

# **US-AEP STRATEGIC OBJECTIVE PLAN**

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# I EXECUTIVE SUMMARY

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This Strategic Objective will assist to improve the quality of life in Asian cities. In particular, the Program will help to improve the access of the urban poor to potable water and sanitation services and also improve the quality of air by reducing greenhouse gases.

Asia continues to be the most dynamic economic region in the world. In the initial period of the US-AEP regional effort, the focus was on the “tigers” of East and Southeast Asia. The focus has been broadened over recent years to include the immense economic presence and power of China and India. The US-AEP program recognized this at the half point in its history – the mid- 1990s – and included India. The Asia region holds enormous economic and political importance to US foreign and economic policies. This Regional Strategy underscores the region’s importance to the US and is aimed to operate as broadly as allowed throughout the Asia region, from India eastward.

The early focus of the US-AEP program included “brown” as well as “green” environmental issues. As the focus of the program sharpened in the mid-1990s to support a “clean revolution” in industry, the green element (the Biodiversity Conservation Network) was spun off. The program boundaries narrowed to the industrial segment of the Asian economies and by definition this led to a secondary focus on urban areas. The proposed Regional Strategy narrows the focus further to urban cities and the twin problems of air and water.

Over the next four years of the strategy, over US \$40 million will be allocated to these twin goals, which are in support of the Millennium Development Goals and US priority initiatives, e.g. Water for the Poor and Global Climate Change.

The Regional Program will continue to build on the solid and proven premise of partnerships and leveraging that has been at the core of the US-AEP approach in the Asia region.

## II STRATEGIC CONTEXT

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### A Link with US National Interests

Asia's strategic importance to the United States in both economic and political terms will significantly increase over the next five years and beyond. The rapid economic growth of China and India will expand their political influence in the region and shift the balance of power at both the regional and global levels. China is already dominating Northern Thailand, Burma, and Laos from a trade perspective while India has established a "look east" policy. ASEAN is working towards an integrated market in the region and is reaching out to both India and China. The welfare of Muslim populations in the Asia region directly links to US security interests as part of the campaign against terrorism.

The way the region responds to urbanization and environmental threats will greatly influence its economic, environmental and political stability, and the security interests of the US. The National Security Council's strategic approach of the Three D's (democracy, defense and development) makes this regional strategy an integral part of the American response to the Asia region. It will also work in ways which change the fundamental nature of the US relationship from that of a provider of development assistance to that of a partner in addressing the most critical environmental problems facing the urban areas of Asia.

As the largest source of direct foreign investment in Asia, the US must strengthen its engagement in the region through both strong regional and bilateral programs. The Regional Environmental Strategic Objective of RDM/A, referred to in this Paper as "the Program," is the only US regional program that aims to improve regional cooperation and has the flexibility to work throughout Asia.

The proposed cross-cutting theme of environmental governance will also contribute to the US joint goal on democracy and governance. This is especially important in Asia where democracy is only beginning to take hold. RDM/A's Program will engage civil society in decision making, promote transparency and accountability in the provision of municipal services, and support good policies and laws.

The proposed new direction of the Program is consistent with and directly supports the Presidential Initiative "Water for the Poor." This initiative has three components, the largest of which is \$450 million over the next three years to increase access to clean water and sanitation. The Program's efforts to improve air quality will have a co-benefit, by also contributing to the President's Initiative on Global Climate Change (GCC), helping to reduce greenhouse gas emissions.

The SO's programmatic goal has been aligned to support three of the most important objectives of the multilateral Millennium Development Goals, which are:

- ◆ Integrate the principles of sustainable development into country policies and programs; reverse loss of environmental resources;
- ◆ Reduce by half the proportion of people without sustainable access to safe drinking water and basic sanitation, by 2015; and

- ◆ Achieve significant improvement in the lives of at least 100 million slum dwellers, by 2015

## **B Development and Environment Challenges**

Continued urbanization, the growth of China and India as world powers, and the resulting shift that this has caused in relationships among all Asian countries, place Asia at the forefront of America's strategic and economic priorities. A fundamental element of this change has been the expansion of mega-cities in Asia. Within this context and in response to these forces, US-AEP, which in the past has focused on the emergence of Asian economies (industry), now will focus on the emergence of Asian cities.

To validate and refine the proposed program focus on urban water, air, and governance, and identify opportunities for the regional environmental strategy, the RDM/A commissioned the *Strategic Assessment Report* (see Attachment Seven).

The Assessment Report confirms that poor access to clean water and safe sanitation is one of the major problems facing Asia. Sixty-three percent of the population of Asia does not have access to clean water and 80% are without access to sanitation. Infant mortality rates are 10 to 20 times higher in cities without adequate water and sanitation. The lack of access to piped water also has a disproportionate impact on the urban poor who invest considerable amounts of time to obtain water from standpipes and other "public" sources or pay small water operators and vendors sums that are from 10 to 90 times the price of water for residents with piped connections.

In the air sector, the Assessment Report indicates that impaired urban air quality is a significant source of morbidity and premature mortality. While everyone in urban areas suffers from air pollution, low income residents can be affected more than higher income groups because of a combination of factors: proximity to heavy road traffic and industry, open burning of solid waste in their communities, and indoor air pollution caused by burning biomass for cooking and heating.

Poor environmental governance is a major impediment to sustained environmental improvements, particularly in urban water access, sanitation, and water and air quality. Enabling conditions, institutional capacity, and public participation are specific weaknesses. Gaps in legislative policy and regulations can impede effective compliance monitoring, inspection and enforcement; limit opportunities for cost-effective solutions to environmental problems; or fail to empower authorities with resources to manage the environment. Lack of staff and supporting resources can affect the ability of institutions to carry out management responsibilities, including strategic planning, monitoring of water and air quality, and enforcement. Limited access to environmental decision making, either through participatory processes such as public hearings and comment provisions or access to the judicial system, as well as limited capacity of NGOs and other civil society groups to skillfully manage public awareness campaigns, can impede the effectiveness of water and air programs.

