

CHARTING CHANGE

The Impact of ADB's Water for All Policy on
Investments, Project Design, and Sector Reform

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Developing Asia's Water Sector: Policy Matters

IN MATTERS of reforms and investments, policy matters.

Policy defines commitments and lays out strategies. Policy prioritizes where change is needed most, and most immediately.

In 2001, the Asian Development Bank (ADB) launched its Water for All Policy. It defines ADB's priorities, commitments, and strategies for developing Asia's water sector. The policy reflects the perspectives of various stakeholders—from agriculture, commerce, industry, domestic, and government—who ADB consulted with in three regional workshops between 1996 and 1998. Their views reflect the same urgency of many international agencies—initiate reform now to avoid a crisis of scarcity, pollution, and environmental degradation.

More key players are recognizing the multiple impact of improved access to water on many areas that keep people poor—low levels of education and income, bad health, disease, hunger, and gender inequity. The ADB Annual Report 2002 recognized, for the first time, that its water operations is a cross-cutting sector, with 25% of ADB's ongoing projects in the water sector at that time.

Improving the water sector, indeed, can dramatically loosen poverty's grip on the Asia and Pacific region, home to the highest number of poor people in the world—800 million. One in five Asians does not have access to safe drinking water, and one in two Asians do not have access to improved sanitation.¹ The Millennium Development Goals

call for these numbers to be halved by 2015. ADB agrees. Sound water policies can improve the management of water resources to meet both rural and urban water needs, and in a sustainable manner. Improved delivery of clean, reliable water supply and sanitation services can improve the poor's health, free more of their time for education and income generating activities, and protect their environment from degradation and squalid conditions that breed disease. Improving irrigation on agricultural land that the poor have access to can increase crop production, food security, and income levels. Protecting water resources and managing them well can help balance ecosystems and protect fishing livelihoods. The Water Policy supports ADB's poverty reduction strategy by addressing each of the three key elements of the framework for poverty reduction—pro-poor sustainable growth, social development, and good governance.

To tap the potential of the water sector to reduce poverty, change is needed. Change in the way governments view the water sector. Change in the capacity levels of the institutions and the people who implement policies, manage water resources, deliver water services, and even use water. Change toward partnerships and regional cooperation. Change that is pro-poor, holistic, and strategic.

Five years after the approval of the water policy, we are asking ourselves and others, "Is the ADB's Water for All Policy helping to develop Asia's water sector?" Is it leading

ADB's Water for All Policy defines ADB's priorities, commitments, and strategies for developing Asia's water sector.

to better management of water resources and improving the poor's access to water and sanitation services?

To confidently answer these questions, the water policy's implementation came under an interim review in 2003 and further underwent a comprehensive review in 2005. The interim review showed encouraging progress, as well as important changes that should take place. The 2005 comprehensive review, meanwhile, assessed the policy's implementation to greater depths. How have ADB water operations utilized the policy? How has the water policy contributed to the achievements made in water sectors in

the ADB's Developing Member Countries (DMCs)? What do stakeholders say about the policy's implementation in their countries?

This publication offers some answers to those questions. It takes a close look at the workings of ADB's water sector operations—the structure of the water policy, the work that the 2003 interim review has inspired, how ADB's regional operations departments have used the policy, and the achievements of ADB's policy-based initiatives. This publication also weighs the challenges the water sector and ADB's operations currently face in its policy-guided mission to help DMCs secure water for all.

Putting the Policy to Task: The Elements of Action

DECADE AFTER DECADE, water resources and water services have been outpaced by the urbanization, industrialization, and modernization sweeping across Asia and the Pacific. Water is in greater demand than ever before and for far more kinds of uses than ever before. To meet this complex demand, schools of knowledge agree that water resources must be managed in new ways—in ways that integrate the diversity of uses with the diversity of water resources available. The leading response to this supply and demand equation is integrated water resource management (IWRM), a key part of ADB’s water policy.

The heart of the Water for All Policy is the conservation and protection of water resources, particularly at the primary level of river basins. The delivery of water services to homes, industries, businesses, and fields cannot be improved, maintained, or sustained without adequate water resources to draw from.

Seven principal elements drive the water policy (see Figure 1). Three elements, in particular, stand as the major pillars to reforming the water sector. These pillar elements are then supported by four enabling elements that would apply to all water activities.

The three “pillar” elements

1. *Promote a national focus on water sector reforms.* ADB should help DMCs reform their water sectors through effective national water policies, water laws, and a na-

tional water action agenda. ADB should help DMCs organize the way institutions manage the water sector, bringing greater cooperation among the several institutions, departments, and agencies that the water sector is usually spread across. ADB is to also help these institutions improve their capacity and the ways they manage information as they progress through reforms. It should be noted that the policy does not expect one single investment to be able to reform entire institutions, but rather utilize the opportunities of each project to contribute to the reform process.

2. *Foster the integrated management of water resources.* Plans and processes for IWRM in a DMC should be based on a comprehensive water sector assessment. Investments also need to be integrative, concentrating on projects that interlink water basins with other water resources and their uses.

3. *Improve and expand the delivery of water services.* Efforts to improve service in both rural and urban areas should focus on water supply and sanitation, irrigation, drainage, and other subsector services. To make improvements in these areas, ADB is to provide DMCs support for creating or strengthening autonomous and accountable service providers, which may require private sector participation or public-private partnerships. Regardless of the modality, ADB assistance should prioritize access for the poor and underserved, and make services as efficient, affordable, and sustainable as possible.

The delivery of water to homes, industries, businesses, and fields cannot be improved, maintained, or sustained without adequate water resources to draw from.

Figure 1. The Water Policy’s Three Pillars and Four Enabling Elements



The four “enabling” elements

1. *Foster the conservation of water and increase system efficiencies.* This policy element calls for ADB to support appropriate water tariffs, which compels users to conserve water and recovers a service provider’s cost of operating and maintaining the system. When service providers are able to cover their costs, they are financially capable of system maintenance, which ensures a system is running more efficiently and sustainably. Cost recovery also provides the capital for expanding services to poor consumers. ADB should support improved regu-

lation of service providers and increased public awareness about conservation and the need for appropriate water charges. ADB is to support provisions that ensure the poor are not excluded.

2. *Promote regional cooperation and increase the mutually beneficial use of shared water resources within and between countries.* ADB should support regional activities that help DMCs exchange information about their experiences with water sector reforms. ADB should also support activities that inform DMCs of the benefits of shared water resources, as well as support activities that create sound hydrologic and socioenvironmental databases related to transboundary water resources. ADB is to also support the implementation of joint projects between riparian countries.

3. *Facilitate the exchange of water sector information and experiences.* ADB should support socially inclusive development principles, which requires genuine stakeholder consultations and participation at all levels. ADB is to also support water investments in DMCs that involve public-private-community-civil society partnerships.

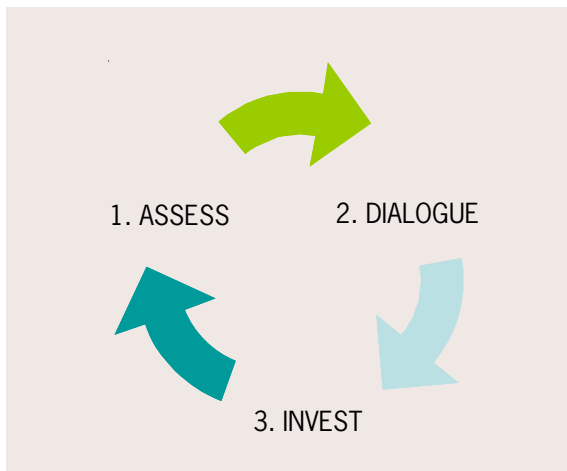
4. *Improve governance.* ADB should promote decentralization, capacity building, and improved monitoring, evaluation, research, and learning at all levels of the water sector, particularly in public sector institutions.

Implementing the Policy

With the water policy approved by the ADB Board of Directors in 2001, the next challenge was implementing the policy. The policy’s seven principal elements can unfold in two general directions—through policy-based initiatives and through actual loans and technical assistance (TA) grants to DMCs.

The water policy recommends three steps for implementing the policy in DMCs seeking ADB assistance (see Figure 2). The sequencing of these steps depend on knowledge and reform, which increase the chances of well-designed projects and results that sustainably meet a DMC’s true water needs. Toolkits and checklists have also been created in response to a recommendation from the Interim Review.

Figure 2. Water Policy Reform Process



The basic process for implementing the water policy:

Step 1. ASSESS. Comprehensive water sector assessments are a reality check for DMCs. They give a clear, accurate picture of the condition of a DMC's water sector. What is the environmental state and the current and future capacity of the DMC's water resources? How are the DMC's water resources currently being managed? What percentage of the populations in DMC's cities are serviced with water supply and sanitation? What is the performance of those service providers? Is the current rate of service delivery affecting economic growth? Do the poor—whether urban or rural—have equitable access to water resources and service delivery? The knowledge gained in this step is used in the next step of policy dialogues.

However, as will be discussed later, not enough DMCs are conducting comprehensive assessments. Of the 17 countries where ADB financed water-related projects, only three DMCs have conducted comprehensive water sector assessments since the water policy was approved. To address this need, ADB produced a model terms of reference to guide project officers and consultants in undertaking diagnostic water assessments in cities. The tool helps ADB and DMCs determine the facts about water consumers, water and money flows in project cities and towns. Those facts then help formulate responsive city government policy and ordinances, and organize consumer groups to

monitor policy implementation.

Step 2. DIALOGUE. The assessments are needed to provide both ADB and DMCs with the information they need to conduct useful policy dialogues—forums for determining appropriate national water sector reforms and the sector agenda. Reforms include the adoption or revisions of national water policy, laws, institutional arrangements, information management—changes that expedite an integrated approach to water resource management and service delivery. To secure water resources and services, reforms must be integrative to be sustainable.

Policy dialogues have proven to be the most challenging step; few, if any, DMCs have entered into sector-wide comprehensive policy dialogues with ADB since the water policy's approval. Discussions that do take place tend to be limited to when ADB is preparing or updating a strategy and program for a DMC or when ADB and a DMC are preparing a project.

Step 3. INVEST. The decisions made during the policy dialogues and with steps toward reform underway, ADB is in a better position to design integrative financing products to meet a DMC's needs. DMCs are also in a better place to consider their financing options. These options, or lending arrangements, are based on two documents—the DMC's country water action agenda and ADB's country strategy and program (CSP).

