DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

ENGINEERING KNOWLEDGE AND RESEARCH PROGRAMME

SMALL SCALE PRIVATE SECTOR PARTICIPATION IN THE RURAL WATER SUPPLY SECTOR

R8335

INCEPTION REPORT

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DRAFT INCEPTION REPORT

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LIST OF ACRONYMS

CBO	Community Based Organisation
CWSA	Community Water and Sanitation Agency (Ghana)
DANIDA	Danish International Development Agency
DFID	Department for International Development
DISS	Department of Infrastructure and Support Services (Zambia)
D-WASHE	District Water and Sanitation Hygiene Education team
ESA	External Support Agency
ITC	Intermediate Technology Consultants
KaR	Engineering Knowledge and Research programme
MDG	Millennium Development Goal
MLGH	Ministry of Local Government and Housing (Zambia)
MSWG	Multi-Stakeholder Working Group
NGO	Non-Governmental Organisation
PMC	Project Management Committee
RWE	Regional Water Engineer (Tanzania)
RWH	Rain Water Harvesting
RWS	Rural Water Supply
SME	Small and Medium size Enterprise
SSA	Sub Sector Analysis
UK	United Kingdom
WASHE	Water, Sanitation, Hygiene Education
WMC	Water Management Consultants

1 EXECUTIVE SUMMARY

This report presents work undertaken for the Inception Phase of the DFID-funded KaR project R8335 'Small Scale Private Sector Participation In The Rural Water Supply Sector'. The Inception Phase covered a four-month period from November 2003 to February 2004 and required the establishment of project teams and management systems in Ghana, Tanzania and Zambia, as well as a knowledge review. In country teams were effectively and formally established and have been able to contribute to the knowledge review, electronic discussions and the development of project management guidelines. The knowledge review has been completed and is available as a separate document (R8335/1788/R1). The review succeeded in improving understanding of the nature of the study as well as highlighting where special emphasis should be placed. Following the experience of working with the country teams and the combined knowledge review exercise, it has been possible to review the project design and management structures prior to the completion of this Inception Report. No major changes are proposed to either the objectives, methodology, scheduling or financing of the study and it is expected that it can meet its original objective on time. In addition the project team has been able to identify a number of factors to be considered in order to ensure the methodology is more sensitive to a pro poor focus as well as recognising a number of unforeseen products that it intends to develop where possible.

2 GOAL, PURPOSE AND OUTPUTS OF THE PROJECT

2.1 Background

The past 30 years has seen a change in power sharing between national and local government authorities. The role of the state in provision and maintenance of rural water supplies is being diminished and a new role in the facilitation and regulation of an enabling environment is emerging. External financial support for the sector is moving away from programme based support towards budgetary support and the provision of accountable government administered disbursement at the local government level. The sector is increasingly committed to achieving full cost recovery for operation and maintenance of supplies, but also recognises legal and ethical considerations seeking social equity and affordable 'lifeline' pricing structures. It is uncertain whether these two principles can coexist in the context of the rural poor. The presence and ability of new partners, particularly small scale private enterprise, to take up the former role of government in the construction and maintenance of rural water supplies is poorly understood and very variable between countries.

The transition between government provision and private sector provision represents a significant risk to poor rural communities in that a significantly greater number of people in rural areas are presently unserved by a water supply than their fellow citizens living in urban areas. There are some 22 million people in rural areas of Ghana, Tanzania and Zambia who are not served by a water supply, compared with 3.6 million people living in urban areas (Table 2.1).

Table 2.1 People without a water supply in the study countries

	Number of people without a water supply in rural areas (000's)	Number of people without a water supply in urban areas (000's)	Percentage of rural water supplies in working order
Ghana	6,355	1,008	35 %
Tanzania	13,048	2,204	70 %
Zambia	2,879	436	72 %
Total	22,282	3,648	

Source: WHO and UNICEF (2000)

Whilst all three countries reported significant improvement in coverage of rural water supplies over the past 20 years these gains have been offset in real terms by population growth. Consequently the impact upon the poor may have been limited. The Millennium Development Goals establish international targets for improved coverage, but must be substantiated by increased financing and a renewed pro poor focus

Experience of privatisation in urban water supply development in Africa has seen mixed fortunes in recent times and is presently said to be stagnating. It is however distinctly different from the notion of private sector participation in rural water supply development, where the issue of supply ownership and a commercial desire to create profit for investors does not arise.

Private sector participation in rural water supply will entail new types of relationships to be established and regulated between local government, beneficiary communities and small scale private sector service providers. Civil society and NGOs are likely to feature significantly in nurturing these relationships on the ground and can be seen to be offering service provision.

The notion of an enabling framework to support and encourage this transition is widely called for in the literature. However, it has generally lacked precise definition in terms of its scope and objectives. Central to the concerns expressed are that legal, institutional and financial provisions are put in place to stimulate the entry of the private sector. This study primarily addresses the nature of those provisions such that they may be defined by guidelines specific to three study countries. In so doing it aims to engage stakeholders in a participatory process to create a greater understanding and sense of ownership and control of the reforms themselves.

A combination of innovative policies and flexible funding arrangements will be needed to address the needs of communities and partnerships between the state, the private sector and civil society. Such partnerships need to create co-operative management arrangements that work for people.

This requires a determination of the principles underlying the calls for sector reform and this is gained from a review of international and country specific literature. In particular it is essential to envisage how law can contribute towards more predicable behaviour between the various stakeholders as well as requiring that international and national social and economic norms are met. In some ways the idea of strengthening the institutional role of government in the rural water supply sector runs counter to the past trend of establishing community based institutions. Clearly a balance will have to be struck by which local government is able to apply sufficient discretion to actively engage the private sector as well as keep up the momentum to serve poor communities. This is a particularly demanding requirement to reflect in a set of guidelines. Guiding financial reform for the sector must address a wide range of issues. Not only must financial reform it attract significant international investment, but it must ensure that disbursement to the local level is efficient and accountable and it must also provide a clear basis for an income stream from the projects such that the private sector can be retained. At the heart of the latter concern are issues of community capital contributions for construction as well as state pricing policies to recover recurrent costs.

Above all, reforms which seek to engage small scale private sector enterprises must be based upon an understanding of how such businesses achieve their livelihood. The rural business environment is very different from that in urban areas, and urban based small and medium size enterprises (SMEs) may not find a viable market in the rural water supply sector. Small scale, rural based businesses may be most likely to find the business climate financially viable and be able to provide an affordable and sustainable service to rural communities.

This study arose from the perceived need to investigate the potential for small scale, rural based private sector enterprises to provide water services to rural communities through contributing to the development of an enabling environment aimed at increasing numbers of private operators providing services in rural areas. Its justification is partly to be found in the possibility that increased rural enterprise will help ensure sustainability of water supply services, provide employment opportunities, and help develop livelihoods and alleviate poverty in rural areas.

2.2 Project goal

The well-being of the rural and urban poor enhanced through cost effective improved water supply and sanitation.

2.3 Project purpose

The effective participation of the rural-based, small scale private sector in rural water supply service provision enhanced through the production and dissemination of best practice guidelines.

The underlying philosophy of this study is to enable the governments in the three study countries – Ghana, Tanzania and Zambia – who are all in the process of reforming their rural water sectors – to go through a process of improving their understanding of the issues connected with the use of the private sector and, using this as a basis, drawing up a series of guidelines (actions) on what needs to be done to create an enabling environment that increases the effective participation of the rural based private sector in rural water supply development. The key outcome of the study will be not only the best practice guidelines but also the confidence created within the participating governments by going through the process of data collection, analysis and synthesis to arrive at the knowledge of what has to be done. This will enable the governments to take a leading role in the reform process with their multilateral, bilateral and NGO development partners. As a result of the three governments having developed and pilot-tested the guidelines it will be likely that the actions will be implemented. It should be noted that implementation of the actions is considered to be outside the scope and timescale of this project.

The guidelines, which initially will be country-specific, will be synthesised into generic guidelines that will be of interest to other governments in Africa and elsewhere and their development partners. These will be disseminated widely.

2.4 Outputs

2.4.1 Phase 1 – Inception

Output 1 Inception Report and Knowledge Review.

This document forms the Inception Report. It presents the findings of the Inception Phase, the implications for the project and a detailed work plan for the remainder of the project.

A review has been carried out of published and unpublished material and of knowledge covering the small scale rural based private sector, the financial, legal and institutional elements of an enabling environment for the private sector and of the situation vis a vis these elements in Ghana, Tanzania and Zambia. The Knowledge Review has been developed as a separate document (R8335/1788/R1). The full text is available at the project website www.ruralwaterpsp.org. A summary is presented in Section 3.2 and forms the basis for the project planning discussed in Section 4.

Additional Inception Output: dedicated project website *www.ruralwaterpsp.org*.

The website contains:

- contact details for all members of the project teams in UK, Ghana, Tanzania and Zambia.
- Internally generated reports and documents (the Knowledge Review and this Inception Report).
- Externally generated reports and documents (published and unpublished papers by authors outside the project team).
- Links to related websites.

2.4.2 Phase 2 – Surveys

These are planned outputs, to be produced over the next 20 months, based on the Logical Framework presented in Section 4.4.

Output 2: *Report providing improved understanding of rural business livelihoods and supply chains in the rural water sector and of capacity of local government to enable and regulate the sector in the study countries.*

This report will present the analysis and synthesis of information gathered during the field survey phase of the study. The report will contain:

- An assessment of the demand (need) among key stakeholder groups (government at different levels, development partners, communities) for guidelines concerning development of an enabling environment for the small rural private sector.
- An assessment of the capacity of government to enable and regulate involvement of small, rural private operators and NGOs in the rural water sector.
- An understanding of rural business livelihoods of small providers, of supply chains in the rural water sector and of the level of interest and capacity among the private sector to provide services to communities.

This is considered to be the information required on which to base the formulation of a vision and actions for developing an enabling environment to enhance the role of SMEs and of government.

2.4.3 Phase 3 – Analysis and dissemination

Output 3: Methodology and guidelines developed for the enhanced participation and regulation of the rural-based private sector in rural water supply provision.

Country-specific guidelines for enhancing the involvement of the rural based private sector will be produced by a Multi-Stakeholder Working Group in each study country. The guidelines are currently anticipated to take the form of a series of actions (what needs to be done and how to do it) for creating an enabling environment for the development of the private sector. The guidelines will be based on the improved understanding of the capacity of SMEs and their willingness to work with the government in rural water supply development and of the capacity of government to enable and regulate the private sector.

The multi-stakeholder working group in each country will consist of a small number of dedicated, knowledgeable individuals drawn from the public and private sector. Ideally these individuals will have both the knowledge and power to bring about change in the environment affecting the private sector. Membership of the working groups will be by invitation from the government.

Output 4: Peer-reviewed guidelines and recommendations by target audiences.

The guidelines are likely to be a series of actions to be carried out by government officers. It is important that these officers find the guidelines helpful to them in their work. It is also likely that donors will find the guidelines useful. It is planned that the guidelines will be pilot tested (reviewed) by these groups and other target audiences as part of a peer-review process. If successful this will enhance the likelihood that the guidelines will actually be used.

2.5 Key issues arising during the Inception Phase

2.5.1 Organisation and management of in country teams.

It has been possible to formally establish in country teams using agreed contracts and terms of reference between Water Management Consultants and the government and WaterAid partners in the three study countries. These teams have been able to meet regularly and contribute effectively to the knowledge review as well as a system of mutually agreed project management guidelines using email. The design of these teams is seen to be suited to the proposed research and no modifications are proposed.

2.5.2 Knowledge review

The knowledge review was concluded with inputs from the three study countries as well as Water Management Consultants and their technical specialists. The review was able to address a wide range of issues concerning the study methodology.

The literature presents no previous methodology to undertake the analysis of rural water sector reform. This would support the need for the proposed study. The approach to the knowledge review of considering legal, institutional and financial dimensions has proven to be effective in capturing the essential characteristics driving sector reform forward. As a result it has contributed directly to the design of the study.

For example, it has been possible to improve the definition and detail required from the study activities (Activity 2.1, 2.2, 2.3) and especially with regard to the usefulness of the supply chain mapping exercises.

