REPORT ON ASSURANCE OF

WATER SECTOR REPORT OF OCTOBER 2016

National Construction Council, on behalf of CoST Tanzania, is pleased to share with the public the report on the assurance undertaken on the **Water Sector Report of October 2016**.

1. ESSENCE OF ASSURANCE AND DISCLOSURE

The aim of disclosure, assurance and subsequent sharing of data on public projects is to make the public aware of ongoing and / or completed projects in order to avoid misconceptions about project implementation and value for money.

In this regard we help the project owners (Procuring Entities - PEs) to be more transparent and compliant with transparency requirements; this leads to more accountability and hence achieve more efficient delivery of infrastructure projects with higher value for money. PEs are thus able to showcase their integrity and build confidence and good image among stakeholders.

1.1. Disclosure

Disclosure is the release of information to the public domain. This can be done directly by the Procuring Entities (PEs) themselves through media, websites and notice boards or through circulation and publication of reports to the wider public. It can also be done indirectly through other authorities, e.g. Public Procurement Regulatory Authority (PPRA) and institutions.

CoST encourages PEs to disclose information on infrastructure projects directly to the public and / or to the PPRA as required by legislation. Since this is not normally achieved and since PPRA does not disclose all received information to the public, CoST obtains the information directly from PEs and verifies it before disclosing it to the public during interim disclosure.

1.2. Assurance

Assurance is the verification and analysis of disclosed information in order to identify issues of concern. These issues are then verified by the PEs before being released to the public.

CoST undertakes assurance at two levels:

a) At the project level individual projects data is obtained and analysed in order to identify issues of concern.

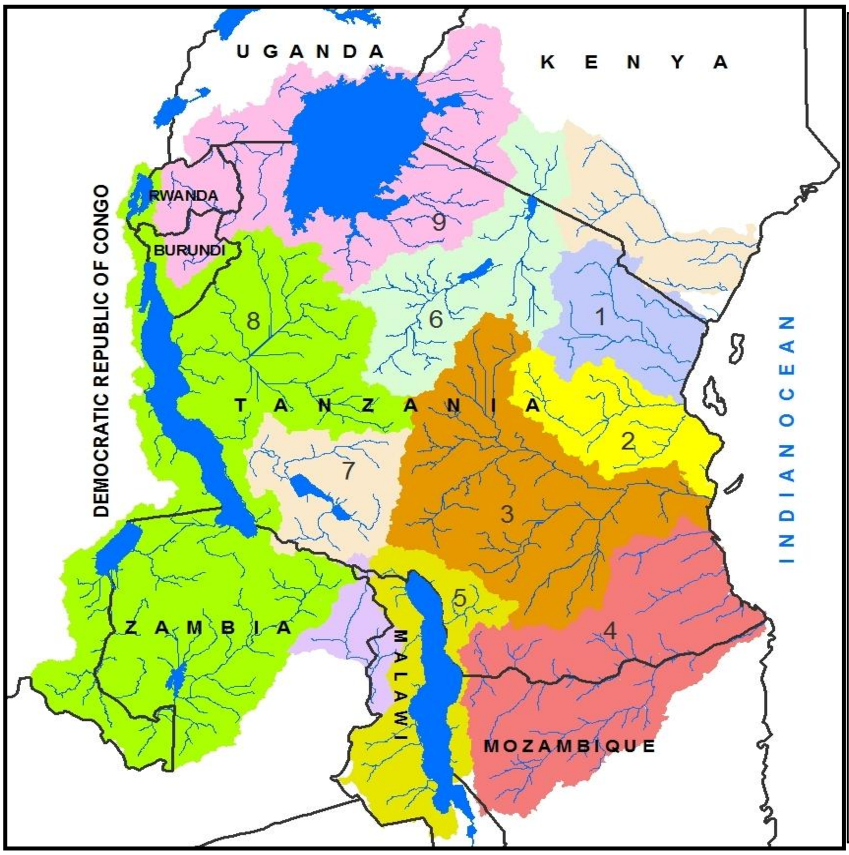
b) At the sector or sub-sector levels information from a number of projects is analysed to provide sector level trends and issues of concern.

