

824 UG04

**PROGRESS REPORT FOR THE WATER SECTOR FINANCE
THEMATIC TEAM**

March 2004

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INTRODUCTION

The September 2003 Joint Sector Review (JSR) agreed 9 key policy level undertakings which were endorsed by the Water and Sanitation Sector Working Group (WSSWG).

It was agreed that thematic teams be established in order to take responsibility of ensuring progress on the JSR undertakings so that these key policy issues are addressed cross – sectorally.

The Water Sector Finance Thematic Team was one of the proposed teams charged with pursuing undertakings 1 & 2.

- Revise sector investment and operational plans (objectives, targets, allocation principles, service levels, etc.)
- Develop and initiate implementation of a subsidy policy and strategy for sector as a whole (water supply, wfp, sanitation, etc) that emphasizes provision of accelerated and sustainable access to water services for the poor.

For each of the two undertakings, core/lead persons were identified to drive the preparatory process to ensure timely results.

To date the team has had five meetings with the following achievements.

PROGRESS REPORT

Undertaking No.1 -Revise sector investment and operational plans

The thematic team agreed that a consultant be hired to carry out the task.

Terms of Reference were drawn for the consultancy and four firms were invited to bid for the assignment. Their proposals were appraised and a contract signed with one of them, PEM Consult. First draft report will be presented in March at the Joint technical Review, final draft report is to be presented in June and then the final report at the September Joint Sector Review.

The following are the anticipated outputs from the assignment.

- (1) A proposal for allocation principles and decision making based on agreed position by relevant stakeholders and with a range of scenarios for MTBF with rationale for each clearly stated. The proposal should also contain a quantitative and qualitative critique of the last three MTBF papers (02/03 – 04/05)
- (2) Proposal for revised service criteria, standards, guidelines, allocation principles within the sector
- (3) Strategic plans for water and sanitation provision in the Rural areas, including the rural growth centres, Small Towns, Large Towns, and for Water for Production and Water Resources Management sub-sectors with time frame and modalities including medium and long-term investment requirement needs and funding gaps

- (4) An overall strategic sector investment plan based on reviewed and harmonised sub-sector plans and on agreed sector allocation principles.

Undertaking No.2 - Develop and initiate implementation of a pro-poor subsidy policy and strategy

A sub-team was formed to come up with a discussion paper on the above undertaking. The sub-team has met three times and has developed a paper to be presented at the Joint Technical Review.

Based on the outcome of further discussions, the paper will most likely form the basis for Terms of Reference for consultancy assistance.

This undertaking is also linked to the undertaking no 1. Implementation of a pro-poor policy will have implication on the sector investment plans and allocation principles.

Other Issues

The Finance Thematic Team has also dealt with issues such as

- PEAP review progress
- Medium Term Expenditure Framework 2004/05 – 2006/07
- Budget 2004/05
- Sector Budget Ceiling Principles
- Criteria and Guidelines for New Projects

Undertaking no 1

Revise sector investment and operational plans (objectives, targets, allocation principles, service levels, etc

Nr	Activity	Output verification	Who	When	Comment / Revised date
1	Review SIP 15 for RWSS, Urban Water, WFP	Revised needs assessment report	DWD	March 2004	JSR time plan too optimistic. All activities are interlinked, therefore combined in one study.
2	Analyse implications of change in service level standards and subsidy policies on investment needs and targets	Report on implications	DWD	Draft March 2004 Final Sep 2004	TOR ready February 2004 Study commenced end Feb 2004 Draft concept note on allocation principles ready JTR 2004
3	Agree sector allocation principles with due consideration for equity of access	Decision	WSWG	Draft Oct 2003	Update of rural SIP 15 started March 2004
4	Prepare investment scenarios for existing financial allocations; revised targets, and 100% needs	Revised SIP 15 (all) summary	DWD	March 2004	Draft Final Report submitted latest June 30 2004 Final Report submitted latest August 31 2004 Final Report presented to JSF 2004 and thereafter approved by WSWG.
5	Allocation and approval of sector ceilings			End 2003	

Undertaking no 2

Develop and initiate implementation of a subsidy policy and strategy for sector as a whole (water supply, wfp, sanitation, etc) that emphasizes provision of accelerated and sustainable access to water services for the poor.

Nr	Activity	Output verification	Who	When	Comment / Revised date
1	Develop TOR for subsidy policy study formulation	Draft TOR	DWD	Oct 2003	Discussion paper ready March 2004. JTR 2004 to agree on way forward
2	SWG to agree TOR	Decision	WSWG	Nov 2003	May 2004
3	Present draft recommendations subsidy policy, JTR March 2004	Draft Study report	DWD	March 2004	JSR 2004
4	Final study available, JSR Sept 2004	Final study report	DWD	Sep 2004	End 2004
	GOU adopt policy, Jan 2005	Decision	WSWG (MWLE MFPED)	Jan 2005	End 2005

General comment: JSR 2004 timetable by far too optimistic. A comprehensive study requires ample time for development of TOR as well as for the study itself.