In addition a number of unforeseen concerns have been raised which highlight where the study should develop more sensitivity. For example, this study aims to strengthen the role of governments in providing and regulating the environment for private sector participation. This may overlook the need for public accountability and representation in that framework.

Also, for the guidelines produced by this project to result in practical results on the ground it is important that the person using them at the lowest appropriate level has the authority and discretion to ensure a workable agreement is struck with the private sector. This may be a case of having to proactively go out and attract the private sector, rather than waiting for the framework to be put in place with the proposed guidelines. The guidelines should therefore be sensitive to the fact that they should require uptake of opportunity and not just represent a means to deliver a set of rules.

The Inception Phase was relatively short and called for good working partnerships to be established. The knowledge review served directly to question the methodological basis for the study. As a result it has been possible to hold an internal assessment of project and study management. Front end loading of the Inception Phase to require these essential basics to be in place was seen to be a good element of the study design.

3 INITIAL ACTIVITIES AND FINDINGS

3.1 Summary of activities to date

Table 3.1 summarises the activities carried out to date.

Table 3.1 Summary of activities in Inception Phase

- Visit by O Wakelin, Enterprise Development Specialist, ITC, to Tanzania 12-20 November 2003
- Visit by P Baur, Project Manager, WMC, to Zambia 22-29 November 2003
- Work in Ghana by M Woodhouse, Rural Water Supply / Legal Specialist, WMC, with WaterAid Ghana and CWSA
- Inception meetings in Ghana, Tanzania and Zambia at which detailed work plans were developed for the Inception Phase
- Development of a PMC (Project Management Committee) and agreement between all partners of the terms of reference for the PMC
- Holding of a virtual meeting of the PMC in January 2004
- Development of a dedicated project website www.ruralwaterpsp.org
- Visits by the country teams to prospective study areas in each country and development of study area profiles (see Section 3.3)
- In each country and internationally, discussions with stakeholders and a review of knowledge on financial, legal and institutional aspects of reform in the rural water sector in relation to private sector participation (see Section 3.2)
- Team meetings to develop a work plan in each country for carrying out planned activities in Phases 2 (Surveys) and 3 (Analysis and dissemination)
- Definition of target audiences and development of a communications strategy appropriate for each country and internationally

3.2 Summary of Knowledge Review

3.2.1 Scope

This inception report consolidates present knowledge concerned with rural water policy reform, the nature of emerging guidance for reform and knowledge and experience of the local and national reform environment in the study countries.

These findings are addressed to Phase 2 of the project by considering how guidelines can be improved and how reform can be achieved in practice. It can be said that much of the literature falls into a prescriptive approach, that it attempts to use past experience to fine tune a set of goal oriented actions. The literature is therefore more concerned with what should be done rather than how it should be done. Nonetheless, the guidance expressed through the literature is useful in identifying the nature and scope of reform that is presently seen to be required.

The guidelines to be produced by the present study are seen to identify both old and new sector stakeholders, and to seek to create a new and very different set of professional and technical relationships between them. Guidelines will be concerned with creating increasingly formal and explicit arrangements in the areas of finance, law and regulation as the basis for enabling these new relationships to become operational.

What is also revealed by the literature is that the scope of reform is considerable and interdependent upon successful changes being implemented by international financiers, national government, local administration, communities and the water users. Such a scale of reform will not be realised overnight and is likely to emerge on a piecemeal basis. Consequently not all of the pieces of the puzzle are likely to be in place when the stakeholders at the grassroots level have to agree upon the roles and responsibilities to get their working relationships started. When the appropriate stakeholders can take an appropriate decision at an appropriate level, effective decentralisation can take root. The Knowledge Review highlights that in reality drawing together substantive guidance from policy and procedural guidance from best practice will be a gradual process. Making it come together and work has to become a function of these new decentralised relationships. Prescriptive and formal guidelines create the essential backdrop to bring the partners to the table and are a necessity. But it is evident that there is very limited understanding and experience of how these partners achieve a "meeting of minds" to engage in increasingly formal, self-starting working relationships. Policy change and guidance alone appears insufficient to inspire working reform at the grassroots level. Therefore, whilst guidelines can focus attention upon what changes should be made, the process of applying the guidelines should also be sufficiently adaptive to ensure the fullest engagement of the stakeholders and the identification of workable solutions. Therefore, the success of guidelines and the process of using them appears in this case to be very closely related to the capacity and autonomy of the authorities at the grassroots level to use this guidance as a means to innovate and problem-solve.

Enhancing the participation of the rural private sector is seen to concern modifying the environment in which they may seek to provide services. Presently this environment is changing rapidly as a result of a range of water sector reforms. However three aspects of the working environment provide a consistent basis for comparison regardless of the state of reform itself. There aspects are:

- The financing environment.
- The legal environment.
- The institutional environment.

The Knowledge Review was structured around these three aspects and is summarised below. A complete and referenced knowledge review report (R8335/1788/R1) is available as a separate document.

3.2.2 Financing issues

The Knowledge Review approaches financing issues from two points of view:

- That of small providers (bottom up).
- That of donors/governments (top down).

The 'Bottom up' view

Rural-based enterprises vary from one-man operations to thriving businesses with several employees. However, usually they are very small, they operate in the informal sector and they are started using only personal savings. Many entrepreneurs do not have access to bank loans or do not wish to risk their collateral by taking out a loan.

For those who want to access bank finance there appears to be a gap in terms of sources of start up capital. On the one hand micro-finance institutions usually provide short term loans that are too small (up to $100) for a water supply service provider. On the other hand a loan from a commercial bank is unlikely to be available owing to the need for collateral. Innovative solutions are required to create adequate mechanisms for small enterprises to obtain asset and working capital. To be viable and effective innovative approaches have to be considered from both the top down and bottom up approach.

The 'Top down' view

The emerging strategy for future rural water supply development is articulated by the World Panel on Financing Water Infrastructure (Camdessus 2003) and is driven by the need to meet the MDGs. This strategy seeks to make local government the most effective route for channelling all sources of finance for the rural water sector. Besides local government administering local finances the strategy also envisages a greater role for the local private sector, civil society and communities in developing and managing water supplies. All parties have a need to undergo some type of reform in order that rural water services are effectively provided at the local level.

At the international level much remains to be done to attract financing for rural water. At the present rate of investment for water supply, coverage will not reach even half of the MDG target by 2015. However, it should be borne in mind that during the 1990s 65-70% of water sector financing worldwide came from domestic public sources, with international donors contributing 10-15%, international private companies contributing 10-15% and the domestic private sector contributing 5% (Briscoe 1999, Camdessus 2003). A range of financing instruments and initiatives (HIPC, social action funds etc) are currently being assembled.

Nationally, governments must have an explicit water pricing policy and must give priority to ensuring that funds for rural water reach local government. Of particular concern is the need for finance mechanisms to subsidise legitimate short falls in full cost recovery.

Local government must be empowered (by legislation and by policy) to administer their budgets effectively and must be able to deliver financing relative to construction schedules. In particular they will need powers to mobilise finance to manage the risks incurred as they engage inexperienced communities and the local private sector which lack their own resources to rectify problems. Their powers to intervene and the remedies they can provide in relation to financial disputes must be made clear. Local government must also develop workable approaches to community capital contributions with their partners.

Civil society, the private sector and communities must be able to manage the contracts they enter into, and show good practices in procurement, cash flow management and accountability.

Communities benefiting from water supplies remain responsible for the payment of water tariffs and the mobilisation of finance for repairs. This income stream must be robust if the private sector is to be attracted.

3.2.3 Legal issues

An effective and appropriate legal framework is necessary if all stakeholders are required to recognise similar objectives and procedures in rural water supply. This legal framework is a mechanism to establish formal relationships between a wide range of sector actors and one that enables new stakeholders to secure roles as well as new ways of working to emerge.

The Knowledge Review has revealed a number of key issues concerning the legal environment at the community level where reform is necessary to fully enable small scale private sector participation. However, there is very little documented experience of the process and effects of reforming the legal framework for water in rural Africa. The Knowledge Review identifies where improved understanding is most likely to inform the practical process of legal reform.

It is observed that the perceived need for a new legal framework in rural Africa is being driven by three main concerns:

- Customary law whilst often influential and effective at the local level is culturally very specific and difficult to transpose into national law. It is unlikely that it can provide the level playing field upon which reform can be implemented.

- National legislation is costly and slow to change whereas shifts in policy are much more rapid. The law must have a legal effect at the lowest appropriate level if policy reform is to be effective.

- International human rights law confers the legal obligation on national governments to realise water supplies for its citizens under a binding – rights based – legal framework. Although compliance with human right law in Africa is said to be poor, this recently established set of international norms questions the effectiveness of current national water law frameworks with respect to the rights of individuals.

Most authors agree that there is a need to improve national capacity to reform law, but it is unclear whether this need has been linked to the levels at which reform is most likely to achieve public benefits. For example, local by laws may be a more effective means of realising policy goals than depending solely upon statutory provisions.

There is also significant agreement in the literature that improved rural water supply and management services are to be provided through private sector participation. At a contractual level the literature (eg, de Silva 2000) highlights a range of substantive legal issues that must be resolved if local contracts are to be workable. These changes concern the powers of local government to manage, arbitrate and regulate contracts. They also concern the scope of legal recognition of the community user groups such that they are able obtain redress from the authorities. Procedural rules of contract are unlikely to have any legal effect unless the substantive issues are first resolved. So, for example, there is no legal authority for a local government to respond to a contract made between an NGO and a local builder, unless the national government authorises it to do so.

Whilst there remains contention in the literature regarding whether water is an economic or social good, it is seen as a social good under binding instruments of international law. This substantiates an affordable pricing approach in which the consumer may not be required to pay the full cost of the water. This means that in engaging the private sector the state must not only establish a water pricing structure, but must also make provision to cover the short fall in full cost recovery, such that there is an assured income stream for the private sector.

It is also noted that whilst the law considers a water right to be an entitlement, this is contradicted by the literature which sees it as a mechanism to shift water allocations between users. A water right conveys legal personality such that the right holder will be recognised by courts of law. It may also be seen as representing ownership of a capital asset and as such be recognised by financing bodies.

3.2.4 Institutional issues

Reform of institutional frameworks and functioning is a fundamental part of creating an enabling environment for the private sector. The institutional dimensions of the provision of services by SMEs for community water supplies need to be understood before ways to reform can be defined. The need to consult SMEs when addressing sector reform may appear obvious, but it can also be overlooked, particularly at the national level. If we choose to address the role of SMEs within an institutional framework then we must begin with a clear idea of whether the private sector is an integral and active part of that framework or just a partner whose role is limited to the terms of their contract.

Institutions can be analysed from three standpoints:

- A governance-based approach.
- An organisational approach.
- An institutional needs approach.

The governance approach focuses on institutional roles and responsibilities that are productive in the public interest and which arrive at socially beneficial outputs by following 'best practice'. In this context best practice may comprise a process involving capacity building, accountability and stakeholder participation. A governance approach is promoted by the Global Water Partnership whose online Toolbox specifically provides guidance on private sector and service provider issues, but at a national rather than local level (GWP/IHE 2003). The Toolbox acknowledges that "less formal service providers may lie outside the legal framework but can be essential for meeting local needs".

An organisational approach focuses on working relationships between stakeholders involved in three components of an institutional framework: water law, water policy and administration. Saleth and Dinar (2003) identified a need for a "clear demarcation of the spheres of responsibility between government, user groups and non-governmental agencies to improve functional specialization and operational coordination within water administration". The literature suggests that local level institutional reforms are becoming more politically and financially acceptable. However, reform is needed at all levels.

The institutional needs approach focuses on capacity of institutions to carry out their functions. An example is the approach tried and tested by WASH (1988) which relates the capacity of formal institutions to meet the following nine performance criteria:

- Organisational autonomy.
- Leadership.
- Management and administration.
- Commercial orientation.
- Consumer orientation.
- Technical capability.
- Developing and maintaining staff.
- Organisational culture.
- Interactions with key external institutions.

These three brief views of generic approaches to analysing institutional frameworks in the water sector illustrate that a focus on macro level reform can exclude the idea that SMEs could play a valuable role beyond that of a service provider. This is discussed further in Section 3.2.5.