1.3. The Infrastructure Data Standard (IDS)

CoST has standardised disclosure of projects information by establishing the IDS. The IDS specifies the type of information considered ideal to be disclosed to the public in order to obtain a reasonable picture of the project components and implementation process. It has 38 data points in the Reactive disclosure section and 28 data points in the Reactive disclosure section.

The IDS is currently being reviewed to include more issues identified through the disclosure process and also through analysis of legislation. The objective of the review is also to capture information with focus on sector level analysis.

2. ASSURANCE OF THE WATER SECTOR REPORT OF OCTOBER 2016



Tanzania River and Lake Basins with their coverage areas[Km^2]:

1. Pangani river Basin (55,176.82)
2. Wami/Ruvu River Basin (66,867.18)
3. Rufiji River Basin(182,708.1)
4. Ruvuma River and Southern Coastal Basin(102,743.38)
5. Lake Nyasa Basin (34,266.09)
6. Internal Drainage Basin(143,697.76)
7. Lake Rukwa Basin(77,808.92)
8. Lake Tanganyika Basin(167,732.23)
9. Lake Victoria Basin (114,508.14)

The Maji Report is a typical sector level assurance and is based on the Ministry of Water and Irrigation of October 2016.

The Nationa Construction council, on behalf of CoST is grateful to the Ministry of Water and Irrigation for sharing the report with us.

2.1. Summary of the Water Sector Status Report 2016 produced in October 2016

2.1.1. Introduction:

The Water Sector Status Report 2016 produced in October 2016 is a review of Government of Tanzania efforts to provide clean and safe water to the growing population. Through formulation of the National Water Policy-2002, National Water Sector Development Strategy 2006 and the Water Resources Management Act of 2009, the Water Supply and Sanitation Act of 2009 and the Water Sector Development Program, the Government was able to establish sound policy, institutional and legal frameworks for implementation of planned interventions in the water sector. These instruments were meant to guide implementation of projects all over the country, which is institutionally divided into (i) Basin Water Boards, Catchments, Sub-Catchments and Water User Associations; (ii) Water Sector Related Line Ministries and Local Governments Authorities; (iii) Water Supply Utilities at Regional, District, Township level as well as the multi-village National Projects; and the (iii) Executive Agencies falling under the Ministry's mandates i.e. the Water Institute and the Drilling and Dam Construction Agency. These interventions are of course done in collaboration with the Development Partners and other stakeholders.

2.1.2. *Main Objectives:*

The Water Sector Development Programme (WSDP) is now in Phase II in which by October 2016, the planning and budgeting process had been done, fund mobilization was ongoing. There are more than 300 implementing agencies implementing the Program countrywide aiming to provide safe and clean water and sanitation services as well as to improve integrated water resources management by ensuring equitable allocation of water resources to various sectors. The phase I of the Program took off with the budget of US$ 951million; however, the revised commitments at the jointly agreed close of the Phase on 30th June, 2016 reached US$ 1,713million. For the initial nine years of WSDP implementation, a total of USD 1,627.1million was allocated, out of this, USD 1,603.7million, equivalent to 99% were spent.

***Table 1**: Status of Preparation of Integrated Water Resources Management and Development (IWRMD) Plans in the Basins*

S/No.	Basin	Status of Preparation of IWRMD Plan
1	Internal Drainage, Ruvuma and Southern Coast, Lake Nyasa, Lake Tanganyika, Lake Rukwa and Rufiji	Evaluation of financial proposal for SESA was conducted in May, 2016 and negotiation with qualified firm was done in June, 2016. SESA for Rufiji BWB financed by DfID is at the stage of draft final. Completion of the SESA study will enable operationalization of the completed IWRMD Plans.
2	Wami Ruvu Basin	Evaluation of financial proposal was conducted in May, 2016. Negotiation with the qualified firm was done on 07th June, 2016. Execution of the activity will start once PPA fund is available
3	Pangani Basin	Evaluation of EoI for preparation of IWRMD plan for Pangani

		carried on June, 2016. Issuing of Request for Proposal is underway for shortlisted firms. IWRMD Plan for Pangani basin will be financed by DFID.
4	Lake Victoria Basin	ToR has been finalized and advertisement of EoI will be done once funding is confirmed.

