



Technical Assistance Report

Project Number: 38088
March 2006

Kingdom of Nepal: Enabling the Private Sector to Undertake Poverty-Focused Water Distribution and Strengthening of Institutional Reforms in Kathmandu Valley

(Cofinanced by the Poverty Reduction Cooperation Fund)

CURRENCY EQUIVALENTS

(as of 25 January 2006)

Currency Unit	–	Nepalese rupee/s (NRe/NRs)
NRe1.00	=	\$0.0140
\$1.00	=	NRs71.25

ABBREVIATIONS

ADB	–	Asian Development Bank
CBO	–	community-based organization
CPS	–	community participation strategy
KVWSMB	–	Kathmandu Valley Water Supply Management Board
KVWSMSC	–	Kathmandu Valley Water Supply Management Support Committee
KVWSSDP	–	Kathmandu Valley Water Services Sector Development Program
LICSU	–	Low-Income Consumer Support Unit
MC	–	management contractor
MPPW	–	Ministry of Physical Planning and Works
MWSDB	–	Melamchi Water Supply Development Board
MWSP	–	Melamchi Water Supply Project
NGO	–	nongovernment organization
NWSC	–	Nepal Water Supply Corporation
TA	–	technical assistance
WBMU	–	Water Board Monitoring Unit
WSTFC	–	Water Supply Tariff Fixation Commission
WUO	–	water utility operator

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	Targeted intervention
Sector	–	Water supply, sanitation, and waste management
Subsector	–	Water supply and sanitation
Themes	–	Sustainable economic growth, governance, and private sector development
Subthemes	–	Promoting economic efficiency and enabling markets, civil society participation, and public-private partnerships

NOTE

In this report, "\$" refers to US dollars.

Vice President	L. Jin, Operations Group 1
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I. INTRODUCTION

1. The Government of Nepal (the Government) decided in 2003 to initiate comprehensive reforms in the water supply and wastewater services sector in Kathmandu Valley, including institutional and tariff reforms. The reforms are supported and financed under the Asian Development Bank's (ADB's) Kathmandu Valley Water Services Sector Development Program (KVVSSDP) loan package,¹ under the overall framework of the Melamchi Water Supply Project (MWSP)² umbrella project. While the existing public urban water supply utility, the Nepal Water Supply Corporation (NWSC), continues to operate in its current form outside Kathmandu Valley, its Kathmandu Valley operations have been split into: (i) a public entity called Kathmandu Valley Water Supply Management Board (KVWSMB); (ii) the water utility operator (WUO), which will be established as a limited liability company with a majority of public shareholders; and (iii) the Water Supply Tariff Fixation Commission (WSTFC), which will regulate the sector. KVWSMB will hold assets, determine policies, and award and monitor licenses and contracts for water supply and wastewater services in Kathmandu Valley. The WUO will operate and manage the water supply and wastewater services. A competitively selected management contractor (MC) will manage the WUO under the private sector participation scheme, using a performance-based management contract.

2. The Government requested in 2004 additional technical assistance (TA) from ADB for (i) enabling and ensuring poverty-focused water distribution to be undertaken by the WUO in cooperation with the beneficiary communities under the new institutional framework, and (ii) strengthening the newly implemented institutional reforms. An ADB fact-finding mission visited Nepal from 21 to 26 July 2004. Meetings were held with concerned officials of the Ministry of Physical Planning and Works (MPPW); Melamchi Water Supply Development Board (MWSDB); Kathmandu Valley Water Supply Management Support Committee (KVWSMSC); and representatives of the NGO Forum for Water Supply and Sanitation, an open forum of nongovernment organizations (NGOs) involved in water services in Kathmandu Valley. A consensus was reached in principle among all parties involved on the goals, purpose, scope, implementation arrangements, costs, financing arrangements, and terms of reference for the TA.³ The TA framework is in Appendix 1, and the concept was reviewed and approved by ADB Management on 21 September 2004.

II. ISSUES

3. The absence of a clearly defined policy for urban water supply and wastewater services has handicapped sector progress in Nepal, resulting in the chronic drinking water shortage problem in Kathmandu Valley. To address the problems, comprehensive institutional reforms—in particular the introduction of the private sector participation modality—are under way, together with capital investments for developing sufficient source water capacity through a river water diversion scheme from Melamchi Valley to Kathmandu Valley.

