

Design Summary and Implementation Document

South Asia Water Initiative

Proposed program and approach

The engagement in Stage 2 of the South Asia Water Initiative (SAWI), is a core program in addressing the primary objective of the South Asia Regional Strategy in preparation viz climate change and water security. The objective of SAWI is to promote regional cooperation in the sustainable management of water resources of the Himalayan Rivers to address the challenges of development and climate change.

The rivers of the Himalayas are a vital life-sustaining resource for more than 600 million people who live in the major river basins of South Asia. The growing population and economic growth are increasing the demand for water while climate change is leading to less predictability in the water flow in the rivers. Climate change is already changing precipitation patterns, with increased risk of floods and droughts and changes in the seasonal runoff. Global warming is causing the glaciers to melt, which has enormous implications for many major river systems. In the last year alone, nearly 33 million people in the region were affected by floods or drought. The combination of high poverty and high population density, in a largely agrarian society undergoing rapid urbanization, makes it extremely difficult for communities to cope with hydrological and climate variability. To ensure sustained food security, economic growth and political stability in the future, water must be managed better.

Over the life of SAWI Phase 1 (2009-12), there has been a small but encouraging shift in the willingness of the countries of South Asia to engage in discussions of regional integration and water in particular. SAWI Phase 1 increased knowledge of water resources in the region, in particular through the Strategic Basin Assessment of the Ganga; maintained the informal regional dialogue between senior water specialists from the seven countries of the region; and supported major investments and institutional strengthening activities in the region such as supporting the establishment of the office for the National Ganga River Basin Authority. .

An independent review of Phase 1 recognized the program's significant achievements and identified three key lessons –the regional process was somewhat disembodied, there was need to adapt to the complex regional political economy, and it important to ground the process in the national and regional political economy- that have been incorporated into the design of Phase 2. The main way the lessons learned have been incorporated is by focusing Phase 2 on three Basins- Ganga, Brahmaputra and Indus- _ rather than retaining the broad three level focus of Regional, National and Basin that characterized Phase 1. Strategies for engaging with the countries concerned and the political process in these countries will be developed for each of the three focus basins.

AusAID's objective in supporting this initiative is to increase climate resilience and improve food security through regional cooperation on comprehensive management of the Himalayan Rivers. Our successful partnership in SAWI so far has shown that a comprehensive approach, from river source to mouth could deliver improvements to water management and open the way to much more significant domestic funding for infrastructure and management. It has also highlighted the importance and cost effectiveness of ecosystem management. Transboundary collaboration on water management issues also has the potential to reduce one of the drivers of regional political tension.

AusAID has participated as a founding partner in the World Bank SAWI Trust Fund and we have benefited from cooperating with the British and Norwegian governments in influencing the direction of the SAWI program.

Through our partnership in SAWI, AusAID contributes to providing strategic supplementary support to key investments like the NGRBA, as well as enabling SAWI to leverage and positively influence the design of investments in the region through the process of knowledge creation, dialogue and exchange with governments and development partners. For example, the findings and discussions surrounding the Ganges Strategic Basin Assessment (SBA) have influenced the design of World Bank supported investments currently under development on flood management in Bihar and agricultural water management in Uttar Pradesh. The SBA findings and the efforts at capacity building and dialogue under the Nepal Water Resources and Climate Change activity have been instrumental in the design of the Climate Investment Fund's Pilot Program for Climate Resilience in Nepal, administered by the World Bank Group and the Asian Development Bank. The geo-referenced water resources knowledge base developed under the Nepal Water Resources and Climate Change activity is being used by the National Electricity Authority to help rationalize its licensing and by the Ministry of Environment to support environmental management. AusAID's assistance to SAWI to date has leveraged more than \$1 billion of Bank investments.

The funding to date has come from the AusAID Climate Change Adaptation Initiative. Through this engagement, AusAID recognizes that water resource management plans are an integral part of water-related climate change adaptation and vice versa. In the region more than 80% of available freshwater withdrawals are used for agriculture but the sector uses water highly inefficiently. Managing water resources is critical to food security as it improving the productivity of the water used. Growing more food with less water links our engagement in SAWI to our partnership with the Australian Centre for International Agricultural Research in conservation agriculture in the eastern Ganga Basin. Through the South Asia Regional program's portfolio of investments on climate change and water resource management, our full suite of partnerships will be working towards a common set of deliverables. These other partners will be considered in the Climate Change Investment Portfolio for South Asia (under development) and include other regional organisations (ICIMOD), civil society engagement in partnership with DFID, and engagement with other Australian agencies with expertise on water resources management (CSIRO and ICEWaRM).

Proposed AusAID funding

AusAID proposes to provide \$12 million over 4 years. It will be provided as an annual grant to the SAWI Multi-donor Trust Fund managed by the Bank out of its Washington HQ. The level of funding has been determined by two factors. Firstly, the three partners in SAWI have agreed that it is not necessary for each agency to contribute the same amount but each agency will endeavor to contribute a similar level of funding. Our contribution is expected to be at roughly the same level as DFID and Norway (at the time of writing Norway had not confirmed its level of commitment. After the success of SAWI Phase 1 a more substantial agenda for engagement in the region is emerging and increased funding is necessary to enable SAWI to respond to the opportunities, particularly to move beyond policy dialogue towards the implementation of basin-scale management arrangements and policy reforms. Secondly, because of the long term nature of this challenge, longer term funding is desirable to enable SAWI to hire good quality staff through being able to offer 4 years contracts.

