

The ADB logo consists of the letters 'ADB' in a white, bold, serif font, set against a solid blue square background.

Regional and Sustainable Development Department  
Energy, Transport and Water Division

# Cooperation Fund for the Water Sector Six-Monthly Progress Report January to June 2008

Asian Development Bank  
August 2008



## I. BACKGROUND

1. The Cooperation Fund for the Water Sector (the Fund) is a multi-donor umbrella fund established on 10 December 2001 to help the Asian Development Bank (ADB) promote effective water management policies and practices at the regional, subregional, and country levels; and thereby catalyze the implementation of ADB's water policy in the Asia and Pacific region.
2. The Fund finances activities under six programs: (i) advocacy and communications; (ii) knowledge base and capacity building; (iii) pilot and demonstration activities (PDAs); (iv) water partnerships; (v) regional events and initiatives; and (vi) coordination, monitoring and evaluation. The activities are designed to add value to the water projects carried out by ADB's regional departments and increase the synergy in ADB's water sector operations.
3. This report sets out
  - (i) Highlights for the 6-month period January-June 2008;
  - (ii) Comparative key outputs summary;
  - (iii) Outcomes achieved to date;
  - (iv) Financial status of the Fund; and
  - (v) Outlook for the next 6 months July-December 2008.
4. Appendices (1 to 7) contain details of the various programs and activities within each category.

## II. HIGHLIGHTS

5. The major highlights for this period were:
  - (i) **Gender and Water Network (GWANET) Established in Central Asia.** Through the Fund resources, a joint collaboration between the Scientific Information Center of the Interstate Commission for Water Coordination (SIC-ICWC) in Central Asia and ADB Resident Mission in Uzbekistan was forged, which made possible the establishment of Gender and Water Network (GWANET) in Central Asia. The Network has current membership of 70 major water stakeholders from Kyrgyz Republic, Water User Association (WUA) and farms in Uzbekistan, Tajikistan, Turkmenistan and Kazakhstan. This collaboration also facilitated the following: (a) provision of capacity development support to water sector organizations on mainstreaming gender into the decision making process by conducting six workshops for 155 participants in 5 Central Asian countries and creating a team of 25 trainers for promoting further dissemination of knowledge on gender equality in water management, (b) developing a knowledge base consisting of 89 different normative documents in two languages (English and Russian) in the field of Gender and Development (GAD), 200 leaflets and articles published and disseminated in different republican periodicals, 80 newsletters produced and disseminated monthly to 62 subscribers through the GWANET mailing list, (c) maintaining a bilingual web site <<http://www.gender.cawater-info.net>>, and (d) convening a gender forum. This collaboration was completed in April 2008.

(ii) **Sanitation High on ADB Agenda.** ADB's main sanitation advocacy as announced in 2007 Stockholm World Water Week is: "*sanitation pays back*" which seeks to emphasize the economic gains from investing in sanitation, thus inspiring countries to invest in sanitation now because delaying action will eventually cost more. In this regard, the Fund is cofinancing with Water and Sanitation Program (WSP) the Economics of Sanitation Initiative (ESI) which is looking at the economic impacts of sanitation and the cost-benefit analysis of sanitation options in India, Indonesia, Philippines and Viet Nam. The Water Team has also completed the preparation of "range of costs of sanitation improvements" for Philippines, Viet Nam, Indonesia, Pakistan and India and drafted the Sanitation Action Plan for the Philippines, intended to be used as one of the discussion papers for the 9-10 July Philippine Sanitation Summit.

(iii) **Outcome Evaluation of Completed Pilot and Demonstration Activities (PDAs) and Projects Financed from Direct Operation Support/Top-up Completed.** This evaluation exercise which was carried out from November 2007 to March 2008 was designed to further enhance the outcome-based reporting on the Fund-supported activities. Six (6) completed PDAs and three (3) completed projects financed through top-up support were subjected to in-depth review. The result of the evaluation revealed that the main objective of these two facilities to add value to ADB's water operations was achieved, by way of improved quality of project preparation and implementation and more comprehensive sector work and assessment. These additionalities are expected to eventually result in improved delivery of water services (water supply and irrigation) and better management of water resources.

The PDA facility supports the pilot testing and demonstration of new and/or innovative approaches, strategies and technologies for eventual replication and scaling up. The top-up/direct project support which was approved by donors in 2005 was meant to provide additional resources to operations for technical assistance operations (PPTAs, ADTAs, RETAs, SSTAs).

The summary of findings and recommendations is presented in Section IV (Outcomes Achieved to Date) and further elaborated upon in Appendixes 3 (PDA) and 7 (Direct Operations Support).

(iv) **Role of Small Scale Water Providers Supported.** The Fund cofinanced a RETA on Pilot Implementation of Small Piped Water Networks in the Philippines, Viet Nam and India which was completed in April 2008 with four (4) small piped water systems fully operational in the project pilot areas (2 in Philippines and 1 each in India and Viet Nam). The RETA's main objective was to demonstrate the role that small scale water providers (SSWPs) play in providing water supply and sanitation services to bridge the current service gap, especially the urban poor communities which are not yet connected to the piped system operated by the formal utilities, and why it is important to forge partnership between the formal providers and SSWPs. The RETA also sought to demonstrate how construction of water supply systems could be expedited through SSWPs. Among the key outputs of this initiative are: (i) an operational system for registering small scale water providers, and (ii) a toolkit for implementing small piped water networks. Earlier, the Fund supported the development of model Terms of Reference (TOR) for incorporating SSWPs in the design of ADB's future water supply and sanitation projects.

