



# Timor-Leste: Water Supply and Sanitation Investment Project

Project Name	Water Supply and Sanitation Investment Project	
Project Number	53395-001	
Country	Timor-Leste	
Project Status	Proposed	
Project Type / Modality of Assistance	Grant Loan	
Source of Funding / Amount	Loan: Water Supply and Sanitation Investment Project	
	concessional ordinary capital resources lending / Asian Development Fund	US\$ 47.00 million
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth	
Drivers of Change	Governance and capacity development Partnerships	
Sector / Subsector	Water and other urban infrastructure and services - Urban sanitation - Urban water supply	
Gender Equity and Mainstreaming	Effective gender mainstreaming	
Description	<p>The project will focus on enhancing water supply and sanitation services and providing infrastructure that will facilitate long-term sustainable and economic growth. The project is consistent with the strategic goals set in the government's SDP 2011-2030 and ADB Strategy 2030. It supports ADB Strategy 2030's key operational priorities of tackling climate change, making cities more livable, and strengthening governance and institutional capacity. The project is also aligned with the government's commitments to meet the Sustainable Development Goals 6 (ensure universal access to water and sanitation to all), 3 (improved health and well-being for all), 5 (gender equality), and 11 (make inclusive, safe, resilient and sustainable cities and human settlements) by 2030. The Timor-Leste Country Partnership Strategy 2016-2020 identifies improved water supply services in urban centers as a priority area for ADB support.</p> <p>The project will be aligned with the following impact: 100% service coverage for both water supply and sanitation by 2030 (footnote 2). The outputs will result in the following outcome: inclusive and sustainable access to water supply and sanitation services in participating cities achieved.</p>	

Project Rationale and Linkage to Country/Regional Strategy

Economic outlook. Timor-Leste continues to face significant challenges in leveraging income from offshore oil and gas production to drive sustainable development and poverty reduction. In 2017, the gross domestic product (GDP) was \$2.49 billion (\$1,900 per capita). However, non-oil GDP, which is a better indicator of domestic economic activity, was significantly lower at \$1.6 billion (\$1,200 per capita). While there has been progress in reducing income poverty, there are still large gaps in the coverage of basic services and limited opportunities for formal employment.

Urbanization. Timor-Leste has experienced a steady urban growth over the last decade. Since 2008, the urban population has grown at a rate of 4.2% per annum and currently represents about 30% of the total population. Urban development will transform the current rural-based economy of Timor-Leste by providing opportunities for the country to increase employment and rural-urban interactions, improve wages, and reduce the proportion of population living in absolute poverty. To date, majority of urban population has concentrated around the capital city of Dili. However, this is slowly spreading to secondary cities such as Lospalos, Viqueque, and Same.

Policy framework. The government has identified a need to strengthen public institutions, human and financial capacity, promote employment; reduce income inequality; and address the growing requirements for public services, including infrastructure. This is emphasized in the Timor-Leste Strategic Development Plan 2011 2030 (SDP), which targets upper middle-income status and a healthy, well-educated, and safe population by 2030. The SDP identifies reforms to develop human capital, upgrade infrastructure, diversify the economy, and develop a legal and institutional framework. It prioritizes to (i) invest in core and productive infrastructure such as water supply and sanitation, roads and bridges, sea ports, and airports; and (ii) develop the capacity of the public sector and promote good governance for the delivery of government services.

Urban development and planning constraints. Due to rapid urbanization, communities have been established in areas that are not equipped with the basic infrastructure such as water supply and sanitation. The government has recognized the growing trends and demands of urbanization and has identified a need to invest in long-term land use and urban planning. The Timor-Leste Law on Land Ownership was enacted in 2017, setting requirements for issuance of land ownership titles, land usage, and land dispute resolution. However, despite being in force, the legal framework has not been established and urban sprawl remains largely unregulated.

The lack of long-term planning for infrastructure, coupled with the limited capital investments, unpredictable fund flows, and failure to budget accurately has seen ad-hoc and reactive interventions being implemented that are neither holistic nor sustainable.

Urban infrastructure and services. The provision of sustainable urban infrastructure and services is critical to promoting economic opportunities, minimizing environmental degradation, improving livability to the population, and reducing exposure to the effects of climate change and extreme events. Adequate and regular services also reduce the burden on women and girls being the primary water transporters in the family and responsible for taking care of sick family members affected by water-related diseases. The state of urban infrastructure and services is described below:

(i) Access to improved urban water supply across the country was 85% in 2015, with approximately 34% having access to an urban piped water supply network.

