | | 16 Dec 09 | 07 Jan 10 | 22 |
| Administrative Assistant | Kenya | 03 Dec 09 | 09 Mar 10 | | | |
| Office Manager | Kenya | 18 Aug 10 | 22 Sep 10 | 24 Sep 10 | 25 Sep 10 | 1 |
| Monitoring & Evaluation Specialist | Kenya | 17 Sep 10 | 06 Oct 10 | 10 Oct 10 | 01 Nov 13 | 22 |
| Communication & Outreach Specialist | Kenya | 17 Sep 10 | 05 Oct 10 | 10 Oct 10 | 01 Nov 13 | 22 |
| Team Leader | Ethiopia | 23 Jan 11 | 08 Mar 11 | 06 Apr 11 | 09 May 11 | 33 |
| Finance/Office Administrator | Ethiopia | 23 Jan 11 | 08 Mar 11 | 06 Apr 11 | 09 May 11 | 33 |
| Utility Technical Specialist | Ethiopia | 27 May 11 | 30 Nov 11 | 13 Jan 12 | 11 Apr 12 | 89 |
| Utility Technical Specialist | Ethiopia | 23 Jan 11 | 31 May 11 | 07 Jul 11 | 09 Nov 11 | 125 |
| Finance/Office Administrator | Uganda | 31 Jan 11 | 09 Feb 11 | 15 Feb 11 | 28 Feb 11 | 13 |
| Utility Technical Specialist | Nigeria - Bauchi | 11 Feb 11 | 14 Oct 11 | 24 Nov 11 | 07 Dec 11 | 13 |
| Team Leader | Nigeria - Bauchi | 11 Feb 11 | 03 Mar 11 | 24 Mar 11 | 31 Mar 11 | 7 |
| Utility Technical Specialist | Nigeria - Bauchi | 11 Feb 11 | 11 May 11 | 19 Jun 11 | 09 Aug 11 | 51 |
| Finance/Office Administrator | Nigeria - Bauchi | 11 Feb 11 | 23 Aug 11 | 01 Sep 11 | 19 Sep 11 | 18 |
| Finance/Office Administrator | Nigeria - Bauchi | 11 Feb 11 | 14 Apr 11 | 20 May 11 | 03 Jun 11 | 14 |
| Institutional Development Specialist | Nigeria - Bauchi | 11 Feb 11 | 03 Mar 11 | 23 Jun 11 | 30 Jun 11 | 7 |
| Team Leader | Mozambique | 13 May 11 | 03 Jul 11 | 15 Jul 11 | 28 Sep 11 | 79 |
| Finance/Office Administrator | Mozambique | 13 May 11 | 19 Aug 11 | 11 Sep 11 | 16 Sep 11 | 5 |
| Utility Finance Specialist | Ethiopia | 27 May 11 | 15 Jun 11 | 20 Jul 11 | 09 Aug 11 | 20 |
| Finance/Office Administrator | South Sudan | 15 Jul 11 | 17 Aug 11 | 22 Sep 11 | 07 Nov 11 | 46 |
| Project Driver | Ethiopia | 05 Jan 12 | 14 Jan 12 | 17 Jan 12 | 13 Mar 12 | 56 |
| Project Driver | South Sudan | 12 Mar 12 | 15 Mar 12 | 19 Mar 12 | 21 Mar 12 | 2 |
| Finance/Office Administrator | Nigeria - Bauchi | 20 Mar 12 | 09 May 12 | 21 Aug 12 | 08 Sep 12 | 18 |
| Finance/Office Administrator | Nigeria - Bauchi | 20 Mar 12 | 09 May 12 | 17 Jul 12 | 31 Jul 12 | 14 |
| Utility Reform Specialist | Kenya | 04 Apr 12 | 11 Apr 12 | 31 May 12 | 31 May 12 | 0 |
| Accountant | Kenya | 19 Apr 12 | 26 Jun 12 | 17 Jul 12 | 26 Jul 12 | 9 |
| Activities Coordinator | South Sudan | 27 Apr 12 | 04 Jun 12 | 27 Jun 12 | 26 Jul 12 | 29 |
| Monitoring & Evaluation Specialist | South Sudan | 29 Apr 12 | 14 May 13 | 29 May 13 | 06 Jun 13 | 8 |
| Project Driver | Kenya | 08 Jun 12 | 11 Jun 12 | 05 Jul 12 | 26 Jul 12 | 21 |
| Project Driver | South Sudan | 18 Jun 12 | 26 Jun 12 | 16 Aug 12 | 08 Sep 12 | 23 |
| Project Driver | Nigeria - Bauchi | 08 Aug 12 | 13 Aug 12 | 25 Sep 12 | 12 Dec 12 | 78 |
| Finance/Office Administrative Assistant | Nigeria - Bauchi | 25 Oct 12 | 15 Nov 12 | 30 Nov 12 | 22 Dec 12 | 22 |
| Finance/Office Administrator | South Sudan | 26 Nov 12 | 15 Dec 12 | 27 Feb 13 | 06 Jun 13 | 99 |
| Finance/Office Administrator | South Sudan | 26 Nov 12 | 15 Dec 12 | 27 Feb 13 | 06 Jun 13 | 99 |
| Deputy Finance/Office Administrator | South Sudan | 26 Nov 12 | 15 Dec 13 | 27 Feb 13 | 06 Jun 13 | 99 |
| Team Leader | Nigeria - Rivers | 12 Dec 12 | 13 Mar 13 | 22 Apr 13 | 06 Jun 13 | 45 |
| Finance/Office Administrator | Nigeria - Rivers | 12 Dec 12 | 13 Mar 13 | 22 Apr 13 | 06 Jun 13 | 45 |
| Team Leader | Nigeria - Ebonyi | 12 Dec 12 | 13 Mar 13 | 22 Apr 13 | 06 Jun 13 | 45 |
| Institutional Development Specialist | Nigeria - Bauchi | | 14 Mar 13 | 25 Apr 13 | 06 Jun 13 | 42 |
| Project Driver | Mozambique | | | 18 May 12 | 31 May 12 | 13 |
| | | | | | AVERAGE | 36 |