Testing the Policy Elements

In 2003, the policy elements were put to a test with an in-house, interim review of the policy's implementation. To what extent were the policy elements being incorporated into the designs of new water projects? Were they being evenly implemented or were some being implemented to a greater degree than others? To find out, the interim review studied 26 loan designs and 41 grant designs against checklists that were based on the water policy elements. The next chapter looks more closely at the checklist tool and how the projects performed against the checklists. In terms of how the water policy elements themselves fared over the first two years of the policy's implementation, a se-

Table 1. Tracking Progress of the 7 Policy Elements

2003 Interim Review: Levels of Progress for 7 Policy Elements	
ENCOURAGING	Improving and expanding delivery of water services (pillar element)
	Conserving water (enabling element)
	Fostering participation (enabling element)
	Improving governance (enabling element)
MODEST	Fostering IWRM (pillar element)
	Promoting regional cooperation (enabling element)
LIMITED	Promoting a national focus on water sector reforms (pillar element)

rious concern surfaced regarding the implementation of one of the pillar elements. The ADB Board of Directors approved the methodology of the Interim Review. And it is not assumed that those projects resulting in good design are replicable in full for other projects. Each project deals with specific social, economic, and political conditions that must be treated specifically in the design. The best practice designs highlighted here are merely a way of demonstrating the thoughtful execution of ADB’s Water for All Policy given the objectives of the project and the conditions of the project location.

Of the seven policy elements, the pillar element of promoting a national focus on water sector reforms proved to be most challenging to implement (see Table 1). It appeared less than any other policy elements in the new designs, registering only limited progress on a scale of limited, moderate, or encouraging progress. The reform element was least implemented in designs for projects in Central Asia during the 2001–2002 period.

Across the region, though, the policy’s reform element struggled to get off the

ground. A key indicator of whether a project design takes up the reform element is its inclusion as a project component, usually in the form of water sector assessments or policy dialogues, as discussed earlier in this chapter. (Appendix 1 provides an analytical matrix of the status of reforms in individual DMCs.) Backing up the interim review finding, a study of the 17 countries where ADB finances water operations found that:

- five countries have undergone comprehensive water sector assessments with ADB and published national water sector profiles (three of these assessments occurred after the water policy approval);
- eight countries, with ADB’s help, have conducted partial assessments (water supply and sanitation subsectors only);
- none has held comprehensive water sector policy dialogues, not even those 5 that completed the comprehensive assessments;
- nine countries have comprehensive national water policies; and
- eight countries are undertaking national water sector reforms with ADB assistance and in partnership with other funding agencies. These countries are better positioned to have better, more informed project designs and implementation.

Since the 2003 review, though, the worrisome picture of reforms has improved. A recent quantitative study, shows that the water policy’s reform element has made significant progress. A separate comparative study of water sector reforms in 17 Asian cities also shows a stronger performance of this important policy element.

Where to Improve: Recommendations from the 2003 Interim Review

The interim review provided an opportunity to stop, take stock, and bring ADB’s attention to areas of the policy that needed stronger, more strategic implementation. Three areas were flagged for greater focus:

Policy dialogues and national reforms. The 2003 interim review recommended a number of changes in the way water sector assessments and roadmaps are being prepared and used. Typically, an assessment (and rarely a comprehensive one) of a DMC’s

water sector is done through a special technical assistance grant (a PPTA) to prepare a loan-based project. Why limit sector assessments to just then? The interim review recommends ADB explore other opportunities for conducting sector assessments. ADB staff members working in DMCs need more support with conducting water sector assessments and policy dialogues.

Development priorities in DMCs. ADB needs to advocate a higher priority for water during the Country Strategy and Program (CSP) process—when ADB and a DMC decide what sectors need immediate investing and how. The CSP is updated (becoming a CSPU) every three years. Admittedly, though, advocating water as a high priority investment area can be a challenge. Before water was considered as a cross cutting sector, needing an integrated investment package, the CSP/U prioritized only water subsectors, such as irrigation and water supply rather than the water sector in general. To advocate a cross-sectoral approach to investing in water requires that the comprehensive assessments, along with roadmaps, be accomplished prior to the CSP/U process.

Project design. Overall, the interim re-

view found ADB water projects were being *designed* to include elements of the water policy. Of the 26 loans approved since the water policy's approval in 2001, 54% demonstrated exemplary or good practice in implementing the water policy, compared with 10% of projects approved in the three-year period prior to the water policy. TA grants, however, lacked as many good or exemplary projects—only 20% of the 41 grants reviewed. Most likely, the interim review said, the TAs did not have enough funds or expertise to enact the policy into the designs. To improve project designs, the review team suggested that checklists and guidelines be prepared for project officers to use while designing projects with water elements. By way of informing designs, better water sector assessments will produce better project designs.

A reoccurring message appears in the recommendations—that water sector assessments and policy dialogues are fundamental to reform. They provide the knowledge of the sector for producing project designs while reforms provide a more conducive environment for absorbing the benefits the projects bring.

Rural Water: Irrigating Northwest Cambodia

(2035 CAM – Northwest Irrigation Sector Project)

An ADB water loan rated “exemplary”² for the project design’s consideration of the role of policy, strategic, and regulatory frameworks, which work to ensure the sustainable benefits of the new irrigation infrastructure and reduce rural poverty.

Degree of implementation of ADB water policy in project design:³

- 7 of 8 primary policy actions
- 3 of 4 secondary policy actions
- 2 of 3 relevant subsector-specific actions

Project Background. Until 1998, Northwest Cambodia was controlled by the Khmer Rouge, cutting it off from the aid and development work that was getting underway in other parts of the country. Cambodia remains one of the least developed countries in Asia, with 36% of the population in poverty, but its northwest provinces face a different hardship. They are among the poorest, with poverty exceeding 60% in some places.

Even though Cambodia is actually considered a water wealthy country, its fortunate location on the Mekong River’s lower basin does not exempt the country from a number of water problems that cut to the heart of people’s struggle with poverty. The northwest is particularly sensitive to inconsistent rainfall, lengthy dry seasons, and sporadic spells of drought, even during the wet season—all wreaking havoc on the region’s largely rural population, which is naturally dependent on agricultural livelihoods. Their water problems mean lower crop yields and inadequate water supplies to meet their daily household needs. Only 1.25% of the rural population has access to safe drinking water and sanitation. Food security is also a problem, with scarcities lasting more than 6 months sometimes. Water, specifically for irrigation, has been identified as a way out of poverty for entire communities.

Project Intervention. In 2003, ADB approved the Northwest Irrigation Sector Project to reduce rural poverty by improving agricultural production among poorer farmers. The project is divided between 10–12 small to medium-scale subprojects in four provinces, where irrigation systems are being rehabilitated. The

farmers in these project areas will be organized into farmer water-user communities and trained on sustainable operations and maintenance of the new irrigation schemes. The project will also train current agricultural extension workers and place a new group of irrigation extension personnel to help the farmers improve rice production, diversify crops, and integrate livestock and fisheries. Moreover, the project will help establish rural credit to households.

Exemplary Design. The 2005 quantitative study of ADB’s water loans and grants rated this project design exemplary because of its implementation of the ADB water policy through the holistic, integrative design of the project’s three main components: (1) strengthening government institutions; (2) developing irrigation infrastructure and the farmer groups to manage them; and (3) providing irrigation farmers with better agricultural support services to maximize the benefits of the new irrigation systems.

This design reflects an important, proven logic in rural and agricultural development—that improving yields on a sustainable basis to reduce rural poverty requires more than an increase in irrigated land and water supplies. National decision makers and policy work must be involved. While working on the ground to build infrastructure and farmer’s capacities, the project is designed to work with a number of national and local government groups to develop policy and strategies for long-term, strategic investing in the water sector. The investment strategies are supported and guided by one of the project’s main objectives of developing a regulatory framework, which will also ensure sustainable management of irrigation systems specifically, as well as the country’s water resources in integrated, sustainable ways. The framework also involves plans to transfer the irrigations systems to farmer water-user associations, which are trained to manage the systems under the project.

Policy Implementation: Taking Action, Measuring Progress

The Water for All Policy is explicitly concerned with ensuring that ADB is effective in bringing about change in Asia and the Pacific's water sector.⁴ The water policy considers that change begins with how ADB goes about its water business, and so mandated that two reviews be conducted to measure the policy's effectiveness. The first review was a more limited, interim review conducted 2 years after the policy's approval, which was accomplished in 2003. The second review is more comprehensive and is being accomplished in 2005 after 4 years of implementation.

Two reports, produced for these two reviews, offer the most consolidated, focused analysis of the water policy's implementation and the change that has come about from the policy. These reports are the 2003 interim review report and a recent quantitative assessment conducted early in 2005 as part of the comprehensive review. They offer a look at three important trends in ADB's water operations:

1. Water financing. After periods of low investment levels in the water sector, programmed investments in water have been increasing from 2004 to 2007. This analysis also renders a view of trends in the kinds of water-related projects being approved.

2. General implementation of the water policy. The implementation of the water policy in project designs is greatly improving with each passing year since the policy's approval in 2001.

3. Specific implementation of the water policy's seven main elements. A

greater proportion of projects are taking action in the specific key element areas of the water policy that have resulted in water sector reforms, greater stakeholder participation, the spread of IWRM principles through river basin organizations, and improvements in the delivery of water services.

These positive trends are a reflection of the accomplishments of ADB's operations departments, which lead ADB's investment work and project operations. At the time of the review, these were organized into five regional departments—South Asia, East and Central Asia, Mekong, Southeast Asia, and Pacific—and a department for private sector operations.

Trend 1: Increase in Water Financing

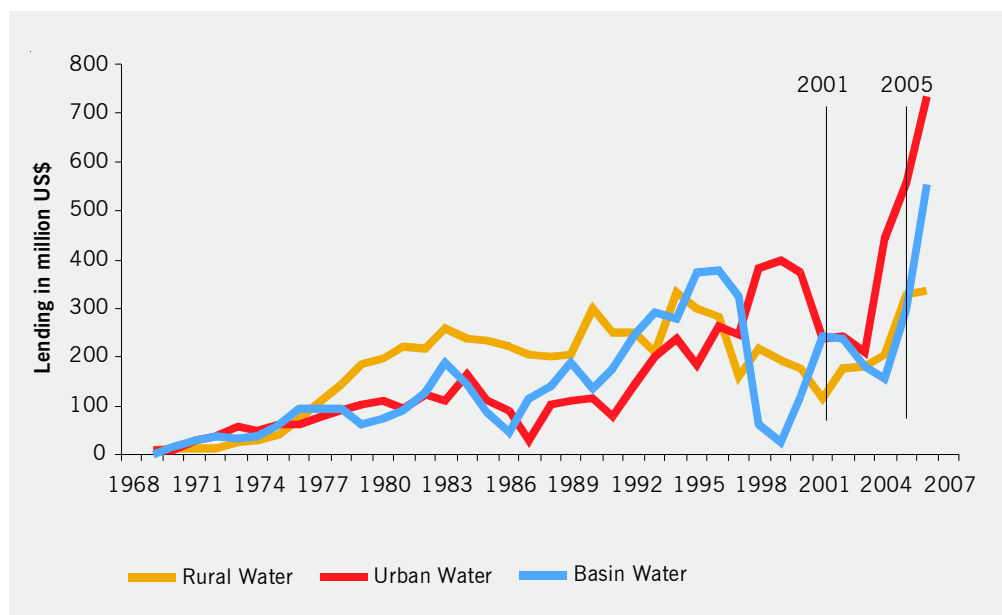
The 2005 quantitative assessment offers the broadest view of past, current, and pipeline investments for ADB water-related loans and grants. Projects are categorized as being investments in either rural, urban, or basin water.⁵ All three categories of water projects are showing increases in lending since the water policy's 2001 approval and through to 2007 (see Figure 3).