## **C The History of the US-AEP Program to the Present**

The US-Asia Environmental Partnership Program (US-AEP) was created in January 1992, under an Executive Order signed by President George H.W. Bush. The intent of the Executive Order was to "harness US expertise to address the serious environmental problems in Asia." The initial

program was authorized as a seven-year, US \$100 million effort in 11 Asian countries. The early years of US-AEP emphasized the transfer of environmental technology and expertise from the US to Asia, including technical assistance to help with environmental management and policy development.

In the mid-90s, following an assessment of US-AEP, a new strategic vision was adopted related to a “clean revolution” for Asia. Trade promotion activities continued during this period, but were more narrowly focused on greening of Asian businesses amidst growing environmental problems associated with widespread and rapid urbanization and industrialization. With the withdrawal of DOC support for US-AEP in 2002, adjustments were made that included the reduction in the number of countries covered by US-AEP, from the original eleven to the current six; and the shift in the emphasis of US-AEP’s scope to feature capacity building more prominently than trade promotion.

In late 2003, management of US-AEP was shifted from AID/W to the Regional Development Mission/Asia (RDM/A). US-AEP is currently authorized at \$124 million for activities in six countries: India, Sri Lanka, Thailand, Indonesia, Vietnam, and the Philippines.

The current approved US-AEP program activities can be characterized mainly as demand-driven, country-by-country interventions, covering a broad range of program areas:

- ◆ Water supply/wastewater
- ◆ Air quality and pollution
- ◆ Solid waste management
- ◆ Industrial environmental management
- ◆ Environmental governance
- ◆ Energy efficiency/renewable energy
- ◆ Hazardous waste management

In many cases, programs in different countries are working on very similar problems and applying similar approaches or solutions. In addition, for FY 2004, a regional work plan was prepared which described a set of regional activities that would be undertaken cooperatively by two or more country programs.

Partnerships currently work predominantly through direct peer-to-peer contacts to develop and implement practical solutions to environmental problems, bringing experts and practitioners together to share knowledge and to act directly and in concert to solve problems. More than 4,000 private and public institutions from the US and Asia have participated in US-AEP activities. The partnership approach, emphasizing the use of actual practitioners, increases the effectiveness and, in some cases, the sustainability of activities. Through these partnerships, US-AEP meets its assistance requirements and also leverages partners’ resources (financing and in-kind contributions), experiences and lessons learned, or capacity to influence policy and investment decisions. The current program has US, international and local partners.

## **D Guidance on the Design of the Regional Environmental Strategy**

To help set programmatic direction for the next five years, the RDM/A prepared a Concept Paper proposing a regional environment strategy with a focus on urban water, air and on environmental governance as a cross-cutting theme. These new focus areas were approved by USAID/W in

April 2004. In the Final Planning Parameters Cable<sup>1</sup> for the FY 2005–FY 2009 period, RDM/A was advised that:

- ◆ The Program should continue to reflect the Mission’s commitment to critical development priorities, including the Presidential Initiatives *Water for the Poor* and *Global Climate Change*;
- ◆ It may also wish to consider and describe the health impacts of the Environmental SO in its revised program description;
- ◆ USAID/W approves the overall conceptual approach for the revised Strategic Objective; and
- ◆ Environmental governance should be an integral, cross-cutting theme.

## **E Strategy Development Process**

RDM/A staff visited with missions throughout Asia in February and March 2004, as part of the development of the Concept Paper. In response to the guidance within the Reporting Cable and Resolution Memo (see Attachment Six), RDM/A funded an Assessment Report, which conducted over 100 interviews in eight Asian countries (including the six current program countries), as well as detailed interviews in Washington with the State Department, USEPA, USAID/Washington offices and existing US-AEP partners. Based upon the results of the Assessment, RDM/A developed this draft Program Plan. It will be submitted for review and approval in October/November 2004.

## **F Rationale for a Regional Program**

The regional approach provides the best opportunity for the Program to mobilize and leverage the resources of bilateral and multi-lateral donors, international development banks (Asian Development Bank and the World Bank), and national, US, and private sector partners that want to share lessons learned and best practices on regional priorities. The regional approach also allows flexibility to cooperate with USAID bilateral missions, USAID/W, and where there is a strong and compelling rationale, to work in non-presence countries.

Through its regional approach to solving common environmental problems, this Program will clearly extend the impact of activities beyond national boundaries. There is an opportunity at the regional level to strengthen advocacy work towards national commitments by linking the various regional organizations. Additionally, the Program will promote a learning partnership so that successes in transforming water utilities, financing utility expansion and bringing water to poor communities can be shared across the region. In terms of air, effective mechanisms for regional sharing of lessons learned are already well-established; the Program will further support and enhance these successes.

### **F.1 POTENTIAL FOR LEVERAGING REGIONAL RESOURCES**

US-AEP’s programs leverage and influence the region’s environmental organizations and supporters in a number of ways:

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<sup>1</sup> US Department of State, *Final Planning Parameters Cable*, April 29, 2004.

- ◆ By providing funds directly to partners;
- ◆ By partnering with organizations in a “parallel” or “tandem” way that does not provide funds, but works with the partner and sustains US-AEP involvement. Such partnering allows for reciprocal benefits; the organization gains access to US-AEP’s network, and is, itself, added to the US-AEP network;  
By collaborating with other organizations to attract new supporters;
- ◆ By attempting to influence other donors and their allocation of resources;
- ◆ By influencing entities such as the Development Credit Authority which, in turn, can reduce risk for others’ investment decisions.

## **F.2 IMPORTANCE OF PUBLIC-PRIVATE PARTNERSHIPS**

US-AEP excelled at linking American businesses with partners in Asia. Public-private partnerships will remain a hallmark of US-AEP. We expect to expand the range of these partnerships, including partnerships related to financial flows for water programs through parallel support from USAID’s Development Credit Authority. While partnerships with US-based organizations will continue – to the extent that they support the new Program –Asia-based partnerships are expected to be a strong focus under the new SO.