- (v) **Two (2) PDAs Ended and Seven (7) Commenced Implementation.** PDA continued to enjoy high demand from both internal and external proponents. During this reporting period, two (2) projects reached completion and seven (7) commenced implementation as shown below:
- Completed:** (a) Indonesia – Development of a Water Quality Management System for West Tarum Canal of Citarum River Basin; and (b) Thailand – Producing Water Filter from Coconut and Palm Oil Shells.
- Commenced Implementation:** (a) Cambodia – Adaptation and Verification of Arsenic Mitigation Technology, (b) Indonesia – Piloting Model for PDAM Collaboration for Improved Raw Water Management in West Java, (c) Nepal – Developing and Demonstrating Community-Based Water Resources Management Approaches for Hill and Mountain Ecosystem, (d) Philippines – Reducing Mercury and Heavy Metals Contamination in Meycauyan River System, (e) Philippines – Testing and Demonstrating a Technology to Cope with Debriflows in Mountain Regions, (f) Thailand – Piloting Adaptive Management Approach to Implementing IWRM in Yom River Basin, and (g) Viet Nam – Developing Appropriate Sanitation Solutions for Peri-Urban Areas.
- (vi) **Expert Meeting on Beneficial PSP in Water and Sanitation Convened by ADB and OECD.** Held on 5 March 2008 at ADB Headquarters, the meeting brought together representatives from governments, regulatory agencies, private sector, and civil society. The meeting advanced the debate on sustainable financing and management of water and sanitation infrastructure by providing a forum for participants to discuss and develop a better understanding of the key elements for beneficial private sector participation.
- (vii) **Diagnostic Analysis and Capacity Strengthening of Indonesia’s River Basin Organizations Completed.** To implement the provisions of Indonesia’s Law on Water Resources No. 7/2005 requiring that all river basins be managed following the IWRM principles with conservation, utilization and disaster management as overarching goals, the Fund supported the diagnostic analysis and capacity strengthening of initial 3 river basin organizations (RBOs). The work was carried out in 3 phases with the following as major outputs of each phase: Phase 1 produced a Results Framework that specifies accountabilities and mandates of each RBO, with each accountability broken down into performance indicators and benchmarks or targets. The Results Framework is agreed with key stakeholders and with each stakeholder taking specific responsibility for key IWRM issues, i.e. Ministry of Forestry for upper watershed management, Ministry of Environment for water quality, Ministry of Agriculture and Municipalities for water allocation, and Municipalities for regulation of groundwater. Phases 2 and 3 cover the preparation of capacity strengthening plan based on the results of the diagnostics and the actual implementation of the capacity strengthening program.
- (vii) **Water Committee Released Two (2) Major Knowledge Products.** During this reporting period, the Water Committee completed 2 Good Practice Papers on private sector participation in urban water supply featuring: (a) Maynilad Water Services (Philippines) entitled “*Maynilad on the Mend*” and (b) Yerevan Water Supply (Armenia) entitled “*Going Private Gradually*”. The former showcases the successful rebidding of Maynilad, hailed as one of 2007 Asia’s Best Deals. The latter talks about the gains achieved and lessons learned by Armenia in involving private sector and taking benefits of the various PSP modalities.

- (viii) **Water Financing Partnership Facility (WFPF) in full swing.** Building upon the lessons learned from the Fund, WFPF is now in full swing with the first Annual Work Program for 2008 submitted to financing partners and discussed at the first Annual Consultation Meeting in March 2008. Among the most demanded support during the first semester of the year included those started under the Fund such as water expert services pool, capacity development, regional cooperation and PDAs.

6. More detailed reports on specific components and activities of the Fund are described in the appendices.

### III. COMPARATIVE KEY OUTPUTS SUMMARY

7. The table below presents the key outputs for this period:

Category	Outputs Indicator	Units	This Period <sup>a</sup>	Last Period
Promotion and Public Awareness Category	Development of multimedia and other awareness raising products	Number	1 (Sanitation Video – two versions – one 7 minutes and on 22 minutes)	0
Knowledge Base and Capacity Building	Inventory of publications	Number	16 volumes (Water for All Series) 2 Good Practice Papers 3 Water Briefs	16 volumes (Water for All Series) 4 Flyers 1 Discussion Note 1 Issues Paper
	Distribution of publications	Number	4,633	1,359
	Studies completed	Number	1 (India Utilities Databook)	0
	Website hits	Monthly Ave	285,373	254,442
Water Partnerships	E-newsletter distribution	Number	56,544	41,742 (3 issues)
	Community of Practice (CoP)	Number	6	5
	Knowledge Hubs	Number	12	0
	Apex Bodies events	Number	1	0
Regional Events and Initiatives	NARBO events	Number	3	3
	SEAWUN events	Number	0	1
	SAWUN Events	Number	0	1 (July)
	CASCWUA	Number	2	1
	GWP	Number	1	2
Pilot and Demonstration Activities	Events supported	Number	3	10
	Dissemination to ADB Staff	Bluebags	4	via CoP
Pilot and Demonstration Activities	Completed	Number	2	5
	Being implemented	Number	10	9
	Finalizing contracts to start	Number	0	3
	On-hold	Number	1	1

<sup>a</sup>Data in this column refers to final outputs rather than degree of activity. Therefore, "0" does not mean no activity.

### IV. OUTCOMES ACHIEVED TO DATE

8. The role of the Fund in promoting effective water management policies and practices at regional, subregional, and country levels by catalyzing the implementation of ADB's Water Policy in the Asia and Pacific Region continued to be achieved as demonstrated in the various projects and activities financed by the Fund during the reporting period.