4. Consumer surveys in Kathmandu Valley indicate that an estimated 29% of households are not connected to the piped water supply network; of these, 60% are poor.⁴ However, because of lack of accurate data, despite recent identification and mapping of the location of poor people in the valley, it is difficult to obtain a definitive estimate of the unconnected poor population, which has to rely on traditional stone-spouts,⁵ tapstands,⁶ shallow wells, or informal connections. Such alternative supplies are usually grossly inadequate even for basic hygienic needs; they are unreliable, poor

¹ ADB. 2003. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Kingdom of Nepal for the Kathmandu Valley Water Services Sector Development Program*. Manila.

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.

³ The TA first appeared in the *ADB Business Opportunities* on 25 June 2004.

⁴ Measured as earning less than the official poverty line of NRs6,100 or about \$85 per person per year.

⁵ Ornamented stone-spouts, which can be found functioning in many public squares, served people's water demands before modern water supply systems were introduced to Kathmandu Valley. Many stone-spouts are being used even now.

⁶ Public water tapstands are commonly used in many developing countries as an interim measure before universal house connection is achieved, in particular in low-income neighborhoods.

quality, expensive, or combination of those. Considerable time is spent queuing at water sources and carrying water home, especially by women and children. Currently, it is estimated that there are at least 1,500 existing tapstands in Kathmandu Valley, although there is no precise record of the number, or evaluation of the levels of service they provide. Many existing tapstands are in areas where they are underused, while there is a great need for new ones in other areas, particularly near squatter settlements.

5. An approach to promote affordable service delivery for the poor was developed through a long process of community consultations initiated when similar reforms were first attempted under World Bank assistance between 1997 and early 2002.⁷ During that period, a comprehensive willingness-to-pay survey for improved water services was carried out in Kathmandu, followed by consultations through focus groups and exchanges with the NGO Forum for Water Supply and Sanitation. The proposed approach has three phases: (i) short term (within 1 or 2 years, starting soon after mobilization of the MC): provide interim services for the poor to relieve the immediate water stress in priority neighborhoods using rehabilitated or new tapstands served by the piped water supply network or tankers; (ii) medium term (up to 10 years): carry out network densification and add new connections in priority neighborhoods. In some of these neighborhoods, the establishment of other service modalities (e.g., small informal networks) may emerge to facilitate access to the piped water supply network; and (iii) long term (beyond 10 years): the extension and rehabilitation of the piped water supply network would be possible to allow regular connection with full services for all residents of Kathmandu Valley.

6. The TA will help the Government carry out pro-poor service improvement activities under phase 1, design activities towards phase 2, and support the newly established institutional framework in the water sector in Kathmandu Valley. The activities will implement the most cost-effective strategy to improve access to water services for the poor, and assist in facilitating and institutionalizing sustainable management of the services by beneficiary communities and the WUO.

III. THE TECHNICAL ASSISTANCE

7. The TA is an advisory technical assistance to assist the Government in its pro-poor service improvement activities and institutional framework strengthening, but also includes some physical investments in the rehabilitation and construction of tapstands.

A. Impact and Outcome

8. The TA's impact is achievement of the water-related Millennium Development Goals⁸ for the poor in Kathmandu Valley. A significant number of poor residents in Kathmandu Valley will benefit from better and more reliable water services tailored to their needs. The WUO will benefit from enhanced revenues, and a sustainable institution will be set up for water service delivery in poor neighborhoods. The second component of the TA will provide comprehensive support to the Government in start-up assistance to smoothly operationalize the three new entities created under KVVSSDP.

9. Outputs of the TA under component 1 will include the following:

- (i) Community participation strategy (CPS): outlining the roles and responsibilities of all stakeholders in each stage of the pilot program planning, community mobilization, tapstand rehabilitation, and operation and maintenance. Stakeholders include the Low-Income Consumer Support Unit (LICSU)/WUO, community-based organizations (CBOs), NGOs, and beneficiary communities. The CPS will be based on the results of extensive consultations, mapping surveys, and works carried out by consultants and

⁷ World Bank. 1997. National Urban Water Supply & Sanitation Project. World Bank. 2001. Kathmandu Water Supply and Sanitation Project.

⁸ The outcome is: (i) improved access to decent and affordable water services for the poor in Kathmandu Valley in a financially sustainable and equitable manner; (ii) facilitation of community participation; (iii) institutionalization of community-based management of service delivery; and (iv) strengthening of the overall institutional framework. The first component of the TA will develop a community participation strategy, including appropriate operational approaches to ensure the long-term financial and institutional sustainability of service delivery, pilot-test its strategy, and carry out physical rehabilitation and construction of a number of tapstands.