Rural water. Rural water also experienced some of its highest lending in the 1990s, but was more affected by the 1997 Asian crisis that plummeted investments. Recovering in 2000, though, rural water lending has gained momentum again and is increasing into 2007.

Urban water. A 3-year moving average in urban water lending shows a continued

Future investments in the three concentration areas—rural, urban, and basin water—are projected to increase in 2005, 2006, and 2007.

Figure 3. Urban, Rural, and Basin Water Financing Trends, 1968–2007



Source: ADB, “Comprehensive Review of ADB’s Water Policy Implementation, Quantitative Assessment of Implementation of Reduced (18) Policy Actions”

increase, mostly for the urban water supply and sanitation subsectors, as was experienced throughout the 1990s. During the period of 1998 to 2004, though, there was a decrease in lending before increasing again.

Basin water. Lending in river basin, flood management, and hydropower projects has increased since 2000, as more countries are asking for projects with an integrated water resources management approach.

The ADB Annual Report 2002 made clear the significance of water investments in ADB’s overall operations—25% of ongoing loans at that time were water-related, qualifying it as a crosscutting sector. The water sector has faced recent challenges with maintaining that share of overall lending, but it is seeing an increase in pipeline lending through 2007 in all three concentration areas. Between 1998 and 2004, the share of the water supply, sanitation, and waste management sector in total ADB approved loans is 4% for water supply and sanitation, and 17% when water is considered as a broader, crosscutting sector. The challenge remains to keep the increases in water sector lending proportional to the overall increase in ADB lending. Figure 4 shows a number of loans and percentage

share of total number of ADB water loans by subregion for the latest period, 2003–2004. According to the 2003 ADB Annual Report, ADB lending has been growing at 6% annually since 1968. According to the quantitative analysis, annual water sector lending since 1991 has been growing at only 2% with the share of annual lending growing at only 1.7%.

The Water for All Policy takes a unique position by distinguishing between water as a resource and water as a service. In the same manner, financing trends were analyzed for the two general types of projects—water resource projects and water service projects.⁶ Lending for both types of projects have been increasing overall, although both—water resource lending to a greater degree—were in a downward trend leading into 2001. Since the policy’s approval, the trend has shifted upward with lending increasing sharply for 2005 to 2007. A majority of water sector lending continues to go toward water services, which is more than double the water resource lending in 2005.

Water resource lending. Based on 3-year moving averages, water resource lending peaked in 1996 at an average of \$379 million, before suddenly dropping to a low of

just \$26 million—a fraction of what it was just two years earlier. Lending in water resources has been recovering, reaching \$299 million in 2005. Although still not what it was in the mid-1990s, water resource lending is expected to continue increasing into 2007. Demand for hydropower power is projected to increase in 2006 yet remains relatively low, along with demand for flood management and watershed management lending.

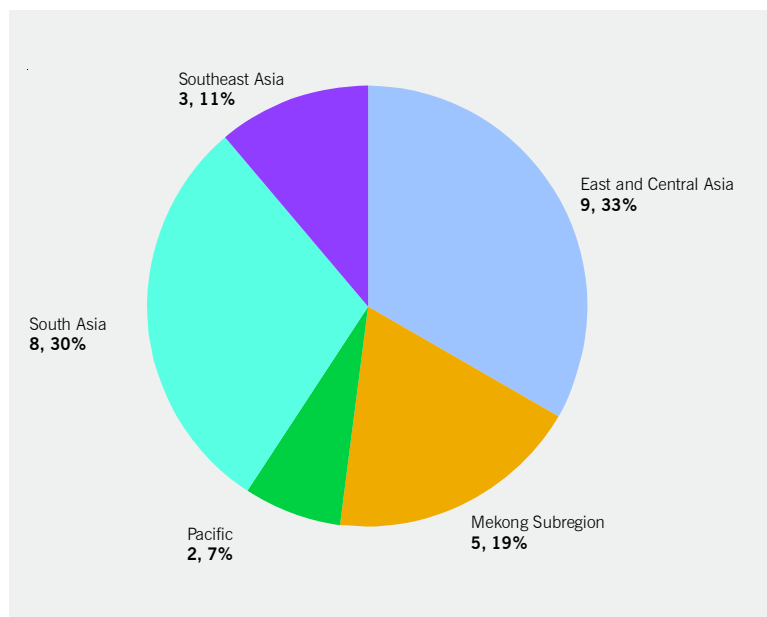
Water services lending. In 2005, water services lending continued to increase at a 3-year moving average of \$883—67% more lending than for water resources. Urban water services demand the most of this lending, having already surpassed lending for irrigation and drainage in 1996. Alarming, the demand for rural water supply is too low for what is expected by the Millennium Development Goals, which calls for halving the proportion of people without access to safe drinking water supply and improved sanitation. The majority of people who need to be reached live in rural areas. ADB lending for rural water supply is not reflective of the need apparent in the poor performance of many DMCs to substantially improve rural water coverage rates.

Trend 2: Increasing Water Policy Implementation in Project Design

As in any review of a policy’s implementation, the question of whether ADB’s water policy has been effectively implemented rests on the shoulders of ADB’s operations departments. The 2003 interim review and 2005 quantitative assessment agree that ADB’s operational departments are progressively implementing the water policy—and to greater degrees—with each passing year since the water policy’s approval.

To determine the level of a project design’s implementation of the water policy, the interim review extracted a list of “policy action items” found throughout the water policy and used the action items to form checklists.⁷ These action items are basically indicators to measure whether and to what degree a project design implemented the water policy. Both the interim review and

Figure 4. Number of Loans and Percentage Share to Total Number of ADB Water Loans per Subregion, 2003–2004



Source: ADB

Table 2. Percentage Distribution: Achievement per Subregion, 2003–2004

	East and Central Asia	Mekong Subregion	Pacific	South Asia	Southeast Asia
Exemplary	22	20	0	25	0
Good Practice	33	40	50	25	0
Room for Improvement	45	40	50	50	100
TOTAL	100	100	100	100	100

Source: ADB

quantitative study followed this general methodology, although with some variations worth noting. The unit of analysis for both studies is the designs of water-related loans and technical assistance grants. The designs should reflect, to as great a degree as possible, the elements of the water policy. The wider the reflection, the wider the implementation. The 2003 interim review used a list of 40 policy action items to review against project designs. The quantitative review attempted to refocus the list to 18 action items (see Appendix 2), based on a

A Change Agenda for Progress

At the 2004 ADB Water Week, heavy questions were leveled between the diverse participants from civil society, governments, the media, and ADB. Why does there seem to be a conspiracy against the poor? Why—after decades of efforts and investments—do many still not have access to safe water? Have conventional mindsets and vested interests stymied progress?

Participants from all sides conceded that, yes, performance had been disappointing. And business cannot continue as usual, participants said. They set out and constructed a change agenda with implications for all stakeholders in developing the region's water sectors. This change agenda has guided ADB as it has set out on the number of policy-based initiatives.

Water Week 2004 put seven items on the change agenda:

Change the selection criteria: Work with the right information, organizations, and leaders. Focus investments where good leadership exists.

Change incentives and advocacy: Empower civil society to be a catalyst for water sector reform. Government and civil society should work as partners, not adversaries.

Change regulation: Shift focus to credible, rather than independent, regulator.

Change the rules to reward efficiency: Linking formal and informal providers. Recognize the role of small-scale water providers in bringing water to the poor.

Change the focus of lending: Catalyze water investments to the rural poor.

Change the nature of water projects. Managing water is not just about building infrastructure; it's also about building capacity of institutions. Structural and non-structural interventions must go hand-in-hand.

Change water financing partners: Lend to those who can help achieve more. Shift lending from national to subsovereign.

The water policy provides responses to each of these change agenda items, but an overarching response by ADB calls for “simplifying the rules and decentralizing the money.” This is not easy change for institutions, although it is necessary. While water services have been decentralized to the local governments, central governments and development banks are reluctant to lend to the subsovereigns because of a perceived general inability to properly repay loans, administer funds, or manage projects and service delivery.

To move forward with the change agenda, three commitments were asked of the three principal players:

- ADB to increase public lending to subsovereigns;
- Central governments to promulgate subsovereign water financing legislation, regulations, and programs; and
- Subsovereigns to qualify for financing, then access public and private water financing.

preliminary recommendation of the comprehensive review panel. The quantitative study also reviewed a larger number of projects for the 2001 and 2002 period than what the interim review studied.

The 2003 interim review analyzed the designs of 121 water projects, which were a mix of loan and grant projects approved before and after the water policy. During the first two years of the policy, 2001 and 2002, a slight majority of water sector *loans* analyzed by the interim review showed impressive implementation of the water policy (Appendix 6). Water sector *grants*, however, were overwhelmingly underimplementing the water policy (Appendix 7). See Table 2 for the performance of the regions.

Trend 3: Achievement of Specific Water Policy Elements in Project Designs

This section looks more closely at how ADB is specifically implementing the seven main elements of the Water for All Policy into project designs, by reflecting it in the design of components, outputs, or activities. Overall, six out of the seven policy elements are showing improved implementation in water-related loan and grant project designs approved after the water policy approval in 2001, according to the 2005 quantitative assessment. The single element showing mixed results is in the area of water conservation, which showed substantial improvement in pursuing tariff reform but low achievement in strengthening water regulation in the region.

The 2005 quantitative assessment measured the achievement of the water elements in applicable loan and grant project designs approved during two periods—before the water policy approval (1997–2000) and after the water policy approval (2001–2004). Three of the seven water policy elements apply to every loan and grant project assessed in the study: promoting national water sector policies and reforms, fostering participation, and improving governance. All three elements showed overall improvements. Particular success surfaces in the high percentage of projects designed to involve

civil society—90% of recent loan projects as compared to only 74% before the water policy approval. User participation in water resource management increased in loan and grant designs at even greater rates—from just 70% to 90% of loan designs and from 62% to 93% of grant designs. Capacity building to improve governance was addressed in 96% of all water-related loan and grant designs following the water policy approval.