(ii) About 81% of the population in urban areas has access to basic sanitation, mainly improved toilet facilities connected via a septic system, since wastewater networks are inexistent countrywide.

(iii) On average 20% of households in the participating cities practice open defecation and 34% use unhygienic toilets.

Institutional arrangements. Responsibility for the water supply and sanitation sector is fragmented, requiring cooperation among ministries and overcoming structural and organizational weaknesses:

(i) The Ministry of Public Works through the General Directorate for Water and Sanitation (DGAS) is responsible for capital investments in urban water supply and sanitation.

(ii) The municipal administrations under the Ministry of State Administration, which have limited autonomy in decision-making, other than for basic operational matters, are responsible for the day to day water supply and sanitation operation and maintenance (O&M), with O&M for sanitation being extremely limited.

(iii) Lines of communication and delegation of authority between the central government and the municipal administrations are unclear.

The government aims to establish a state-owned water utility in 2020 that will be responsible for the provision of urban water supply and sanitation services in the country, while retaining the policy role with DGAS. The municipal administrations will be responsible for the rural water O&M services.

Project area. The secondary cities of Lospalos, Viqueque, and Same are proposed as project sites, due to their economic potential, location at key agriculture and tourism zones, and catering to the development of the oil and gas industry. The cities of Viqueque and Same were identified as petrochemical industrial clusters for the development of the national oil and gas sector project. All three cities are urban nodes along transport routes receiving support from ADB investments in the transport sector, and are likely to witness further development due to improved transport and communication along these routes.

Service delivery in the project area. The government has adopted national targets for urban water supply and sanitation which is to achieve 100% service coverage for both water supply and sanitation by 2030 (footnote 2). However, access to urban services in the participating cities is very limited, which affects their ability to function as economic development centers.

Financial management. Obtaining full cost recovery on the assets, which includes water supply and sanitation, has been limited due largely to weak tariff structures. Both DGAS and the municipal administrations do not have the political strength to implement the tariffs set by the Decree-law n. 4/2004, and therefore there is no billing system and no mechanism for payment collection. Furthermore, all three cities rely on the central government transfers to cover the recurrent costs.

Impact	100% service coverage for both water supply and sanitation by 2030
Outcome	Inclusive and sustainable access to water supply and sanitation services in participating cities achieved
Outputs	Policy and regulatory environment improved Urban infrastructure improved Institutional effectiveness and governance improved
Geographical Location	Nation-wide, Los Palos, Same, Viqueque

Safeguard Categories	
Environment	B
Involuntary Resettlement	B
Indigenous Peoples	C

Summary of Environmental and Social Aspects	
Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
Stakeholder Communication, Participation, and Consultation	
During Project Design	
During Project Implementation	

Business Opportunities	
Consulting Services	A team of individual consultants will be recruited to implement the project preparatory technical assistance for WSSIP. A total of 14 person-months of international consultants' inputs will be required with expertise in (i) economic analyses, (ii) financial analyses, (iii) poverty and social analyses, including gender and ethnic group assessments and land acquisition and resettlement, (iv) environment and climate change, and (v) procurement. The experts will undertake the following: (i) technical assessment, identification of project scope and implementation arrangements; (ii) economic and financial analyses; (iii) climate risk assessment; (iv) procurement capacity assessment; and (v) social (including resettlement), gender, and environmental due diligence.

Procurement All procurement under the project will follow ADB's Procurement Policy (2017, as amended from time to time) and Procurement regulations for ADB Borrowers (2017, as amended from time to time).

Responsible ADB Officer	Tiago Ribeiro
Responsible ADB Department	Southeast Asia Department
Responsible ADB Division	Urban Development and Water Division, SERD
Executing Agencies	Ministry of Public Works Mercado Lama, Caicoli Dili, Timor-Leste

Timetable	
Concept Clearance	15 Jan 2020
Fact Finding	01 Sep 2020 to 07 Sep 2020
MRM	09 Oct 2020
Approval	-
Last Review Mission	-
Last PDS Update	16 Jan 2020

Project Page	<a href="https://www.adb.org/projects/53395-001/main">https://www.adb.org/projects/53395-001/main</a>
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