

TECHNICAL ASSISTANCE COMPLETION REPORT¹

Division: SAUD

TA No.: Country and Name			Amount Approved: \$720,000	
TA 4776-NEP: Enabling the Private Sector to Undertake Poverty-Focused Water Distribution and Strengthening of Institutional Reforms in Kathmandu Valley			Revised Amount: \$720,000	
Executing Agency: Ministry of Physical Planning and Works (MPPW)	Source of Funding: Technical Assistance Special Fund (TASF); Poverty Reduction Cooperation Fund	Amount Undisbursed: \$48,836.28	Amount Utilized: \$671,163.72	
TA Approval Date: 28 Mar 2006	TA Signing Date: 31 Mar 2006	Fielding of First Consultant: 15 Jun 2006	TA Completion Date Original: 31 Aug 2007	Actual: 30 Jun 2008
			Account Closing Date Original: 31 Aug 2007	Actual: 31 Dec 2008
<p>Description. Kathmandu Valley has suffered chronic drinking water shortage problem. Consumer surveys in Kathmandu indicated that about 29 percent of households are not connected to the piped water supply network; of these 60 percent are poor. Unconnected households should rely on traditional stone-spouts, public tapstands, shallow wells, or private water tanker services. Considerable time is spent queuing at water sources and carrying water home, especially by women and children. To improve the present conditions of water supply and wastewater services in Kathmandu Valley, the Government of Nepal (Government), with the assistance of several development partners, has embarked on a two-pronged improvement strategy that includes capital investments for infrastructure development, i.e, supply augmentation and distribution system improvement, and institutional reforms. In order to assist the Government in this endeavor, the Asian Development Bank (ADB) has provided three loans covering both infrastructure investment and institutional reforms, namely Loan 1820-NEP: Melamchi Water Supply Project (MWSP)² and Loans 2058/2059-NEP: Kathmandu Valley Water Services Sector Development Program (SDP).³ The TA was designed to support ADB loans-assisted institutional reforms to materialize by providing assistance in establishing and strengthening the 3 new institutions⁴ and by assisting a new operator in performing its pro-poor water services.</p> <p>Expected Impact, Outcome and Outputs. The desired impact of the TA was to achieve water-related Millennium Development Goals for the poor in Kathmandu Valley. The desired outcome was improved access to decent and affordable water services for the poor in Kathmandu Valley in a financially sustainable and equitable manner. The TA had two components. The desired outputs under the component 1 were: (i) community participation strategy (CPS); (ii) piloting community tapstand program in selected low-income communities; (iii) manuals on pro-poor advisory services for the low-income consumer support unit (LICSU) and operation strategy for KUKL; (iv) a program for monitoring and evaluation; and (v) enhanced capacity of LICSU to sustain its pro-poor service management. The desired output under the component 2 focused was smooth transition and start-up, and operationalization of the 3 new entities established under the SDP.</p> <p>Delivery of Inputs and Conduct of Activities. The TA activities were carried out by a team of individual consultants (the team) and a national non-government organization (NGO) in close coordination with KVWSMB, WSTFC, KUKL, the Melamchi Water Supply Development Board (MWSDB) and the implementing agencies, the Kathmandu Valley Water Supply Management Support Committee (KVWSMSC), prior to the establishment of KUKL, and later under LICSU of KUKL after its establishment in February 2008. The implementing agencies provided close support and guidance to the team and the NGO by conducting monthly coordination meetings. Key officials were consulted and briefed regularly about the TA activities.</p> <p>The objectives and terms of reference of all the individual consultants were adequate and relevant. Extensive stakeholder consultations, field visits, and focus group discussions and community awareness activities were</p>				

¹ In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

² ADB. 2000. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Kingdom of Nepal for the Melamchi Water Supply Project*. Manila (Loan 1820-NEP, for \$120 million, approved on 28 November 2000). Major change in scope and implementation arrangements to the project mainly to (i) split the project into two subprojects, (ii) re-allocate the cost reflecting funding gap, and (iii) extension of loan closing date to 2013, was approved on 7 February 2008.

³ ADB. 2003. *Report and Recommendation of the President to the Board of Directors on Proposed Loan to the Kingdom of Nepal for the Kathmandu Valley Water Services Sector Development Program*. Manila (Loans 2058/2059-NEP, for \$5 million and \$10 million, respectively, approved on 18 December 2003). Major change in scope and implementation arrangements to the project, mainly to change the modality of management support to KUKL, was approved on 7 February 2008.