The international literature is consistent in its identification of key themes to be addressed in institutional reform. Whilst approaches have been shown to differ, it appears that at the local level the following four factors are key themes to be addressed:

- A clear identification and recognition of roles and responsibilities.
- A clear understanding of how the linkages between actors will work.
- The knowledge requirements of the actors is to be identified and addressed.
- The purpose, needs and structures for regulation must be established.

A sector in transition may seek both a short term and a long term response to these requirements and this may result in certain risks arising as transition takes place.

3.2.5 Knowledge gaps and needs

Legal enabling environment

In terms of improving the effectiveness of the legal environment at local level, there is presently little knowledge in the water sector of whether it is better to invest in central government to achieve statutory provisions or whether it is better to invest in central governments efforts to enable the delegation of legislation to the local level. It has been shown that local by laws can be enacted relatively efficiently and quickly to provide appropriate local remedies when policy goals are changing. (van Miert and Binamungu 2001). It would therefore be useful to understand the relative costs and benefits of both approaches and this calls for a greater degree of monitoring of the reform process than has heretofore taken place. Identifying those issues which are of high local priority and potential impact is an important first stage in designing a project to examine the relative public benefits of the reform process.

The recent adoption of a definition of the ‘right to water’ in international law provides definition of both the substantive and procedural elements of the law necessary to respect, protect and fulfill this right. It would represent a significant achievement if this research project could support state efforts to operationalise the right to water by examining the role of the community, private sector and local government in realizing its objectives. This is particularly important at a time when government is progressively withdrawing from being a service provider, and the public is likely to be affected during the transition period (UNESC 2001).

This research project is likely to be able to make a unique contribution by:

- Indentifying priority legal issues which can be addressed at the local level and which are likely to have a large impact and public benefit at relatively low cost.
- Identifying those aspects in which the engagement of the local private sector is likely to operationalise and achieve the objectives of the right to water.
- Identifying what is needed to enable local level contracts to be fully recognised and supported by the law.

Institutional enabling environment

It is apparent that there is no recognised generic model for analysing the institutional framework for rural water supply. This study has examined three possible approaches and recognises that any method adopted should ensure the fullest participation of the institutions if reform is to be effected.

The role of the SME itself if presently seen only in terms of a service provider whose involvement is, limited to contractual terms. A wider role for the SME that secures the private sectors representation in the institutional framework has yet to be identified.

Whilst there is wide agreement regarding the need to regulate contracts to ensure completion, standards and value for work, this is only seen in the context of a 'state' responsibility. The objectives of rural water supply are at present focused upon social benefits such as equity, pro poor and gender issues. This would suggest that regulation in the rural context should seek a finer balance in its approach. Regulation – by whatever party - has to be related to the real objectives of rural water development and the greater good of a supply should be kept firmly in focus.

It can also be observed that at present much of the literature is focused upon what needs to change rather than the most effective and efficient means to achieve such change. Thus, for example, there have been few attempts to compare the relative costs and benefits of institutional reforms in the rural water sector.

Financing environment

A key, overriding concern is that present levels of investment fall far short of that needed to reach the MDGs. Low levels of investment are unlikely to trigger the emergence or shift of business amongst SME's.

Little is known as to whether in fact funds will be allocated by central government to rural water and if those funds will flow down to the local administrations. But it is recognised that much of this knowledge will only be gained after reform has taken place. It is necessary to understand how robust financial management systems can be built at the local level that enable government to secure the services of the SMEs on behalf of the public.

A major source of uncertainty in the financing framework arises from the fact that, whilst government will seek to pursue social and legal obligations by setting an 'affordable' tariff for water, this may not recover the full cost of a project. Consequently the state will require a mechanism to top up returns from rural water supplies to meet its true cost. As yet there are no explicit mechanisms to achieve this being developed.

3.3 Country situation analysis and study area profiles

3.3.1 Introduction

The following subsections outline the main issues facing the rural water sector in each study country. This forms the backdrop against which the study has been designed. Also presented are brief descriptions of the study areas. These indicate their suitability as pilot areas in which to carry out survey work in Phase 2.

3.3.2 Ghana

The Ghana project team in the course of the Inception Phase highlighted 7 key challenges facing the private sector in providing services in the rural water sector:

- Inadequate financial resources to purchase equipment and to retain staff over a long period of time.
- Inadequate equipment to undertake construction activities including borehole drilling.
- Lack of training opportunities to develop the human resource capabilities of private sector operators.
- Lack of reliable means of transport eg, motor bikes to be used by area mechanics.
- Absence of critical mass of handpumps to occupy area mechanics on a full time basis.
- Difficulty in selling non-fast wearing spare parts of handpumps.
- Inability of District Assemblies and government to engage the services of the private sector independent of donors' financial support.

The team identified five areas in which the private sector are presently engaged in providing services for rural water supply development:

- Technical Assistance to communities – for animation, training (capacity building), supervision and sociological studies/surveys
- Hydrogeological consultants – Contracted to undertake hydrogeological investigations and supervise the works of the drilling contractors
- Civil works consultants – to supervise contractors for civil works and construction
- Area mechanics – who are responsible for major repairs of handpumps. These should be already established small scale private entrepreneurs in a related area of operation eg, blacksmith, bicycle repairers etc from which they gain a livelihood.
- Spare parts – distribution and sales of spare parts has been awarded to a national level agent who has established three major wholesale outlets. The agent is presently trying to establish regional and district outlets.

It is noted that these service providers all fall under the regulation of the CWSA and may be assisted with mobilisation of funding to start the work. Some of them usually use a portion of mobilisation funds to purchase the equipment they need.

Study areas

The study is expected to take place in the Volta Region of Ghana. The region has a population of 1.4 million (or 7.3% of the national population), and its administrative capital is located in Ho some 1 hour's drive from Accra. Nkwanta is the most distant district of Volta region; some ten hours drive from Ho.

In the 2001 census 2,643 communities were enumerated in the region. Government statistics suggests that over half of the population (55% - 726,543) are not served with water (CWSA 2001). In 2000 the region's developed water supplies consisted of:

- 123 hand dug wells.
- 1,073 boreholes.
- 780 piped water points (ie, public standpipes).

A number of capacity building activities have been conducted in 933 communities in the region in connection with a joint Government of Ghana and DANIDA rural water project (CWSA Volta Region Third Quarter Report July-September2002). These comprised of:

- 12 District water and sanitation teams.
- 21 Water and sanitation development boards (small towns).
- 842 Water and sanitation communities (rural communities).
- 1,528 Pump or pipe caretakers.
- 62 Area mechanics.
- 463 Latrine artisans.
- 26 Hand dug well contractors.

Despite the massive investments mentioned above, the region is reported to have several cases of guinea worm, earning it the notorious title of the second highest region with reported cases of the infection in Ghana.

3.3.3 Tanzania

The Tanzanian Government policy on private sector participation is very welcoming. This is clearly highlighted on all sectoral policies guided by the national guideline, which reads, "The economic reforms implemented by the Tanzanian government have been based on the philosophy that Tanzania is committed to a market economy whereby the private sector will take the lead in creating incomes, employment and growth". On the other hand, the state will be a producer of public goods, play a regulatory role to level the playing field and create a conducive environment for the private sector. This philosophy is evident in almost all policy statements made since 1986 and in particular in 1996, when it was stated that the private sector has started to play an ever increasing role in creating incomes and employment.

Sectoral policies support the national policy statement, and the Tanzania national Water Policy (Government of Tanzania 2002) seeks to:

- Promote participation of the private sector in the delivery of goods and services.
- Promote private sector participation in the management and development of urban water supply and sewerage services.
- Promote public/private sector partnership where appropriate.
- Develop an effective legal and regulatory framework with the right environment for all sector players, including the private sector.

In order to progress the Tanzania National Water Policy towards private sector participation in the rural water supply sub sector, this research will concentrate in Dodoma Region of Tanzania, and particularly in Dodoma rural and Mpwapwa districts. The research will be done in Dodoma rural and Mpwapwa districts because the first rural water supply scheme in Tanzania to be privately operated was Berege water supply scheme in Mpwapwa district and since then three more schemes are privately operated in the district. In Mpwapwa district there is a village where the operation of a scheme changed from being operated by a community water committee to a private operator and later to a community water committee again. Based on the Berege water scheme success story, which was highly publicised as a good alternative to the management by a community water committee of a rural water scheme, some 15 Dodoma rural district water schemes got attracted to the approach and are now privately operated. It is thus anticipated that the research will provide a platform for progressing the approach to more schemes. This will be achieved through formalisation of the private sector participation in the rural water sector by highlighting the private operator as a partner in development and not just as a trader/vendor. This will be achieved through dissemination of benefits gained through private sector participation in the rural water sector to more districts and more regions.

Table 3.2 presents statistical profiles for the two districts, Dodoma Rural and Mpwapwa districts, earmarked for the research.

Table 3.2 Study districts in Tanzania

Details	Dodoma Rural District	Mpwapwa District
Population year 2004	477,544	254,500
% served with water supply	80	88
Total number of schemes	315	84
Percentage of schemes operating	88	95
Management model	Community water funds.	Community water funds.
Number of schemes run by private sector	15	4
Technologies of the schemes	Pumped, H/pumps, W/mills, Dams, RWH & Gravity schemes.	Pumped, H/pumps, W/mills, Dams, RWH & Gravity schemes.
The volume of water fund	48,352,648/=	22, 215,942/=
Methods of contributing to the water fund	Beneficiaries' contributions plus the difference of the sales and schemes running costs and fees from the private operators of the private operated schemes.	Beneficiaries' contributions plus the difference of the sales and schemes running costs and fees from the private operators of the private operated schemes.

3.3.4 Zambia

Country analysis

The overall objective of Zambia's water supply and sanitation sector policy is to improve the quality of life and productivity of all people by ensuring an equitable provision of an adequate quantity and quality of water to all competing user groups and sanitation services to all, at an acceptable cost, on a sustainable basis (GRZ 1994). The key principles of the National Water Policy and institutional framework for the water supply and sanitation sector include the following (N-WASHE 2000):

- Separation of regulatory and executive functions.
- Devolution of authority to local authorities and private enterprise.
- Full cost recovery in the long run.

The rural water sector has undergone a number of reforms in recent years and these are continuing. In particular, responsibility for the rural water supply sector has been transferred from the Department of Water Affairs to the Ministry of Local Government and Housing (MLGH). The principle current reform is the devolution of authority to district level. The Water Supply and Sanitation Act No.28 of 1997 mandates the local authority to provide water supply and sanitation services. In addition, Government has a policy of, over time, divorcing itself from the role of provider and implementor of programmes to adopting the role of facilitator and sector manager. The Department for Infrastructure and Support Services (DISS) within MLGH is responsible for facilitating water supply (and sanitation) functions and the involvement of the private sector. It is an assumption of this reform process that the private sector (and civil society) are committed to assisting Government in the process and increasing the availability of resources to the sector (GRZ undated).

The WASHE (Water, Sanitation, Hygiene Education) concept was developed as part of the reform process during the early 1990s to support the delivery of rural water supply and sanitation services by Government. The concept promotes the integration of water supply, sanitation and hygiene education in all activities related to the provision of water supply and sanitation services. The basic philosophy recognises that no one individual institution has total responsibility for the provision of these services, but a number of institutions (including external support agencies and communities) must work in close cooperation to support the delivery of services.

The WASHE concept has manifested itself in the establishment of a National (N-WASHE) Coordination and Training Team in 1996 and District (D-WASHE) committees in a large number of districts throughout the country. In some locations there are village (V-WASHE) committees. The D-WASHEs comprise an intersectoral group of relevant district heads of department and other WASHE partners such as NGOs. The establishment of D-WASHE committees is consistent with the principle of devolving authority to the local authorities.

The adoption of the integrated WASHE approach implies change in the roles of different actors in the sector. The need to strengthen Government's capacity to adopt a facilitatory role is recognised in N-WASHE 2000. Although the involvement of private enterprise is mentioned above as a key principle of the institutional framework, it is unclear whether this is feasible and how this will be achieved for the rural water sector. A process of formation of commercial utilities in each province is currently underway. However, these are owned by municipal councils and are intended to run water supply systems on commercial principles in the district centres only. In the rural sector emphasis is presently placed on strengthening of communities to adopt the role of 'development partner' with the institutional framework at district level (N-WASHE 2000). This study therefore presents an important opportunity for Government to develop its strategy towards the participation of the private sector in the rural water supply sector.