9. The Water Financing Program 2006-2010 which the Fund resources continue to support has the following results to date:

**Table 1 – Progress on Outcome Achievements, as of 30 June 2008**

<b>Expected Outcomes</b>	<b>Target (end 2010)</b>	<b>Anticipated benefits/outcomes from projects approved as of 30 June 2008</b>
Number of people with safe drinking water and improved sanitation	200 million	63.5 million
Number of people with reduced risks to flood	100 million	34.6 million
Number of people with more productive and efficient irrigation and drainage services	40 million	5.6 million
Integrated water resources management introduced in river basins	25 river basins	14 river basins

**Table 2 – Progress on Financing, as of 30 June 2008**

<b>WFP Financing</b>	<b>Target (end 2010)</b>	<b>Programmed 2006-2010</b>
Investments	>\$10 billion	\$10.7 billion
Water Lending Share	25%	18% <sup>1</sup>
Leveraged Financing	\$8.0 billion	\$2.0 billion <sup>2</sup>
Water Financing Partnership Facility	\$100 million	\$65 million <sup>3</sup>

10. As already mentioned in para. 5(iii) above, the improvement in design and implementation of ADB's water projects through the lessons distilled from PDAs and the expanded scope and depth of sector analysis made possible through top-up funding, is an indication of how the Fund's objective of promoting effective policies and practices is being achieved. Add to this the "water expert services pool" under the Fund that helps make available incremental range of expertise to support and improve quality of upstream work, project preparation and implementation. During this reporting period, the Fund made possible the engagement of various experts to advance this Fund objective, to wit: (i) engagement of an IWRM expert to assist in the finalization and eventual passage of the State Water Policy and in accelerating reforms in IWRM in Assam (India). This supports the on-going PPTA for flood and riverbank erosion management, (ii) engagement of a water resources expert to help develop capacity of the Committee for the Management and Control of Integrated Water Resources (CMCIWR) of the Vu Gia-Thu Bon Basin in Viet Nam for IWRM, and build upon the results of the earlier pilot and demonstration project. This takes the form of upstream work in preparation for upcoming PPTA for water resources, and (iii) engagement of an international finance specialist to hand-hold Viet Nam's Ministry of Finance in assessing the financing options emanating from the PPTAs for 8 urban water supply and sanitation projects that resulted from the ADB-Government Conference on Water Financing Program in March 2007.

11. The Fund resources supported the establishment and initial operation of the Southeast Asia Water Utilities Network (SEAWUN), as well as the subsequent launch of equivalent networks in South Asia (South Asia Water Utilities Network or SAWUN) and Central

<sup>1</sup> As of 31 December 2007

<sup>2</sup> As of 31 December 2007

<sup>3</sup> Confirmed and expected contributors so far are The Netherlands, Australia, Norway, Austria, and Spain. Spain is expected to sign the Instrument of Contribution within the year

Asia (Central Asia and South Caucasus Water Utilities Association or CASCWUA). Work is now on-going to establish the same network for East Asia (East Asia Water Utilities Network or EAWUN). Three of the major programs supporting these networks are the on-going (i) continuous improvement and performance benchmarking, (ii) twinning program, and (iii) technical training. All of these are intended to help achieve the expected outcome of improved performance of utilities in the region in delivering water supply and sanitation services. Among the critical performance indicators being tracked are: water coverage, water availability, metered connection, staff per connection ratio, operating ratio, and non-revenue water.

12. ADB and governments are now seeing the outcomes of the recently completed Fund-cofinanced RETA on Implementing Pilot Small Piped Water Networks mentioned in para. 5(iv) above. A system of registering SSWPs is now in place and regulation of their entry into the market as well their performance in water supply delivery is now possible. Already, the lessons from this RETA are now being applied. In Viet Nam, discussions are on-going between ADB and the Government on the potential for including SSWP as a component of a proposed water supply project. In the Philippines, SSWPs have already signed agreement with the National Water Resources Board (NWRB) - the agency responsible for regulating private water providers - signifying their willingness to be regulated. SSWPs, which have recently formed themselves into a national association, are now recognized as one of the major water service providers in the country and are taking part in major policy dialogues.

#### IV. FINANCIAL STATUS

13. Below is the overall financial status of the Fund.

Category	Allocated Amount (\$'000)	Percent of total allocation as at June 2008	Committed since last period (\$'000)	Cumulative % committed to June 2008
Promotion & Public Awareness Category	2,864	15%	101	16%
Knowledge Base and Capacity Building	6,523	34%	728	33%
Water Partnerships	3,286	17%	41	17%
Regional Events & Initiatives	2,061	11%	20	13%
Pilot & Demonstration activities	2,201	12%	345	10%
Project Coordination, Monitoring and Evaluation	2,163	11%	72	11%
<b>Total</b>	<b>19,100*</b>	<b>100%</b>	<b>1,307</b>	<b>100%</b>

\*Total is for five regional (RE) TAs covering the six categories.

14. The major commitments and reserved funds incurred during this period were due to:

- (i) Promotion – \$100,801 for commissioning the Asian Broadcasting Union (ABU) to produce a sanitation video for use in major advocacy work. Two sets are being produced – one is a 7-minute version as teaser to be launched at 2008 Stockholm World Water Week and a 22-minute version for broadcast and non-broadcast distribution. This component also continued the communication support to project preparation. During this reporting period, the Development Communication Specialist engaged under the Fund provided support to the on-going PPTA for Sindh Cities Improvement Investment Program in Pakistan.