ANNEX 6: INTERVIEW SCRIPTS

INTERVIEW SCRIPT—USAID Project Implementers/USAID Mission/Other Donors

Background

| | |
|--|--|
| Date | |
| Name of person interviewed | |
| Gender | |
| Title | |
| Organization | |
| Region and district of the organization | |
| Direct experience working with SUWASA? | |
| What was the nature of the interviewee's relationship with SUWASA? | |

1. Describe your involvement in the SUWASA project to this point.

2. Describe any initial obstacles to implementing the program, if any.

3. In what way has the SUWASA Project been innovative in identifying sustainable solutions to water and sanitation problems in the project area?

4. What are some of the more innovative aspects of the program?

5. To what extent, how, and at what level (local, country, regional, sector) has SUWASA added to the body of sector knowledge and engendered a learning agenda about how to alleviate service constraints?

6. How would you characterize “buy in” by the individual countries to the goals and specifics of the SUWASA project?

7. Has SUWASA been effective at integrating other development activities in a way that maximizes development impact and aid effectiveness? If so, how?

8. What are the opportunities to increase the impact and enhance the implementation and management of the SUWASA Project over its remaining term, if any?

9. How has the project added to sector knowledge by country?

10. Does the program leverage successfully on other USAID and other donor programs?

11. If yes, which programs and in what way?

12. Describe the main challenges in implementing the SUWASA project and achieving the projected outputs.

13. Have the completed programs achieved their intended results?

14. Will the ongoing programs achieve their intended results?

15. What are your top priorities going forward on SUWASA?

16. **Bureau for Global Health**—How has SUWASA project fulfilled the Bureau for Global Health goals to date?

Can the project be improved from that perspective, going forward?

If so, how?

17. **Office of Water**-- As a partial funding source of SUWASA, do you believe that the SUWASA project has fulfilled the Office for Water goals to date?

Can the project be improved from that perspective, going forward?

If so, how?

18. **Africa Bureau**-- As a partial funding source of SUWASA, do you believe that the SUWASA project has fulfilled the Africa Bureau goals to date?

Can the project be improved from that perspective, going forward?

If so, how?

5. How were specific portfolio of activities identified?

6. How were the 8 countries originally selected?

7. Was some sort of buy-in required by host governments?

8. If yes, what sort of buy in? (Matching funds, establishing national program office, etc.)

9. What other programs and donors were viewed to be possibly complementary to the SUWASA program?

10. How was the SUWASA program viewed to leverage on these other programs?