Fundamental Changes through National Policies and Reforms

The foundation to monumental and sustainable change in a country's water sector is wide and sometimes abstract—involving legal and institutional reform and capacity and knowledge-building government bodies. This work may seem distant and removed from the more visible groundwork that immediately addresses water issues in communities. The two activities are intrinsically linked, though. Policies and reforms should ensure that resource management and service delivery are equitable and sustainable, and include the poor, rather than stopgap solutions benefiting relatively privileged areas. To ensure that policies and reforms are effective, the needs of the poor should be factored into legal, institutional, and administrative frameworks.

To these ends, the water policy identifies four means that water projects can pursue to support effective national water sector policies and reforms: (i) development of comprehensive water policies, (ii) water sector assessments (preferably with a national and comprehensive scope), (iii) optimization of agency functions through the development of national water sector apex bodies, and (iv) the review and revision of water legislation.

The 2005 quantitative assessment analyzed the implementation of this policy element in the designs of all 101 water project loans and 79 of the 84 water grants, all of which were applicable to this policy element. The assessment found that, overall, more project designs approved after the water policy approval (2001–2004) were including policy and reform activities than projects approved before the water policy (1997–

2000). The comparative analysis shows:

35% increase in loan designs and **15% increase** in grant designs that include plans to assist DMCs in developing comprehensive water policies;

47% increase in loan designs, but a 15% decrease in grant designs, that include plans to assist DMCs in conducting water sector assessments;

13% increase in loan designs and a **51% increase** in grant designs that plan to assist DMCs in optimizing agency functions and developing national water sector apex bodies; and

27% increase in loan designs and a **16% increase** in grant designs that plan to assist DMCs in reviewing and revising water legislation.

Although reasonable improvements have been posted in the years following the water policy's approval, especially when considering the water policy was approved only in 2001, full achievement is only accomplished in about 50% of both project loans and grants.

IWRM Spreading Across Asia and the Pacific

The challenge of introducing integrated water resources management (IWRM) is one of the pillars of the policy, and reflects the urgent need for conservation and protection of water resources through participatory approaches. River basins, being the most fundamental level of managing water resources, are the most practical approach for IWRM. As a vehicle towards IWRM, the water policy supports the establishment of river basin organizations and better planning, among others.

Since 1997, ADB has supported IWRM activities in 66 river basins across 16 DMCs. These activities are products of the 66 project loans and 44 grants reviewed. Of the 66 loan projects reviewed, two include the development of river basin plans—the Hai River Pollution Prevention and Control Plan in PRC and the Dong Nai Water Resources Master Plan in Viet Nam—and the establishment or strengthening of 11 river basin organizations. Of the 55 grants reviewed, three river basins were targeted for basin plans. To a

greater success, 14 of the 55 grant projects involved establishing river basin organizations. PRC has the most number of ADB-supported river or river basin development activities—4 loans and 14 grants.

The projects assessed for their IWRM component also posted improvements in a number of related areas, particularly in fostering participation, addressing water allocation rights, improving water quality, and protecting wetlands and watersheds.

More Community Participation, Better Service Delivery

The 2005 quantitative assessment found that projects have been making significant improvements in their designs to improve and expand water services delivery. Water resources have never experienced current demands from so many different sources, which requires more concerted conservation and management of both resources and the demand.

The Water for All Policy advocates that decentralizing utilities to autonomous and accountable service providers will improve service delivery. Of the 37 project loans related to improving water services, 75% include measures to establish or strengthen autonomous and accountable service providers—up 17% from the period prior to the water policy's approval.

Reaching almost full achievement, 94% of loans and 100% of grants approved after the water policy's approval were designed to foster user participation in the delivery of services. Local communities are in many cases already playing a major role as service providers, as they will be expected in the future and in possible partnership with the private sector. Private sector participation in water services is also projected to increase, based on increases of private sector involvement in grant projects, which are likely to develop into ADB-financed loan projects in the future.

Tariff Structures Improve, Regulations Still Weak

This was the only water policy element to post mixed results. Water conservation is achieved from two fronts. The first front involves utilities recovering the full cost of their operations and maintenance in order to not only sustain the service but address quality issues and expand service delivery to unserved or underserved areas. This calls for reforms in current tariff structures, which often price water too low. In this area, ADB projects made good gains: 28% more loans and 65% more grants following the water policy's approval addressed tariff reforms.

Projects have been less successful in fostering conservation, particularly in strengthening water regulatory bodies, which help ensure that utilities are charging appropriate tariffs and are achieving established performance targets. Remarkably, 6% fewer loans and 22% fewer grants were designed to strengthen these important bodies. ADB did continue, however, regional technical assistance work to strengthen regulatory bodies for urban development, including water.

Advancing the Water for All Policy and Operations' Implementation

Aside from direct implementation of the water policy by ADB's operations departments, ADB supports a host of policy-based initiatives that are strategically developed and pursued to help both operational staff and DMCs implement the water policy. These initiatives cover all of the water policy elements, but emphasize the development of regional partnerships, cooperation, and networks as a means of sharing knowledge about reform. The next section looks at these initiatives individually and how they support ADB and DMC work in reforming the region's water sector.

Basin Water: Controlling Pollution on the Shandong Hai River Basin

(TA 4223 – Preparing the Shandong Hai River Basin Pollution Control Project)

An ADB grant rated “exemplary” (see endnote 2) for the project design’s attention to the role of policy, sector assessments, and tariffs in sustainable water conservation, resource management, and service delivery.

Degree of implementation of ADB water policy in project design:⁸

- 6 of 8 primary policy actions
- 4 of 4 secondary policy actions
- 2 of 4 relevant subsector-specific actions

Project Background. The People’s Republic of China (PRC) is facing the demanding task of cleaning up and rehabilitating many of its water resources that have become heavily polluted and threaten the country’s economic and social development. A major pollutant has been the discharge of untreated septic tank effluents into rivers and canals. Garbage collection and disposal has been poorly organized. Rapid urban development, industrialization, and population density have led to heavily polluted rivers, canals, and open areas in cities that are not only a constant nuisance to the senses but expose people to serious health risks, such as waterborne diseases. Facing only worsening conditions, the PRC Government has taken progressive steps to halt and reverse the problem of water pollution. The country’s Green Plan emphasizes wastewater management and pollution control in major rivers and tributaries. The Hai River and its expansive basin is one of several water resources ADB has assisted the PRC Government with rehabilitating. ADB assistance with the Hai River began with a grant to help the government build a strategy for implementing its pollution prevention and control plan, which is under the Green Plan. The grant was followed by two loans for wastewater treatment projects and an additional grant to strengthen water resource management along the Hai River.

Project Intervention. The Government has asked for ADB’s help in improving solid waste management and wastewater treatment in the secondary towns and cities in the downstream municipal regions of Shandong and Henan provinces. ADB’s proposed assistance will provide (i) six facilities for municipal water supply and wastewater treatment, (ii) four municipal solid waste management and (iii) two major industrial wastewater treatment facilities for paper-making industries that largely carry the economies of the towns where they are located. The benefits of the industrial wastewater component alone is estimated to funnel CNY600 million into the town economies, employ 1,600 people

and recycle about 17,000 cubic meters a day of treated wastewater, which will be transferred for agricultural irrigation and, thus, expand agricultural output by a further 2,400 hectares. The latest technical assistance grant, “Preparing the Shandong Hai River Basin Pollution Control Project,” will make preparations for the proposed project by carrying out comprehensive assessments—technical, environmental, financial, economic, social, and institutional feasibility. The grant will also identify institutional capacity-building measures for integrated wastewater management, solid waste management, and initiating policy reforms—all of which are necessary to ensure the new facilities bring lasting change to their communities.

Exemplary Design. The design of this technical assistance grant was rated exemplary for the priority that comprehensive water sector assessments are given. The assessments are critical knowledge pieces that inform how the larger proposed project should be designed to improve the capacity of government institutions and agencies, update water legislation, attract investments, and reform tariff structures—all ADB water policy elements. Five of the project’s key activities directly implement the water policy:

- (i) Forecast water demand and determine the potential for water conservation management practices.
- (ii) Assess present wastewater and solid waste generation in the urban drainage areas and predict future trends.
- (iii) Prepare environmental impact assessments.
- (iv) Analyze financial-governance and financial performance of executing and implementing agencies.
- (v) Recommend enterprise and sector reforms.

Just as the project focuses on environmental improvements, health benefits, and job creation for poverty reduction, the ADB Water for All policy calls for strengthening the legal and regulatory framework to make these environmental changes possible. The project design is aligned with the water policy’s emphasis on integrated water and wastewater management, tariff reform, and cleaner technologies. The technical assistance grant and the larger proposed loan project envisages continued policy dialogues with the government on these issues.



Providing Support: Initiatives that Advance the Water Policy

POLICIES EXPECT change—change in the form of progress. It does not happen overnight or automatically, though. To have a water policy alone is not going to produce results—reduce poverty. The policy needs to be *managed for results*. It needs to be facilitated by adequate financing, skilled people, and smart initiatives that breathe life and possibility into a policy’s ideals.

ADB has taken on an ambitious number and variety of supporting initiatives to see the water policy through to results, which includes multimedia awareness products, regional partnerships, networks, programs, and research that have helped catalyze both the knowledge and implementation of the

water policy within ADB and outside. Many of these initiatives were launched in 2003 at the 3rd World Water Forum in Japan. The forum, where ADB was a lead agency, was an effective platform for promoting ADB’s water policy.

This chapter looks at the contribution of the policy-based initiatives to advance the water policy and support its implementation. They are driven by the seven policy elements and are categorized by the three concentration areas of urban, rural, and basin water. Many of these programs and initiatives serve multiple policy elements and concentration areas.

ADB has taken on a number and variety of initiatives to see the water policy through to results.

SUBREGIONAL COOPERATION

Policy element: Regional cooperation

Concentration: Urban, rural, and basin water

Background. Transboundary water resources are naturally shared, but they must also be jointly managed to ensure their equitable and sustainable use. One of the water policy’s enabling elements calls for ADB to assist countries in exchanging information and experiences in ways that will improve the management of shared water resources.

Achievements. Three of ADB’s regional departments have taken an exemplary lead in facilitating subregional cooperation in the small islands of the Pacific, the Central Asian republics, and countries sharing the Mekong River. The demand for ADB to lead subregional cooperation efforts was expressed at the 2003 World Water Forum, and pursued by ADB’s operations departments in the following way:

Pacific. ADB’s Pacific Department has helped manage the “Pacific Partnership Initiative on Sustainable Water Management” facilitated by the South Pacific Applied Geoscience Commission (SOPAC). The partnership aims to improve cooperation between the South Pacific islands, particularly related to the special water resource management for areas with extreme climate changes. The partnership developed and adopted a regional action plan that prioritizes the water sector among the Pacific island countries and donors.



