

## ***DRAFT TERMS OF REFERENCE FOR SECTOR INVESTMENT PLAN (MOZAMBIQUE COUNTRY DIALOGUE)***

### ***1.1 CONTEXT AND RATIONALE***

#### ***1.1.1 Background***

The EUWI Finance Working Group (FWG) has been invited by the EUWI Working Group on Water Supply and Sanitation in Africa (WG WSS-Af) to take part in country level dialogues that it has initiated in 10 countries in Africa <sup>(1)</sup>.

Broadly speaking, each country dialogues should:

- Contribute to the achievement of the water and sanitation MDG goal;
- Improve coordination of work, strategic planning and the prioritisation of efforts in the water, sanitation, and hygiene sector by linking with existing initiatives to reach the MDGs;
- Bring all the water, sanitation, and hygiene stakeholders together to identify policy issues and institutional and financial bottlenecks that impede investments in WSS, which are then to be reflected in a National WSS Roadmap to 2015;
- Develop a sector investment plan (detailing who needs to be served to reach the MDGs, where they are and what it would cost to provide them with access and what sources are there for that finance (from debt relief to the (local) private sector).
- Disseminate results and best practices to countries in the region through AMCOW (peer reviews)
- Continue on an annual basis as an integral part of water sector budgetary planning until 2015 or until the MDGs have been reached, whichever comes first.

The objective of the EUWI FWG participation in the dialogue process, is to engage with national governments, to determine and assess constraints to finance for the water sector and tailor solutions to address them. Out of the ten countries, where the dialogues will be initiated, the FWG has decided to focus on three countries, where it has identified interest and expertise within the members. These are Ghana, Zambia, and Mozambique.

#### ***1.1.2 The Status of the Water Sector in Mozambique***

There has been a steady increase in access to adequate rural water supply in Mozambique, from 10% in 1992 to 42% in 2004, clearly indicating the sub-sector's positive performance over the past decade. Although there is little data available on rural sanitation, it is estimated that 27% of the population

(1)The Africa Ministerial Council on Water (AMCOW) has proposed ten countries (Ghana, Cap Verde, Ethiopia, Rwanda, Mozambique, Zambia, Congo Brazzaville, Central African Republic, Egypt, and Mauritania) as pilot countries for this exercise.

had access to sanitation facilities in 2002 (extrapolation from 1997 Census coverage of 23%). The Mozambique water sector's Millennium Development Goals (MDGs) set a target of 70% rural water coverage and 50% rural sanitation coverage by 2015. Therefore, to meet these targets, a further 7.1 million people will need access to improved water supply and 3.6 million people to improved sanitation <sup>(1)</sup>.

In 2002, the average figure for access to water supply in urban areas in Mozambique was 29 percent <sup>(2)</sup>. However, statistics from the National Directorate of Water Affairs (DNA) on water supply coverage in Maputo and the twenty one other urban centres show a considerable variation among the urban areas. Based on government estimates, the MDG target for access to water in urban areas in 2015 is estimated to be 62 percent <sup>(3)</sup>. There does not seem to be enough data on sanitation to allow a computation in the urban areas.

### **1.1.3 *Rationale for a Sector Investment Plan (SIP) as part of a road map for reaching the MDGs***

Mozambique, like many African countries, is committed to reaching the MDGs in the water sector. A recent mission led by AMCOW and the Netherlands, on behalf of the EUWI WG WSS-Af, together with the Mozambican counterparts from the DNA and other stakeholders, assessed the need for a comprehensive road map to reach the MDGs.

The main principle for the development of a sector road map to achieve the MDGs is to build on existing processes and initiatives. The components of a road map are presented in *Table 1* below. Based on an initial analysis undertaken by the AMCOW - EUWI mission, it appears that the most important component in relation to Mozambique is the development of a Sector Investment Plan (SIP) which integrates all the sources of funding for the sector into a single plan. Currently, funds to the sector are being channelled by the government, by donors (either on budget or off budget) by NGOs and also through investments by the private sector. In addition, such a plan could help in resource mobilization, coordination and monitoring.

(1)Source: DNA, RWSSI final report March 2005 (p6)

(2)Source: Background paper on Water sector for Mozambique - PER review, May 2003

(3)(the population to be served in order to reach these goals needs to be verified as it will be dependent on a number factors such as growth rate, urban migration and the functionality of existing services).

Table 1

*Components of a Sector road map towards reaching the water MDGs*

Road map components	Status of existing processes
Policy	Revision of 1995 National Water Policy is underway. The framework for urban and rural sectors is sound. Weak coordination with IWRM.
Planning	National planning is agency rather than sector based. Water planning is gradually being extended to provincial and district levels. Weak coordination with IWRM.
Implementation	On track to reach MDGs, although significant constraints still exist that are being addressed but not yet overcome.
Finance	Sector funding is agency based and not yet presented in a coherent investment plan that integrates government, donor, NGO and the consumer financing of the sector.
Monitoring	Coverage definition and integration of technical and social based monitoring systems is needed (DNA/INE)
Coordination	Several platforms exist but funding of these is not secure and sector communication and information exchange open to improvement

A SIP based on a working and proven model (Sector Investment Model) could provide an objective, transparent and updatable tool for generating a sector investment plan that would be the basis for contributing to the government's 5 year development planning cycle as well as annual follow and budgeting procedures.

The model could also show the implications and divergence between present practice and what a MDG specific investment strategy would imply and thus act as a prompt for making sector improvements and adjustments in implementation practices.

A sector investment plan combined with the sector investment model can provide the water sector in Mozambique with the ability of assessing the financial implications of attaining the targets set by present and new policies. It can also provide a powerful monitoring tool to compare targets with achievements across different sub sectors and provinces. The model could also provide a conflict resolution tool between provincial and sub-sector allocations (i.e. between water and sanitation and between rural and urban) in a way that enhances future sector cooperation.

