



Major Change in Scope and Amount

Project Number: 38539
Technical Assistance Number: 6325
March 2007

Promoting Effective Water Management Policies and Practices (Phase 5)

I. INTRODUCTION

1. The Board of Directors of the Asian Development Bank (ADB) approved the regional technical assistance (RETA) 6325: Promoting Effective Water Management Policies and Practices (Phase 5) in July 2006 at a cost of \$3.2 million. The RETA finances a number of key activities under six major components¹ that support the implementation of ADB's water policy and the Water Financing Program 2006–2010. It is the fifth and last in a series of RETAs² financed from the Cooperation Fund for the Water Sector (CFWS), whose contributors are the governments of the Netherlands and Norway.

2. The total contributions from both contributors amounted to \$20.3 million: \$18.3 million from the Government of the Netherlands and \$2 million from the Government of Norway. These contributions are being accessed through a series of RETAs. Three of these RETAs have been completed.³

¹ The RETA's six major components are (i) water communications, (ii) knowledge base and capacity development, (iii) pilot and demonstration activities, (iv) regional events, (v) partnerships and strategic alliances, and (vi) monitoring and evaluation.

² ADB. 2002. *Proposed Technical Assistance for Promoting Effective Water Management Policies and Practices*. Manila (TA 6031-REG, approved on 26 April 2002); ADB. 2003. *Technical Assistance for Promoting Effective Water Management Policies and Practices - Phase 2*. Manila (TA 6093-REG, approved on 31 January 2003); ADB. 2003. *Proposed Technical Assistance for Promoting Effective Water Management Policies and Practices - Phase 3*. Manila (TA 6123-REG, approved on 3 October 2003); ADB. 2004. *Proposed Technical Assistance for Promoting Effective Water Management Policies and Practices - Phase 4*. Manila (TA 6219-REG, approved on 20 December 2004); and ADB. 2006. *Proposed Technical Assistance for Promoting Effective Water Management Policies and Practices - Phase 5*. Manila (TA 6325-REG, approved on 14 July 2006).

³ The Netherlands Ministry of Foreign Affairs concluded an independent review of the CFWS in 2006 and reported that the CFWS has been achieving its planned outcome and outputs.

3. In late 2006, the Netherlands Ministry of Foreign Affairs informed ADB of the availability of an additional \$1.1 million equivalent as a result of foreign exchange gains realized on their contribution to the CFWS. In addition, an equivalent of \$100,000 in unspent funds from previous RETAs (6031 and 6093), which have been financially closed, is available. Both RETAs were financed from the CFWS.

II. BACKGROUND

4. The CFWS, established in December 2001, is a multi-agency umbrella facility to 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.

5. The CFWS finances a coherent program of activities that seek to increase synergy in ADB's water sector operations by providing pilot demonstration facilities, access to knowledge products and services, capacity building to support generic sector reforms, awareness and advocacy, water partnerships, regional cooperation, monitoring, and coordination. The CFWS aims to add value to the water operations carried out by ADB's operations departments and is not intended to replace resources for regular operational activities.

III. THE PROPOSED CHANGE

6. Enhancement of the TA scope is proposed, to allow the use of additional funds in the amount of \$1.2 million. The increase in the TA budget and corresponding change in scope will enable ADB to access the additional contribution from the Government of the Netherlands and the unspent amounts from RETAs 6031 and 6093, this being the last RETA to be funded from the CFWS.

7. The additional funds will be used to increase the allocations to the following key activities under the RETA:

- (i) **Support quality in ADB operations through the establishment of a water experts pool.** Using \$600,000 of the additional funds, this facility is designed to help strengthen the capacity of operations departments for strategic planning, project design, and implementation, by making available a range of skills that are not available through project preparatory technical assistance and project budgets. This facility will provide a rapid response service, using prequalified experts in such disciplines as sanitation, wastewater, irrigation, urban water supply, rural water supply, regulation, tariff setting, water laws, water rights, and integrated water resources management, for varying periods of time and with clearly defined deliverables.
- (ii) **Water agencies capacity development.** This is a key activity of the RETA that will utilize \$450,000 of the additional funds to provide extra resources for capacity development of developing member country water agencies. This was recommended by the independent panel that reviewed implementation of ADB's water policy in 2005/2006, which commented upon the need for longer-term engagement with developing member country water agencies. This is to be carried out in conjunction with existing or proposed lending or technical assistance. The expected outcome is sector agencies with improved

performance, and specifically with increased relevance, effectiveness, and efficiency.