Table 2: Priority Investments – Proposed Large Dams for Construction

S/N	Basin	Dam	Region	District	Capacity (m³)
1.	Internal Drainage Basin	Farkwa	Dodoma	Chemba	470,000,000
2.	Rufiji	Lugoda	Iringa	Mufindi	347,000,000
3.	Wami/Ruvu	Kidunda	Morogoro	Morogoro Rural	190,000,000

Table 3: Four Medium Dams for Rehabilitation in the FY 2016/2017

S/N	Basin	Dam	Region	District	Capacity (m³)
1.	Internal Drainage	Enguikument-II	Arusha	Monduli	15,000
2.	Internal Drainage	Nkiniziwa	Tabora	Nzega	750,000
3.	Internal Drainage	Itobo	Tabora	Nzega	234,000
4.	Internal Drainage	Makuyuni	Arusha	Monduli	64,500

2.1.3 Key recommendations of the Water Sector Report

Following is a summary of key recommendations by the Water Sector Report of October 2016:

a) All IAs should appoint safeguard coordinators for smooth execution of safeguard issues..
b) Components and IAs should allocate budget for conducting ESIA/RAP or Audit assessment before commencement of actual infrustructure construction
c) All Components and IAs should allocate budget for conducting ESIA/RAP or Audit assessment before commencement of actual infrustructure construction
d) Ignorance of role of water resources in economy leading to poor support and funding.
e) Scarce water storage infrastructure, to deal with climate variability impacts.
f) Destruction of water source areas due to encroachments.
g) Increasing pollution from municipal sewage, mining and industrial activities.
h) Poor irrigation technologies contributing to sub optimal water use and conflicts.
i) Ineffective admin of water chemicals in utilities requiring retraining to staff
j) Ineffective admin of water chemicals in utilities requiring retraining to staff
k) Timely identification of needs is crucial in order to mobilise for and obtain requisite resources for implementation.
l) Leaders should be appropriately briefed on the challenges facing the communities they are visiting in order to avoid being taken by surprise and thus give promises that are not budgetted for.
m) Sustainability: Diesel powered Pumping schemes are complex and costly, for rural communities where affordability of service has been a challenge.
n) Monitoring of projects needs to be strengthened.

o) The flow of information between implementing agencies and data management have to be improved.
p) Solar powered pumping systems should be fully mainstreamed and used extensively.
q) Sanitation should be an integrated part of provision of rural water supply.
r) Local private sector service providers can help COWSOs operate and sustain rural water schemes.
s) The O&M responsibilities for COWSOs and LGAs should be clearly defined.
t) The flow of funds to LGAs must be predictable and timely
u) Delay/inadequate release of funds contributed to delay in payment to contractors and service providers resulting to extra payment of interest and breach of contracts.
v) Delay in payments led to delays in finishing contracts and claims due to extension of time.
w) Shortage of funds that led to delay in the start of some projects.
x) Poor performance of contractors led to time overrun of projects execution (Lindi, Kigoma, Sumbawanga and Musoma).
y) The implementation of the WSDP II activities is largely affected by the unavailability of funds; therefore, it requires careful prioritization and sequencing of projects stage during the coming planning and budgeting cycles.
z) There is a need for integrating staffing plan and institutional support into the projects planning and design.