Study areas

The study is expected to take place in five areas of the country:

- Siavonga District (Southern Province).
- Chibombo District (Central Province).
- Mpika District (Northern Province).
- Solwesi District (North Western Province).
- Namwala (Southern Province).

During the Inception Phase brief visits were made to all five areas and discussions were held with local authorities and D-WASHE committees. Siavonga, Chibombo and Mpika districts are described briefly here. Profiles for Solwesi and Namwala are in the process of development.

Siavonga District

Siavonga District lies on the northern flank of the Zambesi valley. The topography is hilly and broken. The geology is dominated by volcanic rocks and water quality is usually highly mineralised and poor. The main economic activities are subsistence farming, fishing, small trading, sale of agricultural inputs and flour milling.

The principle actors involved in water supply are:

- Local councils (with a D-WASHE).
- WaterAid.
- UNICEF.
- Department of Water Affairs.

There is a piped but untreated water supply from Lake Kariba to the communities that were resettled during construction of the Kariba dam. Boreholes fitted with handpumps, constructed under the drought relief programme funded by JICA, are the principle form of rural water supply technology. There are reported to be about 150 handpumps in the district, 80% of which are said to be functioning. V-WASHEs exist in some communities in Siavonga District.

Chibombo District

Chibombo District headquarters is situated about one hour north of Lusaka on the Great North Road. Subsistence and large commercial farming occurs in the district. The commercial farms, located near Chisamba, are dependent on irrigation using groundwater. The Zambia National Commercial Bank is the only bank situated in the district. The bank serves the commercial farms. Small scale farming takes place around Chibombo district headquarters where the majority of the less privileged and vulnerable groups of the community reside. Some small farmers in the area belong to cooperative systems through which they access Government subsidized inputs which they buy at half the economic price. There is no documented lending system to the small scale private sector. Other forms of income generating activities are charcoal production (reported to cause serious deforestation) and small scale private sector trading (eg small restaurants, flour milling, grocery and hardware stores) takes place in Chibombo district headquarters along the Great North Road.

A D-WASHE committee has become active in Chibombo District during 2003. The committee includes representatives from:

- Ministry of Health.
- Ministry of Community Development.
- Care Zambia.
- Plan Zambia (NGO).
- Development Aid People to People (NGO).
- Chibombo District Council.

It is notable that there are several NGOs active in water and sanitation in the district. Boreholes fitted with handpumps are the main rural water supply technology. There are reported to be over 700 handpumps in the district. The Central Province Eight Centres Water Supply and Sanitation Project, funded by the African Development Bank, aims to improve access and delivery of water supply and sanitation services in eight centres including Chibombo district headquarters. The project does not include rural water supply service improvement.

Mpika District

Mpika lies in the southern part of the Northern Province, with a total surface area of 41,000 km^2. According to the 2000 Census of Population and Housing Mpika has a population of 145 304 of which 72 251 are male and 73 064 female.

The district is well endowed with surface and groundwater resources. The Agricultural potential in the district is quite high but largely un-exploited. Most inhabitants engage in subsistence farming through the Chitemene shifting method of cultivation more so in recent years due to failure by the farmers to procure farming inputs.

There are no major industries in the District. However, there are several trading businesses, small garages and workshops. Mining activities are associated with Mununga Quarry where there is production of crushed stones for rail, road and building purposes.

The main institutions and stake holders working in the water sector in Mpika are:

- D-WASHE committee.
- Zambia Social Investment Fund (ZAMSIF).
- Ministry of Tourism, Environment and Natural Resources' Environmental Support Programme.
- Ministry of Finance' Micro Project Unit.
- DOPE (NGO).
- World Vision Zambia (NGO).
- North Luangwa Conservation Project (NGO).

Based on constructed water and sanitation facilities, access to safe water supplies in the district is estimated at 37 percent for the entire population. For sanitation, the estimated coverage is 46 percent for the Boma or peri-urban areas and 34 percent for Rural Mpika. Real coverage is much lower and varies considerably from one place to another due to non-functioning (broken down, abandoned, seasonal) facilities and poor usage, especially with respect to sanitation facilities (Mpika District Health Management Team).

3.4 Contribution of the project to poverty alleviation

This project contributes to addressing Millennium Development Goal No. 10 – to halve by 2015 the proportion of people without sustainable access to safe drinking water. The poor will primarily benefit in the medium to long term by gaining greater access to safe water supplies as more supplies are developed as a result of the enhanced role of the small scale private sector as a service provider to communities. The research will contribute to directly determining what needs to be done by governments in order to create an enabling environment for small scale rural-based service providers. Implementation of the guidelines and recommendations will lead to increased capacity in the private sector to provide sustainable services to communities, and increased capacity in local government engage and regulate the provision of services. This will contribute to improved access and sustainability of access for the poor and improved employment opportunities for potential service providers. Gender, age, ethnicity and class cut across this work, as both service providers (who are also likely to include the poor) and the poor, who benefit, can be both female and male and of all ages.

The implications of a transition from programme funding to budget support in the rural water sector are poorly documented. Obviously under a rapid transition there will need to be a rapid entry of the private sector if the former services of the government in water supply construction and maintenance are to continue to be provided. A badly managed transition will represent a significant risk to the poor, who have been dependant upon public sector provision of water supply services. The timing of this research is therefore appropriate because it should be possible to build in safeguards to guidelines requiring special attention to be paid to the rural poor.

4 PROJECT PLANNING

4.1 Implications of initial findings

4.1.1 Introduction

The findings of the Inception Phase have lent support to the validity of the original study design. The key findings are as follows:

- The project team arrangement is proving successful.
- The proposed methodology remains appropriate to the study.

4.1.2 Project teams

An effective project management structure has been put in place and the project teams have been able to work and communicate effectively. No changes in the project teams are considered necessary.

4.1.3 Proposed methodology

The knowledge review was structured so that financial, legal and institutional perspectives were gained of the rural water supply sector. This structure has proved a valid basis on which to compare experiences in different countries as well as yielding a broad understanding of the key indicators and objectives for reform.

The knowledge review indicated that there is no one generic methodology that should be used for the analysis of the rural water sector reform process. The methodology proposed in this study involves peer groups (Multi Stakeholder Working Groups) refining the findings of in country teams who will investigate the demand for guidelines and the capacity of government and the private sector to respond to them. It will not be possible to compare this methodology against an existing one.

The methodology is sensitive to a pro poor focus and enable locally appropriate high impact outcomes to be defined in the guidelines. The original methodology has been altered slightly to give greater prominence to assessment of the capacity of the private sector to provide services to governments (see Activity 2.3 in the Logical Framework, Section 4.4) through sub sector analysis, supply chain mapping and a livelihoods-based approach to better understanding of private sector capacity.

A key aspect of the methodology is that it enables the key stakeholders themselves to go through the process of developing the guidelines for involvement of the private sector. This is seen as valuable as the guidelines themselves as it can produce a sense of ownership and engagement with the product.

4.2 Output to purpose summary

An output to purpose summary as at the end of the Inception Phase is presented in Table 4.1.

Table 4.1 Output to purpose summary

Project Title: SMALL SCALE PRIVATE SECTOR PARTICIPATION IN THE RURAL WATER SUPPLY SECTOR		**DFID Reference: R8335** **WMC Reference: 1788**	**Country:** Ghana, Tanzania, Zambia	
Report No. R8335/1788/R2	**Date:** February 2004	**Project start date:** Nov 2003 **Project end date:** Oct 2005	**Stage of project:** End Inception Phase	
Project Framework				
Goal: The well-being of the rural and urban poor enhanced through cost effective improved water supply and sanitation.				
Purpose: The effective participation of the rural- based small scale private sector in rural water supply service provision enhanced through the production and dissemination of best practice guidelines.				
Outputs	**OVIs**	**Progress**	**Recommendations/actions**	**Rating:**
PHASE 1 – INCEPTION 1 Inception report and knowledge review.	1.1 Inception report including detailed work plan 1.2 Knowledge review.	Inception Report (this document R8335/1788/R2) including detailed work plan completed on time at end of Month 4. Gathering and review of grey literature and reports completed on time during Month 4 (see separate report R8335/1788/R1). Dedicated website www.ruralwaterpsp.org completed and active in February 2004.	Assessment of the capacity of the private sector in the pilot study areas is necessary to develop a complete understanding of the scope of reform. Sub sector analysis, supply chain mapping and a livelihoods-based approach are seen as appropriate (Activity 2.3).	
Activities	**OVIs**	**Progress**	**Recommendations/actions**	**Rating:**
1.1 Inception meeting with teams in each country	1.1 Detailed work programme by Month 3.	Detailed work programmes for Inception Phase were agreed during Inception Meetings. Detailed work programmes for Phases 2 and 3 presented in Section 4.7 in this document.	Teams should commence work on Phase 2 in March 2004 (Month 5) to avoid risk of not meeting deadlines in Phase 2.	
1.2 Establishment of structured project management committee (PMC).	1.2.1 Terms of reference of PMC agreed by month 3. 1.2.2 Each country team constituted and with terms of reference.	PMC established during Inception Phase with agreed TOR. PMC comprises WMC Project Manager and all managers of partner organisations. All country teams constituted with signed contracts with WMC.	PMC to continue to function as planned in Phase 1.	
1.3 PMC holding regular virtual meetings and reporting quarterly.	1.3.1 Meeting minutes. 1.3.2 Country team reports. 1.3.3 Consultant's Quarterly Reports submitted on time	PMC's first Minutes in WMC Project Manager's email files. Country team reports located in WMC's project files. First Quarterly Report (Nov-Dec 2003) submitted Jan 2004. Second Quarterly Report (Jan-Mar 04) due April 2004.		
1.4 Knowledge review.	1.4 Knowledge review by end of Inception Phase (Month 4)	Knowledge Review completed on time in February 2004. See separate document (R8335/1788/R1).	Legal 'right to water' norms & water pricing policies to be included in guidelines.	
1.5 Preparation of Inception Report	1.5 Inception report	Inception Report (this document) completed on time at end Month 4.		

4.3 Project methodology

4.3.1 Outputs

The purpose of the project is to take three governments through a process of developing guidelines (actions) for creating an enabling environment that will strengthen the involvement of the private sector in providing services in rural water supply development. To achieve this it is necessary firstly to gain an understanding of the current situation (government capacity and the readiness and ability of the private sector to work with government) and then, secondly, to develop the guidelines for achieving the enabling environment. To maximise the likelihood that the guidelines are implemented (following the study) the involvement of the intended users, the target audiences, in the definition of the guidelines is necessary. Further, to make the country-specific guidelines more widely applicable, a generic set of guidelines will be synthesised and disseminated.

The project will comprise two further phases of work (as originally proposed to DFID):

- Phase 2 – Surveys.
- Phase 3 – Analysis and dissemination.

There will be three key outputs, as originally planned, as follows:

Phase 2 - Surveys

- Report providing improved understanding of rural business livelihoods and supply chains in the rural water sector and of the capacity of local government to enable and regulate the sector in the study countries.

Phase 3 – Analysis and dissemination

- Methodology and guidelines developed for the enhanced participation and regulation of the rural-based private sector in rural water supply provision.
- Peer-reviewed guidelines and recommendations by target audiences.

The planned activities are described in the following sub-sections. There is one change to original list of activities. Activity 2.3 is now ‘Capacity assessment of small and medium size enterprises and non-government organisations (Section 4.3.4). The reader is referred to the revised Logical Framework which is presented in Section 4.4 and to the work plan which is presented in Section 4.7.

4.3.2 Activity 2.1 Survey of demand for guidelines

Determining the demand for guidelines is required because:

- It will establish the baseline of expectations against which the success of the guidelines produced under this project will be tested under Activity 3.5 (testing of guidelines on target audiences).
- It will add to the understanding of the environment in which the guidelines will have to work and identify the form, style and presentation in which they are most likely to be successfully received.