## 1.2 DESCRIPTION OF THE ASSIGNMENT

Under the oversight of a joint EUWI FWG and WG WSS-Af, a consultant is required to undertake the assignment as set out below.

### 1.2.1 Objectives

The objective of the assignment is to:

*Support the National Coordinator of the Country Dialogue to develop a Sector Investment Model that is capable of reliably producing a Sector Investment Plan for*

*reaching national goals and the MDGs within the urban and rural water supply and sanitation sub-sectors.*

### **1.2.2 Outputs**

The outputs are expected to be:

1. Inception report (with a document review and preparation of Sector Summary Overview) and detailed plan for assignment
2. Concept note giving the overall structure and concept of 15 year Strategic Investment Plans (SIP15) and Strategic Investment Model (SIM)
3. Preparation of draft sub-sectors 15 year Strategic Investment Plans (SIP15) and combined SIM
4. Consultation on draft SIP15 and preparation of final documents

The model itself must be based on a proven and working example and must be generic enough to become an AMCOW model that could be used and replicated in other countries to allow easy comparison and benchmarking. The model needs to be simple rather than comprehensive and one that can be easily adapted to suit the needs of other countries, as needed.

### **1.2.3 Activities and Scope of Work**

The defined activities are:

#### **1. Document review and preparation of Sector Summary Overview**

- a. Data collection of last 10 years programmes and investments in RWSS Sector and existing plans
- b. Prepare overview of existing guidelines and practises and experiences in RWSS, UWS, sub-sectors
- c. Prepare an overview of investments over the last 10 years in the RWSS, FIPAG<sup>1</sup> towns, small towns sub-sectors (government, donors, NGOs and the private sector)
- d. Prepare an overview on current National and Provincial Water and Sanitation Plans
- e. Tasks a) to d) to be done in close collaboration with the Government of Mozambique and other relevant sector stakeholders

#### **2. Prepare Inception report and detailed plan for assignment**

- a. Prepare inception report
- b. Present and discuss inception report with relevant stakeholders in Mozambique

<sup>1</sup> Fundo de Investimento e Património do Abastecimento de Água (Investment Fund for the Water Sector) or National Water Development Project

### **3. Develop overall structure of SIPs and Financial Models**

- a. Develop parameters and scenarios to be analysed for the sub-sectors in cooperation with sector stakeholders and specify input data need
- b. Develop overall structure of financial model for sub-sectors and for the combined sector model
- c. Develop format for 15 year Strategic Investment Plans (SIP15) to fit in with the 5 year development planning cycle of Mozambique

### **4. Prepare Concept Note and presentation to GTA on Structure of SIP15 and Financial Models**

- a. Prepare presentation of the Sector Summary Overview, the proposed parameters and scenarios to be used in the analysis and the overall structure of the Financial Models and the format for the SIP15s
- b. Presentation to CEDESA<sup>1</sup>/ GTA<sup>2</sup> and to the Sector stakeholders

### **5. Development of Financial Models**

- a. Collection and quality control of input data for the financial models (population data, coverage, unit costs etc.) <sup>(3)</sup>
- b. Develop financial model for each sub-sector and combined model for the water sector
- c. Interactive GTA/ Multi-Stakeholder Workshop for discussion and agreement on investment plan parameters, criteria and allocation principles per sub-sector
- d. Finalise Financial Models per sub-sector and combined model including final input data collection and correction, and instructions/ documentation for the use of the models

### **6. Analysis and agreement on technical and policy variables**

- a. Training of DNA, CEDESA and other relevant officers in the application of the model
- b. Interactive Water Sector Stakeholder Workshop for discussion and agreement on technical and policy variables, using the financial models for analysis of scenarios, sector ceilings and targets

(1) 1Centro de Estudos de Desenvolvimento do Sector de Águas (Center of Development Studies for the Water Sector)

(2) <sup>2</sup> Grupo de Trabalho Alargado (Enlarged Working Group) which is a donor/government/NGO coordination platform for the sector

(3) Note: The consultants will need to liaise with the data collection exercise, to source data

- c. Documentation of agreements from the workshop on allocation principles etc. and the use of the financial model

## **7. Preparation of draft Sub-sector SIP15s and combined Water Sector SIP15**

- a. Final adjustments to the financial models, corrections on input data and adjustments according to the agreements on the Water Sector Workshop
- b. Preparation of draft SIP15s for each sub-sector.
- c. Preparation of draft summary SIP15 for the Water Sector

## **8. Consultation on draft SIP15 and preparation of final documents**

- a. Further consultations and discussions between DNA, MOF and other GOM Ministries, sector stakeholders and development partners on draft SIP15s and preparation of comments to draft documents
- b. Further testing by DNA, MOF and others of the financial models and the procedures for up-dating the SIP15s and changing the parameters and preparation of suggestions for modifications to the draft model
- c. Preparation of final SIP15s including final Financial Models for the Water Sector
- d. Presentation of SIP15 to GTA and sector stakeholders.
- e. Follow up on the model operation to fine tune and provide refresher training.

### **1.3 INPUTS AND TIMING**

The inputs will depend on the availability and quality of data. Experience from similar examples suggests that the following inputs will be required:

- Assignment director: strategic overview, policy related aspects and presentation (International input; 120 hrs)
- Engineer/programmer: modelling the cost elements and ensure that the technical variables and data are well handled. (International input; 480 hrs)
- Economist/ programmer: modelling the funding aspects and monitoring routines (International input; 250 hrs)
- Local engineering input: unit costs and data collection, (to be trained as a trainer in the use of the model) (Local input; 600 hrs)

The assignment is likely to take around 2 to 4 months depending on data availability.