- (iii) **Development of knowledge products.** The remaining \$150,000 of the additional funds would be utilized to develop additional knowledge products for use by operations departments, such as good practice papers, technical notes, issues paper, management briefs, case studies, model terms of reference, a design and monitoring framework, and other aids to operations staff in the development of water strategies, roadmaps, project designs, and implementation activities.

8. The revised cost estimates and financing plan are presented in Appendix 1, and the outline terms of reference for consultants in Appendix 2.

IV. THE PRESIDENT'S RECOMMENDATION

9. The President recommends that the Board approve:

- (i) The major change in scope described in paragraph 7 above; and
- (ii) ADB administering a supplementary grant not exceeding the equivalent of \$1,200,000 for the change in scope of Promoting Effective Water Management Policies and Practices (Phase 5), to be financed on a grant basis by the Cooperation Fund for the Water Sector.

REVISED COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Original Cost	Additional	Revised Cost
Asian Development Bank (ADB) and Cooperation Fund for the Water Sector			
1. Remuneration and per diem			
a. International consultants	515.0	618.0	1,133.0
b. National consultants	645.0	252.5	897.5
c. International and local travel	230.0	191.5	421.5
2. Pilot demonstration activities-purchased services	600.0		600.0
3. Workshops and events	500.0	72.0	572.0
4. Knowledge and communication products and dissemination	235.0	66.0	301.0
5. Partnership-purchased services and contributions	250.0		250.0
6. Supplies	25.0		25.0
7. Contingencies	200.0		200.0
Total	3,200.0	1,200.0	4,400.0

Source: ADB staff estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The following outline terms of reference describe the main tasks under each of the key activities for which enhancement of the scope is proposed.

A. Water Experts Pool

2. International and national individual consultants will be engaged based on the expertise likely to be required by operations departments using pipeline of project preparatory technical assistance and loans as basis. Expertise not currently available under the regular scope of work for project preparation and implementation will be prioritized (examples are provided in para. 4, below). Information on the duration of engagement of each expert and the specific deliverables will be provided by each user division, along with other detailed information needed to facilitate processing of requests.

3. The Water Experts Pool (WEP) will comprise prequalified, contracted water experts who can be made available on short notice to provide specific deliverables, and/or persons who can be seconded by their organizations (such as experts from the Public Utilities Board of Singapore) for agreed periods and outputs.

4. The previous survey of the Water Community of Practice members' skills and the emerging skill demand indicates the priority expertise required comprises (i) irrigation specialists, (ii) rural water specialists, (iii) tariff design specialists, (iv) utility management specialists, (v) sanitation and wastewater experts, (vi) integrated water resource management experts, (vii) capacity development experts, (viii) management information specialists (to increase results performance focus), (ix) communication experts, (x) performance-based contracts experts, and (xi) water rights experts.

5. The following are possible criteria for assessing requests for support.

Table A2: Possible Criteria for Evaluation Proposals

Possible Criteria	Low Priority Rate 3	Medium Priority Rate 6	High Priority Rate 9
Link to gaining incremental business	Applies to current program (2006–2008)	Applies to new business in water	Applies to new business in sanitation
Required at design stage	Desirable – but not considered to be likely to delay the project	Important – likely to delay the project	Critical – without expert assistance project likely not to proceed
Required at implementation stage	Desirable – but not considered as causing project delay	Important – will avoid delays	Critical – will avoid substantial delays and higher costs
Location	Occurs in one of the developing member countries that are not in medium or high priority category	Occurs in countries behind in meeting their Millennium Development Goal targets	In six targeted, high-priority countries in which the Asian Development Bank wishes to do more business
Fosters the use of new instruments	Does not use new financial instruments	Uses at least one new financial instruments	Uses two new financial instruments

Possible Criteria	Low Priority Rate 3	Medium Priority Rate 6	High Priority Rate 9
Period required and affordability	Three months or greater support	More than 1 month but less than 3 months support required	1 month or less support required
Number of people affected by the project	Under 5,000	Between 5,000 and 25,000	Over 25,000
Wild card assessment (allows for other factors)	9	8	7
Total maximum scores	30	50	70

6. Typically, requests would require a minimum score of 55 to qualify for funding. To avoid requests tending to favor any one subsector, at least 25% of the funding would be allocated to each (basin, rural, and urban water), with the remaining 25% available for high scoring requests, irrespective of the subsector.