- It will determine the state of awareness regarding sector reforms. This may indicate that general information and education is a prerequisite to launching any guidelines.

The key feature of the demand assessment is that it seeks to understand the environment in which guidelines on SME participation in rural water supply will operate. The ideas and opinions of potential users of guidelines will be sought. Potential users will include local government, NGOs and donor agencies. The existing experience and capacity of the country teams has been seen to be capable of designing and delivering this component. Supervision will be provided and coordinated by WMC, to ensure consistent structure and comparability of approaches, as well as allowing the countries to benefit from each other's work.

This component is expected to contribute to the synthesis of the knowledge gained about the sector by enabling an understanding of how guidelines are most likely to work, and so it will influence their design during this project.

Assessment tools will be identified by country teams, but it will be recommended that open ended semi-structured questionnaires should be developed to capture an understanding of what experience key stakeholders have of using guidelines in their work and what expectations they have for those being proposed. This initial round of consultation will serve to establish working relationships and further introduce the project. It is also expected that general knowledge gained at this stage will serve to guide the synthesis exercise (Activity 2.4) and the formation and role of the Multi-Stakeholder Working Groups (Activity 3.1).

The demand assessment will take place during March, April and May 2004 (Months 5-7).

4.3.3 Activity 2.2 Assessment of government capacity to enable and regulate the private sector

The objectives of this activity are to understand:

- Who in government is responsible for involving the private sector, what are they responsible for doing, and where in the government structure they are located?
- Are they able to do their jobs?
- Should these staff be doing these jobs?
- If interventions are to be made to strengthen capacity, where in the structure of government will interventions have the greatest impact?

The assessment will be carried out by the country teams at the following levels of government in the pilot study areas:

- Village (traditional) government.
- District level.
- Regional/Provincial level.
- National (policy making) level.

In each case interviews will be held with one or two key government officers at each level using an open ended semi-structured questionnaire that investigates the financial, legal and institutional dimensions of government capacity.

The teams will be responsible for collating and interpreting the information. Each country team will produce a short report on the survey (with data annexed) which will go forward to the synthesis of all the surveys (Activity 2.4). The reports will present a clear understanding of:

- Current roles, responsibilities and job descriptions of government officers at different levels, particularly in respect of the private sector.
- The nature of existing linkages between the different levels in respect of the private sector, bearing in mind that the capacity at each level is likely to depend on the strength of linkages with other levels.
- Current knowledge requirements of the different levels of government vis a vis how to enable and regulate the private sector.
- The purpose and needs of regulation of the private sector and NGOs as captured by the survey.

The assessment of government capacity will take place during March, April and May 2004 (Months 5-7).

4.3.4 Activity 2.3 Capacity assessment of small and medium size enterprises and non-governmental organisations

This assessment is needed to complete the matching process with the assessments of demand for guidelines and of capacity of government departments involved in rural water supply undertaken for Activities 2.1 and 2.2 (Sections 4.3.2 and 4.3.3). NGOs are included because they will perform a similar role to SMEs in the foreseeable future. The information will be needed so that when the guidelines are given to the target audience to act on, they have a full understanding of SME involvement in rural water supply.

This assessment will contribute a new knowledge set of the real conditions affecting SMEs in rural water supply and will be a source of baseline data for this project and for further studies and activities seeking to engage the small scale private sector in rural water supply.

A variety of tools, methodologies and approaches will be used to gain a complete understanding of SMEs working in rural water supply, as follows:

- Sub-sector analysis (SSA) of rural water provision will be detailed in each country, diagrammatically presenting all the relevant private sector actors and their relationships within the sub sector. This sub sector map will be able to identify the staffing, administrative and technical constraints and bottlenecks that the sector is experiencing and areas of under-supply or over-demand. It will also be useful in explaining and representing the sub-sector to others who are engaged in some part of the sub-sector, but who do not fully understand all the actors in the sub-sector.

- Supply chain maps will be completed for various sets of SMEs involved in rural water supply in the pilot study areas where it is felt that further analysis of their customers, suppliers and other linkages can bring about better understanding and possible benefits.

- A livelihoods analysis of enterprises will be carried out which allows access to finance (financial capital), human resources (human capital) and professional networks (social capital) to be fully understood in the water sector in the pilot study areas.

To the extent possible these three methods will be brought together in a brief report containing schematic diagrams to explain the concepts and results.

The surveys and analysis will be carried out by the country teams. Expert input will devise the tools for the surveys and further training inputs may be made by in-country consultants. WMC and ITC will provide expert backstopping.

The assessment of SME and NGO capacity will take place during March, April and May 2004 (Months 5-7).

4.3.5 Activity 2.4 Synthesis of small scale, rural based private sector participation in rural water supply

The results of the demand assessment, assessment of government capacity to enable and regulate and the surveys of SME livelihoods and supply chains in each country will be brought together and synthesised into a country report (Output 2), providing improved understanding of the current institutional, financial and legal environment in which SMEs operate, and the nature of SMEs operating in the rural water supply sub-sector. A country report will be produced in each study country. The reports will inform the development of the vision and guidelines for an enabling environment by the Multi-Stakeholder Working Group in each country. The country reports will be produced by the end of September 2004 (Month 11) in time for the Multi-stakeholder workshop in October, which marks the end of Phase 2. The report will be disseminated internationally via the project website.

4.3.6 Activity 3.1 Establishment of multi-stakeholder working group in each country

A Multi-Stakeholder Working Group will be set up in each community during Phase 2. These working groups will comprise representatives of key stakeholder groups (ie, local and national rural water supply departments, communities, private service providers, relevant NGOs, bankers etc). Terms of reference will be written for the Working Groups by the UK consultants in conjunction with the country teams during Phase 2. It is planned that the Working Groups will meet and be briefed by the country teams on progress with the surveys during Phase.

4.3.7 Activity 3.2 Multi-stakeholder workshop at end of Phase 2

A multi-stakeholder workshop will be held in October 2004 (Month 12, end of Phase 2) to draw out the lessons learned from the surveys and to plan the work to be done in Phase 3 (development of vision, guidelines and dissemination) and to provide feedback from all interested parties on the work already completed.

4.3.8 Activity 3.3 Legal and institutional analysis by the Working Groups

The role of the Working Groups in Phase 3 'Analysis and Dissemination' will be to develop a vision of what needs to be done to create an enabling environment for the emergence of small scale private service providers and strengthened local government in the regulatory/facilitatory role. This will involve an analysis of the institutional and legal environment in the rural water sector. The Working Groups will be informed in this by the country reports and by discussion with the country teams. It is intended that the Working Groups will have seven meetings (once a month for 7 months from December 2004 to June 2005 – Months 14-20) and the country teams will act as a secretariat. Minutes of each meeting will be kept by the secretariat.

4.3.9 Activity 3.4 Development of country-specific guidelines by the working groups

Based on the agreed vision for the rural water sector in each country the Working Groups will develop best practice Guidelines (Actions) to achieve an enabling environment and for regulating small scale service providers in the sector. The Working Groups will be advised in this by the country teams, local specialist consultants (where necessary) and by the UK consultants. The development of the guidelines and recommendations will be consultative and participatory, working with the national Working Groups. The UK consultants will work with their collaborators to guide and advise the Working Groups in their analysis of needs and action planning.

The guidelines will be produced in two drafts. The first draft will be produced by April 2005 (Month 18). The second draft will be produced by June 2005 (Month 20) and will be used for testing on the target audiences (Activity 3.5 below).

4.3.10 Activity 3.5 Testing of guidelines in study countries by Working Groups on target audiences

Workshops will be held with representatives of the key target audiences (different levels of government, donors) in July and August 2005 (Months 21 and 22) in order to obtain feedback on the appropriateness and usefulness of the guidelines. In particular, feedback will be sought from those groups which were the subject of the demand assessment in Activity 2.1 (Section 4.3.2). All comments will be taken into account when producing a final version of the guidelines in each country.

4.3.11 Activity 3.6 Synthesis of guidelines into generic guidelines and recommendations for different stakeholders

The three sets of country-specific guidelines will be synthesised by the UK consultants into a set of generic guidelines that will be of interest to other governments in Africa and elsewhere. The guidelines will be incorporated into a final report on the study. The generic guidelines and final study report will be produced by October 2005 (Month 24).

4.3.12 Activity 4.1 Development and implementation of strategy for dissemination of study guidelines

The country teams have commenced definition of the dissemination strategy during the Inception Phase. The dissemination strategies will be further developed in Phases 2 and 3. Dissemination is discussed in detail in Section 5.2.

4.3.13 Activity 4.2 Final multi-stakeholder workshop

A final multi-stakeholder workshop will be held in each country in August 2005 (Month 23). The objectives of the workshop will be draw out the lessons learnt during the study and to launch the guidelines. Government departments, donors, NGOs and SME associations will be invited as appropriate.

4.4 Revised logical framework

Revised 6 March 2003, 12 August 2003, February 2004

	Narrative summary	Measurable indicators	Means of verification (MoVs))	Important assumptions
Goal	The well-being of the rural and urban poor enhanced through cost effective improved water supply and sanitation.	1. Lower incidence of water borne disease and morbidity among rural populations. 2. Increasing rural incomes 3. Increasing coverage of rural populations with water supplies.	1. Regional statistics on health in the three study areas 2 Regional statistics on rural incomes in the three study areas 3 National statistics on rural water supply coverage.	
Purpose	The effective participation of the rural- based small scale private sector in rural water supply service provision enhanced through the production and dissemination of best practice guidelines.	1. Guidelines incorporated into RWS training manuals in study countries within one year of end of project. 2. Increasing numbers of contracts being entered into between rural communities and small rural private service providers for community water supplies.	1. RWS training manuals in the study countries. 2. Government / NGO / donor RWS project reports and documents at start of project and at end of project.	1. The private sector has an important role to play in sustainably increasing rural water supply coverage. 2. Governments wish to promote the role of the private sector in the rural water supply sector. 3. Findings in three countries can lead to guidelines useful in other countries. 4. There is demand in the three countries for facilitating an enabling and regulatory environment for small private service providers in rural areas.

Outputs	1 - Inception 1 Inception report and initial knowledge review.	1.1 Inception report including detailed work plan 1.2 Knowledge review.	1.1 Inception report. 1.2 Initial knowledge review.	
	PHASE 2 - Surveys 2 Report providing improved understanding of rural business livelihoods and supply chains in the rural water sector and of capacity of local government to enable and regulate the sector in the study countries.	2.1 Project report, subsector analysis, supply chain maps and livelihoods analysis. 2.2 Multi stakeholder workshop involving target audiences to discuss results so far, including gender, environmental, sustainability and dissemination aspects and plan Phase 3.	2.1 DFID KAR Water project website. 2.2 DFID KAR Water project website.	
	3 - Analysis & Dissemination 3 Methodology and guidelines developed for the enhanced participation and regulation of the rural-based private sector in rural water supply provision.	3.1 Best practice guidelines available in hardcopy form, CD-ROM and on three internationally respected websites by end of project and disseminated by variety of other means according to target audience.	3.1 DFID KAR 'Water' newsletter and KAR project website. 3.2 Three internationally respected websites.	
	4 Peer reviewed guidelines and recommendations by target audiences.	4.1 Guidelines reviewed and approved by key stakeholders among target audiences	4.1 Reports and documents by key stakeholders.	