- (ii) Knowledge Base - \$727,628 relating to the following activities (a) partnership with WSP on Economics of Sanitation Initiative (ESI), (b) capacity development support to Uzbekistan on sanitation and sewerage by cofinancing a study tour to Australia, (c) engagement of water resources expert for the IWRM strengthening in Vu Gia-Thu Bon river basin in Viet Nam, (d) capacity development support to Pakistan on corporatization and use of PSP modalities in urban water supply by cofinancing a study tour to Armenia, (e) engagement of IWRM expert for the finalization of State Water Policy and implementation of IWRM in Assam, India, (f) engagement of legal expert to support the on-going PPTA for urban water supply in India (Nagpur, Vijaywada and Gujarat), (g) engagement of finance structuring specialist to help consolidate the financial packaging of investments projects emanating from the 8 PPTAs for urban water supply and sanitation, (h) support to discussing and disseminating the findings and recommendations from the RETA on Small Piped Water Networks through the Stakeholders meeting in Viet Nam, Willingness-to-Pay Workshop in India, and Regional Forum on Innovations for Connecting the Poor, and (i) impact evaluation of rural water supply projects in Pakistan was commissioned during the reporting period. This is expected to further boost the outcome-based reporting on ADB's water sector operations
- (iii) Partnerships - \$41,219 relating to the: (a) collaboration with UNESCO-IHE and Singapore PUB on Developing Water Knowledge, (b) continuing support to the Network of Asian River Basin Organization (NARBO) particularly in advancing the work on benchmarking and peer review, and (c) process of self-assessment by Viet Nam's apex body – the Office of National Water Resources Council - as the initiating step towards the benchmarking and peer review.
- (iv) Events - \$20,578 relating to ADB's involvement in and/or organization of regional events during the reporting period, e.g. Expert Meeting on Beneficial PSP in Water and Sanitation co-organized with OECD, support to the 2<sup>nd</sup> Meeting of the Asia Pacific Water Forum (APWF) Regional Water Knowledge Hubs, and APWF Consultation Meeting on Climate Change Adaptation and Water-Related Disaster Management and support to the meeting of CASCWUA Steering Committee.
- (v) Pilot and demonstration activities - \$345,055 for 7 PDAs that were approved and which commenced implementation during the reporting period.
- (vi) Project Coordination, Monitoring and Evaluation – \$71,864 relates to the engagement of a CFWS evaluation specialist to evaluate completed pilot demonstration projects and direct operation support or top-up facility and look at the outcomes of these CFWS-financed activities.

15. The Status of Grant is being submitted together with this report.

## V. OUTLOOK FOR NEXT SIX MONTHS

16. The last of the five RETAs financed from CFWS is due to end on 31 December 2008. However, due to a major research work on climate change, we may need to request RETA extension by 4 months or up to 30 April 2009. Furthermore, the 30 June 2008 status of grants indicates that we have a little over \$1.0 million interest earnings and expected savings of approximately \$450,000 from RETAs 6123 and 6219 (Phases 3 and 4) which have been

completed and just awaiting financial closure. ADB will shortly contact donors to discuss how to utilize these resources.

17. The major activities expected in the next 6 months are as follows:

(i) Water Financing Program

- The holding of the following conferences in July and August in the Philippines: (a) Preparatory Consultations with Major Water Service Providers on Improving Regulation (1-3 July 2008), (b) Sanitation Summit (9-10 July 2008) and (c) National Conference on Regulation (5-6 August 2008)
- Completion of country sanitation action plans for Viet Nam, Indonesia, India, Pakistan, and Uzbekistan which will be used as discussion notes for the proposed one-on-one country dialogues on sanitation. The one in Viet Nam may be in conjunction with the Sanitation Conference in November being organized by SEAWUN and the International Water Association (IWA).

(ii) Knowledge Base and Capacity Development

- Completion of Water Committee priority knowledge products which include (i) technical note on water rights and allocation, and (ii) technical note on performance benchmarking. Both were targeted for completion within the first semester of the year but did not materialize because of additional reports and recent developments that have to be incorporated.
- Continuing the support to selected agencies in pursuing long term capacity development such as the Strengthening of Provincial Water Supply and Sanitation Steering Committee in Pakistan and the on-going support to the transition management of Kathmandu water supply.
- Continue mobilizing a pool of experts that can provide rapid response to need of operations departments for additional help in upstream work, project design and preparation, and implementation.

(iii) Partnerships

- Continue supporting the major partnerships among key sector organizations such as utilities, river basin organizations and national water sector apex bodies as well as other strategic alliances such as those with Global Water Partnership, UN HABITAT, etc.
- Support to new agreements for the Asia Pacific Water Forum (APWF) key result areas, including the recently launched network of regional water knowledge hubs

(iv) Events

- Organization of day-long Asia Day at the 2008 Stockholm World Water Week which aims to call the attention of world water sector leaders, experts and practitioners to the issues and challenges confronting Asia.

- Brisbane River Symposium in September,
- Co-convening of the World Toilet Summit with the World Toilet Organization in November 2008.

(v) Monitoring and Evaluation

- Completion of the on-going evaluation of the water partnerships among major sector organizations (utilities, river basin organizations and apex bodies)