In the air component, the highly successful Clean Air Initiative for Asian Cities (CAI-A), which is based around public-private partnerships, will be a major focal point of the program; US-AEP’s support for the Initiative will be significantly expanded. Under the water component, support for a similarly effective network, or the creation of one, will be a key element of the program.

## **F.3 US BUSINESS OPPORTUNITIES**

The US remains the leading trade partner for many countries in the region, and is the principal source of foreign direct investment. US-AEP will continue its initial role in supporting increased investments in the region from the American private sector. Under this phase of US-AEP, emphasis will be placed on the transfer of expertise, as well as investment flows from private sources, and not solely on the transfer of American technology.

US-AEP will also engage Americans in the region – they benefit from exposure to political, cultural and economic conditions in Asia, and from a better understanding of market opportunities.

### III PROPOSED NEW STRATEGIC OBJECTIVE

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#### A Description of the SO

The proposed goal of the SO is: *To improve the quality of life for people in Asia through regional cooperation.*

The proposed Regional Environment SO is: *Cleaner and healthier cities in Asia.*

This SO directly supports the draft Asia and Near East (ANE) Bureau Planning Framework in the area of energy and the environment. It will cover FY 2005 through FY 2009. FY 2008 will be the final year of obligation. The Program completion date is September 30, 2009.

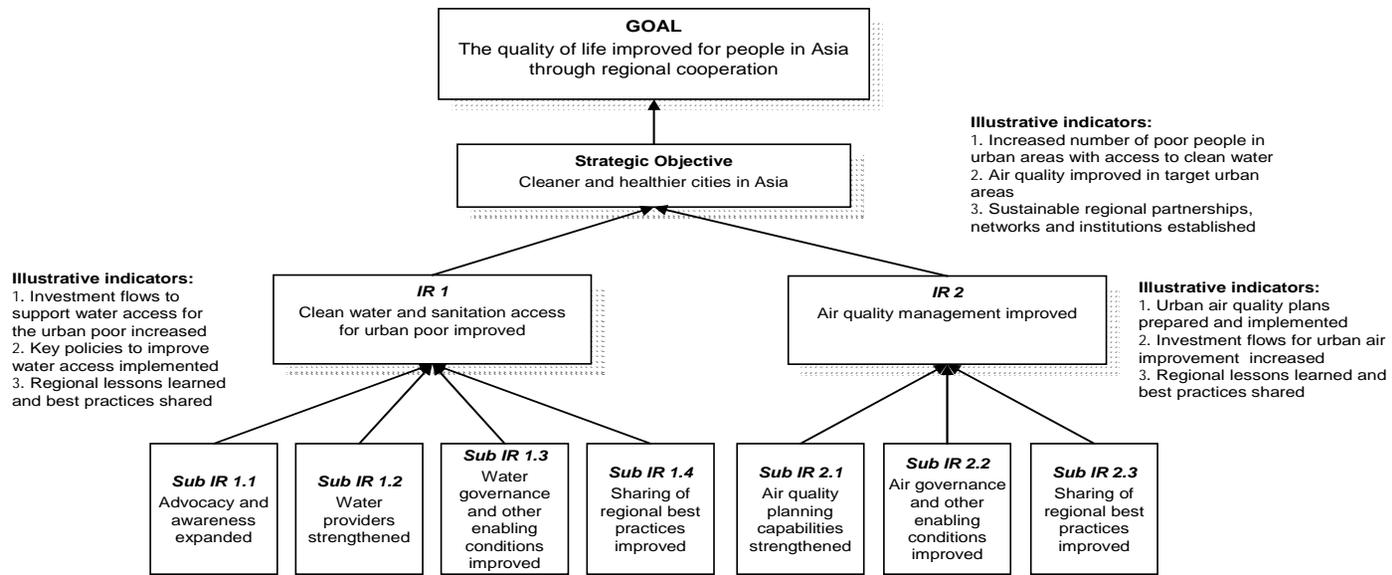
#### B Development Hypothesis for the SO

While water, sanitation, and air are only three of the environmental problems facing Asian cities, they have been selected as the focus of the Regional Environment SO because improvements in each would contribute to mitigating health and economic impacts, particularly for the urban poor. Providing cleaner water to Asian cities requires better and more affordable access and improvements in water quality for households, businesses, and industry. Improved sanitation requires investment in private or public facilities, with water access a precondition for expanding the set of sanitation options. Cleaner urban air requires improvements in both stationary and mobile sources of pollution in cities, combined with an understanding and capacity to address non-urban air emissions transported into cities. Ultimately, this closely links with the joint State/USAID strategic goal to “improve health, education, environment, and other conditions for the global population.”

A compelling case can be made for concentrating resources on the problems of Asian cities rather than on both urban and rural areas. In the next 20 years, the population of the region will increase by more than one billion people with virtually all of this growth concentrated in cities. Governments are already falling behind in meeting the demand for municipal services and managing the environment for the current population – the anticipated urban growth will be an even greater challenge.

An investment in developing and strengthening regional networks and partnerships in water and air can significantly impact economic growth, equity and health issues. In particular, water access and sanitation have received substantially less donor attention than air; there is an opportunity in water and sanitation to be a highly flexible and catalytic entity, more so than for opportunities addressing air.

## C Results Framework



## D IR 1: Clean Water and Sanitation Access for the Urban Poor Improved

Addressing Target Ten of the Millennium Development Goals, which seeks to “Halve by 2015 the proportion of people without sustainable access to safe drinking water and basic sanitation,” *IR 1 promotes increased access to clean water and sanitation on the part of the urban poor throughout Asia.* The Assessment concluded that the lack of clean water and sanitation critically affects the health and welfare of the region. Additionally, the urban poor have little voice or political will to advocate for clean water and sanitation; many of the underlying conditions that would promote participation are not yet in place. We also assume that funds and other resources are available within the region and from the United States, but have not been brought to bear on these objectives. While we believe that there are exciting innovations in some cities in Asia that are worthy of duplication, there are currently no strong regional networks to help share such knowledge.

