Governance on Small Towns Water Supply Project in Nepal

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Abstract
The paper is a brief midterm governance assessment of Small Towns Water Supply and Sanitation Sector Project (STWSSSP) being implemented by Government of Nepal. The assessment is made at implementation as well as operational stage for the first phase of the project. The Governance of the project at feasibility study & detail design, implementation and operation & management stages are discussed. Factors instrumental in delays in implementation, cost recovery arrangements in the project after operation and users committee ownership are the key message that the paper intends to disseminate.

1. Introduction
Government of Nepal is implementing the Small Towns Water Supply and Sanitation Sector Project (STWSSSP) in order to improve quality of life of the people living in the project towns by constructing and extending water supply systems, limited drainage and sanitation facilities and providing health and hygiene education program in various small towns of the country. Asian Development Bank has been providing financial assistance to this project and duration of the first phase of the project is 2001-2006. Department of Water Supply and Sewerage (DWSS) is the implementing agency whereas the Ministry of Physical Planning and Works (MPPW) is the executing agency. The project is assisting in implementing a part of the 15-year plan for Small Towns Water Supply and Sanitation Development in the country and about 31 Small Towns are being covered by this project. Further, recently initiated UN-HABITAT, Water for Asian Cities (WAC) Programme in Nepal is mandated to facilitate the strengthening of intuitional and local capacity, gender mainstreaming and provide support in pro-poor urban water governance in projects like the STWSSSP as well.

Water User and Sanitation Committee (WUSC) is fully involved and jointly responsible for all major decisions related to subproject planning, implementation and long term operation and management (O&M). Public awareness campaign and health & hygiene education, participation and creation of ownership to WUSC is conducted by the project hired Non-Governmental Organization (NGO). The project design is also based on the principles of partial cost recovery, whereby the Town Development Fund (TDF) provides 30 percent of the water supply project cost as loan for a period of 12 years with interest rate of 8 percent. The community contributes an additional 20 percent of the project cost, as 5 percent upfront cash contribution and 15 percent kind. The Government provides the remaining 50 percent as grant to the qualifying communities. Project Management Office (PMO) under the Department of Water Supply and Sanitation (DWSS) is the implementing agency. PMO is supported by Project Implementation Consultants (PIC). Engineering design and construction supervision is conducted by Engineering Design Consultants (EDC). PMO also appoints government officials at each sub-project site as Town Project Officer (TPO). The civil

construction works is conducted by Civil Works Contractor (CWC). Involvement of various agencies during the project cycle is presented in Figure 1.

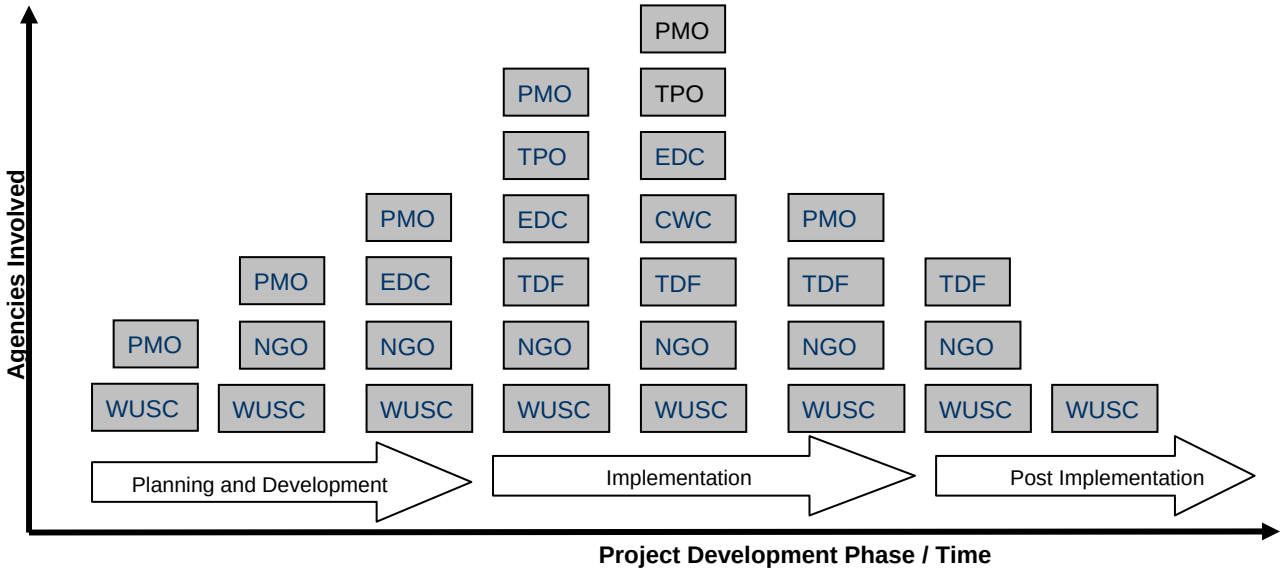

Figure 1: Agencies Involved during Project development Process

The project is at the end of first phase and a number of projects have been completed, several are nearing completion and others are at various stage of implementation. The paper reflects some of the governance issues at the stage on positive outcome as well as hindrances, which have been instrumental in creating some delay – especially during the implementation phase.