Components/implementing agents should allocate budget for conducting ESIA/RAP or Audit assessment before commencement of actual infrustructure construction. For the projects already under construction, the same should as well be allocated with funds so as to comply with Safeguard PolicyThe implementation of the WSDP II activities is largely affected by the unavailability of funds; therefore, it requires careful prioritization and sequencing of projects stage during the coming planning and budgeting cycles.

There is a need for integrating staffing plan and institutional support into the projects planning and design.

aa) Components/implementing agents should allocate budget for conducting ESIA/RAP or Audit assessment before commencement of actual infrustructure construction. For the projects already under construction, the same should as well be allocated with funds so as to comply with Safeguard Policy
bb) Delay/inadequate release of funds contributed to delay in payment to contractors and service providers resulting to extra payment of interest and breach of contracts.
cc) Delay in payments led to delays in finishing contracts and claims due to extension of time.
dd) Shortage of funds that led to delay in the start of some projects.
ee) Poor performance of contractors led to time overrun of projects execution (Lindi, Kigoma, Sumbawanga and Musoma).
ff) The implementation of the WSDP II activities is largely affected by the unavailability of funds; therefore, it requires careful prioritization and sequencing of projects stage during the coming planning and budgeting cycles.
gg) There is a need for integrating staffing plan and institutional support into the projects planning and design.

Components/implementing agents should allocate budget for conducting ESIA/RAP or Audit assessment before commencement of actual infrustructure construction. For the projects already under construction, the same should as well be allocated with funds so as to comply with Safeguard PolicyThe implementation of the WSDP II activities is largely affected by the unavailability of funds; therefore, it requires careful prioritization and sequencing of projects stage during the coming planning and budgeting cycles.

There is a need for integrating staffing plan and institutional support into the projects planning and design.

hh) Components/implementing agents should allocate budget for conducting ESIA/RAP or Audit assessment before commencement of actual infrustructure construction. For the projects already under construction, the same should as well be allocated with funds so as to comply with Safeguard Policy

2.2. *Comments on the Report*

The report has already identified the main issues of concern. Generally the performance of the sector is very poor. It is important to now take action to mitigate the factors that have contributed to the poor performance of the sector.

Following are some of the issues of concern.

SN	ISSUE	REFERENCE	GOVERNANCE IMPLICATION
1.	Financial Issues	(Page x) a) All Basket DPs and the Government have already fully disbursed their commitments for WSDP I, but due to the unavailability of financial records, it cannot be confirmed if earmarked partners have fully disbursed.	There is a serious governance issue if funds are not reaching intended recipients due to lack of records. This could indicate funds diversion, misuse or mismanagement or all.
		(Page 49) **(i) Financial Issues** • The allocation of funds to the LGAs using formula rather than the demand and actual need of IAs.	This is a serious issue and the Ministry needs to reconsider the approach (which seems to be politically motivated)
		• Insufficient funds for implementation of rural water supply projects.	Insufficient funds does not seem to be the case since the report indicates 'All Basket DPs and the Government have already fully disbursed their commitments for WSDP I' (Page x)
		• Late disbursements of funds to Implementing Agencies. • Delayed payment of raised certificate due to lack of fund and delayed disbursement.	Insufficient funds does not seem to be the case since the report indicates 'All Basket DPs and the Government have already fully disbursed their commitments for WSDP I' (Page x)
2.	Lack of data on disbursements and	Page (xii) a) Due to unavailability of sufficient data from other players, 516 villages are apparently been suspended from the current database until the	The verification exercise needs to be done very urgently because it could