- NGO Forum for Water Supply and Sanitation; and will recommend an appropriate community-based institutional structure for managing service delivery in poor unconnected neighborhoods during the pilot program.
- (ii) Pilot-testing and institutionalization of the community-based management structure for service delivery: public awareness and public relations programs for stakeholders to ensure a smooth handover (from the water utility to the beneficiary communities) and management of service delivery.
 - (iii) Successful implementation of physical investments in the rehabilitation and construction of selected tapstands.
 - (iv) Monitoring and evaluation of the pilot tapstand program.
 - (v) Preparation of a long-term pro-poor service delivery and operational strategy for the WUO, based on the results of the pilot program.
 - (vi) Capacity building to achieve a fully functioning LICSU that will promote a pro-poor corporate culture and commitment within the WUO, to work effectively and efficiently in providing services for poor consumers.

10. Outputs of the TA under component 2 will include smooth transition and start-up, and operationalization of the new entities created under KVVSSDP. It will also include capacity building of existing entities (including NWSC and MWSDB) in their change management, handover of responsibilities (to the new entities) for the infrastructure management and service provision in Kathmandu Valley under MWSP, and initial assistance to the WUO in its transitional period and contract management of the MC.

B. Methodology and Key Activities

11. **Design, Preparation, and Training.** Activities include: (i) identification of the NGO or CBO for activities under the TA; (ii) preparation of the CPS; (iii) training and sensitization of LICSU and WUO staff on pro-poor strategies, methods, and gender issues; (iv) training of participating NGOs or CBOs to be involved in community participation and mobilization activities on pro-poor strategies, gender issues, and community participation; and (v) preparation of training materials and manuals for each subject matter.

12. A detailed CPS will be prepared by the identified NGO/CBO and consultants recruited under the TA, in consultation with all stakeholders, in particular beneficiary communities. The CPS will include a step-by-step approach to engage the beneficiary communities in the pilot program, and will be structured to identify specific actions and activities in the three phases of community participation: (i) planning; (ii) awareness raising, consensus-building, and mobilization; and (iii) formation of management structure (such as water users' committees for service delivery during the pilot program) and implementation of the pilot program. A gender strategy will be prepared within the framework of the CPS to ensure that women benefit from the pilot program. The CPS will also identify strategies for monitoring and evaluation of the pilot tapstand program to develop a long-term operational strategy for the WUO.

13. **Piloting Community Management of Tapstands.** About 300 tapstands will be rehabilitated and 50 new tapstands constructed to extend services to the poor through the procurement of equipment/goods, works, and services. An NGO or CBO and consultants recruited under the TA will assist in mobilizing the beneficiary communities and facilitating the signing of the community tapstand agreement with the WUO. It will be a prerequisite for the rehabilitation/construction of a tapstand that the beneficiary community or local service provider entrusted by the beneficiary community must sign a community tapstand agreement with the WUO, and manage distribution services according to the standards in the license to be granted by WSTFC.⁹

14. **Pro-Poor Advisory Services.** LICSU will provide advisory services on demand to help establish local service providers, either community-based or private. To facilitate and streamline

⁹ About 20% of the capital cost for each new tapstand is expected as users' contribution. Existing tapstands typically serve 10–20 households per tapstand. The bulk water tariff will be about 70% of regular volumetric tariff but a full exemption will be given to the bulk water tariff for tapstand use for the first year and a 50% exemption for the second year.

such advisory services, manuals will be prepared in consultation with all stakeholders. The TA will also assist LICSU in developing pro-poor administration and customer service (including connection) rules for the WUO.

15. **Monitoring, Evaluation, and Scaling-Up.** Monitoring and evaluation of the pilot tapstand program and pro-poor advisory services will be carried out according to the CPS prepared under the TA. Methods will be identified for LICSU/WUO to scale up the tapstand program, and a financially and institutionally sustainable long-term pro-poor service delivery and operational strategy for LICSU and the WUO will be developed in consultation with all stakeholders.

16. **Strengthening of Institutional Reforms in the Water Sector.** Three major ordinances relating to NWSC, KVWSMB, and WSTFC were passed in April 2005.¹⁰ Advisory services will be provided to the newly established entities (KVWSMB, WSTFC, and the WUO, which is currently in the process of being established) in their start-up activities, including the preparation and implementation of secondary legislation such as financial and human resources bylaws. Assistance will be provided to the existing water utility (NWSC) in the implementation of the voluntary retirement scheme and management of organizational change. The WUO will receive assistance in its interim management until the MC is fully functional, and in initial contract management of the MC. NWSC and MWSDB will receive assistance on the handover/splitting of responsibilities for the provision and management of water service infrastructure in Kathmandu Valley under MWSP and KVWSSDP.