2. Planning and Development Phase

This is a very crucial phase of the entire project cycle, as it establishes the feasibility of the proposed project in technical, social, environmental and financial terms. It is at this stage that the consumers get a picture of the scope of the selected alternative, level of investment and tariff level required to pay back the loan amount to TDF. The project modalities are also clearly spelt out to the consumers and their role and responsibility is elucidated. On top of the Engineering Design Consultants (EDC), NGO has more roles at this stage in disseminating information on the project process, community capacity building for informed decision making and creating ownership feeling among the beneficiaries.

Establishment of the scope of the works: The Scope of Works for the Planning and Development is fairly comprehensive and deals with the entire range of technical, social, environmental and economic / financial issues for each of the identified alternative. It is thus essential to further streamline and curtail the cumbersome feasibility study process and focus on the demands and needs of the users / community.

Incorporating Design Feedbacks: The design guidelines provided by the Project Management Office (PMO) have been modified on a case-to-case basis from time-to-time. These changes and recommendations should be documented and made available to the Engineering Design Consultants (EDC) for proper design and estimating procedures. The role of Project Implementation Consultants (PIC) at PMO is critical on this aspect.

Need and demand assessment: Proposed projects need to be assessed in terms of community (WUSC) management capacity, need and desire for water supply and sanitation services, increased service level for better quality and reliable services, etc. for the long-term sustainability of implemented projects. It has been often observed that such assessment parameters are "overlooked" leading to less needy town projects getting into the project fold. It is imperative that a very rigorous approach be adopted to establish the need and demand for improved water services in targeted small towns.

Community interaction for determining the service area of the project: It is observed that main area of disagreement is on demarcation of the service area for a town. Service area demarcation often has been done covering political boundaries like an entire municipality or a village development committee (VDC). Typically service area demarcation is done with respect to the feasibility of the source, settlement pattern (clustering), etc. Covering political boundaries like the entire municipality is not necessarily the most cost effective approach. More intensive and transparent interaction with the community is required and the service area should be demarcated as per the technical and financial viability of the water source of the project. There have been several examples where inadequate exercise for determining the scope and service area of the project during development stage has led to considerable delay in project implementation; one of them is presented in Box 1.

Box 1. Lekhnath Town Project, Kaski

Lekhnath Town was one of the first towns to be selected as a sample town during the project preparation stage in 1999. The acute shortage of water in the town made it an ideal place for the implementation of the Project. However, enhanced scope of the project during the detailed design phase led to unwanted delays and revisions to the project design. After several rounds of discussions and amendments, the scope of the project was reduced to a more manageable scale and the project has finally gone into implementation in late 2005 after a delay of about five years.

Streamlining design approach and assumptions: After the approval of the best sought alternative at the feasibility stage by the community (WUSC), detailed engineering design of the adopted alternative is undertaken by the engineering design consultants (EDC). As mentioned earlier, the Project has developed a brief operational manual. However, this operational manual lacks adequate details to ensure similarity and consistency in engineering design carried out by various engineering firms. Some of the critical areas requiring immediate attention to bring about consistency in the design and reporting process are related to categorization of water demand, addressing temporary or floating population, relevant drinking water quality standards and specific guidelines for structural design of civil structure including earth quake.

Incorporating demand responsive principles in detailed design: One of the basic features of the project is demand responsiveness and incorporating consumers' wishes and demands. Although the scheme cycle provides ample opportunities for entertaining the demands of the consumers, as it happens with most other development works, the consumers tend to float ideas and requirements even at a very later stage of the engineering design works. This may

require changes and additional work for the designer, but should be taken as a challenge and the Project needs to have an inbuilt mechanism to address such "last minute" requests.

3. Implementation Phase

Critical governance issues in the implementation phase are the balancing of community (WUSC), the contractor (CWC), government (Project Management Office, PMO) and the Asian Development Bank.

Balancing the community's demands and contract administration: Being a community owned project, there are always certain issues that WUSC brings up and needs to be considered in the spirit of the project. However, the contract with the Civil Works Contractor (CWC) limits the degree of flexibility to which the request of the community can be met during construction. The need to introduce variation order and other contractual measures often limits the process. Certain financial resource either through a provisional sum or additional lending from TDF, which can be used by the WUSC directly can go a long way in providing the degree of flexibility and avoiding complex contract administrative procedures. Additionally, consumers of several towns have also been voicing their concern regarding communities' responsibilities for factors like price escalation awarded to contractors during standard contract administrative procedures. It has been generally felt that considering the nature of the project, a simpler process to address price escalation issue needs to be taken in the contracts.