Activities	ACTIVITIES FOR OUTPUT 1			
	1 – Inception 1.1 Inception meeting with teams in each country	1.1 Detailed work programme by Month 3.	1.1 First Quarterly Report.	(Activity to Output) Insert what is relevant to the attainment of the outputs of the project. 1. Country collaborators have the staff and logistical resources to carry out the project activities and tasks.
	1.2 Establishment of structured project management committee (PMC).	1.2.1 Terms of reference of PMC agreed by month 3. 1.2.2 Each country team constituted and with terms of reference.	1.2.1 First Quarterly Report. 1.2.2 First Quarterly Report.	2. The requested budget is sufficient to enable all activities to be carried out successfully.
	1.3 PMC holding regular virtual meetings and reporting quarterly.	1.3.1 Meeting minutes. 1.3.2 Country team reports. 1.3.3 Consultant's Quarterly Reports submitted on time	1.3.1 Consultant's project files. 1.3.2 Consultant's project files. 1.3.3 Project Quarterly Reports.	
	1.4 Knowledge review.	1.4 Knowledge review by end of Inception Phase (Month 4)	1.4 Knowledge review	
	1.5 Preparation of Inception Report	1.5 Inception report	1.5 Inception report	

	ACTIVITIES FOR OUTPUT 2			
	PHASE 2 – Surveys 2.1 Assessment of demand for guidelines among key stakeholder groups.	2.1 Understanding of demand for guidelines among key stakeholder groups by Month 6.	2.1 Second Quarterly Report.	
	2.2 Assessment of capacity of government to enable and regulate involvement of small rural-based private sector in rural water supply service provision.	2.2.1 Understanding of the capacity of government to enable and regulate involvement of small rural-based private sector in rural water supply service provision in each study country by Month 9.	2.2 Third Quarterly Report.	
	2.3 Assessment of capacity of small and medium size enterprises and non-governmental organisations.	Three country reports by end Phase 2 (Month 12): 2.3.1 Analysis of rural water supply sub-sector . 2.3.2 Supply chain maps for SMEs in RWS. 2.3.3 Livelihoods analysis of SMEs.	2.3 Report available on websites.	
	2.4 Synthesis of small scale, rural-based private sector participation in RWS	2.4 Project synthesis report and supply chain map by end Phase 2 (Month 12).	2.4 Three internationally respected websites.	

Activities	ACTIVITIES FOR OUTPUT 3			
	3.1 Establishment of multi-stakeholder Working Group in each country to develop guidelines and dissemination strategy.	3.1.1 Terms of reference of Working Groups agreed by group members in each country by end of Phase 2.	3.1.1 Fourth Quarterly Report.	
	3.2 Multi-stakeholder workshop in each study country involving target audiences to discuss results of Phase 2 and to plan Phase 3.	3.2.1 Reports on workshops and workplan for Phase 3 available by end of Phase 2.	3.2.1 Fourth Quarterly Report.	
	<u>PHASE 3 Analysis & Dissemination</u> 3.3 Legal and institutional analysis by the Working Groups.	3.3.1 Minutes of meetings of Working Groups in each country.	3.3.1 Quarterly reports in Phase 3.	
	3.4 Development of country-specific Guidelines and other documents by Working Groups.	3.4.1 Country-specific Guidelines documents (for the enhanced participation and regulation of the rural-based private sector in rural water supply provision) produced by end Phase 3, incorporating gender, environment and sustainability aspects.	3.4.1 Quarterly reports in Phase 3. 3.4.2 Country-specific documents on three internationally respected websites	
	3.5 Testing of guidelines in study countries by Working Groups on target audiences.	3.5.1 Workshop reports with responses by sample stakeholders from target audiences to Guidelines in each country by end Phase 3.	3.5.1 Quarterly reports in Phase 3. 3.5.2 Final project report on three internationally respected websites.	
	3.6 Synthesis of guidelines into generic guidelines and recommendations for different stakeholders.	3.6.1 Generic guidelines document.	3.6.1 Generic Guidelines document on three internationally respected websites.	

	ACTIVITIES FOR OUTPUT 4			
	4.1 Development and implementation of strategy for dissemination of study guidelines.	4.1.1 Key stakeholders incorporate dissemination of guidelines into their own information dissemination systems. 4.1.2 Paper submitted for WEDC conference, distributed on websites and via DFID Water Resource Centre. 4.1.3 Donor agencies respond officially to recommendations.	4.1.1 Publications and documents of the key stakeholders. 4.1.2 WEDC conference proceedings, three internationally respected websites and DFID Water Resource Centre website. 4.1.3 Communications between donor agencies and Consultants/DFID.	

	4.2 Final multi-stakeholder workshop	4.2.1 Reports on workshops available at end of Phase 3.	4.2.1 Final project report.	
		<u>Milestones and Budget</u> Milestone 1: Phase 1 Inception Report, Feb 2004 (Month 4) (this report) Milestone 2: Phase 2 Synthesis Report incorporating Phase 2 Workshop, Nov 2004 (month 13) Milestone 3: Phase 3 Final Report and Guidelines, Oct 2005 (Month 24) 2002/03 - £82,543 2003/04 - £118,860 2004/05 - £68,513 Milestone 1: Phase 1: £59,725 Milestone 2: Phase 2: £93,828 Milestone 3: Phase 3: £116,363		Pre-conditions Requirements that are essential to the successful implementation of the project but not under the project's direct control 1. The private sector has an important role to play in sustainably increasing rural water supply coverage. 2. Governments wish to promote the role of the private sector in the rural water supply sector. 3. There is demand in the three countries for facilitating an enabling and regulatory environment for small private service providers in rural areas.

4.5 Risks and assumptions

The key risks and assumptions of the study are listed in Table 4.2.

Table 4.2 Key risks and assumptions

Assumptions/risk	Risk analysis, management and monitoring
During implementation (Activities and Outputs)	
1. Country collaborators have the staff and logistical resources to carry out the project activities and tasks.	1. There is a moderate risk that the Governments of Ghana and Zambia may not be able to participate fully in all the project field research activities owing to a shortage of qualified staff and logistical resources at local level. This risk is considered to be lower in Tanzania. This risk will be minimised by the support which will come from Water Aid in each country in terms of logistical resources and from the funding support given by the project possibly enabling extra staff to be hired. The roles of the NGOs in Ghana and Zambia may be relatively more important in carrying out the research than in Tanzania. This should not lessen the relevance of the results or their ownership, but development of government research capacity may be constrained. Management of this risk will take place by the collaborators working in close partnership throughout the remainder of the project.
2. The requested budget is sufficient to enable all activities to be carried out successfully.	2. The risk of the budget being insufficient is considered to be small. However, WMC will manage and monitor the budget closely and base payments as far as possible on outputs. Close contact with DFID on this will be maintained.
After implementation (Purpose)	
3. The private sector has an important role to play in sustainably increasing rural water supply coverage.	3. There is little risk that the project will not contribute to knowledge at a range of levels and among different target audiences of the role that the private sector has to play. This risk will be minimised during the project by designing and implementing as comprehensive a dissemination strategy as possible within the possibilities of the project budget.

Table 4.2 Key risks and assumptions (continued)

Assumptions/risk	Risk analysis, management and monitoring
5. Findings in three countries can lead to guidelines useful in other countries.	5. Since the institutional environment is similar between significant numbers of sub-Saharan African countries there is little risk that the guidelines will not be useful outside the study countries. The usefulness of the guidelines in developing countries outside sub-Saharan Africa is more open to question, but this is not a reason not to proceed with the project. This risk can be minimised by making the guidelines as generic as possible and yet still useful for the target audiences in the study countries.
6. There is demand in the three countries for facilitating an enabling and regulatory environment for small private service providers in rural areas.	6. There is little risk that the project results will not contribute (positively or negatively) to the demand for an enabling environment for small private service providers in the study countries. This risk will be minimised during the project by designing and implementing as comprehensive a dissemination strategy as possible within the possibilities of the project budget.
7. SMEs of sufficient calibre exist and are willing to work with Government in developing rural water supplies.	7. This assumption is linked to No. 3 above. The study aims to establish the existence and capacity of SMEs in the pilot study areas to work with Government in developing rural water supplies and to base the guidelines on these findings. This assumption is not a reason not to proceed with the study.
8. Private sector participation is assumed to be an improvement on government implementation of rural water supplies.	8. This assumption is linked to No. 1 above and is a key assumption of the study. It is not known whether private sector does represent an improvement on government implementation. This study will contribute to answering this question. This assumption is not a reason not to proceed with the study.

4.6 Project collaborators, teams and responsibilities

The project collaborators and their roles remain those that were originally proposed (Table 4.3).

Table 4.3 Project collaborators

Organisation	Roles
Water Management Consultants Ltd (private)	Project management, management of DFID funds, reporting. Provision of specialist expertise in rural water supplies and sanitation, social development, institutional analysis and legal aspects.
Intermediate Technology Consultants Ltd (private)	Supervision of field research, synthesising results and reporting. Provision of expertise in small business enterprise.
Community Water and Sanitation Agency, Ghana (public)	Project direction in Ghana. Field research, analysis and reporting, guidance on investment strategy formulation.
WaterAid Ghana (NGO)	Field research, analysis, reporting. Support to Community Water and Sanitation Agency.
Regional Water Engineer's office, Dodoma (public)	Project direction in Tanzania. Field research, analysis and reporting, guidance on investment strategy formulation.
WaterAid Tanzania (NGO)	Field research, analysis and reporting. Support to Regional Water Engineer's office, Dodoma.
Ministry of Local Government & Housing (public)	Project direction in Zambia. Field research, analysis and reporting, guidance on investment strategy formulation.
Water Aid Zambia (NGO)	Field research, analysis and reporting. Support to Ministry of Local Government & Housing.

Table 4.4 lists the key project staff.

Table 4.4 Key project staff

Name	Role
Mr Peter Baur	Project Manager, WMC
Mr Melvin Woodhouse	Rural Water Supply / Legal Specialist, WMC
Mr Oliver Wakelin	*Enterprise Development Specialist, ITC*
Ghana country team	
Mr Stephen Ntow	Team Manager, WaterAid
Mr Mawuena Dotse	Principal Researcher, WaterAid
Mr Ephrain Boateng	Team Manager, Community Water and Sanitation Agency (CWSA)
Ms Fay Ephrim	Researcher Development Planner, CWSA
Mr Benedict Kukabom	Researcher, CWSA
Tanzania country team	
Eng Yunusu Rugeiyamu	Team Manager, Regional Water Engineer, Dodoma Region, Office of Regional Commissioner
Mr Musa Mpinga	Team Manager, WaterAid Tanzania
Ms Pauline Mrosso	Researcher, WaterAid
WAMMA teams and district working groups.	Collaborators in Dodoma Rural and Mpwapwa Districts.
Zambia country Team	
Ms Hope Nkoloma	Team Manager, Department of Infrastructure and Support Services (DISS), Ministry of Local Government and Housing (MLGH)
Ms Eta Siwale	Social Researcher, DISS, MLGH
Mr Justine Mwiinga	Communications Researcher, DISS, MLGH
Ms Malama Mfula	Water Engineer Researcher, DISS, MLGH
Mr Savior Mwambwa	Team Manager, WaterAid
WaterAid staff and D-WASHE teams in districts	Collaborators in Southern, Central, Northern and North Western Provinces.
Specialist consultants	
Ms Samantha Wade	Social Development Specialist
Mr Ron Dickson	Institutional and Training Specialist

Responsibilities of the collaborating organisations are shown in Table 4.5. Significant responsibility has been placed on the government teams in order to ensure ownership of the process and the results.

4.7 Work plan and staff inputs

The work plan and staff inputs for the remaining study phases are shown in Table 4.6.