Implementation arrangements

AusAID's engagement in SAWI will be managed by the New Delhi post, in consultation with the South Asia Regional Program desk officers. The Sector Manager for the World Bank South Asia Environment Department under which SAWI is managed, is now located in NEW Delhi, enhancing AusAID's opportunities to engage in SAWI. The program is supervised by a Donors Committee which meets via videoconference at least twice a year and meets face to face at an Annual Meeting usually held in the region.

The South Asia program has also sought to build links with the AusAID's Mekong Water Advisor, John Dore who participated in the independent review of SAWI Phase 1. AusAID's Mekong Adviser has also been instrumental in building links between the Mekong River Commission (MRC) and the informal Abu Dhabi Dialogue facilitated by SAWI. It is planned to encourage further cooperation between the South Asia water community and the MRC.

AusAID desk and post have also encouraged interest in SAWI from AusAID's Pakistan and Afghanistan country programs because the Indus is one of the focus rivers for SAWI and the Afghan Government has sought help from SAWI on capacity building for its water resource department. There is scope for the Pakistan section to engage directly in DFID-led work with the Government of Pakistan on water resource management in the Indus River to complement our regional investment in SAWI.

Monitoring arrangements

SAWI has developed a Results Framework and a Monitoring Framework in cooperation with its development partners. AusAID Delhi post will actively engage in liaising on the application of the Results Framework and on monitoring results against the outlined targets. AusAID post will also attend the Annual Meeting where account is given of progress against objectives.

Risks and Risk Management

The major risk for SAWI is that the nation states do not accept their research and findings, with the result that SAWI's policy recommendations are ignored. This issue was highlighted in the Review of Phase 1. SAWI will mitigate this risk by engaging a very broad group of stakeholders in a sustained dialogue to identify initiatives where there is momentum. The ever present legacy of political tensions and mistrust between countries could lead to slow or stalled progress on SAWI activities in some areas.

A secondary risk is the limited capacity, skills and experience available within the relevant Government agencies in integrated water resource management and river basin modeling. SAWI is seeking to increase assistance for capacity building and AusAID will supplement SAWI's activities by providing for a study mission to Australia from the National Ganges River Basin Authority and through formal training and exchanges with Australian institutions.

By partnering with the World Bank, AusAID is able to access the sophisticated and comprehensive fraud and risk management procedures of the Bank. AusAID will continue to monitor the application of Bank procedures to the management of this Trust Fund.

Quality issues

Relevance: Water in South Asia is an essential resource under stress. The increasing demand due to a growing population and economic growth coupled with added uncertainty due to changing monsoon patterns and unsustainable extraction of groundwater are leading to water scarcity. Improving water management is critical to ensuring adequate water for food security, urban centers, industry and power generation and the ecosystem of the rivers and wetlands of the region. Without effective water management, poverty in South Asia is likely to increase, with many people without sufficient water to sustain subsistence agriculture.

Effectiveness: An independent evaluation of Phase I (forthcoming) recognized the program's significant achievements in contributing to an enabling environment for regional cooperation by cultivating a platform for high level multi-stakeholder dialogue; informing stakeholders' understanding of basin level trade-offs; and catalyzing over a billion dollars in investment, including a new (Indian) inter-state basin institution. The link established with the Mekong River Commission has enabled useful sharing of experiences.

Efficiency: The partnership between three donors and the World Bank is a unique collaboration in South Asia. The Trust Fund has been well managed and the call on AusAID staff to be involved in the SAWI dialogue and processes has been manageable. The SAWI secretariat reports financial expenditure in detail to the Annual Meeting and the donors are satisfied that the budget has been managed efficiently.

Sustainability: The sustainability of the SAWI investment will largely depend on the extent to which the new approaches and techniques are adopted by Governments in the region. The focus in SAWI Phase 2 on expanding engagement with stakeholders including research institutes and Civil Society will assist in

building momentum and support for improved water resource management and identify ways to monitor progress and hold Government to account its actions. However, by partnering with the Bank, implementation of new policy directions can also be assisted through large scale loans to implement proposals that have been developed with support from SAWI. For example, SAWI supported the preparatory work for the \$1billion loan from the World Bank which will enable the Government of India to action its National Ganga River Basin Authority and the plan to improve water quality in the river. The Bank offers the possibility of implementing the policies and plans developed by SAWI through the Bank's loan program to the countries of the region.

Monitoring and Evaluation

AusAID participated in the independent review of SAWI Phase 1 and actively participates in the SAWI Donor Committee meetings. The three development partners have contributed to the Results and Monitoring Frameworks. AusAID post will continue to keep close contact with the SAWI office in New Delhi. An annual Quality at Implementation Report will be provided for the initiative, in accordance with AusAID guidelines.

Gender

In response to AusAID's concerns, SAWI has given greater attention to the gender impact of water resource management. SAWI provided supplementary resources to strengthen the social and gender aspects of a major World Bank study of the impacts of the floods in the Indus Basin in Pakistan. SAWI has also supported analytical work on the impact of water variability in the Ganges Basin on female headed households. The SAWI 2 proposal indicates a commitment to include women in discussions with stakeholders.

Russell Rollason
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