18. Attached are the following appendixes:

Appendix 1: Promotion and Public Awareness

Appendix 2: Knowledge Base and Capacity Building

Appendix 3: Pilot and Demonstration Activities

Appendix 4: Water Partnerships

Appendix 5: Regional Events and Initiatives

Appendix 6: Program Coordination, Monitoring, and Evaluation

Appendix 7: Direct Operations Support

## PROMOTION AND PUBLIC AWARENESS CATEGORY

1. ADB's Water Voices and other video documentaries remain popular awareness materials as ADB continues to receive regular requests for copies from academe, research organizations, private sector, and government institutions. For this reporting period, ADB received several requests to screen the documentaries in various academic classes and include selected Water Voices footages into water documentaries being prepared by the requestors.
2. Water Voices documentaries were featured at the 10<sup>th</sup> Barcelona Asian Film Festival 2008 (BAFF) held on 25 April-4 May 2008 in Barcelona, Spain. The annual BAFF, attended by over 20,000 spectators, brings a selection of recent films produced in Asia to Barcelona audiences.
3. Copies of ADB Water Briefs, the 2007 Benchmarking and Data Book of Water Utilities in India, the Asian Water Development Outlook and translations, and other publications were distributed in several major events, among them the Singapore International Water Week, Regional Forum on Innovations for Connecting the Poor, and other water-related events.
4. The availability of water video documentaries and the Water for Life public service announcements in the worldwide web, particularly in YouTube, Yahoo videos, Google videos, and Spike/iFilm, increased viewership and dissemination of the documentaries.
5. The first sanitation video was prepared during the reporting period which will further boost ADB's sanitation advocacy.
6. Provision of direct communication support to project was also sustained. During this reporting period, assistance was provided to the on-going preparation of Sindh Cities Improvement Investment Project currently being designed as a \$300 million multitranche financing facility.

## KNOWLEDGE BASE AND CAPACITY BUILDING

1. **ADB water website.** Work on the water website (<http://www.adb.org/water>) in the last reporting period focused on improving the information architecture, navigation, and usability features. For this period, work focused on expanding content and improving the site's appearance. A more dynamic design and color scheme were implemented. Major tabs, as gateways to more specific information, were revamped to resurface buried data. The website's knowledge contents were expanded through constant updating of existing pages, development of new directories, sections, and webpages, and immediate uploading of conference materials for quick and easy reference of both participants and nonparticipants.

2. As of 30 June 2008, the water website has 12,219 files, representing a 7.5% content expansion from the December 2007 figure of 11,364 files. The monthly hits during the reporting period averaged at 285,373, representing a 12% increase over the average figure for July-December 2007, and peaked at 464,908 hits in June. Some 17,000 users visit the site monthly. In comparison with the over 220 sub-sites in ADB's websites, the water website remains consistently the most popular sectoral site and the 5<sup>th</sup> most popular overall.

3. **ADB Water for All News E-newsletter.** Based on feedback from various subscribers, work on the e-newsletter for this period focused on presentation—shortening the length, making text punchier, and improving overall appearance of the product. The e-newsletter was redesigned for increased usability, with a new masthead, color scheme, and features added, e.g. more direct “feedback section,” more prominent and automatic “subscribe” section, and “Email to a friend” and “Text only Version” buttons.

4. Content-wise, the e-newsletter continues to receive words of appreciation from subscribers, citing the usefulness of the champion and reform stories regularly featured there. As of June 2008, 37 issues of the e-newsletter have been circulated. Four e-newsletters were prepared for the reporting period, covering the following topics: 1<sup>st</sup> Asia-Pacific Water Summit (January), Water Harvesting (February), Ecological Sanitation (April), and Cost Recovery (May). Each issue of the e-newsletter gets to 14,136 subscribers.

5. **Knowledge Products** – ADB continues to produce knowledge products for a range of target audiences that include ADB staff, government decision makers, water practitioners, and the general public. For the reporting period, ADB has completed the following products:

- (i) Briefs: Climate, Water, Development - Asia Adapts through New Approaches and Investments; In Brief summary on ADB's Water Policy
- (ii) Good Practice Papers: Maynilad on the Mend, Yerevan Water Services—Going Private Gradually
- (iii) Publications: Climate, Water, Development - Asia Adapts through New Approaches and Investments

6. Work ranging from research, writing, design and initial print drafts was also undertaken for the following knowledge products scheduled for release within the next reporting period:

- (i) Briefs: Performance Benchmarking Through Twinning; Water Operators' Partnership Program; Update on the Water Financing Program 2006-2010
- (ii) Publications: Reviving Lakes and Wetlands: Lessons Learned from the PRC
- (iii) Technical Note: Water Rights and Allocation
- (iv) Technical Note: Performance Benchmarking and Peer Review

## PILOT AND DEMONSTRATION ACTIVITIES

1. The Pilot and Demonstration Activities (PDA) program supports the introduction and validation of innovative and highly replicable development approaches that add value to ADB's water operations. Selection of PDA proposals follows the normal procedure as stipulated in PDA Guidelines on Selection of Proposals.

2. A total of 40 PDAs have been approved to date – 27 are completed and 1 was withdrawn. Of the 27 completed to date, two (2) were completed during this period. As of end June 2008, 10 are under implementation.

3. The allocation to PDA is already used up by the end of this reporting period. Additional PDAs proposed have been programmed under the Water Financing Partnership Facility whose program quality support window also finances PDAs..

4. The recently completed outcome evaluation of 6 completed PDAs put forward the following findings and recommendations.

### (i) Findings:

- As a grant facility, the PDA programme was able to support the piloting of 'new' approaches in addressing water sector issues in the context of an area or country with potential value to the sector at the global level and to ADB Operations.
- As a matter of practice, PDAs are developed to address specific problems and issues faced by the project areas which make them highly relevant to the project beneficiaries and the immediate environment. 'Relevance' of PDAs increases with participation of ADB Operations staff to the extent that proposals are enhanced with their access to a large body of knowledge and directed to support ongoing sector work at ADB.
- While replication and mainstreaming of outputs within ADB have been limited so far (based on the projects that were reviewed), and also because normally the process of replication takes time, relevance of the work on current issues and developments in the water sector remains high.
- The outcomes from the PDAs have been found to be positive at the level of the project beneficiaries and stakeholders, and some even yielded unintended positive outcomes. In the process, they have contributed to improvement in the lives and well being of the poor, marginalized sectors of the population. Where these outcomes were perceived to be somewhat constrained, this is mainly due to limited resources and time under the PDA (requires one year implementation with a per project budget of \$50,000) to fully complete the process of engagement for example or where existing capacities of project stakeholders are limited.
- In most cases, funding of \$50,000 per PDA has produced project outcomes with strategic value to the country and the sector at large.