Community's role during implementation: The Project has prominently placed the role of the community in the forefront. However, this has to be further enhanced considering the high degree of maturity and knowledge demonstrated by the members of the WUSC and general community members in the planning, development and implementation (ongoing in some cases) of over 20 town projects. Enhancing the community's role during implementation may require additional capacity building measures requiring NGOs playing stronger roles.

Balancing Government financial regulation, ADB guidelines and the Community: Need to conform to two different regulations – one of the Government of Nepal and the other of ADB – often leads to some confusion and delay in project execution. It would be worthwhile to explore the possibility of having a single regulation for the execution of the town projects. This issue can be further eased by giving greater financial responsibilities to the Town Managers of their respective Town Project Offices (TPOs).

4. Post Implementation Phase

At this stage community's responsibility attains a height which includes independent O&M of the project on its own and meeting all financial repayment obligations of TDF. Capacity of WUSC for the efficient operation and management of system needs to be adequately enhanced to reach the desired level. The institutional link remains only with TDF till the date of full paying back its loan, at least for 12 years. Post implementation technical support, mainly for operation and management, has to be under the scope of TDF.

This phase has not been fully realized yet, though few projects have been completed and their respective WUSCs are operating and managing the new systems. It has been observed that

some of the existing WUSCs are quite capable to handle the complexity in operations and management of the systems. Some of the WUSCs have already started providing house connections to households and collecting monthly tariff. It has been observed that some additional training and support is required to make the operating procedures effective and efficient.

5. Positives from the Project Governance Cycle

There are strong positives vibes that have resulted with the ongoing implementation of the Project in various towns in the country. Apprehensions in the early stages of project implementation regarding upfront cash contribution, kind and labour contribution, effective operation and management, tariff setting based on actual operation and maintenance cost including payback of 30 percent loan, etc. have "disappeared" and stakeholders are now convinced that effective operation and management and cost recovery are essential to the success and sustainability of the project, as a whole. Some of the strengths emanating from the project concept and strategy are as follows:

Community participation: Participation of community in projects located in urban areas was thought to be very difficult. However, after initial hiccups raising five percent cash upfront of the total water supply cost and additional fifteen percent cost in kind has not been a problem. In fact on the average nearly $ 20 in cash has been contributed by each household within the service area of various towns under implementation. The community and their representatives in the WUSC have been actively participating during contractor selection, contract implementation and running bill payments. This has greatly enhanced the sense of ownership and responsibility.

Box 2. Khairenitar Town Project, Tanahu

During the feasibility and design phases of Khairenitar Town Project, it was assessed that about 50 percent of total consumers (808) were interested in getting services from the project in the initial phases of project operation. The Project is completed and now functioning for more than a year. The WUSC has taken over the operation and management responsibilities in advance of formal handover from PMO. It has provided house connections to 709 customers and is generating about US $ 800 as monthly revenues. Its present monthly expenditure, predominantly staff salaries and regular maintenance cost, is about US $ 350. The monthly revenue shall go up with the installation of water meters and levying of incremental tariff in lieu of the present lump sum tariff.

Cost recovery: A unique and probably a pioneering effort in rural and semi-urban water supply and sanitation sector in the region is process of acquiring loan to the tune of 30 percent of the total water supply cost and setting tariff to pay it back in 12 years with an interest of 8 percent per annum. This cost recovery feature of the project is in the process of implementation in some of town projects, which have been completed and handed over to the community (WUSC).

Local tariff: As discussed earlier, the water tariff at each town is set to cover the entire operation and maintenance cost including the debt servicing on 30 percent capital cost of the project to TDF. Therefore, the community is responsible to make the technological choice

and the level of investment associated with that choice / option. The tariff is set on the incremental block tariff system, where the rate for the initial 8 – 10 cu.m. is kept at a lower rate and gradually increased for higher blocks of water consumption.

Gender involvement and social inclusion: A critical and essential feature of the project is the involvement of women and disadvantaged groups in various phases of planning, development and implementation of the town projects. This involvement does not end there and is furthered through the mandatory participation of women in the apex WUSC and ward level sub-committees.

Enhanced service level: The basic premise of the STWSSSP has been providing better services to the semi and peri-urban populace, who are often left out in the face of higher investment in the rural and purely urban areas. Therefore, the service level of the Project is higher than the typical rural schemes with higher quantity per capita, quality conforming to WHO Drinking Water Guidelines and better reliability and accessibility.

6. Conclusion

The Project experiences have clearly indicated that to enhance and strengthen performances of projects for emerging towns elsewhere. It is imperative to build-in the features of effective governance system such as community participation, cost recovery, localized tariff, increased involvement of women and better service level. Similarly, appraisal process of proposed projects in terms of needs assessment and general feasibility has to be done in a robust manner with special focus on the determination of service area. Further, the design process needs to be streamlined to bring consistency and effectiveness. Introduction of greater flexibility in contract administration and allocating more financial responsibilities to users' organizations and local project representatives shall go a long way in making project implementation effective. Strengthening and consolidating of such issues in sector project design and implementation shall further the cause of providing sustainable water and sanitation services to small and emerging towns in the sector.

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