

## 1. EXECUTIVE SUMMARY

Between 2002 and 2005, Aguabrava benefited from an agreement between the Cape Verde government and the German government to fund a programme of works and technical assistance worth a total of 9.7 million EUR. Following a disagreement between the parties, due to a failure of the local authorities to meet commitments, Luxembourg development cooperation picked up the baton so that Aguabrava would not lose the benefits of what had been put in place through the KFW and GTZ funding and would be able to consolidate the project in a sustainable way: this is the main purpose of Project CVE/070.

Therefore, the main objectives of the project can be summarised thus:

- To supply Aguabrava with technical assistance which will enable it to provide a continuous improvement in its performance, both from an economic and financial viewpoint and from a service quality viewpoint;
- To make the necessary investments to extend its scope of service and reduce its physical losses in such a way that it can optimise its operating costs and use the water resources it has available rationally;
- To provide a technically and socially viable solution for the development of individual sanitation and as a consequence improve the sanitation conditions of the local population.

This is a report of the intermediate evaluation mission of Project CVE/070 carried out by Jean-Charles Belley and Jose Henrique Veracruz from 10 to 18 November 2009 on behalf of Lux-Development. This mission's purpose was to review the following aspects:

- The development of Aguabrava's management capacities towards rigorous, sustainable operations;
- The improvement of technical and commercial management performance and also, from the customer viewpoint, of the service quality provided;
- The impact of the institutional environment on the project and especially its sustainability;
- The relevance and effectiveness of the approach adopted for sanitation.

At the half-way point, the project shows an overall progress level of 26.3% when compared to the updated budget of the project document. This is lower than the forecasts, but this delay is essentially contained within the works and equipment supplies part of the project.

The progress and results obtained in terms of technical assistance (Result 1 – "Aguabrava is an organised company, with trained staff, and has reliable technical, commercial and financial management indicators") are concrete and tangible: Aguabrava now has modern management tools, a new, more operational organisation (with the creation of a Commercial Department), trained staff and the first dashboards enabling the management of the company to start visualising its progress and its results via indicators adapted to its management control needs. The second part of the project will enable the reliability of all the company's information to be worked on, especially the monitoring, interpretation and operational decision-making methods derived from the various indicators put in place.

Marketing has been very effective: the number of new customers is growing greatly (+7% between September 2008 and 2009, with a current rate of coverage by the network estimated at 65% as against 49% in 2007), commercial management procedures have clearly been improved and made more flexible, in particular through the use of HIDROS software, which now provides the company with reliable commercial data that is user-friendly for critical and statistical analysis, enables it to improve its customer management and to manage the company's cash flow effectively.

Aguabrava has already shown signs of improving its economic and financial results but, as long as the problem associated with the operational losses of the water supply to agriculturalists continues, Aguabrava will not be able to balance its accounts and have financial independence to cover the costs of maintaining and renewing its infrastructure. An important point is the approval of the

company's new articles of association, which is still awaiting the decision of the municipalities and is an important condition for sustainability.

With regard to Result 2 ("Aguabrava possesses and manages infrastructure that guarantees water supply consistent with its financial, technical and commercial capacities"), progress has been slower, due in particular to difficulties encountered in acquiring and importing equipment and the delay in the process of selecting the consultancy firm commissioned to do the engineering studies of the works to be carried out. However, from 2010 onwards, Aguabrava will have a system of automation and control of its production, storage and macro-accounting structures at the entry point of most of its distribution networks: this equipment will enable improved knowledge of the network's functioning and thus guide the action plans intended to reduce physical losses and improve the continuity of the service. The organisation of the work programme to be implemented between 2010 and 2011, will have to be reviewed and optimised, since the selection of the consultant in charge of engineering was not made, following Lux-Development head office's decision on 7 December 2009 to cancel the international tender launched last August. It is therefore necessary to put in place new provisions such that at least part of the accumulated delay (minimum of 6 months on the forecast plan) can be made up.

Result 3 ("Municipalities have assessed the sanitation on the islands of Fogo and Brava and have a strategic development plan for the sector") has progressed in the sense that the evaluation of the current situation has been made and a first pilot installation has been constructed in Chã das Caldeiras, but it is now necessary to launch a genuine movement within the local population to "sell" the concept of individual sanitation in a country where 80% of the population does not yet have toilets (neither public ones nor private ones). The project will have the support of a Peace Corps volunteer based in Chã das Caldeiras, to put in place an awareness-raising programme from the beginning of 2010.

Refurbishing the Brava windmill, the Result 4 objective, is an important part of enabling a drastic reduction in the Brava system's operating costs. Progress has been slow, due to the lack of response from Electra, the state-run firm operating the national electricity network. However, the evaluation has been carried out and the conclusion is that there is an acknowledged reduction in the investment required, which fully justifies the decision and should enable the project to be more profitable than initially forecast.

At the half-way point, we can therefore conclude that the overall objective (to contribute to improving sanitation conditions and living conditions on the islands of Brava and Fogo) should be achieved at the end of the project, given that some acknowledged concrete benefits have already been observed. With regard to the specific objective (to improve and guarantee, with appropriate sanitation precautions, a supply of drinking water to the populations of the islands of Fogo and Brava), a number of recommendations are proposed so that during the second part of the project it will enable Aguabrava to be in the best possible situation to ensure the sustainability of these benefits:

- To incorporate its fixed assets in its accounting system, together with the necessary provisions to ensure their maintenance and renewal;
- To draw up a medium-term plan which will constitute the road map for the company for the next 5 years;
- To create a department for planning, studies and works to develop and monitor future expansion programmes, the loss reduction plan and studies for the optimisation of operating costs;
- To analyse possible technical and financial systems to be designed to eliminate the deficit caused by sales of water to irrigators (in some cases, separating the systems, in others, negotiation of subsidies paid to Aguabrava).