Table 4.5 Responsibilities of collaborators

Main activities	Responsibility for completion			
	Lead	Support 1	Support 2	Support 3
Output 2: Improved understanding of rural business livelihoods, supply chains and local government capacity.				
2.1 Activity: Assessment of demand for guidelines among key stakeholder groups.	3 Governments	WaterAid	WMC	ITC
2.2 Activity: Assessment of capacity of local government to enable and regulate small rural-based private sector.	3 Governments	WaterAid	WMC	ITC
2.3 Assessment of capacity of small and medium size enterprises and non-governmental organisations.	3 Governments	WaterAid	ITC	WMC
2.4 Activity: Synthesis of small scale, rural-based private sector participation in RWS	3 Governments & WaterAid	WMC	ITC	
Output 3: Guidelines for enhanced small private sector participation.				
3.1 Activity: Establishment of multi-stakeholder Working Group in each country to develop guidelines and dissemination strategy.	3 Governments	WaterAid	WMC	ITC
3.2 Activity: Multi-stakeholder workshop in each study country involving target audiences to discuss results so far and plan Phase 2.	WaterAid	3 governments	WMC	ITC
3.3 Activity: Legal and institutional analysis by the Working Groups.	3 Governments	WMC	ITC	WaterAid
3.4 Activity: Development of country-specific Guidelines and other documents by Working Groups.	3 Governments	WMC	ITC	WaterAid
3.5 Activity: Testing of guidelines in study countries by Working Groups on target audiences.	3 Governments	WaterAid	WMC	ITC
3.6 Activity: Synthesis of guidelines into generic guidelines and recommendations for different stakeholders.	WMC	ITC		
Output 4: Target audiences fully aware of guidelines and recommendations.				
4.1 Activity: Development and implementation of strategy for dissemination of study guidelines.	WMC	ITC	3 Governments	WaterAid
4.2 Activity: Final multi-stakeholder workshop	WaterAid	3 governments	WMC	ITC

Table 4.6 Work plan and key staff inputs

	2004									2004									
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
PHASE 2 - SURVEYS	**X**	**X**	**X**	**X**	**X**	**X**	**X**												
Output 2: Report providing improved understanding of rural business livelihoods, supply chains and local government capacity.																			
2.1 Activity: Assessment of demand for guidelines among key stakeholder groups.																			
Task 2.1.1 Participatory survey of communities and water committees	X	X	X																
Task 2.1.2 Interviews with local authorities	X	X	X																
Task 2.1.3 Data analysis, interpretation and reporting		X	X	X															
2.2 Activity: Assessment of capacity of local government to enable and regulate small rural-based private sector.																			
Task 2.2.1 Participatory survey of village governments	X	X	X																
Task 2.2.2 Participatory survey of district councils and water departments	X	X	X																
Task 2.2.3 Participatory survey of regional and national level capacity and policy	X	X	X																
Task 2.2.4 Data analysis, interpretation and reporting		X	X	X															
2.3 Activity: Assessment of capacity of small and medium size enterprises and non-governmental organisations.																			
Task 2.3.1 Analysis of RWS sub-sector	X	X	X																
Task 2.3.2 Supply chain maps and livelihoods analysis of private service providers	X	X	X																
Task 2.3.3 Data analysis, interpretation and reporting		X	X	X															
2.4 Activity: Synthesis of small scale, rural-based private sector participation in RWS					X	X													
Task 2.4.1 Synthesis and reporting					X	X													
Output 3: Guidelines for enhanced small private sector participation and regulation.																			
3.1 Activity: Establishment of multi-stakeholder Working Group (MSWG) in each country to develop guidelines and dissemination strategy.																			
Task 3.1.1 Discussions with all stakeholders																			
Task 3.1.2 Drafting of terms of reference	X	X																	
Task 3.1.3 Meetings of MS Working Groups			X		X														
3.2 Activity: Multi-stakeholder workshop in each study country involving target audiences to discuss results so far and plan Phase 3.																			
Task 3.2.1 Organise workshop					X	X	X												
Task 3.2.2 Hold workshop							X												
Task 3.2.3 Lessons learned and detailed work plan for Phase 3							X												
Task 3.2.4 Report on workshop							X	X											

Table 4.6 Work plan and key staff inputs (continued 1)

	2004									2004									
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
PHASE 3 - ANALYSIS AND DISSEMINATION								**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**
3.3 Activity: Legal and institutional analysis by the Multi-Stakeholder Working Groups.																			
Task 3.3.1 Develop & agree vision for small scale private sector participation in rural water sector									X	X	X								
Task 3.3.2 Legal and institutional environment for small private sector providers										X	X	X							
Task 3.3.3 MSWG Meetings (1 per month)									X	X	X	X	X	X	X				
3.4 Activity: Development of country-specific Guidelines and other documents by Working Groups.																			
Task 3.4.1 First draft of Guidelines											X	X	X						
Task 3.4.2 Second draft of Guidelines														X	X				
3.5 Activity: Testing of guidelines in study countries by Working Groups on target audiences.																			
Task 3.5.1 Workshops with key members of target audiences																X	X		
3.6 Activity: Synthesis of guidelines into generic guidelines and recommendations for different stakeholders.																			
Task 3.6.1 Synthesis and reporting																	X	X	X
Output 4 Peer reviewed guidelines and recommendations by target audiences.																			
4.1 Activity: Development and implementation of strategy for dissemination of study guidelines.																			
Task 4.1.1 Define target audiences	X		X																
Task 4.1.2 Develop communications strategy	X		X				X												
Task 4.1.3 Disseminate Phase 2 findings							X	X	X	X	X	X	X	X	X	X	X	X	X
Task 4.1.4 Disseminate Phase 3 findings													X	X	X	X	X	X	X
4.2 Activity: Final multi-stakeholder workshop																			
Task 4.2.1 Organise workshop																X	X	X	
Task 4.2.2 Hold workshop																		X	
Task 4.2.3 Report on workshop																		X	
Task 4.2.4 Project Final Report and Guidelines																		X	X
Milestones																			
Milestone 2: Phase 2 Synthesis Report incorporating Phase 2 Workshop								X											
Milestone 3: Phase 3 Final Report and Guidelines																			X

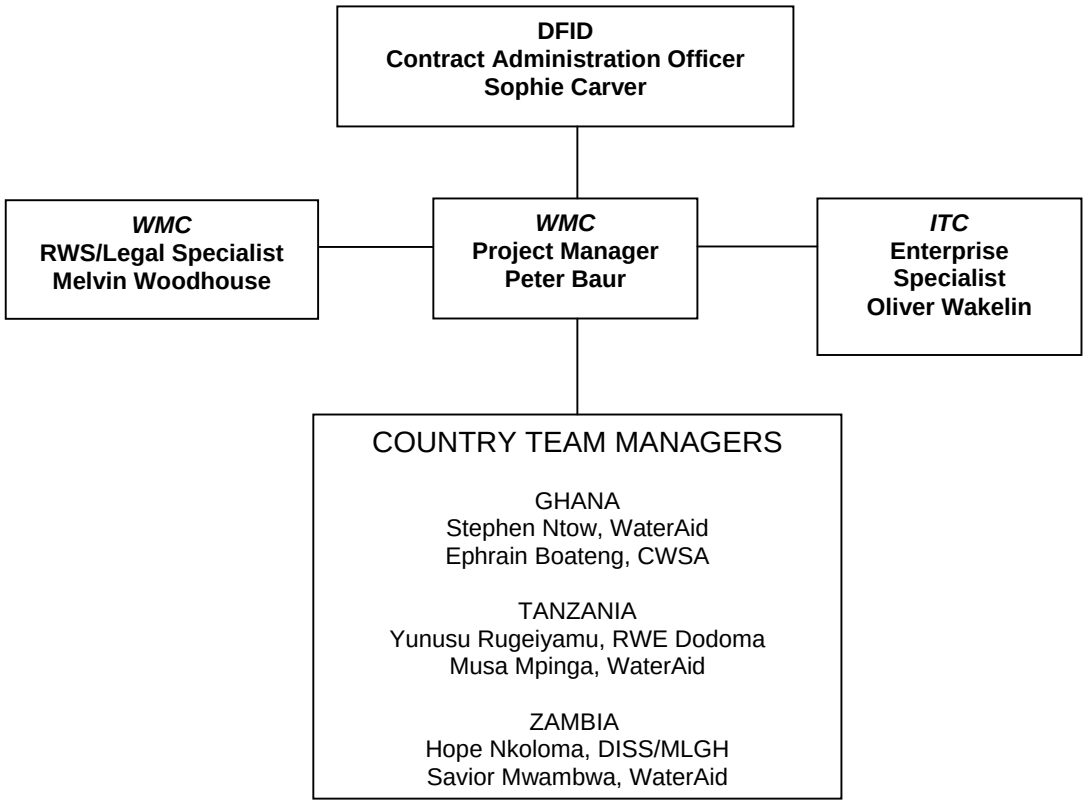
Table 4.6 Work plan and key staff inputs (continued 2)

	2004									2004									
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
KEY STAFF INPUTS																			
Peter Baur	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Melvin Woodhouse	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Oliver Wakelin	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
EF Boateng, CWSA, Ghana	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Mawuena Dotse, WA Ghana	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Eng Yunusu Rugeiyamu, RWE, Tanzania	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Musa Mpinga, WA, Tanzania	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Hope Nkoloma, DISS, Zambia	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Savior Mwambwa, WA, Zambia	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Specialist consultants	X	X	X																

4.8 Project management

Project management will be the responsibility of WMC. Peter Baur will be the lead project manager. A project management committee (PMC) has been formed during Phase 1. This comprises the managers of each collaborating team. Each manager will be responsible for his/her team and institution's inputs and for liaising with the other country team managers. Country team managers will report to Peter Baur, who will be the sole reporter to DFID. Figure 4.1 shows the structure of the PMC.

Figure 4.1 Project management committee



The terms of reference of the PMC were agreed between the project partners during Phase 1. These are as follows:

- Members of the PMC are to ensure that project deliverables are produced on time and within budget.
- Ensure free flow of distilled information (reviews, working methods, reports, ideas, plans and survey results) between all project partners.
- Co-ordinate the dissemination of project outputs and ensure consistency in dissemination between countries.
- Discuss issues of importance to the project as a whole as they arise.

Regular email meetings between WMC and the members of the PMC have been instituted during Phase 1 in order to deal with project management issues. Experience has shown that this works reasonably well.

4.9 Quality control / quality assurance

The following means of achieving quality assurance originally proposed by WMC remain valid:

- A clause on quality assurance has been put into the operating agreement between WMC and each collaborator.
- Guidance notes on what should be achieved and how have been prepared by the project management for use by the country teams during Phase 1. Guidance notes will continue to be produced during Phase 2 in order to maintain focus on the key issues.
- Where necessary, eg for the demand assessment, capacity assessment of government, supply chain mapping and livelihoods surveys, specific guidance notes will be produced by the project management for the country teams. In addition, and where necessary, expert training will be provided to the country teams to ensure that methods and approaches are understood and that high quality outputs will be readily available for synthesis and use by the multi-stakeholder working groups.
- Survey methods will be pre-tested where necessary.
- Discussions on quality will be held with collaborators during visits to countries. There are sufficient visits and reports during the course of the project to assure high quality outputs.
- Country teams will ensure peer-review of written material (eg, WaterAid Zambia plan to have their regional research co-ordinator, review material before sending it to WMC.
- Review of collaborators' reports by the project management and provision of feedback to collaborators on quality control.
- Quarterly reports to DFID.
- Peer review of guidelines by key stakeholders in target audiences.
- Peer review of key reports by WMC staff before external distribution.

5 MONITORING, EVALUATION AND UPTAKE STRATEGY

5.1 Review of monitoring indicators and arrangements

The proposed output indicators for this study remain unchanged following a management review exercise conducted by WMC at the end of the Inception Phase. This exercise enabled a more detailed examination of the nature and possible outcomes of the study as a result of increased knowledge of country situations, local capacity and practical realities provided by the Inception Phase. Consequently it has been possible to highlight where particular emphasis and direction could be placed upon monitoring and evaluation to fully secure the breadth and quality of the study as well as the fullest engagement of the stakeholders.

During the Inception Phase WMC was able to develop jointly with the project partners a series of guidance notes to help the country teams ensure the consistency and content of their material. This approach has been welcomed by the country teams and will serve as a continuing mechanism to focus attention on areas of specific emphasis during monitoring and evaluation.

Sub-sector analysis and supply chain mapping (Output indicator 2.1) are considered to be a means to represent and consolidate the views of all of the stakeholders regarding the potential for involving the private sector and the need for enabling guidelines. Given that supply chain mapping results in a visual summary of the work of the project it appears possible for all stakeholders regardless of their levels of education and literacy to appreciate and contribute to this common reference point. Consequently country team and expert input will be focused on arriving at a suitable means to represent the sub-sector analysis and supply chain maps such that all levels of country stakeholders are able to input to the monitoring and evaluation of the research. It is hoped that this will also be a mechanism to achieve a consistent and high level of interest in the ongoing work. Confirmation that the design of the sub-sector analysis and supply chain mapping exercise is agreed and acceptable to all project partners will be sought before field work begins.

It was also recognised that achieving the active participation and right mix of stakeholders for the Multi Stakeholder Working Groups (Output indicator 2.2) is critical. Therefore consultation will begin immediately with country teams to identify participants for these teams. It is recognised that the make up of these teams may end up being significantly different in the three countries. For example, in cases where the guidelines suggest that local level interventions are more suited to achieving effective results (when, for example, considering resource constraints) this will influence the make up of the Working Groups. It is noted that ongoing management input will be required to ensure the success of these groups.