The Program will work with three groups of stakeholders on water access issues for the urban poor: 1) water consumers and consumer groups; 2) water providers; and 3) governmental authorities at the national, regional, and municipal levels. These three groups are the key change agents whose commitment and actions are needed to increase water access.

***Water Consumers and Consumer Groups.*** The IR will be achieved by promoting ways to give the poor a voice to advocate for clean water and sanitation, by strengthening both small and large providers of water to increase efficiency and address the needs of the poor, and by attracting new investment. It will also support efforts to identify how improved governance and policies can be established that will lower political and economic risks, and identify proven technical and managerial approaches.

To expand awareness, we will support the development and growth of community groups, and support the launch of regional and city-specific public awareness campaigns. Water market analyses will also be conducted, as a means to engage and empower local communities.

***Water Providers.*** In strengthening water providers, we will support improving the managerial, planning and technical capabilities of both small and large water providers, through twinning activities with other Asian and American utilities and other suppliers, by improving their access to financing and their capability to reach the urban poor.

***Governmental Authorities.*** The enabling conditions that appear to promote improved water access, including policy reforms, tenure issues, and others will be identified, and successful approaches defined and shared regionally.

Specific interventions will be determined; consumer groups, providers and other actors will be supported to assess and design interventions in a way that documents best practices and leverages other operational funds and resources.

### D.1 IR 1 AND THE REGIONAL PROGRAM

IR 1 of the Regional Program is predicated on the belief that city-specific best practices and approaches in providing water and sanitation to the poor have validity throughout the region, and that such support significantly leverages the investments of municipalities, private investors, and donors, including other USAID operating units.

Given the enormity of the problem of increasing water access and addressing sanitation problems for the urban poor, the Program must be catalytic and address the key financial, institutional, and policy barriers. It will need to elevate issues and solutions to the regional level in order to share experiences and best practices with the largest number of utilities, cities, and countries, and attract the resources of the private and public sector, donors, development banks, and other financial intermediaries. It will also need to focus program resources on specific interventions designed to remove barriers to increased water access and improved sanitation. The combination of regional knowledge sharing and locally-based interventions will allow the Program not only to aggregate benefits regionally, but also to multiply them.

In terms of sanitation, US-AEP can be a “pathfinder” for an area that is a staggering challenge for Asian cities; one in which not much has been done. US-AEP can engage people and organizations in these issues, and inspire them to develop a strategy, analyze the financing concerns and options, and identify the institutional and organizational hurdles which have not been addressed. Learning grants could play a valuable role in helping organizations to work on these tasks. One comparative advantage US-AEP possesses is its flexibility to respond to issues at their own pace and as they occur. That is why it can address air, water, and sanitation issues from different perspectives and at different levels of engagement.

## **D.2 HOW TO ACHIEVE IR 1**

To attain the SO of improving clean water and sanitation access, several actions need to take place. Advocacy and awareness through consumer groups needs to be expanded. Water providers need to be strengthened. Water governance and enabling conditions need to be improved. And finally, there needs to be a more effective means to share regional best practices. Each of these Sub-Intermediate Results is described in more detail below.

### **Sub-IR 1.1 Advocacy and Awareness through Consumer Groups Expanded**

The Program will identify partners such as local community groups and local, national, or international NGOs that will help urban communities implement advocacy and public awareness activities. The following are a few examples of effective interventions:

#### *Water market analyses conducted*

Water market analyses can serve as effective tools for educating and empowering the poor and groups working with the poor. Water market investigations often reveal lower-than expected levels of service, large money flows in an informal market, subsidy capture by the non-poor and higher-than-expected willingness to pay among the poor. This information can help convince local decision makers to reform tariffs. A grants program can be supported to link NGOs/consumer groups with private sector firms to conduct these analyses and disseminate the results.

#### *Community groups organized to represent consumers*

Local NGOs supported by the Program can meet with residents to solicit inputs on current water supply, identify sanitation options and costs, and organize community groups to represent the demands of residents.

*Public awareness campaign launched*

Local NGOs can develop public awareness materials to educate residents about the benefits of water and sanitation access and make them aware of efforts to improve access.

Wider campaigns can be organized to raise awareness of the community and government of current status of the water supply and sanitation services in slums, the health implications, and costs in both time and money invested by the poor to obtain water.

At the municipal level, campaigns can be undertaken to raise public awareness of water quality and solid waste disposal problems associated with non-sewered sanitation systems and build public support for more extensive sewerage networks and wastewater treatment.

*Consumer groups and NGOs implement advocacy activities*

Meetings can be organized with local government authorities and utilities to initiate dialogue with consumer groups. Additionally, news media can be engaged to represent the viewpoints of residents and spread awareness of the issues.

*Consumer groups and NGOs develop options for improved sanitation services*

Financing and cost recovery strategies can be developed for various private and public sanitation service options. Also, private suppliers on sanitation technologies can assist in identifying equipment options.

**Sub-IR 1.2. Water Providers Strengthened**

The Program will identify twinning partners for participating municipal utilities from US city administrations, water utilities, and the American Water Works Association (AWWA) to support capacity building activities. Private sector partners will be identified to support water providers on technical and financial issues. Water providers will also be linked to SEAWUN information and training materials. A few possible interventions might include:

*Twinning arrangement supported*

The Program will support water utilities through a number of twinning arrangements with US or Asian water utilities and through partnerships with private companies with utility financing expertise. It will also identify US private sector partners that can assist utilities in overcoming technical problems in extending distribution systems. To share the experience gained through twinning arrangements and partnerships at the regional level, the Program will work with SEAWUN and other organizations to develop training programs focused on capacity building topics related to increasing water access.