Central Asia. As a follow-up to the 3rd World Water Forum session on shared water resources management in Central Asia, ADB conducted assessments in the subregion to determine how shared water resources could be better managed and developed. A strategy was developed from the assessments and a consultation held in August 2003 in Tajikistan. Later that year, in December, a subregion-wide TA grant was approved to implement proven good transboundary basin management practices in the Chui and Talas river basins shared by Kazakhstan and Kyrgyz Republic. Through the project, ADB's East and Central Asia Department has helped advance the water policy's element of networking and coordination for improved transboundary water resource management.

Mekong. ADB's Mekong Regional Department is pursuing several initiatives that will facilitate development of that great river through greater cooperation, particularly with the Mekong River Commission. The Commission was established in 1995 through a historic agreement between governments of countries that share the Mekong River—Cambodia, Lao PDR, Thailand, and Viet Nam. The Commission coordinates individual country efforts in managing the river, along with the assistance of ADB and other international development agencies.

ADB's major subregional initiatives in the Mekong include:

- ADB is helping the Commission through a TA to revise its strategy for 2006–2010. The strategy will be based on an IWRM approach and emphasize the river's development rather than just the traditional emphasis on protection. By being involved in the Commission's strategic plan, ADB is able to more readily identify key opportunities for water sector projects, and capacity-building activities promoting IWRM principles.
- A regional TA grant for the Flood Management and Mitigation Program.
- A study funded by the Swedish International Development Agency to identify ways of enhancing cooperation between ADB and the Commission. The study discusses the advantages of a joint regional cooperation strategy and program that is updated annually. The study also addresses opportunities for cooperation in the areas of improved programming, policy and strategy building, and institutional strengthening.
- A joint ADB-World Bank report, "Future Directions for Water among Resource Management in the Mekong River Basin," offers a strategic outlook for regional cooperation and development, and considers a meaningful role for international donors and agencies. It is based on a series of sector and country analyses and strategy workshops in 2004, which were informed by numerous studies and policy documents of the Mekong countries, the Commission, NGOs, and donors. The report intends to reflect the "best current thinking on the region," and is likely to become a living document, updated regularly from further consultations.

The effort of the Mekong Department has clearly advanced several, if not all, of the water policy elements, but particularly fostering reforms, IWRM, capacity building, information sharing, and regional cooperation.



PILOT AND DEMONSTRATION ACTIVITIES

Policy element: Applicable to all elements

Concentration: Urban, rural, and basin water

Background. Innovative ideas, technologies, and approaches can expedite solutions to people's water problems. Generating these ideas and ensuring that they can be upscaled and made sustainable requires experimenting, learning, and re-applying them on greater scales. With this in mind, ADB introduced its pilot and demonstration activities (PDAs) program in 2002. ADB provides grants of up to \$50,000 to NGOs, development partners, and local communities to implement or innovate local ideas within 1 year. The projects should lead to an improvement of services, approaches, and technology that can be upscaled to larger areas.

Achievements. The program has produced the following results:

- 10 PDAs completed
- 5 completed PDAs' lessons included into larger ADB projects

- 5 completed PDAs providing valuable information and lessons for strategic development for policy and sector reforms
- 7 PDAs ongoing
- 6 PDAs being processed
- 7 PDAs being considered.

WATER AWARENESS PROGRAM

Policy element: Media products address all of the policy elements

Concentration: Urban, rural, and basin water

Background: The water policy promotes public awareness and education to help achieve sustainable water resources management and better water services. In May 2002, ADB launched the Water Awareness Program, or WAP. It aims to familiarize a wide audience about reforms, the relationship between water and poverty, and how local communities and innovative partnerships can make a difference for themselves.

WAP produces a variety of products under the “Water for All” brand, which is exclusive to water knowledge products funded by the Cooperation Fund for the Water Sector. The products include TV documentaries, journalist workshops, issues briefs, publication series, and exhibits. Originally WAP products, the Water for All website, e-newsletter, and publication series have become regular, nonprogrammed products.

Achievements: WAP has gone an exceptional distance at promoting and circulating the key messages of the water policy by tapping examples from the field:

- **TV documentaries.** ADB has produced and distributed eight “Water Voices” films that feature stories of people finding local solutions to important water-related problems in the Asia and Pacific Region. Fifteen broadcast agreements in 20 countries, including one for worldwide distribution through the BBC, have been signed.
- **Journalism workshops.** WAP has organized 12 media workshops in nine countries and one regional workshop for East Asia, to help selected journalists understand water issues better, and, by doing so, promote greater media coverage and a better standard of writing about water. The participants of these workshops form an informal network of journalists who write informed and compelling water stories for a large audience. To date, the ADB media network has around 250 members and has produced such exceptional pieces as a four-part feature in the Times of India and a front-page feature in The Kathmandu Post.

The East Asia regional workshop in 2003 was organized in partnership with the World Bank’s Water Media Network. A total of 27 journalists from nine East Asian countries attended, resulting in extensive media coverage, fostering of a journalist community, an increase in the quality and quantity of coverage on water issues, and the selection of journalists to attend the 4th World Water Forum. The regional workshop generated more than 50 articles on water issues.

SOUTHEAST ASIAN WATER UTILITIES NETWORK

Policy element: Water supply and sanitation (WSS), conservation, regional cooperation, networking

Concentration: Urban

Background: Southeast Asian Water Utilities Network (SEAWUN) is a regional network of water supply and sanitation utilities and national water associations. It exists to help members improve the delivery of their water services. SEAWUN has been developing over the past five years, when water utility managers and association officials from Southeast Asia participated in an ADB-organized conference on water regulations and networking for water utilities. They agreed to



organize a network for Southeast Asia.

Achievements. Since the water policy's approval, ADB has assisted this group in the following progress toward a regional body:

- **July 2001.** Representatives from Indonesia, the Philippines, and Thailand met in Manila to prepare a framework for the regional network.
- **August 2002.** Along with colleagues from Malaysia and Viet Nam, the founding group met in Hanoi and launched SEAWUN, formulating its charter and organizing its constitutional body.
- **August 2003.** SEAWUN officially started operations with a secretariat formally registered in Viet Nam. The following year was spent developing the secretariat, promoting SEAWUN membership, establishing a website, holding executive committee meetings, and beginning the formulation of a benchmark system to propose to members as a tool for peer reviewing the performance of members' utility companies and associations.
- **June 2004.** SEAWUN launched its website to promote the network and facilitate information sharing among its members.
- **July 2004.** It embarked on a regional performance benchmarking program that involved 47 water utilities of varying sizes from Cambodia, Indonesia, Lao PDR, Malaysia, the Philippines, Thailand, and Viet Nam. The results have been analyzed and will soon be released as a databook for the reference of other water utilities in the region.
- **June 2005.** SEAWUN held its inaugural convention with 158 participant-representatives from 17 countries and international organizations.

ADB continues to support SEAWUN's efforts to building its administrative and operation capabilities, membership base and financial self-sufficiency. SEAWUN's membership includes: 17 water utilities from Indonesia, Malaysia, Philippines, Thailand, and Viet Nam; five water associations from the same countries; and a knowledge partner from Australia.

WATER FOR ASIAN CITIES PROGRAM

Policy element: Reforms, WSS, governance

Concentration: Urban

ADB and UN Habitat are collaborating on this program to increase investments in cities carefully targeting the urban poor for improved access to water supply and sanitation. Collaboration between ADB and UN Habitat for this program is to evolve over the following three phases.

- **Phase I—Capacity Building.** For the program to get underway in a city, the environment must be prepared. Reforms need to be advocated. Human resources need to be strengthened to manage the project introduced by the program. A benchmarking system must also be in place to rate the performance of city utilities. SEAWUN is steering these activities in select Southeast Asian DMCs.
- **Phase 2—Project Implementation.** Investment projects for the program are identified, developed, and prepared in this phase.
- **Phase 3—Investment.** This phase will focus on mobilizing financial resources to implement the projects developed in Phase 2.

For the first two phases of the Program, ADB and UN Habitat have committed US\$5 million each. For the third phase, ADB is considering US\$500 million in investments, consistent with its lending programs, over the next five years.

The Program has progressed the furthest in PRC and India. In Nanjing Municipality, PRC, the program has helped lead to the inclusion of a project in ADB's country strategy and program for PRC. Preparations for the project started in 2005 and the loan is scheduled to be advanced from 2007 to 2006. The program's involvement in Nanjing is aimed at improving integrated water resources management capability, attract value-added private sector participation, and effectively address the water and sanitation challenges posed by the city's rapid growth. The experience in Nanjing presents potential growth for corporatization and private sector initiatives.

Thus, in 2004, Nanjing requested a technical assistance grant from ADB in 2005 for capacity building of its new integrated water services company, which is responsible for both water supply and wastewater functions. Such capability building would cover (i) assistance for development of the new company's governance and management structure, and (ii) preparation of one of the first water utility revenue bond issues which ADB's Private Sector Operations Department is helping to support.

In India, the program supported the Urban Water Supply and Environmental Improvement Project in Madhya Pradesh after project preparation, with its assistance focused on capacity building in water demand management and pro-poor approaches to project implementation. Further cooperation is underway to pilot test the implementation of small piped water networks in Indore and Jabalpur as an interim approach to expeditiously connect urban poor communities to piped water system while the formal utility is unable to connect them to the piped system.

Discussions have taken place on areas of possible collaboration to mainstream values-based water education in ADB's pipeline projects in the education sector.

GENDER IN WATER PARTNERSHIP

Policy element: Mainly networking/information sharing, but could extend to any policy element

Concentration: Urban, rural, and basin water

Background. The Water for All Policy states, "ADB will promote the integration of gender concerns in policy, plans, programs, and projects." ADB has two tools for pursuing this commitment—the Gender in Water Partnership and ADB's Policy on Gender and Development. The partnership was established in 2003 between ADB and the Gender and Water Alliance (GWA) as part of the commitment package offered during the 3rd World Water Forum in Japan. The GWA is a consortium of nongovernment organizations operating with water and/or gender mandates.

Through the partnership, ADB and the GWA is embarking on programs to support the implementation of the gender and water policies at ADB, and assist governments in addressing gender equity through legislation and policies.

Achievements. The partnership has produced a study evaluating the performance of ADB's gender policy in water-related loans and TAs. The findings show that the designs of water loans and TAs have generally complied with ADB's gender policy. It recommends, however, that more thorough gender assessment be done in the project preparatory stage and that gender specialists should be engaged during the project's implementation to maximize project impact.

