



Major Change in Scope and Amount

Project Number: 38539-03
Technical Assistance Number: 6325
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Promoting Effective Water Management Policies and Practices, Phase 5

A. Introduction

1. Under the Water Financing Program (WFP), ADB committed to double its water investments during the period 2006-2010 to well over \$2 billion annually or over \$10 billion in 5 years, and leverage a similar amount with partners to improve water security for more than 300 million people in the region.

2. WFP focuses on the delivery of substantial investment, reforms and capacity development in three key areas:

- (i) **Rural water services projects** which aim to improve health and livelihoods in rural communities include investments in water supply and sanitation, irrigation and drainage, and multiple uses of water in rural communities.
- (ii) **Urban water services projects** which aim to support sustained economic growth in cities cover investments in water supply, sanitation and wastewater management, and environmental improvement.
- (iii) **Basin water management projects** which aim to promote integrated water resources management (IWRM) and healthy rivers include investments in infrastructure and management of multifunctional water regulation and hydropower facilities developed in a basin context, flood management, and the conservation and improvement of watersheds, wetlands and ecosystems.

3. Half-way into its implementation, the first half of WFP posted a \$2.8 billion in new water investments and another \$8 billion programmed through 2010. Table 1 below shows the progress on WFP investment targets.

**Table A1.1: Progress on WFP Investments
as of 30 June 2008**

WFP Financing	Target (end 2010)	Programmed 2006-2010
Investments	>\$10 billion	\$10.7 billion
Water Lending Share	25%	18% ¹
Leveraged Financing	\$8.0 billion	\$2.0 billion ¹
Water Financing Partnership Facility	\$100 million	\$60million ²

Source: Asian Development Bank estimates.

4. Water projects approved from 2006 till end-June 2008 are expected to deliver the WFP targeted outcomes on the ground as shown in Table 2 below.

**Table A1.2: Progress on Outcomes Achievement
as of June 2008**

Expected Outcomes	Target (end 2010)	Anticipated outcomes from projects approved between 2006 to 30 June 2008
Number of people with safe drinking water and improved sanitation	200 million	64.9 million
Number of people with reduced risks to flood	100 million	34.8 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

Source: Asian Development Bank estimates.

5. Water as a crosscutting core business area of ADB's operations is supported in Strategy 2020 under infrastructure and environment. In his speech at the Water Leaders Summit of the inaugural Singapore International Water Week (SIWW) in June 2008, the ADB President outlined a seven-point agenda for countries in prioritizing water investment in the region as promoted under WFP, and consistent with the intent of Strategy 2020. The seven areas are: (i) increasing investments in rural water services (both rural water supply and sanitation as well as irrigation and drainage); (ii) developing more bankable urban projects with innovative

¹ As of 31 December 2007

² Confirmed and expected contributors so far are The Netherlands, Australia, Norway and Austria. If the Government of Spain signs the Instrument of Contribution this year, they intend to release an initial contribution of \$5 million which will bring to \$65 million the total WFPF contributions.

government-corporate-society partnerships; (iii) collaborating with stakeholders for integrated water resources management (IWRM) in river basins and in introducing comprehensive sanitation “from toilet to river”; (iv) climate change adaptation; (v) reducing vulnerability and increasing resilience of communities to water-related disasters; (vi) improving water governance, performance, and knowledge management; and (vii) using WFP as a platform for working in partnership.

B. Methodology and Key Activities

6. The methodology and key activities of the RETA remain the same but the scope is enhanced by increasing the budget allocation to four of the six RETA components: (i) Knowledge Base and Capacity Development, (iii) Regional Events and Initiatives, (iv) Water Partnerships, and (iv) Project Coordination, Monitoring and Evaluation.

C. Enhanced Scope

1. Knowledge Base and Capacity Development (additional \$640,000).

7. The setting of substantially higher level of investment targets under WFP demands increased capacity both within ADB and in DMCs. Continuing CWFS support to capacity development in DMCs and within ADB is crucial to delivering the targets under the WFP.

8. The additional allocation will be used for:

- (i) continuing support to RDs in providing capacity development assistance to DMC water agencies and facilitating ADB-DMC dialogues and sector assessments in line with WFP objectives of increasing water investments, along with reforms and capacity development. Such capacity development support is geared towards helping create the enabling environment in DMCs for increased water investments. Among the priorities are: (a) improving performance and increasing accountability of water service providers and key sector organizations through the benchmarking and peer review processes, (b) handholding oversight agencies like Ministries of Finance and Planning to access ADB resources using the new lending products such as MFF, sub-sovereign lending, local currency lending, and (c) enhancing further the regulatory environment for improved water resources management and water services delivery.
- (ii) making available to RDs more expert support through the Water Services Expert Pool that was established under the RETA in mid-2007. This facility has proven to be an effective mechanism for responding quickly to requests by RDs for incremental expertise during upstream work, project preparation and implementation. The demand during the past 12 months was so high that the budget allocation is almost depleted, and
- (iii) complementing capacity development and expert pool services with knowledge products and tools for use by water specialists in RDs and in DMCs. This includes the preparation of the 2nd Asia Water Development Outlook which aims to continue drawing attention of Asian leaders to the challenges confronting the sector.