17. There are practically no social or environmental concerns related to the TA and many benefits to be gained, particularly for the poor in Kathmandu Valley.

C. Cost and Financing

18. The total cost of the TA is estimated at the equivalent of \$875,000, including foreign exchange costs of about \$110,000 and local currency costs of about \$765,000.¹¹ Local currency costs of the equivalent of \$150,000 will be financed on a grant basis by ADB's TA funding program, and the equivalent of \$460,000 of local currency costs and \$110,000 foreign exchange costs will be financed on a grant basis by the Poverty Reduction Cooperation Fund to be administered by ADB. The Government will finance the remaining local currency costs of the equivalent of \$155,000 by providing counterpart staff, office accommodation, transport, and other miscellaneous expenditures. Details of cost estimates and the financing plan are in Appendix 2.

D. Implementation Arrangements

19. MPPW will act as the Executing Agency and the WUO, which will be managed by the MC, will be the Implementing Agency. LICSU will be the project coordination office, in charge of overall management of the TA. KVWSMSC will act as the interim implementing agency until the MC is mobilized. Recruitment of the MC is currently under way and its mobilization is expected in July 2006. The TA is expected to be implemented over a period of 15 months starting in the first half of 2006—tentatively from May 2006 to August 2007.

20. An individual international consultant (social development specialist, 4 person-months) will be required under component 1, primarily for overall coordination, advisory, and monitoring and evaluation of pro-poor service delivery. Four individual domestic consultants will also be recruited under component 1: team leader (15 person-months), engineer (12 person-months), communication and public relations specialist (5 person-months), and gender specialist (4 person-months). Five individual domestic consultants will be recruited under component 2: a water supply specialist who will act as team leader/coordinator for component 2 (12 person-months), institutional change manager (6 person-months), procurement specialist (12 person-months), financial specialist (6 person-months), and legal specialist (6 person-months). The consultants will be engaged by ADB in

¹⁰ These include the Water Supply Management Board Ordinance 2061, the Drinking Water Tariff Fixation Commission Ordinance 2061 and the Nepal Water Supply Corporation (Third Amendment) Ordinance 2061.

¹¹ The project cost estimates and its presentation in the TA Paper were negotiated and finally agreed at in the TA Memorandum of Understanding with the Government prior to the issuance of the staff instructions on 'Cost Sharing and Eligibility of Expenditures for Asian Development Bank Financing'. Therefore, TA paper distinguishes between foreign and local cost.

accordance with its *Guidelines on the Use of Consultants and its Borrowers* and other arrangements satisfactory to ADB for the engagement of domestic consultants. Direct selection procedures will be used since it is intended to hire mostly the same consultants who were involved in the TA,¹² which prepared KVVSSDP loan package and assisted the institutional reforms to date. This approach is perceived as the most appropriate to ensure continuity of ADB's support in the sector. Furthermore, implementation of the TA must start immediately because all activities funded by the Poverty Reduction Cooperation Fund must be completed by the end of 2007. An NGO or CBO will be recruited to assist in the preparation of the CPS, in consultation with all stakeholders, and facilitate community mobilization and participation, including signing the community tapstand agreement. The NGO/CBO will be treated as domestic consultants and, after inviting expressions of interest from NGOs and CBOs working in the water sector in Kathmandu Valley, biodata technical proposal procedures will be used for selection. Outline terms of reference for the consultants and NGO/CBO are in Appendix 3.

21. The procurement of all goods, works, and related services under the TA will be undertaken in accordance with ADB's *Guidelines for Procurement*. No procurement packages are expected to cost more than the equivalent of \$100,000, so these packages (which typically cost less than \$1,000 each) may be procured using direct purchase procedures. Equipment purchased under the TA will be handed over to the Government on completion of the TA.

22. LICSU, under its head, will work in close collaboration with the consultants and NGO/CBO (para 20). To facilitate implementation, the TA will use an advance payment facility for equipment; the pilot tapstand program; training, seminars, and conferences; surveys; and miscellaneous administration and support costs. The head of LICSU and component 1 team leader will be jointly responsible for preparing quarterly disbursement estimates and actual expenditure reports for the TA, which will be submitted to ADB for review and approval. The Government will establish a TA project account in local currency at a commercial bank. An initial deposit of the equivalent of \$25,000 will be made into the project account through the advance payment facility when the TA becomes effective. The project account ceiling will be equivalent to the next 3 months' disbursement estimates or \$50,000 equivalent, whichever is less. The advance payment facility, to be agreed between ADB and the Executing Agency, will detail the procedures and implementation arrangements for use of the advance, and its liquidation and replenishment requirements. The head of LICSU and component 1 team leader will coordinate the timely release of funds to the contractors. ADB statement of expenditure procedures will be used to liquidate and replenish the project account for individual payments not exceeding the equivalent of \$50,000.