The GWA has agreed through the partnership to advise ADB staff on a request basis, participate in training DMCs on the relationship between water and gender and conduct pilot and demonstration activities to test innovative gender practices in water projects, which can be upscaled for larger impact.

The partnership is currently working on two case studies that highlight how two projects in Pakistan and Laos have mainstreamed gender initiatives in their design and implementation. The case studies will likely be published in 2006.

WATER FOR THE POOR PROGRAM—PARTNERSHIPS FOR ACTION

Policy element: Reform, WSS, conservation, governance

Subsector: Rural

With 90% of Asia's poor living in rural areas and millions of them falling ill or dying from unsafe water and inadequate sanitation, Asia's rural areas need more and smarter investments. The Water for the Poor Program aims to help ADB generate more investments in rural areas that



would provide the poor with

- rural water supply, knowledge about hygienic practices and sanitation;
- water for production and sustainable rural livelihoods, including pro-poor irrigation, as well as watershed and ecosystems management; and
- prevention and mitigation of water-related disasters in rural areas.

The main strategy of the program is to establish partnerships with developing countries. The nature of the partnerships is to

- follow a participatory and demand-led approach that combines advocacy, capacity building, and community empowerment with pro-poor water investments;
- build on policies, development projects, and activities at the local, regional, and national level; and
- design and prioritize actions with the help of indicators, such as the Millennium Development Goals and national poverty reduction and rural development strategies.

The scope of the partnerships is wide, including all levels of government, NGOs, the private sector, and local rural communities themselves. Partners could work in a variety of ways with ADB as implementers or facilitators.

Achievements. Viet Nam was the first DMC to join this partnership. Investment for the partnership is estimated at US\$335 million, of which approximately \$75 million has come from Viet Nam and \$180 million from ADB, subject to approval by the ADB Board of Directors.

The partnership focuses on mainstreaming poverty reduction more effectively in policies, programs, and projects in the water sector. Since it started more than 2 years ago, the partnership has begun to work at all levels to introduce more poverty-targeted approaches to water management in Viet Nam.

At the national level, the partnership held a dialogue on water and poverty that brought together stakeholders from many agencies to debate the nature of water-poverty links in Viet Nam. The dialogue also identified ways to reduce poverty through water management. It also assisted in developing the National Water Resources Strategy, especially in defining water's contribution to Viet Nam's development goals. A joint government-donor review of rural water supply and sanitation was undertaken to prepare a 10-year strategic framework for the sector.

At the provincial level, work is in progress in six Central Region provinces to help establish a provincial water and poverty strategy. This strategy would include clear goals and targets, and identify capacity-building needs to allow the provinces to become key managers of water resources.

At the local level, two leading NGOs, CARE International and World Vision, work with ADB to identify more effective approaches to community participation. Another NGO, IDE, is being supported in the development of market-led approaches to small-scale water supply and sanitation.

The approach in Viet Nam is practical—working with the existing system and supporting the development of policies, programs, and plans to make sure that poverty reduction is at the heart of decision making over water management. It is built on the principle of partnerships at all levels.

NETWORK OF ASIAN RIVER BASIN ORGANIZATIONS

Policy element: Reforms, IWRM, regional cooperation, conservation, information sharing-networking, governance

Concentration: Basin water

The Network of Asian River Basin Organizations (NARBO) intends to make better decision makers out of individuals and institutions overseeing these crucial water sources in the region. Rapid social and economic changes in countries are straining water resources. Demand must be better managed. The proliferation of different kinds of uses requires water basin managers to think in integrated ways.



NARBO was initiated by ADB, ADB Institute, and the Japan Water Agency in 2003 to help regional river basin organizations exchange information, improve governance, and promote IWRM. Later that year, the network was launched during the 1st Southeast Asian Water Forum, and, in February 2004, the constitution body was formed and the charter ratified.

Achievements. ADB has supported two regional NARBO trainings on IWRM in Thailand and Sri Lanka. In Thailand, water professionals were trained on principles of IWRM and how to incorporate them in the planning process. In Sri Lanka, mid-career water professionals were trained on river basin management and organizations.

ADB also supported several other activities of NARBO:

- a workshop in Thailand in August 2004 to further develop the NARBO web site;
- two benchmarking workshops in October and November 2004 in Indonesia to improve efficiency of RBOs in service delivery;
- proposed revisions to the NARBO Charter to make it more adaptable to existing situations;
- improvements on the NARBO e-newsletter for better dissemination of information and experiences among RBOs; and
- promotion of NARBO through printed materials.

Currently, NARBO's membership involves: 12 river basin organizations, 16 government organizations, 12 regional knowledge partners, 2 inter-regional knowledge partners, and 1 development cooperation agency. The 12 river basin organization members are: Bangladesh Water Development Board, Jasa Tirta I Public Corporation (Indonesia), Jasa Tirta II Public Corporation (Indonesia), Japan Water Agency, Selangor Water Authority (Malaysia), Agno River Basin Development Commission (Philippines), Laguna lake Development Authority (Philippines), Korean Water Resources Corporation, Mahaweli authority of Sri Lanka, General Office of RBOs in Viet Nam, Cuu Long and Dong Nai River Basin Organization (Viet Nam), and Red River Basin Organizations (Viet Nam).

NETWORKING AMONG NATIONAL WATER SECTOR APEX BODIES

Policy element: Reforms, regional cooperation, information exchange-networking, governance

Concentration: Urban, rural, and basin water

In any country, there are typically many ministries that deal with water and numerous nongovernment interests in the water sector. In this environment, reform is bound to be piecemeal and challenging. To bring coordination and a common vision to water sector reforms, a country needs a national apex body. An apex body is an overarching, national government organization that guides the water sector through the reform process for both water services and resource management.

The water policy's pillar element of promoting a national focus on water sector reform commits ADB to strengthening apex bodies in DMCs. ADB helps start the reform process with a thorough assessment of a DMC's water sector, which lays the groundwork for the development of a national action agenda. To oversee that agenda, ADB helps to either establish or strengthen already existing apex bodies. Some apex bodies prepare the national action agenda themselves or are assisted in its formulations.

Currently, the following countries have national water sector apex bodies: Bangladesh (Water Resources Coordinating Committee), Malaysia (National Water Resources Committee), Nepal (Water and Energy Commission Secretariat), Philippines (National Water Resources Board), Sri Lanka (National Water Resources Authority), Thailand (National Water Resources Committee), Viet Nam (National Water Resources Council), India (National Water Resources Board), and Kazakhstan (Water Resources Committee).

Achievements. Since the implementation of the water policy, ADB has coordinated two regional meetings of national water sector apex bodies. The regional meetings not only contribute to ADB's reform efforts but also in creating opportunities for regional networking and cooperation—also elements of the water policy.



Currently, ADB is helping apex bodies develop and test a performance benchmarking and peer review process. In October 2005, representatives from apex bodies in Malaysia, the Philippines, and Thailand completed a certificate-based benchmarking and peer review training course in Manila. The pilot program trained the representatives to review the performance of each other's apex bodies by using a standard set of benchmark indicators formulated at the 2nd Regional Meeting in April 2005. The training also presented an assessment tool and the peer review mechanics and procedures for simulation exercises and pilot testing.

ADB is also helping strengthen the composition of apex bodies by trying to understand the role civil society can play. In principle, apex bodies should provide a platform for civil society involvement in the reform process and policy formulation. ADB and Water Aid, an international NGO, teamed up in early 2005 to study the experiences of civil society involvement in apex bodies in Bangladesh, Sri Lanka, and Thailand. The purpose of the study was to learn from these three countries how to more effectively involve civil society in water-sector processes in general, and the apex bodies in particular.

The central question of the study was: "What should be the extent of civil society involvement in apex bodies?" Recognizing the difference in political and social environments throughout the region, there exists a need to offer different models of civil society involvement in apex bodies. What also needs clarifying is the type of civil society group best suited for this role. Civil society, depending on the country, should extend beyond NGOs to include NGO networks, consumer groups, community-based organizations, cooperatives, professional society, religious groups, and possible influential individuals in society.

Not surprising, civil society's involvement has been limited, according to the study. Their lack of involvement suffers from government inexperience in participatory approaches, government culture, and the scope of civil society narrowed to just NGOs. A major lesson learned from the study is that civil society wants true participation, rather than just consultation.

KNOWLEDGE DEVELOPMENT

Policy element: Applicable to any policy element

Concentration areas: Urban, rural, and basin water

ADB is currently producing three significant studies: one on the relationship of dams and development, a second on water sector reforms in 17 DMCs, and a third on the progress made in Asia toward reaching Target 10 of the Millennium Development Goals. This section takes a look at each knowledge piece and its achievement in advancing the water policy.

Comparative Analysis of Water Sector Reforms. ADB has completed phase one of a comparative analysis of water sector reforms and has recently commenced follow-up work on assessing the usefulness of water policies and laws as instruments for reforms and investment.

During the first research phase, the policy actions were used as indicators of progress made in adopting water sector reforms in 17 DMCs. The study found that

- the greatest progress has been made with pillar policy elements of national water sector reforms;
- the weakest progress has been made in the area of service delivery;
- weak progress often appears to be associated with the transfer of responsibility from lead government agencies to other stakeholders;
- adopting policies is much easier than implementing them; and
- individual countries may differ widely from the regionwide trends.

Phase I also identified nine key factors that influence reform:

- **Political Environment:** Includes elements of the political environment that provide incentives or impediments to change, e.g., devolution, privatization, etc.
- **Activities of External Support Agencies (ESAs):** ESA activities serve to disseminate to many countries a substantially common approach to analysis of issues.
- **Engagement of "Elite" Decision Makers:** "Elite" refers to the ministers and senior civil servants



who provide political and administrative leadership. They determine whether or not a particular reform initiative will proceed.

- **Socioeconomic Environment:** Includes elements of the socioeconomic environment that provide incentives or impediments to change, e.g., water stress, incidence of water-related diseases, education of water beneficiaries.
- **Crisis Events:** Pertains to particular crisis events that prompt change, e.g., flood or activity by another riparian state in a shared river basin that is perceived as a threat.
- **Performance/Output Gaps:** Particular circumstances and needs require different types of interventions. A careful analysis of performance/outputs gaps is necessary to ensure that appropriate reform interventions are adopted.
- **Policy Reform Approaches:** Includes the level of intervention, use of information to measure performance and monitor progress, the means of engaging all stakeholders, change in organizational structure, etc.
- **Stage and Trajectory of Reform:** Refers to the stage that the reform and change have reached. This factor is important because few countries are at the same stage, and planned reforms are rarely brought to a conclusion before new modifications are introduced.
- **Results of Reform and Change:** Includes operational, process or system capacity, realization of the vision, outcomes desired by the community, and the like.