⁴ They are: (i) a public entity called Kathmandu Valley Water Supply Management Board (KVWSMB), asset owner; (ii) a water operator named the Kathmandu Upatyaka Khanepani Limited (KUKL), established as a limited liability company with a majority of public shareholders and will operate; and (iii) the Water Supply tariff Fixation Commission (WSTFC), sector regulator.

conducted by the team with beneficiary communities. Various local NGOs and international agencies operating in Nepal were also consulted during various phases of the TA. An advance payment facility (APF) was introduced to facilitate payment for the activities under the TA.

A minor change in TA scope and implementation arrangement was made to align the TA implementation with the pace of ADB loan-supported institutional reforms. The assumption of having a new water operator functional at the early stage of TA implementation and improved piped water supply by such new operator was not possible due to the delay in implementation of ADB loans and associated institutional reforms. The change was approved to (i) reduce the number of tapstands to be rehabilitated and constructed from 300 to 100; and (ii) procure at least three water tankers to provide water to the completed tapstands at times of piped water scarcity.

TA review mission was regularly conducted where TA activities were reviewed and monitored by ADB along with the executing and implementing agencies. The performance of the consultants is found to be satisfactory both by ADB and the executing agency.

Evaluation of Outputs and Achievement of Outcome: Despite the delay in the implementation of the tapstand program and in the institutional reform process including the establishment of KUKL, and subsequent extension of TA completion date by 10 months, the TA met its outcome of improving access to decent and affordable water services for the poor in Kathmandu Valley. The following outputs have been delivered in line with the rescheduled timeline following extension of TA completion date:

- (i) A community participation strategy (CPS) that outlines the roles and responsibilities of all stakeholders and step-by-step approach to engage the beneficiary communities.
- (ii) 73 tapstands rehabilitated; 19 new construction; and 9 storage tanks were handed over to 29 squatter communities, 49 slum areas, 18 poor rental areas and 3 religious sites. Three water tankers procured for LICSU whose service is ongoing after the TA closing. About 15,300 (2,523 households) benefited from the TA.
- (iii) Pro-poor Advisory Services: LICSU plan covering the strategy, policy and procedure of its operations prepared, approved by KUKL Board and KVWSB. The contractual agreements between the water user group communities and the service provider were developed and implemented.
- (iv) Monitoring and Evaluation of the community tapstand program, tanker services and pro-poor advisory services were carried out according to the CPS. A financially and institutionally sustainable long-term pro-poor service delivery and operational strategy for LICSU and KUKL were developed considering the experience and lessons learned from the implementation of the pilot community tapstand program.
- (v) Various workshops and training programs were organized to strengthen the capacity of LICSU, i.e. pro-poor and gender sensitization, geographic information system (GIS) training, compilation of a GIS database consisting of base maps, locations of low income consumers, KUKL distribution network, and basic computer training.
- (vi) The LICSU was established within the new water utility, KUKL. LICSU plan covered operational strategy, pro-poor activities, and customer service rules.

Overall Assessment and Rating. Based on the evaluation of outputs and outcomes, and feedback from the executing agency, the TA is considered successful. Except for the delay in implementation during the initial period of the TA, which was inevitable due to the delay in implementation of associated loans attributing largely to the political instability that disabled the institutional reforms to be completed in time, the TA implementation is considered satisfactory. The APF contributed significantly in reducing administrative cost in implementing tapstands program.

Major Lessons. The key lessons are:

1. TA implementation: there was a substantial delay at the beginning due to the delay in implementation of associated projects. It was only after the approval of minor change in scope when the TA was triggered to gain momentum in its various activities ranging from community mobilization to construction works for community tap stands. Changes in the external project environment were addressed by way of change in scope to the TA.
2. Community participation: it was observed that the target communities which were reserved to participate in the program at the early stage became very active once they saw actual benefits through exchange visits. Exchange visits are good tool in disseminating the results and in arousing the other communities' motivation in joining the activities.

Recommendations and Follow-Up Actions

1. In order to make the TA implementation resilient to changing external environment (as it's the normal case in developing countries), the TA should be allowed to be flexible in accommodating changes during implementation.
2. The TA assisted the new water utility in Kathmandu Valley in structuring the framework of its water supply service to low income consumers. This specialized service targeting poor group could be further boosted by continuous training of relevant staff and various community involvement activities, which ADB and other donors are suggested to look into when programming their assistance.

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