

ATTACHED TECHNICAL ASSISTANCE

CAPACITY DEVELOPMENT FOR WATER DISTRICT DEVELOPMENT SECTOR PROJECT

A. Introduction

1. To address grossly inadequate water and sanitation infrastructure outside Metro Manila, Presidential Decree 198 (PD 198) in 1973 encouraged local government units (LGUs) to form water districts, local corporate entities established to supply water within a franchise area. According to the Local Water Utilities Administration (LWUA), a specialized lender/regulator established under PD 198 to provide financial and technical assistance to water districts, 511 water districts were operational at yearend 2012. It is estimated that piped water coverage in urban areas outside Metro Manila is less than 50%; water districts provide an estimated three-fourths of such connections. Various studies attribute this to corporatization (i.e., water districts do not receive financial support from LGUs) and to access to financing, training and technical assistance from LWUA.

2. Water districts provide about two-thirds of all provincial piped water connections and therefore can play an important role in expanding coverage. The project preparatory technical assistance for the Water District Development Sector Project (WDDSP) included project preparation for the water supply subprojects of the pilot water districts (City of Koronadal Water District or CKWD and Metro San Fernando La Union Water District) and for CKWD's sanitation facility. The balance of the sector loan will fund water and sanitation projects of water districts from LWUA's long list of water district projects. LWUA is well-positioned to catalyze additional investments in water and sanitation, and to continue to enhance the sustainability of water districts through sector training initiatives.

3. The proposed attached capacity development technical assistance (CDTA) to WDDSP will help increase the number of people outside Metro Manila with access to safe water supply and improved sanitation by strengthening the capacity of LWUA, water districts and LGUs, and encouraging investment in sustainable water and sanitation investments.¹

B. Outputs and Key Activities

4. **Output 1: Institutional capacity of LWUA strengthened, and demand of water districts for loans from LWUA increased.** A strategic business review (corporate planning, finance, MIS, etc.) of LWUA will be conducted by water sector specialists to assist LWUA develop a business plan to define LWUA's strategic role in the sector, for board approval.

5. **Output 2: Institutional capacity of water districts strengthened, and demand of water districts for loans from LWUA increased.** LWUA will conduct capacity development workshops to underscore its strategic role in the sector including: (i) workshops to enhance the sustainability of water supply operations (e.g. business planning, project management, and technical/operational capacity in nonrevenue water reduction, improved management information systems [MIS], etc.) through a national workshop for the water districts on LWUA's long list of potential borrowers and local workshops for water districts which are availing of funding under the sector loan, to receive more in-depth training; and (ii) workshops targeted at smaller water districts (with less than 3,000 connections) to focus on the challenges of smaller

¹ The TA first appeared in the business opportunities section of ADB's website on 24 September 2015.

utilities and to encourage them to integrate water supply systems or establish formal cooperation with neighboring water districts, in order to improve technical and financial results.

6. **Output 3: Awareness about sanitation, and demand of water districts for loans from LWUA for sanitation projects increased.** A workshop for water districts and their host-LGUs to encourage sanitation partnerships and investment in sustainable septage facilities will be conducted for the pilot water districts and all water districts on LWUA's long list of potential borrowers. Those LGU/water district partnerships signifying strongest interest in septage facilities and who are deemed most likely to proceed will receive more in-depth training. We also propose funding (i) surveys to assess willingness-to-pay-sanitation fees in LGUs where an LGU/water district sanitation partnership is likely and where the water district is seriously considering borrowing from LWUA for sanitation subproject, and (ii) Information, Education and Communication programs for the LGUs which are funding sanitation facilities through the sector loan (including possibly CKWD) by training barangay health workers and/or science or health public school teachers.

7. **Key Activities.** The proposed events include 26 national forums and workshops. The capacity development initiatives proposed will (i) help revitalize LWUA and help define its strategic role in the sector forty years after it was established, (ii) promote sustainability and full cost recovery for water and sanitation investments, and (iii) increase awareness of the importance of improved sanitation.

C. Cost and Financing

8. The cost of the TA is estimated at \$1.1 million equivalent, which will be grant financed on a 50-50 basis by UFPF and WFPF. The government will provide in-kind contribution to cover office and support facilities, counterpart staff, administrative support, and local transportation for counterpart staff. The value of the in-kind contribution is estimated at 0.9% of the total TA cost.

Table 1: Cost Estimates and Financing Plan
(\$'000)

Item	Total Cost
UFPF and WFPF^a	
1. Consultants	
a. Remuneration and per diem	
i. National consultants and team leader (68 person-months)	400
b. Local travel	15
c. Reports and communications	15
2. Equipment ^b	20
3. Training, workshops and seminars	
a. Facilitators	20
b. Workshops	300
c. Travel and accommodation	120
4. Surveys ^d	30
5. Miscellaneous administration and support costs	20
6. Contingencies	60
Total	1,000

^a Administered by the Asian Development Bank (ADB).