	expenditures is serious	verification exercise which is expected to be undertaken.	be that funds have been misused.
3.	Contractors are not paid promptly due to various reasons including lack of funds and poor performance	(Page 64) (i) Poor performance by some of contractors and consultants; (ii) ………………….. (iii) Higher project costs due to interest claims, variations, and time extensions.	This creates room for corruption. It is unethical to delay approved payment
4.	Information sharing is not timely.	(Page xi) Submission of internal audit reports from WSDP IAs (LGAs and WSSA) remains a challenge. IAs which submitted internal audit reports to MOWI during the year stood at an average of 40% (for LGAs) and 30% (for WSSA).	Information could be withheld in order to hide mismanagement
5.	Serious management issues	(Page 70) a) Despite the mentioned efforts, DAWASA is faced with problem of non revenue water which is currently recorded at 53% against the internationally recommended target value of 20%. Studies and remedial actions are taken to reduce physical and commercial losses.(Page xiv); b) .... inadequate flow of funds to the implementing agencies. Therefore it required careful prioritization and sequencing of projects activities. During the course of implementation of the Program, low understanding of the role of WRM; destruction of water sources; changing contamination patterns, lack of water quality database; sustainability of water schemes; poor performance of contractors; shortage of skilled staff in the implementing agencies have been noted as key issues. (Page xv); c) ... achievement has been minimal due to various reasons including the	This means cost of water in Dar Es Salaam could be reduced by almost 30%. Experience shows DAWASCO response to water leakage reports is very poor. Customers end up bearing the cost of these losses.

		dilapidated infrastructure, inability to read all customer meters, defective and old customer meters and limited investment in implementation of NRW reduction strategy. (Page 59) d) Inadequate skills in procurement procedures:	
6.	Non-adherence to Public Procurement Act	(Page 65) a) Delayed payment of raised certificate due to lack of fund and delayed disbursement. (Page 49). b) ...., service providers abandoned water supply projects sites and during the period were struggling to mobilize and start construction after improvement of flow of funds starting from February 2016.	i) Should not procure without confirmed and available funding; ii) Leads to cost and time overruns and corruption.
7.	Poor contract Management	c) MoWI to improve procurement process in WSDP-II (e.g. PMSC, relevant experts in evaluations), better planning and stronger contract management (e.g. resolute application of penalties according to the conditions of contracts and timely termination of contracts), due diligence in verifying contractors capacity and experience and also award the best bid.	iii) There is urgent need to build capacity of public servants in the water sector, Contractors and Consultants.
8.	Incorrect data	(Page 60) Currently, 4,260,820 people have access to water supply through 375,757 domestic connections and 2,013 kiosks in the 23 regional towns equivalent to 86% of urban population served with clean and safe water.	Tanzania urban population is > 16 mi. The percentage should be less than 25%. Leads to poor planning, poor allocation of resources and misleading reporting
9.	Political interference	Increase of number of projects other than those planned due to natural calamities such as heavy rains, disasters, cholera issues and many promises by the high level leaders resulted in additional new projects in areas where they visited. This has increased number of projects. (Page 49)	There is need to stick to plans and avoid political interference
10.	Inadequate pre-project appraisals	(Page 74) (i) In Some of the implementing agencies safeguard coordinator were not yet appointed. This scenerion slows down the pace on follow up	Lack of or inadequate feasibilities and appraisals lead to poor project implementation and poor

		and coordination of safegaurd issues. (ii) .... Funds for environmental and social safeguards interventions are not clearly indicated to LGAs, RSs, UWSSAs and Basins Water Offices for continuous follow up of safeguards implementation. (i) All Components and implementing agents should allocate budget for conducting ESIA/RAP or Audit assessment before commencement of actual infrustructure construction. (iii) It has been notified contrywide through the VPO office, that all institution should comply with Environmental Management Act (EMA (2004)) and safeguard policies at an early stage of project preparation.	consideration of mitigations.
11.	Other operational issues	(Page 70) (i) *Delayed Procurement authorisation:* Some procurement processing, especially those requiring prior review, take long time to complete due to many stages that require no objection from the development partners and government. For example, procurement of consultant services under QCBS requires six stages of obtaining no objection. Each stage may take 21 days to be completed thus four months are spent to obtain external approvals only.	But there is also a problem with lack of fund management capacity in which case the number of no-objections may be justified.