23. LICSU will be responsible for disseminating the developed pro-poor approach and operational strategy within the WUO to mainstream it. In the longer term, the approach could be extended to other utilities in Nepal and the region. The lessons learned will be disseminated through a range of ADB activities (websites, publications, conferences, etc.). Frequent status updates will provide real-time information for the general public.

IV. THE PRESIDENT'S DECISION

24. The President, acting under the authority delegated by the Board, has approved (i) ADB administering a portion of technical assistance not exceeding the equivalent of \$570,000 to be financed on a grant basis by the Poverty Reduction Cooperation Fund; and (ii) ADB providing the balance not exceeding the equivalent of \$150,000 on a grant basis, to the Government of Nepal for Enabling the Private Sector to Undertake Poverty-Focused Water Distribution and Strengthening of Institutional Reforms in Kathmandu Valley, and hereby reports this action to the Board.

¹² ADB. 2003. *Technical Assistance to the Kingdom of Nepal for the Kathmandu Valley Water Management Support Project*. Manila.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Indicator/Targets	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact Achievement of the water-related Millennium Development Goals for the poor in Kathmandu Valley</p>	<p>Access to sustainable water supply services for the poor in Kathmandu Valley</p> <p>Sustenance of institutional reforms in the water sector in Kathmandu Valley</p>	<p>Government health statistics and WUO data to be reviewed on an annual basis</p>	
<p>Outcome Improved access to decent and affordable water services for the poor in Kathmandu Valley in a financially sustainable and equitable manner</p>	<p>Increase in the number of people with convenient access to safe drinking water</p> <p>Adequate quantity of water supplied</p> <p>Adequate and convenient service hours (2 hours every day at a scheduled time)</p>	<p>KVWSMB (WBMU) and the WUO (contract compliance unit) monitoring of MC's achievement indicators</p> <p>WUO's annual report</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Political stability and continued government support • Reform program under KVWSSDP is successful and the WUO is established
<p>Outputs</p> <p>1. Preparation of the CPS and piloting of community management of tapstands Pilot rehabilitation of 300 tapstands and construction of 50 new tapstands with community tapstand agreements signed</p> <p>2. Pro-poor advisory services Pro-poor advisory services provided by LICSU for prospective beneficiary communities and potential local service providers; pro-poor administration and customer service rules developed for the WUO</p>	<p>A detailed CPS prepared by Sep 2006</p> <p>300 existing tapstands rehabilitated and 50 new tapstands constructed during the TA period</p> <p>Manuals for advisory services developed for LICSU and the WUO as a whole by Mar 2007</p> <p>Administration and customer service rules developed for the WUO by Jul 2007</p>	<p>The WUO (contract compliance unit) monitoring of MC's achievement indicators</p> <p>WUO's annual report</p> <p>Registered requests for advisory services, showing demands and services provided in response</p> <p>WSTFC monitoring of WUO's activities</p>	<p>Assumption</p> <ul style="list-style-type: none"> • Prospective beneficiary poor customers' willingness to provide counterpart contribution of tapstand water services