*Private small water providers supported*

The Program will involve small water providers in working groups with utilities and identify US partners in the private sector to work with them to solve technical water supply problems and identify and finance low-cost water supply technologies.

*Improved access to financing*

Utilities can engage in financial strengthening and restructuring, develop financial plans featuring appropriate tariffs and cost recovery, and identify and secure investment financing in partnership with the US financial services sector.

*Improved capabilities to extend water access to the poor*

Utilities and private small water providers can participate in dialogue with consumer groups to understand access concerns, receive assistance in designing affordable options for access, and partner with the US private sector to provide affordable technologies to deliver water services to the poor.

*Improved management of urban water resources*

Utilities can receive technical assistance through twinning mechanisms and training programs to identify options for improving water service parameters such as frequency and quality, and to reduce distribution system loss and the proportion of non-revenue water.

*Water producers cooperate with consumer groups on water access*

With assistance from the Program, working groups in each city can collaborate to design initiatives to increase water access, identify technologies and sources of financing for specific initiatives, and design cost recovery schemes for initial connections and water user fees.

*Utilities develop strategies to expand sewerage coverage and management of wastewater*

Local utilities can support and learn from partner utilities with wastewater treatment capacity, assess innovative options for increasing demand for sewerage, review wastewater treatment and sludge management practices, and prepare strategies to shift sanitation practices to sewer flush toilets.

**Sub-IR 1.3 Water Governance and Other Enabling Conditions Improved**

The Program will build upon its experience in managing regional governance activities and prepare a survey of existing enabling conditions; partner with US and Asian policy institutions to develop recommendations for policies to improve water and sanitation access; facilitate regional conferences and exchanges to share the analysis; and arrange technical assistance in cities and countries requesting help in drafting reforms. A few possible interventions might include:

*Current enabling conditions for water and sanitation access surveyed and assessed*

Asian institutions can survey enabling conditions related to water and sanitation access and analyze the impacts on urban water supply practices and sanitation services provisions.

*Policy reforms identified, assessed and recommended to Asian cities and countries*

Asian and US experts can collaborate in developing recommended changes to the enabling conditions that determine water and sanitation access, and share their findings and recommendations in a regional workshop.

*Specific reforms to enabling conditions promoted in Asian cities and countries*

The Program's partners, through twinning arrangements, can collaborate with Asian cities and country governments to develop and implement policy reforms that improve opportunities for water access and better sanitation services for the urban poor. To facilitate improved water access, the Program will work with governments in the region on three key enabling conditions: tariff reform, land tenure as a constraint to water connections, and the establishment of a mandate to provide water to all residents.

### **Sub-IR 1.4. Sharing of Regional Lessons Learned and Best Practices Improved**

A critical element of the Program's water activities would be the sharing of lessons learned and best practices throughout the region. Through an electronic knowledge management system, workshops and other types of exchanges, the Program would strive to disseminate this information in a cost-effective manner with the dual purposes of attracting new Program partners and encouraging independent actions by cities and countries throughout the region.

The Program will take the lead role in compiling lessons learned and best practices and in creating the electronic knowledge management system. Once these tasks are completed, it will play a facilitative/assistance role in the Asian-led water network.

#### *Lessons learned and best practices prepared*

The Program and its partners can compile lessons learned and best practices from local working groups and prepare case studies and training materials. The Program can also identify opportunities to share these materials in events sponsored by water networks active in Asia.

#### *Regional fora for practitioner groups organized and convened*

Electronic knowledge management system can be created to link practitioner group members and facilitate annual or semi-annual regional forums for respective practitioner groups.

#### *Demand-based, Asian-led network for water access implemented*

The Program can collaborate with all three practitioner groups to assess the demand for a network, as well as the capability of current water networks to provide appropriate services. A regional institution can be identified to serve as network manager and strengthened to implement and self-finance network management responsibilities.

## **D.3 RESULTS OF THE PROPOSED INTERVENTIONS**

Improved water access means that more of the urban poor have piped connections or improved access to other sources of water such as public standpipe, rainwater collection, or protected wells. Sanitation services can be improved without water access, but the availability of water expands the sanitation options that can be considered and also makes an important contribution to improved personal hygiene. Many of these proposed interventions will improve the enabling conditions for increased access or remove critical barriers to access. To measure the effectiveness of these interventions, the following illustrative indicators for IR 1 will be used:

- ◆ Investment flows to support water and sanitation access for the urban poor increased.
- ◆ Key policies to improve water and sanitation access implemented.
- ◆ Regional lessons learned and best practices shared and utilized.

## **D.4 THE ROLE OF GENDER IN IR 1**

Improved water quality and access, and improved sanitation services are the most important public health measures in Asian countries, particularly for women whose role in water supply and sanitation issues is significant. The females of the household are the primary collectors, transporters, users and managers of domestic water and promoters of home and community based sanitation activity. Improved access also will enhance women's ability to expand their economic opportunities, by reducing the time needed for water related tasks.

Where water supply is inadequate, the burden is borne by the women of the family. While improved access benefits all family members, in particular, females gain:

- ◆ Improved health, resulting from better access to clean water;
- ◆ Better school attendance for girls who are relieved from water carrying burdens;
- ◆ More time for productive endeavors, adult education, and leisure;
- ◆ A reduction in child morbidity and mortality – both burdens that have a large impact on the women of the household – from improved sanitation and drinking water;
- ◆ A decrease of labor burdens and health problems resulting from water portage, also reducing maternal mortality risks;
- ◆ Improved basic hygiene practices following the delivery of a baby, also positively affecting maternal health and mortality rates.

All the evidence suggests that use of piped water at home contributes significantly to the time available for other tasks, and to the overall health of women.

The Program will work with USAID’s WID Office and the ANE Gender Team over the life of the Program to design monitoring and data collection related to performance impacts and to develop new interventions.