- Sustainability is enhanced with the explicit participation of a government counterpart agency and ADB Operations staff during project implementation. Also, since such an arrangement provides better chances for the project to be replicated and mainstreamed at ADB.

**(ii) Recommendations to further enhance future PDAs:**

- Involvement of Operations staff is strategic in terms of ensuring that interventions are relevant from the perspective of current sector work globally, providing inputs to the design based on their wide exposure in the sector and that they can facilitate replication and mainstreaming at ADB. Having said this, it is imperative that their involvement is solicited at the early stage of project conceptualization and design prior to approval. Where proposals emanate from the Operations staff themselves, these should be reviewed based on the PDA policy of supporting ‘additionality’.
- The grant is an effective and efficient means to fund, particularly ‘soft’ interventions such as institutional development, capacity building, raising public awareness and support for policy reform. Where small scale civil works is deemed necessary to complete the demonstration process, additional funding may be justified.
- While ‘appropriate technology’ is a theme that is being promoted under PDA, this should be tempered with supporting only technologies that are low cost, indigenous, resulting in services affordable to the poor and sustainable to the mass of the population.
- Because PDAs are intended to be short term (one year implementation) and allow only limited interventions (although with potentially strategic value), a post project survey (after 6 months to one year) is recommended to assess and validate outcomes as well as to assess the need for any further support that may enhance sustainability and replication.

5. The summary profile of the 6 completed PDAs reviewed is shown in Table below:

Project Name	Year Ended	Country	Executing/Implementing Agency	Sector/Theme
Rationalizing Tariff for Private Water Utilities under the National Water Resources Board	2005	Philippines	National Water Resources Board	Urban/Policy reform
Demonstrating Gender Sensitive Sustainable Sanitation Improvement and Management through Community Initiative	2007	India (state of Chattisgarh)	Association for Stimulating Know-how	Rural/Public awareness/ Institutional development
Clean River Program for the Urban Poor in Nantai island, Fuzhou	2006	People’s Republic of China	Fuzhou city government	Basin management/ Public awareness
Initiating Integrated Water Resources Planning in Vu Gia Basin	2006	Vietnam	Quang Nam Provincial People’s Committee	Basin management/ Institutional development

Project Name	Year Ended	Country	Executing/ Implementing Agency	Sector/Theme
Bang Pakong Dialogue Initiative	2006	Thailand	Department of Water Resources	Basin management/ Institutional development
Decentralized Wastewater Treatment Facility for the Liloan Public Market, Cebu	2006	Philippines	Liloan municipal government	Urban/ Appropriate technology

6. The copy of the full evaluation report is available upon request.
7. The status of PDA processing as of June 2008 is as follows:

<b>Status of Processing of PDAs as of 30 June 2008</b>	
<b>PDA Process Stage</b>	<b>Number</b>
Approved by PDA Advisory Panel	40
Letter of Agreement executed	40
Awaiting government approval	0
LOA signed but not yet implemented	1
PDAs completed during this period	2
PDAs completed to date, awaiting post evaluation	27

## WATER PARTNERSHIPS

1. **Network of Asian River Basin Organizations (NARBO).** NARBO activities are increasing, and several (including thematic workshops, training courses, performance benchmarking of RBOs and river basins, promotional activities in regional water events) are lined-up for 2008 and 2009. NARBO will work closely with regional water knowledge hubs in Asia to achieve excellence in water resources management at the river basin level. NARBO will pilot a roadmap advisory service which would help introduce IWRM elements in stages in river basins. To help RBOs develop locally appropriate solutions to IWRM challenges in river basins, NARBO will develop practical guidelines that reflect the rich and diverse IWRM experience across the region. The second workshop on water-related disaster management is planned for October 2008. A fifth training course on IWRM is expected on November or December 2008. Two activities are reported below for the period January - June 2008.

- (i) **3rd NARBO General Meeting, 20-22 February, Solo, Indonesia.** NARBO held its 3rd General Meeting in Solo, Indonesia last 20-22 February. 93 water professionals representing 19 countries and 52 organizations from river basin organizations (RBO), government agencies, academic institutions, regional knowledge partners, and multilateral financing institution participated in general meeting which was hosted by the RBO of the Bengawan Solo river basin. Highlights of the general meeting are: (i) report on accomplishments for 2006-2007; (ii) approval of the work plan for 2008-2009; (iii) nine new NARBO member organizations from six countries (Pakistan, Thailand, Japan, Malaysia, Australia, and PRC) were welcomed – total number of NARBO member organizations is now 65; (iv) approval of revisions to the NARBO charter; and (v) approval of new NARBO Chairperson and Senior Advisor.
- (ii) **Technical Advisory Committee Meeting, 5 April, Singapore.** Selected experts from knowledge hubs participated and joined NARBO's Chair, Vice-Chair, and secretariat team in the 1st NARBO TAC meeting on 5 April. NAHRIM's DG was invited to chair the meeting. At the outset, the meeting recognized the tremendous need for capacity development in RBOs and water resources agencies in the region to implement IWRM in river basins. The experts had productive discussions with the NARBO leadership and secretariat on ways in which NARBO could improve its IWRM training course, starting with the 5th course scheduled for November 2008. More fundamentally, the experts also recommended that NARBO take a broader view to support the development of certified programs of continuous learning for staff working in RBOs, from entry level to senior management and beyond that for regional experts.
- (iii) **Performance Benchmarking Workshop and Peer Review of the Citarum River Basin, 13-16 February 2008; Bandung, Indonesia.** To improve RBO performance, NARBO developed a performance benchmarking system and peer review process in 2004, with support from ADB and the International Water Management Institute (IWMI). The system was formally launched at the 2nd Southeast Asia Water Forum in Bali, Indonesia in September 2005. Fifteen peer reviewers, consisting of RBO senior water management professionals, were certified after training on the use of NARBO's performance benchmarking tool that was piloted in Indonesia's Jasa Tirta II Public Corporation in November 2006. This was followed by three more performance benchmarking exercises that involved the Mahaweli Authority of Sri

