

Annex D

VALUE FOR MONEY IN CIWA PROGRAM DESIGN AND IMPLEMENTATION

1. Summary Value for Money Statement

The CIWA program design and delivery prominently incorporates Value for Money (VfM) principles.¹ Guided by its cost saving measures in program management and administration as well as project preparation and supervision, CIWA operates within its economy targets. CIWA has not only successfully kept costs down, it has maintained a high quality in its interventions and met the program level objective targets and has exceeded the majority of its intermediate results targets, thereby achieving a good return on the financial support provided by development partners.

CIWA's positioning within the World Bank has been crucial to achieving economy and to leveraging technical and financial support in a way that has a multiplier effect on efficiency and effectiveness. This has been accomplished in the following ways:

- By tapping into the World Bank's experience and expertise in managing trust funds, thereby streamlining administration costs
- By leveraging strong global technical expertise of Bank staff across a wide range of relevant sectors such as water, agriculture, energy, environment, governance, and poverty, as well as cross-cutting development challenges including climate change, fragility and conflict, gender, and public-private partnerships
- By drawing on the Bank's longstanding experience in international water cooperation through other programs such as the NBTF, SAWI, WPP, among others
- By tapping into the Bank's deep partnerships with global collaborators to leverage regional experience and networks
- By leveraging additional sources of financing, such as from the GEF, for CIWA-supported projects
- By leveraging multiple sources of follow-up financing such as IDA, AfDB, and other investors for projects where CIWA supports bankable project preparation.

¹ CIWA evaluates its Value for Money (VfM) using DFID's 3Es Framework, defined in *"DFID's Approach to Value for Money," July 2011* as:

- Economy – Are we or our agents buying inputs of the appropriate quality at the right price? Inputs are things such as staff, consultants, raw materials, and capital that are used to produce outputs.
- Efficiency – How well do we or our agents convert inputs into outputs? Outputs are results delivered by us or our agents. We or our agents exercise significant control over the quality and quantity of outputs.
- Effectiveness – How well are the outputs from an intervention achieving the desired outcome? Note that in contrast to outputs, we or our agents do not exercise direct control over outcomes.

2. What measures can be used to assess Value for Money for CIWA?

The following measures can be used to assess CIWA's economy, efficiency, and effectiveness, which together characterize the program's VfM:

Economy

Standard Bank Administrative Fee. Set at 2% of received contributions,² this fee covers a range of general services provided by the World Bank's Central Units – treasury, accounting, disbursements, preparation of un-audited financial statements, annual audits, supervision of external audits, donor relations including negotiating framework agreements, and so forth.³ By covering these essential services with one standard fee, CIWA limits transaction costs and ensures that an enabling environment is provided for the managing and disbursing units to properly perform their responsibilities for the program.

Program Management and Administration. Capped at 6% of contributions to the fund, this fee covers all management and administration responsibilities of the PMU including development and implementation of program-specific management tools, procedures, and systems; negotiating the replenishment and expansion of existing programs; soliciting and evaluating activity proposals and allocating programmatic funds to implementing units; work program planning; program level resource planning; budget planning and management; program monitoring and evaluation; program communications and outreach; donor visibility, donor coordination, and donor meetings; and results reporting for the program.

Enhanced Preparation and Supervision. To ensure high quality program delivery, World Bank policies require ensuring that implementation of trust fund activities complies with applicable Bank policies and procedures⁴ and that all recipient-executed activities are adequately supervised and implemented in line with the terms and conditions of the Administration and Grant Agreements as well with Bank supervision standards and procedures. Estimated at 6% of contributions to the fund, this fee covers the cost of identifying and scoping possible projects, supporting preparation and undertaking supervision. As specified in the Administration Agreement, the Bank will seek the CIWA Advisory Committee's prior approval in case enhanced supervision costs of CIWA activities increase beyond the amount noted in the administration agreement, and these costs increase as a result beyond 6%.