Design Summary	Performance Indicator/Targets	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>3. Monitoring, evaluation, and scaling-up Monitoring and evaluation of pilot scheme and advisory services; identification of successes and failures, and methods for scaling-up</p> <p>4. Development of institutionally and financially sustainable long-term operational strategy for pro-poor service delivery and LICSU</p>	<p>Monitoring and evaluation conducted by Jun 2007; identification of successes and failures, and formulation of proposals for scaling-up by Aug 2007</p> <p>Proposals formulated by Aug 2007</p>	<p>Evaluation report submitted to ADB and WUO board; evaluation report submitted to ADB's Board of Directors and WUO board</p> <p>Evaluation report submitted to the Board and WUO board</p>	
<p>Activities with Milestones</p> <p>1.1 CPS prepared by Sep 2006</p> <p>1.2 LICSU is established within the WUO and is fully operational by Dec 2006</p> <p>1.3 Preparation of manuals for LICSU, including development of pro-poor administration, customer service rules, and operational strategy by Sep 2007</p> <p>1.4 Capacity building of LICSU</p> <p>2.1 Locations for pilot program identified and implementation begun by Sep 2006 and community tapstand agreement signed throughout the project period for each tapstand before construction starts</p> <p>2.2 Rehabilitation and construction of tapstands carried out</p> <p>2.3 Community awareness and public relations activities conducted</p> <p>3.1 Institutional strengthening of new entities, as well as NWSC, and assistance in the transition management</p>		<p>Inputs</p> <ul style="list-style-type: none"> • Nongovernment organizations and capable international and domestic consultants engaged; community surveys undertaken • LICSU adequately staffed with at least three counterpart staff and domestic consultants • WUO staff; domestic and international consultants • Training and workshops; LICSU and WUO staff • Surveys, domestic consultants, counterpart staff, and nongovernment organizations • Engineering design, and procurement of goods and resources • Beneficiaries and domestic consultants • Capable domestic consultants; financial and personnel bylaws of the entities prepared; progress reports of consultants; review missions 	

ADB = Asian Development Bank, CPS = community participation strategy, KVWSMB = Kathmandu Valley Water Supply Management Board, KVWSSDP = Kathmandu Valley Water Services Sector Development Program, LICSU = Low-Income Consumer Support Unit, MC = management contractor, NWSC = Nepal Water Supply Corporation, WBMU = Water Board Monitoring Unit, WSTFC = Water Supply Tariff Fixation Commission, WUO = water utility operator.

COST ESTIMATES AND FINANCING PLAN^a
(\$ '000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank Financing^b			
1. Consultants			
a. Remuneration and Per Diem			
i. Domestic Consultants	0.0	150.0	150.0
Subtotal (A)	0.0	150.0	150.0
B. Poverty Reduction Fund Financing^c			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	71.0	0.0	71.0
ii. Domestic Consultants (individual)	0.0	110.0	110.0
iii. Domestic Consultants (NGO/CBO) ^d		20.0	20.0
b. International and Local Travel	15.0	0.0	15.0
c. Reports and Communications	2.0	3.0	5.0
2. Equipment	4.0	1.0	5.0
3. Pilot Tapstand Program			
a. Equipment and works	0.0	196.0	196.0
b. Fees for NGO/CBO for Local Travel and Survey Costs for Community Mobilization ^d	0.0	10.0	10.0
4. Training, Seminars, and Conferences			
a. Training Program	0.0	15.0	15.0
b. Community Awareness and Public Relations Programs	0.0	20.0	20.0
5. Surveys	0.0	10.0	10.0
6. Miscellaneous Administration and Support Costs	0.0	20.0	20.0
7. Contingencies	18.0	55.0	73.0
Subtotal (B)	110.0	460.0	570.0
C. Government Financing			
1. Office Accommodation and Transport	0.0	30.0	30.0
2. Remuneration and Per Diem of Counterpart Staff	0.0	120.0	120.0
3. User Contributions for Pilot Program	0.0	5.0	5.0
Subtotal (C)	0.0	155.0	155.0
Total	110.0	765.0	875.0

CBO = community-based organization, NGO = nongovernment organization.

^a The project cost estimates and its presentation in the TA Paper were negotiated and finally agreed at in the TA Memorandum of Understanding with the Government prior to the issuance of the staff instructions on 'Cost Sharing and Eligibility of Expenditures for Asian Development Bank Financing'. Therefore, TA paper distinguishes between foreign and local cost.

^b Financed by the Asian Development Bank's technical assistance funding program.

^c Administered by the Asian Development Bank.

^d Both items will be covered under one contract package to the NGO/CBO.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS AND NONGOVERNMENT ORGANIZATION/COMMUNITY-BASED ORGANIZATION

1. All the consultants and the nongovernment organization (NGO) or community-based organization (CBO) will work in close collaboration with the Water Utility Operator (WUO), Kathmandu Valley Water Supply Management Board (KVWSMB), Water Supply Tariff Fixation Commission (WSTFC), Kathmandu Valley Water Supply Management Support Committee (KVWSMSC), Melamchi Water Supply Development Board (MWSDB), and Nepal Water Supply Corporation (NWSC). Under component 1, a team consisting of an international consultant (social development specialist) and four domestic consultants (team leader, engineer, communication and public relations specialist, and gender specialist), and an NGO or CBO will be involved—in coordination with the head of the Low-Income Consumer Support Unit (LICSU)—to implement the pro-poor tapstand pilot program and service delivery. In collaboration with LICSU, the team of consultants will also supervise the NGO/CBO and contractors that provide goods and related services and carry out works for LICSU under the pilot tapstand program. The social development specialist (international consultant) will visit Kathmandu Valley at the start of the technical assistance (TA) to assist in the preparation of the community participation strategy (CPS) for the pilot tapstand program, and subsequently to monitor progress and provide advice. The international consultant will also assist in carrying out monitoring and evaluation of the delivery of the pro-poor services as the implementation of the TA progresses. Under component 2, a team of five domestic consultants will be involved, comprising the water supply specialist (who will also act as the team leader/coordinator for the component), institutional change manager, procurement specialist, financial specialist, and legal specialist.