Lanka (MASL), the Laguna Lake Development Authority (LLDA) in the Philippines, and the Red River Basin Organization in Viet Nam. This fifth benchmarking exercise focused on the Balai Besar Wilayah Sungai Citarum (BBWSC), the RBO for Indonesia's Citarum River Basin. The benchmarking exercise, (i) enabled NARBO peer reviewers to review the performance of BBWSC and validate the results of BBWSC's self-assessment of its performance; and (ii) enabled BBWSC officials to identify its strengths and weaknesses and promote performance efficiencies. The event was organized by NARBO and ADB. Certified NARBO peer reviewers—representing the Jasa Tirta I Public Corporation (Indonesia), Jasa Tirta II Public Corporation (Indonesia), and the Laguna Lake Development Authority (LLDA), with assistance from an independent reviewer—conducted the benchmarking exercise.

2. **Central Asia and South Caucasus Water Utilities Association.** CASCWUA Steering Committee Meeting, 27-28 March 2008; Tashkent, Uzbekistan. The CASCWUA is a new organization of water utilities committed to improving its members' performance in the delivery of water services. Launched at a conference in Almaty, Kazakhstan in November 2007, CASCWUA is composed water utilities from Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Tajikistan, and Uzbekistan. At the Almaty conference, CASCWUA member utilities agreed on the objectives and activities of the network, including performance benchmarking, twinning, and capacity development. They have committed to taking progressive action to tackle the widespread problems with inadequate drinking water and sanitation for the millions of poor people in the region. CASCWUA's Steering Committee finalized the CASCWUA Business Plan for 2008-2009 in a meeting supported by ADB's Water Operators Partnership (WOP) Program. The meeting will be held during a week-long Continuous Improvement Benchmarking Workshop for CASCWUA member utilities. The meeting discussed and secured the CASCWUA Steering Committee's approval of: (i) business plan for 2008-2009; (ii) location of Secretariat and arrangements; and (iii) choice of executive director.

3. **National Water Sector Apex Bodies.** A self-assessment process was initiated in May 2008 by Viet Nam's apex body – the Office of National Water Resources Council (ONWRC) – as prelude to the benchmarking and peer review process that will be undertaken by a panel of certified peer reviewers from Philippines, Thailand and Malaysia.

## REGIONAL EVENTS AND INITIATIVES

1. Mostly on demand by ADB's operations departments, ADB supported the participation to and/or organization of regional events during the reporting period. ADB's participation to these events helped to catalyze the implementation of ADB's water policy, increased synergy in ADB's water operations, facilitated networking and exchange of ideas, and raised ADB's profile. The following events were supported/organized:

### A. Regional events organized by ADB

- (i) **Central Asia and South Caucasus Water Utilities Association, Steering Committee Meeting in March 2008.** The Steering Committee met to discuss CASCWUA business and work plans. This was held in conjunction with the first workshop on continuous improvement and performance benchmarking that forms part of the Water Operators Partnerships Program (WOPS).
- (ii) **ADB-OECD Expert Meeting on Beneficial Private Sector Participation in Water and Sanitation, 5 March 2008; Manila, Philippines.** The expert meeting aimed to advance the debate on sustainable financing and management of water and sanitation infrastructure by providing a forum for participants to discuss and develop a better understanding of the key elements for beneficial private sector participation. It provided an opportunity to: (i) share experiences on the recent trends, challenges and opportunities offered by the participation of private actors in the development and management of water and sanitation infrastructure in Asian countries; (ii) discuss the key elements of a conducive institutional and regulatory framework to attract beneficial private sector involvement; (iii) understand the roles and responsibilities of the different stakeholders; and (iv) examine the role of financial tools in supporting greater private investment in the sector. The meeting brought together representatives from governments, regulatory agencies, private sector, and civil society.

2. Based on demands from operations departments and the application of screening criteria that considers benefits versus costs, the Fund will continue to support the organization of regional events and activities including sponsorship for the participation of personnel from ADB and its DMCs.

### B. Other events where ADB Staff and government officials' participation were supported by ADB through CFWS:

- (i) **Asia-Pacific Water Forum: Regional Consultation Meetings on Climate Change Adaptation and Water-related Disaster Management, 26-27 June 2008, Singapore.** In line with priority theme on disaster management, the APWF is organizing regional consultation meetings on "Climate Change Adaptation and Water-related Disaster Management" at the 1<sup>st</sup> Singapore International Water Week. ADB, the UNESCO-IHE Institute for Water Education, and the Singapore Public Utilities Board supported this meeting as part of the UNESCO-IHE/PUB/ADB Cooperation on Developing Water Knowledge and Lessons. The National Hydraulic Research Institute of Malaysia (NAHRIM) has been identified as the Knowledge Hub for Water and Climate Change Adaptation in Southeast Asia, while the International Center for Water Hazard and Risk Management (ICHARM) has been identified as Knowledge Hub for Disaster Risk Reduction

and Flood Management. The meeting introduced regional knowledge hubs and their services, partnerships, and networks to Singapore International Water Week participants and invited experts and partners. The meeting was held at the PUB WaterHub in Singapore.