The second phase of the study will assess the contribution of water policies and laws to the design and implementation of water sector reforms.

Dams and Development E-paper. Dams continue to be one of the most controversial issues in the water sector. Experience with projects has shown the high risk of their adverse social, environmental, and economic impact. Yet their utility for providing badly needed, highly demanded services, such as water, electricity, agriculture, and flood management, forces their place as an option for development.

ADB has produced an interactive electronic paper that links readers to a variety of resources about dams—the debate, the lessons learned, tools for improved project design and implementation, among many other informative features. The resources referenced in the paper are collected from across the Internet and by a variety of sources—governments, professional associations, international organizations, academic institutions, NGOs, multilateral development banks, and multi-stakeholder processes.

The e-paper contributes to the accomplishment of several water policy elements. Most relevantly, the e-paper aims at improving water governance by sharing knowledge with variety of stakeholders involved in the consideration, design, and implementation of dam projects. As a knowledge piece on the Internet, it also does an exceptional job of facilitating the exchange of water sector information and experiences, particularly regarding ways to improve public consultations, civil society involvement, and incorporation of socially inclusive principles—all major criticisms of dam projects and the processes they tend to follow.

MDG Technical Background Paper. ADB commissioned a technical background paper on the Asia and Pacific Region's progress toward Target 10 of the MDGs: to halve, by 2015, the proportion of people without access to clean and sustainable water supply and improved sanitation. The paper, "Asia Water Watch 2015," is a collaboration between ADB, United Nations Economic and Social Commission for Asia and the Pacific, United Nations Development Programme, and the World Health Organization.

The paper uses the latest, most credible data available and measures each country's progress toward Target 10 and analyzes whether it will be achieved. The results show a mixed picture. Some countries have already met the target; others are on track; others are likely to miss it in 2015. Some countries even show a decrease in coverage due to outpaced population growth. The information and knowledge contained in the report informs ADB's operations department of the status of countries in their specific regions and highlights where greater emphasis is needed.

Publication Series. The water and poverty connections, among other pressing water views and issues, have been highlighted in 14 publications. The series presents the work of external poverty specialists, ADB development experts and important findings on ADB projects from ADB's Operations Evaluation Department. The publication series, also available on CD, has been distributed at workshops, forums, and conferences, and is a widely used resource for other publications, speeches, and presentations by internal and external users.

Web site. Originally a WAP initiative, ADB's water website (www.adb.org/water) acts as a clearinghouse of ADB water projects, media products, articles, and news. It features profiles of people who have championed water issues in their government or organization. In the third quarter of 2005, the web site registered all-time highs with more than 94,000 hits monthly. More impressive is that these hits are generated by 5,491 different users outside of the ADB network, up from just over 1,100 in January 2003. Subscription to the e-newsletter, alone, has risen to nearly 3,500.

Urban Water: Delivering Water Services Differently in Azerbaijan

(2119/2120 AZE – Urban Water Supply and Sanitation Project)

An ADB grant rated “exemplary” (see endnote 2) for the project design’s partnering of government, private sector, and communities in new service delivery and new water systems.

Degree of implementation of ADB water policy in project design:⁹

- 6 of 8 primary policy actions
- 3 of 4 secondary policy actions
- 4 of 4 relevant subsector-specific actions

Project Background. Water supply and sanitation services in Azerbaijan could best be described as burdened—burdened by inefficient operations, outdated and rundown physical infrastructure, and severe financial constraints. As paying customers, Azerbaijan's citizens receive water at irregular times of the day and what comes through the pipes is usually unfit for consumption. The government service providers have focused on engineering—designing and constructing expansions of a system—while neglecting the operations and maintenance of the current system. An ADB-financed project hopes to change all that for the cities of Goychay, Agdash, and Nakhchivan.

Project Intervention. By 2010, the project expects to dramatically improve the quality, reliability, and sustainability of water supply and sanitation services in the said cities. How the project plans to do this has earned it exemplary status during a quantitative review of ADB water projects and their compliance with the ADB water policy. The project's design meets six of the eight primary water policy action items, three of the four secondary action items and all the subsector specific items. The project approaches the problem at the institutional and infrastructure levels. The supply and sanitation systems in these towns will be overhauled through improvements and new infrastructure—pipes, sewers, well field, pumping stations, waste stabilization ponds, and reservoirs.

Exemplary Design. The improvements to the systems themselves wholly satisfy ADB's water policy for increasing people's access to water supply and sanitation.

It is the project's attention to institutional improvements, however, that covers broad policy grounds. The ADB water policy advocates for projects that support optimization of agency functions, private sector participation, autonomous service providers, tariff restructuring, user participation, greater water quality and system efficiency, and better wastewater management. This project tackles all of these issues, and is able to do so more easily because completely new utilities are being established in the three project towns.

The institutional reform will begin with replacing the state-owned and -operated water utilities with open-type, joint-stock company water utilities in each of the project towns. These new water utilities will be co-owned by the government and private sector operators. The private sector will be involved through a management contract, which employs a chief engineer, operations manager, and a finance manager to provide international expertise in operating, managing, and maintaining the new WSS facilities and to train local personnel to take full responsibility for the operating services.

The new utility companies will

- own assets constructed and rehabilitated under the project, and be responsible for the operation, management, and maintenance of new WSS systems;
- have independence on financial, managerial, operational, and staffing decisions; and
- report to specific state agencies, and be accountable for their performances.

The project will also test the innovation of town water users associations, which will be formed as advocacy groups to represent consumer interests. They will be recognized by the water utilities as important partners in customer satisfaction and service delivery. They will undertake public information campaigns about effective use of WSS services and will represent members' concern over service standards, quality, and tariffs.

Policy Forward: New Knowledge, Next Steps

ADB HAS ALREADY begun to conceptualize and prepare three initiatives to catalyze future progress: increased water financing, knowledge hubs and water sector assessments, and policy dialogues.

Water Financing Program. An initiative has begun to mobilize higher levels of financing for the region's water sector. Business as usual is simply not delivering in the timeframe set by MDG Target 10—to halve, by 2015, the proportion of people without access to clean and sustainable water supply and improved sanitation. To help in reaching this goal, projects need to be implemented as early as 2010 to register their intended impacts.

The Water Financing Program is expected to prioritize and expand ADB's investments in water operations to the level that qualifies it as a core operation over the next 5 years. The program will focus investments in three areas and their contribution to national economic development and poverty alleviation:

- rural water services for health and livelihoods;
- urban water services for sustained economic growth; and
- basin water for integrated water resources.

The key to financing the high, diverse demand for water sector development in the region is finding and agreeing on the right financing model in each DMC. To do this, the program is expected to:

- **Introduce competitive financial products to supplement current loan financing.**

The program complements the objectives of ADB's Innovation and Efficiency Initiative (IEI), a special reform mandate launched in late 2003 to modernize ADB's business models primarily by identifying and proposing changes to bottlenecks in ADB operations. The Water Financing Program will make use of ongoing IEI modalities, products, and streamlined business processes, such as multitranches financing, subsovereign and nonsovereign public sector financing, local currency financing for the public sector, re-financing, financing syndications and risk-sharing arrangements, and flexibility in commitment charges.

- **Longer-term partnerships with DMCs.** The program will promote partnerships with DMCs that identify financing gaps and opportunities for more programmatic approach to financing.

- **Mobilize private financing.** The program will pursue private sector partnerships, building on lessons from the past alongside efforts to assist countries in building the proper regulatory frameworks that make private sector involvement more effective.

- **Strengthen policy and institutional reforms.** The program will continue the policy-based reform initiatives, which ultimately lead to improved investing environments that are needed to generate the capital for development; and

- **Share knowledge regionally.** A greater effort will be pursued in systematically disseminating exemplary practices and lessons learned.

The program is expected to begin in

The Water Financing Program will prioritize and expand ADB's investments in water operations to the level that qualifies it as a core operation over the next 5 years.

2006, initially in selected DMCs.

Knowledge Hubs. ADB is preparing partnerships with public and private institutions that have championed water sector issues and can serve as knowledge managers, assisting in ADB-supported programs and activities. Hubs will be developed regionally and possibly in DMCs.

ADB has been testing the use of knowledge partners in its work to develop and administer a certified training program on peer review for the performance benchmarking of national water sector apex bodies. Representatives from the apex bodies participated in the training in 2005 and conducted peer reviews of each others' performance.

This experience can be used to model future collaborations of resources between ADB, DMCs, and independent experts. Over time, the collaborations contribute to a body of knowledge and professional relationships that foster the "knowledge hub" concept.

Water sector assessments and policy dialogues. The ADB water policy and policy-based initiatives depend greatly on the success of two specific activities: comprehensive water sector assessments and policy dialogues. ADB has faced considerable challenges in advancing reforms in DMCs

and is proposing to provide funding for the assessments and policy dialogues to ensure they are accomplished.

Conclusion

The Water for All Policy has clearly helped rally investments in countries as well as regional cooperation. The policy has helped identify institutional weaknesses in DMCs, and where reform must be pursued. ADB has also invested and committed large amounts of resources to helping DMCs plan, manage, and deliver water for all. The Cooperation Fund for the Water Sector has been an indispensable support.

These efforts and their achievements are a critical input into the ongoing 2005 comprehensive review of the water policy implementation. While the program of activities has been achieving results, have they been the right results? Have they been the results that the policy was approved to achieve in DMCs?

In early 2006, ADB expects to receive the findings of the external review panel. The findings will help ADB to sharpen future implementation of the Water for All Policy.