7. Any project officer involved in water operations is eligible to access this facility. Requests for expert/s shall be sent to the director of the Energy, Transport, and Water Division, Regional and Sustainable Development Department, through a formal memo from the requesting project officer through the director of the user division. The memo should provide the following information: (i) background on the project or technical assistance for which the expert services will be used, (ii) scope of work and expected deliverables from the expert, and (iii) expected outcome from the engagement of the expert.

8. Services under WEP are expected to comprise approximately 37.2 person-months of international consultants' inputs and 12 person-months of national consultants' inputs.

B. Water Agencies Capacity Development

9. International and national individual consultants will be engaged to provide expert advice on (i) carrying out diagnostic assessments, (ii) developing and implementing a change program, (iii) benchmarking performance, and (iv) developing an appropriate change program and capacity development interventions based on benchmarking results. Priority will be given to assisting key water sector agencies, such as (i) water utilities, (ii) river basin organizations, (iii) apex bodies including line government agencies involved in overall water sector planning and monitoring, or (iv) those directly involved in Asian Development Bank (ADB) projects as implementing or executing agencies. The type of expertise includes organizational development, change management, capacity development, training facilitation, and mentoring.

10. A major thrust of the Cooperation Fund for the Water Sector has been to assist water agencies such as utilities, river basin organizations, and national water sector apex bodies improve their performance through benchmarking and exposure to knowledge products and events. Through technical assistance projects, units of government have been assisted to enhance their capacity through acquisition of skills and better systems and procedures.

11. The candidate agencies would need to meet some key preconditions, namely:

- (i) their leadership exhibits strong commitment to achieving change,
- (ii) there is some track record of change,
- (iii) there is sufficient autonomy to ensure that change proposals can be implemented, and

- (iv) the organization is prepared to commit its own human resources to ensure they maximize the benefits of any external support.
12. The selected agencies can be from any one of or across the subsectors—rural, urban, or basin water—and can be at national, provincial, or local level.
13. It is envisaged that the capacity development would include assistance with:
- (i) organizational diagnostics,
 - (ii) mentoring change plan development,
 - (iii) training of personnel in change practices such as continuous improvement and benchmarking,
 - (iv) mentoring the implementation of a change program, and
 - (v) staff exchanges or field visits if warranted by the change program.
14. In line with ADB's thinking on capacity development, the onus for change is with the client and the pace of support has to fit with their absorptive capacity and the progressive demonstration of results. This means that support may need to be spread over a period of up to 3 years, and can be provided either in conjunction with existing lending or technical assistance to the selected agency, or as a standalone activity.
15. The expected outcome from this targeted capacity development is higher performing agencies with increased relevance, effectiveness, and efficiency.
16. Services under this key activity are expected to comprise approximately 10.5 person-months of international inputs and 36 person-months of national consultants' inputs.

C. Development of Innovative Knowledge Products

17. To accelerate the development of knowledge products, short-term national consultants specializing in research and writing will be engaged. This is particularly helpful in stepping up support to operations in implementing the Water Financing Program, where knowledge products play a crucial role in advocacy work and dialogue with governments.
18. To equip operations departments with the knowledge products they need to improve their capacity to communicate with governments and advocate key ADB messages, this activity under the regional technical assistance will make possible the development of various knowledge products (e.g., technical notes, good practice papers, issues papers, management briefs, case studies, model terms of reference and a design and monitoring framework, roadmaps, guidelines, and mission leader toolkits). Selection and prioritization of knowledge products will be guided by the Water Committee, and operations staff will be encouraged to develop knowledge product with support from the Water Team. Priority will be given to products that will directly support the Water Financing Program, e.g., information packages on Innovation and Efficiency Initiative products as applied to water projects, lessons learned papers culled from ongoing and completed projects that demonstrate good practices and innovations, and advocacy materials for mission leaders to help articulate key messages such as cost recovery, private sector participation/public-private partnership, integrated water resources management, user and civil society participation, etc.
19. Services under this activity are expected to comprise approximately 24 person-months of national consultants inputs.