- (ii) **Asia-Pacific Water Forum (APWF). 2<sup>nd</sup> Meeting of the Regional Water Knowledge Hubs Network**, 2-5 April 2008; Singapore. As an APWF key supporter, ADB is taking the lead in APWF's Priority Theme A on water financing and capacity development. The first KRA, "developing knowledge and lessons," involves building a network of water knowledge hubs across the region. Together with the Public Utilities Board (PUB) of Singapore and the UNESCO-Institute for Higher Education's Institute for Water Education (UNESCO-IHE), ADB signed a letter of collaboration in June 2007 to help establish a network of regional water knowledge hubs and facilitate the implementation of APWF's KRA1. A regional consultation meeting among candidate knowledge hubs was held on 29-31 October 2007, which outlined a new approach to strengthen the region's water knowledge infrastructure and facilitate better solutions to be applied in investment projects and reforms in countries across the region.

## PROGRAM COORDINATION, MONITORING, AND EVALUATION

1. During the reporting period the outcome evaluation of completed PDAs and completed projects funded through top-up support was concluded. The findings are discussed in Appendixes 3 and 7, respectively.
2. The Water Team closely coordinated with the Office of Cofinancing and Controllers for the preparation of financial report, including coordinating the possible use of interest earnings to fund additional RETA activities as mentioned in para. 16 above.

**DIRECT OPERATIONS SUPPORT**

(\$2.0 Million Top-Up Support and \$400,000 Tsunami Assistance to Maldives)

1. In 2005, the donors agreed to a \$2.4 million direct support to operations. As of 30 June 2008, this amount has been fully committed as shown in the list below.

TA No.	TA Title	TA Type	TA Amount (US\$)
<b>Bangladesh</b>			
4651	Dhaka Water Supply	PPTA	160,000
4863	2 <sup>nd</sup> Urban Governance and Infrastructure Improvement (Sector)	PPTA	100,000
<b>India</b>			
4678	North Eastern Region Urban Development (Phase II)	PPTA	160,000
4779	Project Implementation and Urban Management in the North Eastern Region (Phase 1)	PPTA	120,000
4815	Orissa Integrated Irrigated Agriculture and Water Management	PPTA	110,000
4896	North Eastern Integrated Flood and Riverbank Erosion Management	PPTA	50,000
<b>Maldives</b>			
4614	Promoting Sound Environmental Management in the Aftermath of the Tsunami Disaster	AOTA	400,000
<b>Nepal</b>			
4893	Kathmandu Valley Water Distribution, Sewerage and Urban Development	PPTA	160,000
<b>Pakistan</b>			
4642	Punjab Irrigated Agriculture Development Sector	PPTA	90,000
4534	Sindh Basic Urban Services Project	PPTA	80,000
<b>People's Republic of China</b>			
4586	Guiyang Integrated Water Resources Management	PPTA	160,000
4327	Flood Management Strategy Study	AOTA	49,600
4604	Nanjing Water Utility Long-Term Capital Finance in Commercial Markets	AOTA	110,000
4971	Songhua River Basin Pollution Control and Management Project	PPTA	196,000
<b>Sri Lanka</b>			
4049	Strengthening the Regulatory Framework for Water Supply and Sanitation	AOTA	40,000
4853	Small Towns and Rural Arid Areas Water Supply and Sanitation	PPTA	120,000
7078	Institutional Strengthening for Decentralized Service Delivery in the Water Sector	AOTA	50,000
<b>Viet Nam</b>			
3528	Capacity Building for Water Resources Management	AOTA	150,000
<b>Regional</b>			
6285	Strengthening Country Safeguard Systems	RETA	100,000

2. An evaluation of 3 completed projects was concluded during this reporting period and among the major findings are:

- In all 3 projects reviewed, top-up funding for TA was deemed to have contributed significantly to the quality of the TA projects, that is, in terms of providing richer insights because of the opportunity to expand scope of work (e.g. inclusion of a pilot study area), more breadth and depth to the issues that were looked at (e.g., integrating flood management with water resources management) and allowed for more detailed, comprehensive institutional assessments which were later on used in drawing up sector roadmaps;
- CFWS funding through this facility mutually benefits the ‘providers’ and ‘users’ of the funds. On one hand, the fund providers are able to advocate for its cause for increased awareness on the many dimensions of water and water-related issues in ADB’s water operations. On the other hand, ‘user units’ benefit from additional funds for TA activities and ‘better quality’ outputs;
- It is a normal occurrence in Operations to discover additional issues during TA preparation which were not earlier considered or identified by the project team. Where these issues relate to the water sector, this facility is a readily accessible source of funds at ADB to be able to pursue the needed additional work on analysis and assessment;
- Where expected outputs and outcomes from the funds provided from this facility were only partially achieved, this is because of valid reasons mostly out of the control of the project officer but borne by circumstances in the field, including a better understanding of field conditions that could be possibly known only in the course of TA preparation;
- This evaluation exercised also produced a recommended template for requiring report on the activities funded from this facility to allow better measurement of outputs and outcomes that are directly attributable to the facility’s resources.

3. The 3 completed projects that were reviewed are as follows:

TA Name	Type of TA	Year Completed	Recipient DMC	Top-Up Amount (US\$)
Dhaka Water Supply Project (TA No. 4651)	PPTA	2007	Bangladesh	160,000
National Flood Management Strategy Study (TA No. 4327)	ADTA	2006	People’s Republic of China	49,600
Orissa Integrated Irrigated Agriculture and Water Management Project (TA No. 4815)	PPTA	2007	India	110,000

4. The copy of the full evaluation report is available upon request.