A. Component 1

2. The following consultants will be required under component 1 of the TA:

1. Social Development Specialist (international, 4 person-months)

3. The consultant will have the following responsibilities:

- (i) Lead and supervise the team of NGO/CBO and consultants under the TA in preparing the CPS.
- (ii) Review the terms of reference of the NGO/CBO, prepare the conceptual plan/structure for the CPS, and advise in the preparation of the CPS.
- (iii) Advise the LICSU staff, NGO/CBO, and team of consultants under the TA on the implementation of the tapstand pilot program and pro-poor service delivery.
- (iv) Monitor and evaluate/assess the pilot tapstand program and pro-poor advisory services, and prepare reports to be submitted to all relevant parties.
- (v) Identify methods for LICSU and the WUO to scale up the tapstand program.
- (vi) Develop a financially and institutionally sustainable long-term operational strategy for LICSU and the WUO.

2. Team Leader-Institutional Development Specialist (domestic, 15 person-months)

4. The consultant will have the following responsibilities:

- (i) Assume overall responsibility for the preparation and implementation of the pro-poor service delivery and the tapstand pilot program.

- (ii) Provide leadership and overall coordination to the team of consultants and NGO/CBO in delivering outputs under component 1 of the TA.
- (iii) Help the management contractor (MC) set up an effective organizational structure for the LICSU.
- (iv) Liaise closely with the head of LICSU, social development specialist (international consultant), and Asian Development Bank (ADB) team leader to ensure that all parties are kept informed of relevant issues.
- (v) Hold monthly coordination meetings within LICSU to discuss progress, problems, remedial actions, and any other relevant matters; and prepare meeting minutes to be issued to all parties within one week of each meeting.
- (vi) Prepare various reports, in particular quarterly disbursement estimates/actual expenditure reports for the TA, to be submitted to ADB for review and approval, on behalf of LICSU for submission to the WUO and ADB.
- (vii) Assist in preparing manuals on pro-poor service delivery for LICSU in coordination with the social development specialist and gender specialist, and develop pro-poor administration and customer service (including connection) rules for the WUO.
- (viii) Supervise the consultancy service contract with the NGO/CBO.
- (ix) Ensure the timely release of funds to the contractors engaged under the TA.

3. Engineer (12 person-months)

5. The consultant will have the following responsibilities:

- (i) Advise prospective beneficiary communities on potential physical schemes under the pilot tapstand program.
- (ii) Review and approve, if appropriate, proposed physical schemes under the pilot tapstand program.
- (iii) Prepare tender documents for approved physical schemes under the pilot tapstand program.
- (iv) Carry out tender for approved physical schemes under the pilot tapstand program.
- (v) Supervise all the goods and works contracts under the pilot tapstand program.

4. Communication and Public Relations Specialist (5 person-months)

6. The consultant will have the following responsibilities:

- (i) Work in coordination with other consultants and the NGO/CBO, explain the rationale and benefits of the pilot tapstand program to prospective beneficiary communities, and sensitize them on the opportunity.
- (ii) Prepare material for the various awareness campaigns and trainings to be provided under the TA.
- (iii) Implement public relations campaign/programs as recommended by the CPS.
- (iv) Disseminate developed pro-poor approach within the WUO to mainstream it, and provide training to the relevant WUO staff.
- (v) Help ADB disseminate lessons learned via websites, publications, etc.

5. Gender Specialist (4 person-months)

7. The consultant will have the following responsibilities:

- (i) Work with the NGO/CBO, social development specialist (international consultant), and other consultants in preparing the CPS.

- (ii) Develop a gender strategy and plan for the program, within the CPS, based on an initial gender analysis of the identified target area.
- (iii) Develop gender training and community participation modules for WUO staff and conduct training accordingly.
- (iv) Work with and provide advice to the NGO/CBO responsible for facilitating community mobilization and participation, and the WUO, during the tapstand pilot program.