CIWA has established certain norms to maintain Enhanced Supervision costs under 6% of contributions to the fund – one-time identification and preparation cost of US\$150,000 per project; and implementation supervision cost of US\$100,000 per year for three years over the duration of a project. The CIWA norm for enhanced supervision costs are lower than standard IDA operation costs. World Bank Africa Region data shows that the average cost to prepare an investment project

² A standard fee is applied to all contributions to World Bank trust funds based on the characteristic of the trust fund.

³ A complete list of general services covered by the Standard Bank Administrative Fee can be found in Appendix 3 (3.1) of the Administration Agreement

⁴ World Bank CFPTO Trust Fund Handbook (revised July 8, 2010)

is around US\$350,000 and the annual cost for supervision of a project around US\$150,000. Costs for preparation and supervision of regional projects under IDA are normally expected to be higher due to additional complexity. CIWA achieves lower costs by basing budgets for projects on a careful assessment of estimated costs as well as through effective procurement processes, cost-sharing and greater travel efficiencies, using video connection for meetings where possible, convening different CIWA meetings back-to-back where feasible and linking to other water sector-related meetings to take advantage of synergies.

Leverage Ratio. CIWA improves its economy by leveraging additional sources of funding where available and appropriate to projects, thereby reducing its unit cost of inputs in relation to the overall sum of outputs it mobilizes. CIWA uses the following metric as an indicator of increased economy due to leveraging of funds from additional sources:

$$\text{Leverage ratio} = \frac{\sum \text{Funds leveraged from additional sources for CIWA projects}}{\sum \text{CIWA contributions to cofinanced projects}}$$

In terms of leveraging additional funds to improve the economy of CIWA-supported projects (by expanding overall output and thus reducing per unit cost of CIWA inputs), CIWA co-financed the NCORE project in partnership with the NBTF, and two projects – SADC Groundwater Management and Volta River Basin Strategic Action Programme Implementation – in partnership with the GEF.

Following is CIWA's leverage ratio at close of FY16, which illustrates CIWA's economy in relation to CIWA contributions.

Project	CIWA Contribution (million US\$)	Co-financier	Partner Contribution (million US\$)
Nile Cooperation for Results Project	23.5	NBTF	16.5
Southern Africa Development Community Engagement	2.0	GEF	8.2
Volta River Basin Institutional Development and Strategic Action Programme Implementation Project	3.5	GEF	7.2
CIWA contribution	29.0	Leveraged funds	31.9

Leverage ratio = 1.1 , i.e., on average, for every dollar that CIWA contributed to co-financed projects, CIWA was able to leverage additional funding sources to provide input of 1.1 dollars to its projects.

Efficiency

Intermediate Results Areas Indicators. CIWA focuses its project-level work in four intermediate results areas. Progress in these areas is measured using their corresponding indicators, as listed in

the CIWA Results Framework in Appendix A. CIWA uses these indicators to measure its efficiency, i.e. its ability to achieve intended outputs towards its development objective. These indicators reflect the short and medium-term benefits generated by CIWA support. In FY18, CIWA partially met its target in one project development indicator and one of the four intermediate results areas. CIWA fully met its targets in all other project development indicators and intermediate result areas. More detail on results reporting can be found in Section 2 of this report.

The indicators found in CIWA's Results Framework, however, do not fully capture secondary and tertiary benefits of CIWA support. A transboundary institution strengthened by CIWA, for example, is able to facilitate a series of subsequent regional cooperation actions. A vast number of people receive various levels of benefits as a result of each cooperative action facilitated by the strengthened transboundary institution. These outputs are counted and reported on at the basin and project level but are too broad and distinct to aggregate at the program level, given the nature of issues supported and the timeframe it takes for such benefits to manifest. In the long run therefore, CIWA's actual efficiency is greater than that quantified through the indicators in its Results Framework.

Effectiveness

PDO-level Indicators. CIWA measures its effectiveness, i.e. its ability to achieve its intended program development outcomes, through its two PDO-level indicators listed in the CIWA Results Framework in Appendix A further reporting on results is included in Section 2 of this report. These indicators reflect the long-term benefits generated through CIWA support.