2. Regional Events and Initiatives (additional \$200,000)

10. The additional allocation will be used to facilitate ADB's continued participation in few but strategic water events, and be seen as leading the water sector in Asia. Already, ADB has played major roles in Stockholm World Water Week, World Water Forum and, most recently, the 1st Singapore International Water Week. The Asia Day that ADB convened for the first time at the 2008 World Water Week helped call attention of major sector players to the issues and challenges confronting Asia's water sector. These events are premier water events where ADB's profile has been significantly raised. Resources will also be provided to RDs to participate in water events as speakers and resource persons and, in the process, providing opportunity for their knowledge and skills advancement. Furthermore, RDs will be supported in organizing in-country workshops and seminars that will help achieve the WFP objectives, i.e. holding of WFP follow-up conference in other WFP priority countries such as India, Pakistan, Philippines and PRC. Only Indonesia and Viet Nam have so far completed such conference which resulted in investment opportunities (such as 8 new PPTAs for urban water supply in Viet Nam and over \$1 billion indicative investment program for Indonesia).

3. Water Partnerships (additional \$200,000)

11. The additional resources will be used to continue ADB's support to major water sector institutions, whose mandates are crucial to achieving the objectives of the Water Financing Program. These are the: (i) network of water utilities which are being supported by ADB through continuous improvement and performance benchmarking. They are key to meeting the WFP target outcome of expanding the coverage of water supply and sanitation services and improving governance of water supply services, (ii) the network of river basin organizations who are responsible for facilitating basin level planning, allocation and management of water resources. They are key to meeting the WFP target outcome of IWRM being introduced in river basins and improving governance of water as a resource, and (iii) regional cooperation among national water sector apex bodies who help advance reform measures and facilitate policy discussion. Their mandate is crucial to achieving WFP target outcome of improved water governance through reforms and capacity development. While ADB has not specifically pursued the creation of network of water users associations in the region for improved management of irrigation and drainage facilities, it has supported under CFWS a number of capacity development support as well as regional events dealing with irrigation. The additional resources will also be used to initiate new or enhance existing regional cooperation for supporting climate change adaptation and other water-related disasters.

4. Program Coordination, Monitoring and Evaluation (additional \$176,000)

12. The additional resources will be used to further boost the results focus of the RETA-supported activities by: (i) carrying out further evaluation of completed PDAs and projects supported through top-up facility, as a follow-up to the first outcome evaluation exercise, and (ii) provision of continuing strategic support to ADB's Water Committee in steering the direction of ADB's water operations, including strengthening the results focus of WFP particularly with respect to achieving the targeted outcomes. The additional resources will also support continuing support for CFWS fund management, monitoring and reporting to donors.

D. Revised Implementation Period

13. The current completion date for RETA 6325 is 31 December 2008. With the enhanced scope, the revised TA completion date would be 31 December 2009.

E. Outline Terms of Reference for Consultants

14. A total of 28 person-months of international consultants and 63 person-months of domestic consultants will be required to carry out the expanded scope of work under the RETA.

15. The following outline terms of reference describe the main tasks under each of the key activities whose scope is proposed to be enhanced:

1. Knowledge Base and Capacity Development

16. Services under this component are expected to comprise approximately 20 person-months of international consultants' inputs and 30 person-months of domestic consultants' inputs for: (i) providing more targeted capacity development support to DMCs and assisting RDs in carrying out sector assessments to inform a continuing dialogue with DMCs on improving sector financing and advancing urgent reform measures, (ii) water expert services pool where specific specialists will be engaged based on likely expertise to be required by operations departments using pipeline of PPTAs and loans as basis. Expertise to be prioritized are those currently not available under the regular scope of work for project preparation and implementation. Information on duration of engagement of each expert and the specific deliverables will be provided by the user division, along with other detailed information needed to facilitate processing of requests, and (iii) continuing knowledge product development and dissemination support to RDs, including the preparation of 2nd Asia Water Development Outlook.

2. Regional Events and Initiatives

17. This component will entail approximately 3 person-months of domestic consultant's time to support the organization of regional events.

3. Water Partnerships

18. Consulting services for water partnerships are expected to comprise mainly 3 person-months of international consultants who will provide expert guidance on the continuation of ADB support to major partnerships among key sector agencies, and 6 domestic consultants who will facilitate coordination and monitoring of activities.

4. Program Coordination, Monitoring and Evaluation

19. About 5 person-months of international experts will be required for enhancing outcome monitoring of CFWS-funded activities and ADB's sector operations in line with the outcome-focus of WFP. Approximately 24 person-months of domestic consultants inputs for fund management, monitoring, reporting and donor liaison will also be required.

20. The Board is notified of this major change in scope and increase in RETA amount by the equivalent of \$1,219,000 to be financed on a grant basis by the Cooperation Fund for the Water Sector and administered by ADB. After this increase in TA budget, the total TA amounts to \$5,619,000 equivalent.

REVISED COST ESTIMATES AND FINANCING PLAN
(‘000)

	Cost^a	Additional	Revised Cost
Cooperation Fund for the Water Sector (CFWS)³			
1. Remuneration and per diem			
a. International consultants	1,133.0	504.0	1,637.0
b. Domestic consultants	897.5	210.0	1,107.5
c. International and local travel	421.5	100.0	521.5
2. PDA purchased services	600.0	0	600.0
3. Workshops and events	572.0	150.0	722.0
4. Knowledge and communication products dissemination	301.0	30.0	331.0
5. Partnership -purchased services and contributions	250.0	150.0	400.0
6. Supplies	25.0	0	25.0
7. Contingencies	200.0	75.0	275.0
Total	4,400.0	1,219.0	5,619.0

^a The \$4.4 million total RETA cost includes the additional \$1.2 million approved through a major change in scope in April 2007.

Source: Asian Development Bank estimates.

³ The CFWS is funded by the Governments of Norway and the Netherlands and administered by ADB.