6. NGO/CBO

8. With the assistance of the social development specialist (international consultant) and the team leader of component 1, and in collaboration with LICSU, an NGO or CBO will be recruited to carry out a number of activities under the TA. A team leader from the NGO/CBO with expertise in social development (4 person-months) will oversee and coordinate the activities, and ensure successful delivery of outputs required. Two field level officers will be required (total 8 person-months) to assist in the community mobilization and awareness activities. The NGO/CBO will carry out the following activities:

- (i) Prepare a CPS for the tapstand pilot program, in coordination with the social development specialist (international consultant) and other consultants under the TA, and the WUO, outlining the roles and responsibilities of all stakeholders (including LICSU and the WUO and beneficiary communities). The CPS will recommend an appropriate community-based institutional structure for the management of service delivery in the poor unconnected neighborhoods during the pilot program. The CPS will be prepared in consultation with all stakeholders, in particular the beneficiary communities concerned, and may require surveys and focus group discussions to be conducted in the beneficiary communities. The CPS will include a step-by-step approach to engage the beneficiary communities in the pilot program, and will be structured to identify specific actions/activities in the three phases of community participation: (a) planning; (b) awareness raising, consensus-building, and mobilization; and (c) implementation of the pilot program. The CPS will also identify strategies for monitoring and evaluation of the pilot tapstand program to develop a long-term operational strategy for the WUO.
- (ii) Work with the team leader, gender specialist, and communication and public relations specialist in: (a) mobilizing the community; and (b) facilitating in the signing of community tapstand agreements with the WUO.
- (iii) Facilitate and act as intermediaries in the formation of the community-based institutional structure (such as water users committees) for the management of service delivery for the pilot program.
- (iv) Work with the WUO and the communication and public relations specialist in conducting public awareness campaigns for the programs to ensure a smooth handover (from the water utility to the beneficiary communities) and management of service delivery.
- (v) Assist in the monitoring and evaluation of the tapstand pilot program, as required.

B. Component 2

9. Under component 2 of the TA, the following consultants will be required:

- 1. Water Supply Specialist/Team Leader/Coordinator** (domestic, 12 person-months)
10. The consultant will have the following responsibilities:
 - (i) Assist the newly established entities (KVWSMB, WSTFC, and the WUO) in their start-up activities, including the preparation of various bylaws, policies, and guidelines.
 - (ii) Assist the WUO in its interim management until the MC is fully functional.
 - (iii) Assist the WUO in the initial contract management of the MC.
 - (iv) Assist KVWSMB, MWSDDB, and the WUO in splitting responsibilities for the provision and management of water services infrastructure in Kathmandu Valley under MWSP and KVWSSDP.
 - (v) Coordinate activities under component 2.
- 2. Institutional Change Manager** (domestic, 6 person-months)
11. The consultant will have the following responsibilities:
 - (i) Advise the WUO, KVWSMB, WSTFC, and NWSC on the transition, start-up, and organizational change issues.
 - (ii) Assist NWSC in implementing the voluntary retirement scheme.
 - (iii) Assist in implementing and monitoring the handover of resources and operations from NWSC to the WUO.
- 3. Procurement Specialist** (domestic, 12 person-months)
12. The consultant will have the following responsibilities:
 - (i) Work with the water supply specialist in assisting KVWSMB and the WUO in taking over responsibilities from MWSDDB—in particular, with regard to procurement of goods, works, and services under MWSP and KVWSSDP loans.
 - (ii) Assist KVWSMB and the WUO in preparing standard bid documents.
 - (iii) Train relevant KVWSMB and WUO personnel in ADB procurement procedures.
- 4. Financial Specialist** (domestic, 6 person-months)
13. The consultant will have the following responsibilities:
 - (i) Assist KVWSMB, WSTFC, and NWSC in establishing financial management and accounting systems.
 - (ii) Assist and train KVWSMB, WSTFC and WUO personnel, and familiarize them with ADB's requirements and procedures in the overall financial management of MWSP and KVWSSDP, such as preparation of withdrawal applications, periodic financial statements, etc.
- 5. Legal Specialist** (domestic, 6 person-months)
14. The consultant will have the following responsibilities:
 - (i) Assist KVWSMB, WSTFC, and the WUO in preparation of their bylaws, policies, guidelines, and other legal documents.
 - (ii) Assist KVWSMSC and KVWSMB in managing and monitoring the contract with the MC during the transitional period.