It seems likely that this project may also result in a number of unforeseen outputs. For example, in following the study methodology stakeholders are involved in a process of questioning and understanding the nature of reform in the rural water sector. In cases where in country partners are able to address reform broadly they will identify a range of implications relevant to external support agencies. One possible example of this concerns ways in which ESA's should seek to modify existing bilateral 'programme based' interventions towards a budget support approach, a change which is presently described as an 'exit strategy'.

Where such additional outputs appear to be useful and feasible, management support will be given to enable teams to secure such findings by an appropriate method.

5.2 Dissemination Strategy

It is still too early in the life of this study to fully elaborate the dissemination strategy. This situation will change after the demand for the guidelines is determined in Activity 2.1 of Phase 2. Given the wide range of the potential audiences (Table 5.1) the form of the product and the nature of its dissemination strategy is likely to vary greatly.

Table 5.1 Potential target audiences

Local government (regional/provincial/district councils and rural water departments). Local authorities are generally responsible for providing services to assist communities to develop and maintain rural water supplies. Increasingly their responsibilities are including regulation of service provision to communities. (Direct beneficiary).
National government (Rural water departments). Planners and policy makers at national level are a key stakeholder as a result of their role in sector reform planning and developing an enabling environment for private sector service provision. (Direct beneficiary).
Rural-based, small scale, private sector service providers. Together with local authorities, they are the focus of this research. The research aims to identify what institutional environment will enable enhancement of the role of the private sector in community water supply service provision and to strengthen local government capacity to regulate their role. Private sector livelihoods should be improved directly by this research (Direct beneficiary).
Communities and vulnerable groups (the poor). Communities need rural water supply services and to know where and how to obtain them. They also need to know how to interface with private sector service providers. This research will assist with this process via local government and NGOs. The poor will directly benefit from the improved rural water supplies (with respect to access, quality of service delivery and cost) which should result from improved service provision from the private sector. (Indirect beneficiary).
Donor agencies and NGOs. Donor agencies and NGOs need to address the needs and priorities of national and local governments and work with communities and the poor to alleviate poverty. They need to be informed of developments in government thinking and priorities and to develop policies on how assistance can best be given. (Indirect beneficiary).

During the Inception Phase, in country teams were invited to give their ideas for the dissemination strategy. These views form the basis to develop specific in country strategies. The views of the three teams not only illustrate the range of possible techniques for dissemination but also an indication of the awareness and competence to develop them.

It became apparent that, in addition to the more formal and structured concept of dissemination presented in section 3.4.2 of the study proposal, an equal, if not greater, impact will be achieved as a result this research being conducted by the potential target users themselves. Tangible means to report on this will be identified and included in the final report.

Whilst the potential target audiences remain unchanged (Table 5.1) it is clear, as a result of the differing interpretations of the small scale private sector providers' role in the three countries, not only will the guidelines they produce differ, but so will the demand across the range of possible users. Consequently, it will be necessary to support the in country teams to develop their own specific strategies as an understanding of the demand for guidelines emerges. The suggested strategies are culturally sensitive in that literacy is considered with respect to community level dissemination, as well as the relative extent and nature of various media alternatives from newspapers to email groups and websites. Where possible, representatives of the Multi-Stakeholder Working Groups are seen as key resources to disseminate the research outputs to both public and professional audiences. Therefore, at present, each of the three countries has articulated the basis for a country specific dissemination strategy and the in country working partnerships are seen as a viable mechanism to tailor its final form.

In addition to those target audiences enumerated in Table 5.1 it may also be possible that this study stimulates government to government exchange of guidance on strategies to enable private sector participation as well as government to donor discussions. Where this is likely the in country teams will be encouraged to examine the nature and demand for such exchanges.

The study team has been invited to present an overview of its research at an international conference on "Good Water Governance: What roles for law, institutions, science and finance" organised by the American Water Resources Association and the International Water Law Research Institute which will be held in Dundee in August 2004.

5.3 Additional impacts

Table 5.2 presents the impacts that were mentioned in the project proposal.

Table 5.2 Environmental, socio-economic and institutional impacts

Positive environmental impacts: - Better use of scarce water resources by communities is likely to result, improved design and construction of water points (if properly regulated) and reduced scope for pollution of water and spread of water-borne disease. This will also equate to improved water supply management by communities and water resource management by local and national government.
Possible negative environmental impacts: - If future private sector design and construction is not properly regulated by local government there is scope for adverse environmental impacts, such as greater opportunities for disease bearing vectors at poorly constructed water points, which will impact negatively on the health of the communities, including the poor, that use the water point. Excessive use of scarce water sources could result in seasonal over-exploitation of the water resource leading to water shortages and temporary decreased access, which could also impact negatively on the health of the poor.
Positive socio-economic impacts: - Improved access to water will reduce collection times and allow more time for other productive (or social) activities particularly by women and children. Improved access will also contribute to improved health and, through reduced illness, higher productivity and household income, including through small scale agriculture and industry. Local rural employment (including rural artisans trained by WaterAid in the past) will benefit, and hence rural livelihoods.
Negative socio-economic impacts: - If access to water is not improved health and productivity of affected communities will deteriorate. Any income stream a district water team enjoys from procurement / construction / maintenance will cease. The income will, however, remain in the locality but in the hands of the private sector who, in turn, are probably members of the local community. The district water teams will retain an income from regulation and supervision so long as they define and do it.
Positive institutional impact: - Guidelines produced in Phase 2 will enable better institutions in all three study countries at national and especially local level as they are guided in providing their public with improved services. By linking up with the legal framework a more effective and transparent mechanism for water allocation and conflict resolution will emerge. This has implications for the efficiency and performance of the new water ministries. Community institutions will be strengthened through their improved capacity to manage their water supplies sustainably. **Negative institutional impact: -** There are likely to be no negative institutional impacts.

In addition to the above impacts, the project is also concerned that its fundamental direction is to strengthen the role of government, particularly as regards regulation. This represents a significant change of focus for the rural water sector in Africa, which over the past 30 years has invested in community rather than government structures and sought to 'empower' local people whilst actively lobbying for the reduction of local government responsibilities and associated powers.

Clearly, the powers of government and those of the community must strike a working balance. This project must therefore be sensitive and alert to the need for there to be a democratic basis for government regulation. Government should therefore strive to remain accountable to the public it intends to regulate, and this may call for public representation and oversight in governmental regulatory functions.

5.4 Uptake Strategy

A determination of the demand for the outputs of this study as well as a mechanism for their dissemination are integral activities of this study under Activity 2.1 and 4. These activities are carried out at the country level where it will be possible to accommodate the domestic demand for knowledge in each of the three countries. These activities do not therefore present either a mechanism to recognise nor a strategy to disseminate the products of this study at the international level.

Preliminary work with country teams to share ideas regarding Activities 2.1 and 4 has provided the basis to understand how an uptake strategy is likely to be most effective in each of the countries. Again, these strategies may be different from country to country.

For example in Tanzania there is a long history of the annual water conference being the opportunity for the sector to meet and exchange ideas as well as being a mechanism for 'in service training' regarding policy developments. Countrywide media events are held in conjunction with water week.

A significant benefit arising from the design of this project is that potential in country target audiences are represented amongst the country teams. This offers a unique opportunity for those doing the research to highlight an uptake strategy that will be effective amongst their peers. In country teams which represent a government department as well as WaterAid have consistently said that the wider professional community should be kept up to date with the progress of the study and suggest that the regular government/donor round tablewater meetings held in each country as the appropriate mechanism. This is seen to stimulate demand for the study outcome.

Also given that a major user of these guidelines is likely to be the government itself, existing governmental mechanisms can be adopted and enhanced to ensure the uptake of the study findings amongst the public sector.

That this study will find an effective uptake strategy for its findings '*in country'* is assured to a major degree by the project design which incorporates a range of stakeholders into the study. Already country teams have indicated a significant knowledge of how this strategy may be achieved in their relative countries.

Where presently there is limited provision to capture the demand for knowledge and develop a strategy for its dissemination is at the international level. Work done during the Inception Phase has identified three possible international audiences for this research. These are:

- Government to Government uptake: that is where one government is able to share its knowledge of creating an enabling environment with the government of another country.
- ESA/Recipient uptake: this is where the results of studies undertaken by national government is exchanged with a bilateral ESA government.
- International professional audience: this is where the country level research is in demand by an international audience.

So far, these audiences are only seen as potentially interested and only identified at the end of the Inception Phase. Whether indeed they are interested to utilise the products of this study will depend to a large extent upon the international implications that country teams might identify. WMC will endeavour to monitor the extent to which knowledge is emerging that may contribute at the international level. Specific interventions will be made to create the opportunity to put this information into the international setting. The project website will serve as a means to stimulate interest amongst a wider international audience.

6 CONCLUSIONS

1 The project team arrangement is proving successful

The Inception Phase of the project has enabled effective working relationships and arrangements to be made with government/WaterAid teams in Ghana, Tanzania and Zambia. These teams have been able to work and communicate effectively with the WMC management team in UK. Consequently, an effective project management structure has been put in place. No changes are therefore required in order to begin Phase 2.

2 The proposed methodology remains appropriate to the study

Structuring the Knowledge review for the rural water sector from legal, institutional and financial perspectives has proven to be a valid basis upon which to compare experiences in different countries as well as yielding a broad understanding of the key indicators and objectives for reform.

The suitability of supply chain mapping as a tool to enable a wide variety of sector stakeholders to understand and report on the proposed research is even more apparent. Supply chain maps are seen as a visual tool to unite the study's findings regardless off the academic background of the stakeholders and thus confer a sense of ownership of the process.

The Knowledge review identified no particular generic methodology for the analysis of the rural water sector reform process. The methodology proposed in this study concerns peer groups refining the findings of national teams who will investigate the demand for guidelines and the capacity of a range of bodies to respond to them. It will not be possible to compare this methodology against an existing one.

As a result of country and project management level work, the methodology for the research appears to be sensitive to a pro- poor focus and enables locally appropriate high impact outcomes to be defined in the guidelines. The Knowledge review has underscored the importance of recognising both legal 'right to water' norms, as well as appropriate water pricing policies in the guidelines.

3 Concerns about methodology

Understanding the methodology in the national context has shown that engaging key stakeholders in a process to develop guidelines for the involvement of the private sector is likely to be as valuable as the product of the research itself. This is because it can produce a sense of ownership and engagement in the product. This is essential if the guidelines are to be acceptable and used. Project management and guidance will focus country teams upon the need to promote and undertake the study with the highest degree of stakeholder involvement possible.

The importance of establishing the proposed Multi Stakeholder Working Groups who will peer review and develop the final guidelines has been identified as a critical stage in the study. Management input will begin early in phase 2 to support the selection its members and the definition of the objectives of the Working Groups.

It has become apparent that a critical factor governing the effective use of the proposed guidelines will be the ability of the government employee with the authority to negotiate and approve agreements to engage the private sector to apply discretion and a pro-active approach such that the opportunities these guidelines can create will be attractive to the SME. Country teams will be encouraged to address this issue.

It has also been noted that the methodology may seek to promote the state as provider of regulation and an enabling environment. This should not be achieved to the detriment of public accountability and representation. Consequently the study will concern itself with ensuring that due account is taken during the formulation of guidelines to ensure that acceptable standards of representation and accountability are built in.

4 Study implications

At the proposal stage the scope of an international audience for the study results was not defined. It now appears that this study may contribute in the areas of government to government, and government to ESA knowledge sharing as well as there being interest expressed in its academic contribution to an international audience. Where such outcomes are seen to be of significant value, project management will identify and promote the most suitable means to capture and disseminate the relevant information.

The implications of a transition from programme funding to budget support in the rural water sector are poorly documented. Obviously under a rapid transition there will need to be a rapid entry of the private sector if the former services of the government in water supply construction and maintenance are to continue to be provided. A badly managed transition will represent a significant risk to the poor, who have been dependant upon public sector provision of water supply services. The timing of this study is therefore appropriate because it should be possible to build in safeguards to guidelines requiring special attention to be paid to the rural poor.

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