## **E IR2: Air Quality Management Improved**

The purpose of IR2 is to help address the air quality of urban areas in Asia, in a manner which responds to the Administration’s Global Climate Change objectives. This will require an emphasis on greenhouse gas emissions. The interventions planned for this IR offer benefits for air quality, as well as other environmental benefits while reducing gases (what is often referred to as “co-benefits”).

Given the magnitude of the problem and challenges in improving air quality in the face of rapid urbanization and economic growth, the Program’s efforts to improve urban air quality must be highly leveraged, catalytic and based on current experience and best practices.

The IR is built around some key assumptions and findings discovered during the Assessment: that there are strong regional networks already in place, and a number of donors and other actors with active programs to reduce greenhouse gases in Asia; that there are a number of best practices and success stories in the region amenable for transfer; and that public understanding and advocacy are reasonably developed and robust. In particular, US-AEP has a strong track record supporting such innovations, and its two primary partners, the CAI-A and USEPA, are well-positioned to build upon and expand the impacts already achieved. CAI-A offers an established, region-based network for sharing experiences in Asia, and USEPA can provide valuable expertise in a range of technical, policy and management areas, in addition to its credibility with both national and local government agencies in the region.

Because we are building on local successes and the significant experience of US-AEP and others to promote regional sharing of best practices, and because consumer awareness and advocacy are relatively supportive of the IR’s objectives, we are able to have considerable impact through highly leveraged and targeted interventions.

To achieve this IR, the Program will focus on a key element of the process of reducing greenhouse gases that still requires support: improving the ability of cities, municipal entities, and countries to monitor, plan, and manage their air quality problems. In addition, existing networks, public-private partnerships and air monitoring networks will be enhanced and strengthened. The Program will also seek to identify those key enabling conditions and governance elements and policies at the city, national and regional levels, that affect air quality and GCC, support the testing of innovative approaches to put these conditions in place, and expand the transfer of these approaches regionally through continued support to regional networks such as CAI-A.

## **E.1 IR 2 AS PART OF A REGIONAL PROGRAM**

IR 2 of the Regional Program is predicated on the belief that city-specific best practices and approaches to improving air quality already are being shared regionally, and are having a demonstrated impact on recipient cities and countries. Air quality issues related to transport, urban planning and policies, approaches to monitoring and IES are readily transferable. While *in situ* programs are required for implementation, regional efforts have a clear and demonstrable value added. Since the programs' goal is the global reduction of greenhouse gases, a regional program also has the flexibility to choose the most innovative and effective programs and approaches to support and share.

## **E.2 HOW TO ACHIEVE IR2**

To attain the SO of improving air quality, several actions need to take place. Air quality management capabilities need to be strengthened. Air governance and other enabling conditions need to be improved. And finally, there needs to be a more effective means to share regional best practices. Each of these Sub-Intermediate Results is described in more detail below.

### **Sub-IR 2.1 Air Quality Management Capabilities Strengthened**

The Program, in consultation with USAID bilateral missions, USEPA, and CAI-Asia, will select partner cities and assist them in using many of the assessment and monitoring tools needed to prepare urban air quality plans and reduce air pollutants and greenhouse gas emissions. A few possible interventions might include:

#### *Preparation of emissions inventories and air quality databases*

Participating cities can be assisted in designing data collection systems for emissions, ambient air quality and health/environmental impacts. Local agencies can be trained to use software to calculate emissions. The Program will work with cities to determine appropriate adjustment factors to account for operational differences in emission sources. Experiences from other Asian cities and cities in other regions will be shared with participating cities.

#### *Use of air quality planning tools*

Participating cities can receive training and side-by-side assistance in the use of air quality planning tools. Cities will be encouraged to use integrated planning tools such as USEPA's Integrated Environmental Strategies (IES) approach, which offers the opportunity to consider a broad spectrum of air pollutants including global, trans-boundary and urban pollutants of concern and to evaluate policy options from a co-benefits perspective (health and environmental impacts plus mitigation of GHG emissions). Assistance will be provided to help local agencies

develop emission trends, conduct source apportionment studies and analyze policy options. Software applications and appropriate case studies and training materials can be provided to participating cities.

#### *Air quality monitoring networks*

Participating cities can be provided with guidance and training in designing or improving air quality monitoring networks, determining staff and financial requirements to sustain networks, and managing, interpreting, and communicating monitoring results to policy makers and the general public through the implementation of an air quality index.

### **Sub-IR 2.2 Air Governance and Other Enabling Conditions Improved**

The Program, in cooperation with USEPA, other US partners, and CAI-Asia, will strengthen the management capacity of national, state, regional and local governmental authorities and improve the policy framework for urban air quality management in Asia. A few possible interventions might include:

#### *Improving the Process of Decentralization of Environmental Responsibilities*

National government authorities can be provided guidance as they devolve environmental responsibilities and resources from the central government to local governments; central authorities can be strengthened to effectively coordinate with local air quality managers; approaches that improve transparency of decision-making processes can be promoted; local governments can receive assistance to plan and manage air quality policies and regulations and develop required institutional organizational capacity; results of these efforts can be developed into training materials as the basis of CATNET-Asia (Clean Air Initiative Training Network) training workshops.

#### *Sustainable capacity for financing air quality management improved*

National and local government authorities can receive assistance in developing and implementing financing plans based on their own budgetary resources, rather than relying upon donor funds for maintaining air quality monitoring and management systems.

#### *Strengthening air quality policies and regulations*

Capacity building can enable national and local government authorities to better design air quality policies utilizing market-based and regulatory instruments; develop implementation strategies; and more effectively enforce air quality regulations featuring preventive approaches – including the use of market-based instruments, as well as command-and-control approaches.

#### *Air quality improvements identified and assessed*

In participating cities and countries, the Program will work with partners to identify and track the impact of measures that reduce urban air pollution. Measures will be selected on the basis of cost-effectiveness and results, with priority given to measures that yield co-benefits.

