

**Management Response on the
Project Performance Audit Report on the
Water Supply and Sanitation Rehabilitation Projects
Phase I and Phase II in Timor-Leste
(Grants 8185/8189-TIM[TF])**

On 2 February 2005, the Director General, Operations Evaluation Department, received the following response from the Management.

Management found the report well prepared and useful in highlighting key issues and lessons learned from the Water Supply and Sanitation (WSS) Rehabilitation Projects, Phases I and II.

The PPAR found weaknesses in the community management model used in rural areas and villages. We agree that relying on community management of piped water supply systems carries high sustainability risks, particularly where (i) there are few resources and little time for community “preparation”, (ii) government and non-government institutions are unable to back-up community management groups, and (iii) post-conflict conditions have disturbed and weakened community cohesion and institutions. It is also evident that social relations in rural Timor-Leste are more household and kin-based than community-based *per se*. These realities mean that (i) simple and traditional WSS technologies based on households and clusters will frequently be more appropriate than piped systems even though planned benefits such as quantity of water and time savings may be less, and (ii) bilateral donors with sufficient grant funds for mainstreaming community “preparation” have an advantage in supporting community-based rural WSS. The Australian Agency for International Development (AusAID) is leading rural WSS in Timor-Leste.

The PPAR found that the projects achieved little in sanitation—in fact, may have worsened local environmental sanitation because of poor drainage from public standpipes and washing areas. Global experience shows that the demand characteristics of sanitation and hygiene are different from those of water supply and that it does not necessarily work just to include a sanitation component in a water supply project. But two things are clear: (i) the local environmental sanitation impacts of water supply must be adequately mitigated in the design and implementation of a water supply project, that is, through the provision of adequate drainage and disposal from public water points; and (ii) stand-alone sanitation and hygiene interventions should parallel water supply projects in order to fully capture the health benefits of improving access to clean water supplies. We agree with the PPAR “Future Directions” recommendation to focus on supporting urban WSS and capacity building. ADB does not have a comparative advantage in supporting rural WSS in Timor-Leste, whereas bilateral donors do have and AusAID is already taking the lead. Strong urban WSS agency would eventually be able to expand services to districts and sub-district towns and could support community management groups. The PPAR recommendation is consistent with PARD’s early programming discussions with the Government for the new ADF development grants. ADB investments in urban WSS would be conditional upon the Government’s performance and commitment to key sector reforms on governance and tariffs, and would entail capacity building commensurate with capital investments and agreed performance benchmarks.

Regarding the PPAR recommendation to establish a short-term fund to contract national NGOs to support existing community-managed systems, this needs to be put to the Government and AusAID as an option to be considered. Likewise, ADB could recommend the preparation of a national strategy to improve rural sanitation. Meanwhile, ADB could focus on urban WSS in Timor-Leste should this be agreed by ADB and the Government. We support the recommendation to help the Government catalogue and post on a WSS website relevant reports, plans and other information produced by the projects.