^b Includes office equipment such as printers and copiers, basic office furniture, and supplies. The equipment will be turned over to the executing agency and the implementing agencies at the end of the technical assistance project.

- ^c Includes \$200,000 for Information, Education and Communication programs for septage management subprojects, and \$100,000 for national and local workshops on business planning, clustering water systems, sanitation awareness and potential septage management projects, for LWUA Management and Employees (per strategic business review) and for water districts.
- ^d Willingness to Pay sanitation fees surveys in LGUs to identify additional septage management subprojects.

Source: Asian Development Bank estimates.

D. Implementation Arrangements

9. The TA will be implemented over 24 months starting in July 2016 and ending in June 2018. The implementation arrangements of the TA and the loan are the same: LWUA is the EA, and the TA will be managed by LWUA's project management office, with the appointed project manager for WDDSP also overseeing TA implementation, supervision, monitoring, accounting and reporting.

10. Consulting services will include a total of 68 person-months (all national) for TA implementation support. An overview of the required consulting services is {summarized in Table 2 and} described in detail in the project administration manual.²

Table 2: Summary of Consulting Services

Areas of Expertise (National)	Duration (person-months)
1. Institutional Specialist and Team Leader	12
2. Water Supply & Sanitation Specialist and Deputy Team Leader	10
3. Water Supply Specialist	6
4. Finance Specialist	8
5. Training Specialist	7
6. MIS Specialist	6
7. Organizational Development Expert	6
8. Sanitation Specialist	6
9. Sanitation Promotion Specialist	5
10. Information, Education, and Communication (IEC) Specialist	2
Total	68

Source: Asian Development Bank.

11. The consultants will be engaged by ADB in accordance with the *Guidelines on the Use of Consultants* (2013, as amended from time to time). A firm will be recruited through quality- and cost-based selection procedures (90-10), using a simplified technical proposal. The consultants will work with government officials and WDDSP project implementation consultants.

12. The outline terms of reference are in Appendix 4. Procurement of goods and equipment (if any) will be in accordance with ADB's *Procurement Guidelines* (2015, as amended from time to time), and will be through shopping, as packages are expected to be less than \$100,000 equivalent. At the end of the TA, procured goods and equipment will be turned over to the EA and local governments using them. Disbursement under the TA will be done in accordance with ADB's *Technical Assistance Disbursement Handbook* (May 2015, as amended from time to time).

13. Table 3 outlines the terms of reference and outputs for the TA consultants.

² Project Administration Manual (accessible from the list of linked documents in Appendix 2 of the RRP).

Table 3: Outline Terms of Reference and Outputs

Institutional Specialist and Team Leader (national, 12 pm). The consultant will (i) help to revitalize LWUA and define its strategic role in the sector through a strategic business review and institutional capacity strengthening; (ii) enhance the sustainability of water districts through institutional capacity strengthening; and (iii) increase awareness of the importance of improved sanitation. The institutional specialist will be the team leader and responsible for the CDTA's overall outcome.
Water Supply & Sanitation Specialist and Deputy Team Leader (national, 10 pm). The water supply and sanitation specialist will be the deputy team leader of the consultant team and will support the team leader.
Water Supply Specialist (national, 6 pm). The water supply specialist will support the team in organizing capacity development activities for the pilot water districts and other participating water districts, including workshops and in-depth training.
Finance Specialist (national, 8 pm). The finance specialist will contribute by identifying the financial capacity gaps of the targeted participants, and working with the training specialist to organize capacity development initiatives.
Training Specialist (national, 7 pm). The training specialist will support the consultant team in identifying the capacity gaps of the targeted participants, and organizing capacity development initiatives.
MIS Specialist (national, 6 pm). The MIS specialist will contribute to the strategic business review and institutional capacity strengthening of LWUA by supporting the consultant team in evaluating LWUA's current information system and making recommendations to strengthen the organization.
Organizational Development Expert (national, 6 pm). The organizational development expert will contribute to the strategic business review and institutional capacity strengthening of LWUA by supporting the consultant team in assessing organization structures and capacities.
Sanitation Specialist (national, 6 pm). The sanitation specialist will support the team in organizing a workshop for water districts and their host-LGUs to encourage sanitation partnerships and investment in sustainable septage facilities.
Sanitation Promotion Specialist (national, 5 pm). The sanitation promotion specialist will contribute to increasing awareness of the importance of improved sanitation by supporting the consultant team in promoting sanitation awareness in the cities or municipalities that are investing in septage management facilities through the sector loan.
Information, Education, and Communication (IEC) Specialist (national, 2 pm). The IEC specialist will contribute to increasing awareness of the importance of improved sanitation by supporting the consultant team in designing and implementing IEC programs for the five cities or municipalities that are investing in septage management facilities through the sector loan.
Others. The consultant will administer the meetings, training, seminars, conferences, and surveys.