### **Sub-IR 2.3. Sharing of Regional Lessons Learned and Best Practices Improved**

The Program will strengthen its collaboration with CAI-Asia by working on new collaborative activities, such as a regional grants program designed to develop local capacity within Asian cities to better manage air quality. CAI-Asia is recognized as a successful regional platform and, through its wide range of partnerships, is able to leverage additional resources. During the

strategy period, the Program will also explore opportunities for working with other Asian air initiatives and partners. A few possible interventions might include:

*Successful Partnering focuses and defines regional priorities*

The Program can work with CAI-Asia and USEPA to develop an annual work plan that will focus on specific activities that address priorities in the region and result in regional impact.

*Clearinghouse and knowledge sharing capabilities regionally enhanced*

Drawing from the experiences in the region, CAI-Asia will develop and identify lessons learned and best practices in Asia and disseminate them to other cities and countries. The Program will complement this effort by serving as a clearinghouse for USAID bilateral Missions and USAID/Washington to ensure their best practices in air quality management are captured and shared.

*Grants program to promote sharing and testing of innovative approaches in place*

A program will be created that promotes the IES approach, and involves NGOs, policy makers, the private sector, and other actors.

### **E.3 RESULTS OF THE PROPOSED INTERVENTIONS**

The intermediate result for air is: IR 2: *Air quality management in Asia improved.*

The illustrative indicators for IR 2 are as follows:

- ◆ Urban air quality plans prepared and implemented
- ◆ Investment flows for urban air improvement increased
- ◆ Regional lessons learned and best practices shared

### **E.4 THE ROLE OF GENDER IN IR2**

Air quality impacts are not borne as disproportionately by women as are water access and sanitation, although there is some evidence that suggests that certain sources of pollution, and certain modes of transport, can pose unique risks to females. The consequences of air pollution on mothers and young children also are significant.

The Program will work with USAID's WID Office and the ANE Gender Team over the life of the Program to design monitoring and data collection related to performance impacts and develop new interventions.

# IV OPERATIONAL APPROACH

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## A Where Will the Program Work?

### A.1 CRITERIA

Under the next phase of the Program, interventions will be mainly city-based, with additional efforts focused on the national level to address governance barriers as they affect the provision of water and sanitation access and impede air quality improvements. These local and national interventions will provide the basis for a compendium of lessons learned and best practices that will be shared and multiplied through regional networks.

The Program recognizes that few bilateral programs work in all the geographic areas of a country. For example, USAID may or may not have programs in cities in Asian countries. Based on the assessment US-AEP's new strategy should focus on cities where it can achieve the most important positive impacts.

Criteria for selecting cities include: i) commitment to improvements in water and/or air of the city administration and environmental service providers; ii) willingness of national (or state/provincial) governments to improve the enabling conditions and provide the legislative and policy framework for improved water access and air quality; iii) availability of local partners to collaborate with the Program and participating cities by sharing experiences regionally; and iv) demonstrated preparedness or related successes in addressing urban air and water problems.

Criteria should also consider: Who are the existing partners? How strong is their commitment? What are their capabilities, resources, and "bankability"? How can they work with US-AEP? What are existing donors doing in the city? Is there a US or other Asian partner that wants and can work in the city on this problem?

### A.2 CITY SELECTION

The Program will need to be strategic in its selection of urban areas with which to collaborate on the SO. The success of local interventions will depend on making improvements in governance structures and enabling conditions. Thus, the process of selection will necessarily involve an evaluation of national, regional, and municipal governments in terms of their willingness and commitment to the Program's goals. Cities may be selected as partners for water, air, or both.

For water, it is expected that the Program will work in five to ten cities in the first year, ramping up over its life to partner with more cities, and extend and multiply the lessons learned and best practices. In air, the Program will work in a similar number of cities. The number of participating cities for water and air will depend on budget resources, the size and experience of cities, the scope of interventions, and the level of resource leveraging that partners contribute.

Selection of cities for Program support will involve two distinct steps: 1) identification of candidate cities; and 2) evaluation of candidates with respect to a set of criteria. The process for identifying candidate cities will include consultations with USAID partners (bilateral missions, EGAT, and ANE), Asian partners, the Development Banks, a review of the ASEAN Environmentally Sustainable Cities list of participating cities; and solicitation to the various water and air networks in Asia, including the CAI-A, the Cities Alliance, SEAWUN, the Global

Water Partnership and Water for Asian Cities. The process of selecting cities will be managed by the Program in collaboration with its USAID and Asian partners, CAI-A, and USEPA.

## **B How the RDM/A Program Will Work with Bilateral Programs**

The Program will select cities in presence or non-presence countries, based upon the city selection criteria, as discussed above. City inclusion under the Program would require Mission input, where missions exist.

In working with Missions, as previously mentioned, one of US-AEP's main assets has been its flexibility. The SO will be similarly flexible. In presence countries, it will complement and take advantage of existing programs and help them in areas they may not be able to work in because of the way they and their programs are structured. It may be easier to draw upon lessons learned from countries with exiting programs. In non-presence countries, US-AEP can provide an opportunity for USAID and other US interests to work, network and link to these countries.

## **C Link with Presence and Non-Presence Countries**

### **Category A – Presence countries: Indonesia, India, Philippines, Thailand, Bangladesh, Pakistan, Sri Lanka, Nepal and Cambodia**

In these countries, the Program can work regardless of whether there is an SO that is directly aligned with the objectives of the Regional Program. If the Program selects a city in presence countries, it might engage the missions at various levels and in the following ways:

- ◆ The Program's interventions can be linked to bilateral objectives.
- ◆ The bilateral mission can buy into the Program's interventions.
- ◆ The bilateral Program can buy into the knowledge sharing and high value technical expertise the Program will have available in the region.
- ◆ The bilateral program can expand the Program's reach beyond the budgetary limits of RDM/A.
- ◆ The Program can expand bilateral programs beyond their budgetary reach, if the city selected meets city selection criteria and lessons learned have a regional impact.
- ◆ The Program can highlight bilateral mission's best practices by sharing and replicating them on a regional level.
- ◆ The Program could work in sectors the Mission is not already working, (e.g., if there are no urban or environmental programs).
- ◆ The Program-supported networks could draw upon partner and non-USAID lessons learned and other experiences from the country.
- ◆ The Program can provide technical expertise for portfolio reviews, evaluations or designs on new Strategic Plans, if requested.