CIWA partially met its effectiveness targets in FY18. In FY18, the total investment value influenced by CIWA (mobilized and potential) was US\$16.9 billion. This comprises of US\$10.6 billion in potential investments influenced and US\$6.3909 billion in mobilized investments influenced, and surpasses CIWA's FY18 target of potentially mobilizing US\$9 billion. CIWA partially met its target of 30 million potential direct beneficiaries for the same reporting period, by potentially benefitting an estimated 16.85 million direct beneficiaries through potential and mobilized investments influenced by CIWA.

Investment Influenced Ratio & Potential Beneficiaries Ratio. CIWA further uses the following two metrics to measure its effectiveness in using its available resources to achieve development outcomes:

$$\text{Investment influenced ratio} = \frac{\sum \text{Value of investment influenced}}{\sum \text{Value of overall program in operation}}$$

$$\text{Potential beneficiaries ratio} = \frac{\sum \text{Potential direct beneficiaries from investments influenced}}{\sum \text{Value of overall program in operation}}$$

These metrics are based on CIWA's program development objective indicators and the size of the program in operation, or the total allocated amount of the overall program envelope.⁵

Investment influenced ratio = 182, i.e., on average, for every dollar contributed by CIWA, the program influenced 182 dollars of investments that promote cooperative sustainable, climate-resilient growth.

Potential beneficiaries ratio = 0.18 beneficiaries/US\$ contributed, i.e. on average, for every 5.5 dollars contributed by CIWA, 1 person benefits as a result of influenced investments.

3. Commercial Improvement and Value for Money

CIWA maintains economy in its procurement, minimizing costs and ensuring high quality, by requiring that all recipient-executed activities finance goods, works, and services in accordance with the Bank's guidelines on "Procurement under IBRD Loans and IDA Credits" and the Bank's guidelines on the "Selection and Employment of Consultants by World Bank Borrowers," jointly referred to as the "Procurement and Consultant Guidelines."⁶ Similarly, for all Bank-executed CIWA activities, the Bank is responsible and carries out procurement of goods as well as employment and supervision of consultants in accordance with applicable policies and procedures. Among other things, the guidelines provide specific instructions for use of Bank documents (standard bidding documents, requests for proposals, contract forms); conflict of interest; advance contracting; co-financing; mis-procurement; and fraud and corruption.

4. Role of Development Partners

At the end of FY18, CIWA was a program of US\$92.7 million co-funded by the UK, Denmark, Norway, the Netherlands, Sweden, and the European Commission. In light of increasing client demand for CIWA support at a time when 88 percent of the program's current funding envelope is allocated,

⁵ Note that the accounting for these two indicators has changed from the past years', the difference being that this year the denominator considers the value of overall program in operation (amount allocated out of the overall program envelope) instead of only the funding in operation in the CIWA-supported projects that influenced the particular investments and beneficiaries. Using program-level values in calculating these indicators provides an improved picture of program-level efficiency.

⁶ OP 11.00 in the World Bank Operational Manual, available at <http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTPOLICIES/EXTOPMANUAL/0,,contentMDK:20064773~menuPK:4564185~pagePK:64709096~piPK:64709108~theSitePK:502184,00.html>

CIWA has accelerated its fundraising efforts and has advanced conversations with development partners who are considering both first-time and secondary phases of support to the MDTF.

5. Does the CIWA program still represent Value for Money?

Yes. There have been no significant changes in the approach and model of implementation set out in the program's business case and, coupled with the positive results in FY18 – CIWA partially met its intended PDO targets, and numerous CIWA influenced investments successfully mobilized financing; maintained Program Management & Administration Costs and Enhanced Supervision Costs under 6%; performed well in all three economy and effectiveness metrics in FY18. The CIWA program therefore demonstrated its commitment to the principles of economy, efficiency, and effectiveness and therefore strongly represents value for money.