### **Category B – Non-presence countries: Vietnam, China, Laos, Maldives, and Burma**

In these countries, the Program might choose to work in selected cities, and through regional networks, and can also identify best practices which can be reproduced on a regional level. This category might include countries where there is some limitation placed on USAID/USG

involvement. Approval by the RLA will be mandatory for some of these countries prior to any direct involvement of the Program.

- ◆ The Program would be able to work with relevant USAID programs in-country and gain important local information from in-country programs' expertise.
- ◆ The Program's involvement in these countries will allow the interested persons and local institutions to be involved with regional networks.
- ◆ Other in-country counterparts can benefit from the Program's expertise.

## **D Link with USAID Missions and USAID/Washington**

US-AEP has worked closely with a number of bilateral programs in the region; it is expected that the proposed Program will continue to interact with, and where feasible, complement and support a number of the ongoing bilateral programs in Asia, subject to the criteria outlined above.

Two of the bilateral missions in the region (India and Indonesia) are working on water issues in their assistance programs. The Philippines is addressing vehicle emissions issues. In India, USAID's FIRE-D (Financial Institutions Reform and Expansion – Debt market component) is working to develop viable urban infrastructure finance systems, and the Mission will be working to improve management of urban water and sanitation systems, in many cases in cooperation with USAID/EGAT and other donors. USAID in Indonesia is launching its Environmental Services Program, which includes a major component to improve and expand access to key environmental services, including water and sanitation.

Finally, the Program will engage an important USAID/EGAT resource: the Development Credit Authority (DCA). The right application of this funding source can help the Program develop financing modes to meet future demands for investment in urban environmental infrastructure.

## **E Roads Not Taken**

RDM/A's Program was developed in response to the Planning Parameters Cable and the Issues Resolutions Paper (see Attachment 5), prepared in April 2004.

Based upon the Guidance from AID/W and the results of the Assessment, RDM/A has decided not to undertake programs in the following areas:

**Water:** *Integrated watershed management.* It is clear that an integrated approach to water that links supply to demand, upstream decisions with downstream impacts, and focuses on the conflicts between different sectoral needs, is a key element of any water program. In addition, to the extent that watersheds cross borders, such an approach can be spatially regional in character. However, the diversity and expanse of the region, and the vast experience necessary to address integrated issues, put this topic beyond the capability of the SO. To the extent possible, the SO will learn from and link to other bilateral and regional programs that do address the topic in a broader context.

**Air:** *Indoor air pollution.* Heating and cooking using coal and other highly pollutant fuel sources can have serious impacts on human health, especially the health of women and children.

However, these interventions are quite different from others contemplated by this SO, and are beyond the manageable interest of the Program.

*Vehicle inspection and maintenance.* Vehicle inspection and maintenance has not been considered due to the difficult governance issues which affect implementation of such programs that were raised during the SO design process.

## **F Transition Plan Summary**

The shift from the existing strategy to the new one should be as smooth and painless as possible and a one year transition phase has been built in to ensure that this happens. A key element of this Program will be to identify and document best practices and lessons learned from ongoing and past programs.

As soon as the strategy is approved, the new Program will work with the Missions to determine the appropriate outcome for all current activities (see Attachment 6 for a detailed Transition Plan).

## **G Sustainability – Exit Strategy**

It is essential that the efforts made by the Program are self-sustaining. This is particularly true of the regional knowledge sharing and advocacy networks. The Asian-based networks supported by the Program will be sustained by the region itself, through ASEAN, or directly through network members. For water, long-term sustainability will be a primary consideration when deciding whether to build upon existing networks or support new ones. For air, we will work with networks and partnerships that already have a strong independent base of support, and a committed community.

Long-term impacts under the water IR are not viable without significant leveraging of public and private investment flows; the IR will be evaluated on its ability to stimulate additional resources that significantly exceed Program funds and ensure long-term support.

While local interventions and pilot activities may be supported, more emphasis will be placed on their strategic importance and the potential for results to be “ramped up” to other cities and countries.

Finally, a focus on influencing regional, national, and local enabling conditions will help to encourage local initiative, investment and experimentation after the new Program has been completed. While senior technical advisors will be important to the Program, they will be phased out over the life of the Program in favor of regional networks and centers of expertise that permit the accessing of regional skills.

## **H Estimate of Required Resources**

# **V MANAGEMENT APPROACH**

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(Forthcoming)

## **VI ENVIRONMENTAL ANALYSIS (ADS 204)**

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All funds under this Objective will be obligated as sub-obligations, through contracts, cooperative agreements, grants, or Inter-Agency Agreements. Since RDM/A does not obligate funds through a SOAG, it is necessary to address Reg. 216 issues both in this SO Plan and as funds are obligated for specific activities.

Given the nature of the work undertaken over the last decade under the Program, and the provision of categorical exclusions for previous activities, the Initial Environmental Examination (IEE, see Attachment Two) requests a categorical exclusion for activities similar to those now implemented under the Program – studies, networks, assessments and other similar activities. As funds are obligated, we shall evaluate the extent to which the specific activity meets the criteria outlined in the IEE; if the activity is within the criteria identified in the IEE, we shall assume that the requirements under Section 204 of the ADS have been met. However, any activities, including local level grants or contracts that involve interventions not covered by this IEE shall require a new IEE and possibly mitigation measures, as deemed necessary by the Regional Environmental Officer.

The Program has been waived from other analyses.