Endnotes

1. Asia Water Watch 2015. 2006. Asian Development Bank, UNESCAP, UNDP, WHO.
2. A quantitative analysis conducted in 2005 analyzed the designs of ADB water projects against 18 ADB water policy action items, which are divided into three categories and described here as primary, secondary, and subsector specific. The policy action items are just that—tangible actions, which are extracted from the language of the water policy's main elements, or objectives. The quantitative study measured all water projects against 8 primary (or cardinal) and 4 secondary (or ordinal) policy actions because these are relevant actions that any water project would benefit from implementing in their project designs. The remaining 6 are subsector specific policy actions, and water projects are only measured against those policy actions that are related and applicable. See Appendix 2 for a list of all 18 policy action items. See Appendixes 3, 4, and 5 for the completed checklists, developed by the quantitative study, for the three projects rated exemplary practice included as case studies in this report.
3. See Appendix 3 for the rural water checklist tool used by the quantitative study to measure this project design's implementation of the ADB Water for All Policy.
4. According to the water policy, a project qualifies as belonging to the water sector if it significantly affects the management, protection, consumption, or uses of a freshwater resource. ADB's Water Sector Committee recognizes the following subsectors: irrigation and drainage; flood management; water resources management, watershed management, hydropower, urban and rural water supply and sanitation, and wastewater management. The chapter on Policy Implementation looks more closely at these trends.
5. *Urban water* includes urban water supply and sanitation services and wastewater management. *Rural water* includes rural water supply and sanitation services, and irrigation and drainage services. *Basin water* includes infrastructure and management of water resources in an integrated approach in river basins, including multipurpose water facilities, hydropower development with multiple or secondary water resources management benefits, flood management and disaster mitigation, and environmental conservation and improvement of watersheds, wetlands, and ecosystems.
6. Water resource projects are characterized by the subsectors of water resources, hydropower, flood management, and watershed protection. Water service projects are characterized by the subsectors of urban water supply and sanitation, rural water supply and sanitation, irrigation and drainage, and wastewater management.
7. Examples of the checklists used in the 2005 quantitative assessment are provided in Appendixes 3, 4, and 5. These three checklists correspond to three water projects featured as case studies in this publication because of their exemplary rating by the quantitative study. The case studies are presented on pages 8, 15, and 26.
8. See Appendix 4 for the basin water checklist tool used by the quantitative study to measure this project design's implementation of the ADB Water for All Policy.
9. See Appendix 5 for the urban water checklist tool used by the quantitative study to measure this project design's implementation of the ADB Water for All Policy.

Appendixes

1. Overview of Water Sector Reforms in Individual DMCs (2003 Survey)
2. Policy Actions to Support ADB's Water Policy
3. Policy Item Checklist for Rural Water Supply Projects
4. Policy Item Checklist for Basin Water Projects
5. Policy Item Checklist for Urban Water Supply Projects
6. Results of 2003 Interim Review of 2001-2002 Water-Related Loan Designs by Region
7. Results of 2003 Interim Review of 2001-2002 Water-Related Grant Designs by Region
8. Results of 2005 Quantitative Assessment of 2003-2004 Water-Related Loan Designs
9. Results of 2005 Quantitative Assessment of 2003-2004 Water-Related Grant Designs

APPENDIX 1

OVERVIEW OF WATER SECTOR REFORMS IN INDIVIDUAL DMCs (2003 Survey)

COUNTRY (Summary)	DETAILS			
	Comprehensive National Water Policy	Comprehensive Water Sector Assessment	Neutral Water Sector Apex Body	Updated Water Legislation
Azerbaijan	Partial. For water supply and sanitation	Partial. For water supply and sanitation	Partial. For water supply and sanitation	Partial. For water supply and sanitation
Bangladesh Water sector reforms are ongoing	Yes. Adopted in 1999	No	Yes. National Water Council formed in 1999	No. Water Act under review
Cambodia Water sector reforms are ongoing	Yes. Adopted in 2001	Yes	No	No. Water Resources Law under review
India	Yes. Adopted in 1987	Partial. For Madhya Pradesh	Yes. National Water Resources Board established. Apex body also established for Madhya Pradesh	Partial. For Madhya Pradesh
Indonesia Water sector reforms are ongoing	Yes. Adopted in 1993 based on Guidelines of State Policy	Partial. For water supply and sanitation	No. Proposal under review	Yes. Water Law approved in 1974
Kyrgyz Republic	Partial. For water supply and sanitation	Partial. For water supply and sanitation	No	No. Revised law under preparation
Lao PDR Water sector reforms are ongoing	Yes. National strategic action plan adopted in 1999	Yes. National water sector profile completed in 1997, 2001	Yes. Water Resources Coordinating Committee established in 1998	Yes. Water and Water Resources Law adopted in 1996
Mongolia	No	No	No	Yes. Water Law passed in 1996
Nepal	No <i>Note:</i> National Water Plan was approved in October 2005	Partial. Only for Kathmandu Valley	No	Yes. National Water Act
Pakistan Water sector reforms are ongoing	Yes. Adopted in 2002	Yes. National water sector profile completed in 2002	No. Proposals under review	No. Legislative reforms under review
Philippines Water sector reforms are ongoing	Yes. Adopted in 1975	Partial. Water and sanitation subsector profile completed in 2001	Yes. National Water Resources Council (now a Board) established in 1974; provisions updated recently	Yes. Water Code adopted in 1976; revisions under consideration
People's Republic of China Water sector reforms are ongoing	Yes. Adopted Water Law in 1988 that includes policies	Yes. National water sector profile prepared as part of ADB Strategic Options Study	No. Water Resources Management Committee proposed	Yes. Legislation (1988 Water Law) revised
Sri Lanka Water sector reforms are ongoing	Yes. Water Resources Policy adopted; further public consultations ongoing	Yes. National water sector profile completed in 1996	Yes. Water Resources Council established in 1996	Yes. Water Resources Act
Tajikistan	No	Partial. For water supply and sanitation	No	Yes. Water Code approved in 1993 and updated in 2000
Timor Leste Water sector reforms are ongoing	Yes	Partial. For water supply and sanitation	No	No
Uzbekistan	Partial. For water supply only	No	No. Reforms are under discussion	No. Reforms are under discussion
Viet Nam Water sector reforms are ongoing	Partial. For water supply and sanitation	No. Work is ongoing	Yes. National Water Resources Council formed in 1998	Yes. Water Resources Law adopted in 1998

APPENDIX 2

POLICY ACTIONS TO SUPPORT ADB'S WATER POLICY Comprehensive Review of Policy Implementation

Notes and Instructions

These Policy Actions are extracted from the Water Policy. These are used for reviewing achievement of projects in all DMCs in the implementation of the water policy.

The list contains 18 policy actions derived from the 40 policy actions adopted for the 2003 interim review of water policy implementation.

National Policies and Reforms

1. ADB will help develop **comprehensive water policies** in the DMCs.
2. Assistance for undertaking **water sector assessments** will be provided to ensure that policy formulation and sector reforms are well grounded.
3. Because project planning and implementation are commonly fragmented among many institutions, ADB will support the optimization of agency functions for planning and implementation. It will also focus on the development of effective cross-sectoral coordination mechanisms, such as a **neutral sector apex body** that can oversee the policy formulation and sector reform process.
4. Support will be provided for the review and revision of **water legislation** particularly in the areas of water rights and allocation among competing uses, water quality standards, groundwater use, demand management, resource conservation, private participation, and institutional responsibilities for water sector functions at national, regional or basin, local, and community levels.

Water Resources Management

5. ADB will help the DMCs introduce **IWRM** and undertake **comprehensive water resource assessments in river basins** as a basis for future water investment projects
6. Based on the IWRM approach and to support decentralization of planning, development and management of water and related resources to levels that respond best to river basin boundaries, groundwater aquifers or hydrological regions, ADB will support the establishment of **river basin organizations** (both formal and informal) to facilitate stakeholder consultation and participation, and to help improve planning, information gathering, monitoring, and advisory services to local and national authorities.
7. ADB will encourage the DMCs to adopt participatory and negotiated approaches for **water allocation**. Until such time as transferable water rights are properly developed, ADB will support the introduction of systems of water entitlements, or usage rights.
8. To help stakeholders address **water quality issues**, ADB will support water quality improvement programs that focus on four existing gaps: (i) knowledge development of the impact of human activities on water quality, and of water quality requirements for ecosystems, including determination of water quality thresholds; (ii) management of land conversion, including protection of catchments and wetlands, which are the natural filters in many aquatic systems, and pollution prevention at source; (iii) improving water management to reduce the inefficient use of water, excessive water abstraction,

and groundwater pumping leading to salinization; and (iv) reducing pollution by urban and industrial users, through on-site or combined wastewater treatment and reuse, and improved farming practices.

9. The introduction of **wastewater discharge permits and effluent charges** as part of water rights administration will be encouraged.
10. ADB will pursue the **protection and rehabilitation of degraded forestlands**. To rehabilitate watersheds, ADB encourages the involvement of local communities and NGOs.
11. Wetlands have important functions in the river basin, including flood alleviation, groundwater recharge, water quality improvement, ecosystem maintenance, and biodiversity conservation. ADB will promote **wetland conservation and improvement** in a river basin context.

Improving Water Services

12. ADB's sector strategies within countries will identify the need for introducing phased programs to increase the **autonomy and accountability of service providers**, either as new enterprises or by reorganizing existing agencies.
13. ADB will develop modalities for **public-private partnerships** in the management of physical infrastructure.
14. **User participation** will also be supported to (i) make services and service providers more responsive and accountable to beneficiaries, (ii) align the provision of services with users' needs and ability to pay, thereby improving cost recovery and sustainability, and (iii) tailor institutional arrangements for water service management to local practices. Participation will be the cornerstone of ADB's country water sector strategies; institutional arrangements for participation, particularly at the community level, will be strengthened.
15. The **phased turnover of responsibilities** for distribution system operation and maintenance to user groups will improve system sustainability. Correspondingly, the collective and individual rights and responsibilities of water users, service providers, and public agencies will be clarified and agreed.

Conserving Water

16. ADB will promote **recovery-based tariff reforms** through water-related projects and programs, and also to promote **phased elimination of direct subsidies** for accessing basic water services in line with an increase in affordability levels.
17. ADB will promote the **establishment of regulatory systems** through policy dialogue with the DMCs and by leveraging loan and technical assistance programs to this end.
18. In its water-related projects and programs, ADB will incorporate components that educate the industry on the **efficient use of water**, and the **need for higher prices for both water use and effluent treatment and discharge**.

APPENDIX 3

POLICY ITEM CHECKLIST FOR RURAL WATER SUPPLY PROJECTS

CHECKLIST OF WATER POLICY ACTIONS Rural Water (Rural Water Supply and Wastewater Management) Project. No. & Title: 2035 CAM – Northwest Irrigation Sector Project		
NOTES & INSTRUCTIONS		
a. The Checklist is intended for reviewing compliance of ongoing (1997–2000) and recently approved (2001–2004) projects on Rural Water in all DMCs in the implementation of the water policy. b. The ADB Policy Actions to be reviewed are quoted directly from the policy paper. c. The appropriate water subsector project classification should be indicated. d. All project documents used in the review should be listed. e. Indicate compliance by a YES , or noncompliance by a NO , or by NA if policy action is not applicable, and give comments . f. In the case of the Questionnaire on Project Framework, indicate response by YES , or NO , or NA if not applicable, and give comments .		
Sub-sector Project Classification: Basin Water	Documents Reviewed: RRP dated 18 November 2003	
ADB Policy Actions	Compliance	Comments
Cardinal Type of Actions		
1. ADB will help develop comprehensive water policies in the DMCs.	YES	Para 14. The Project will continue previous ADB support to the Ministry of Water Resources and Meteorology (MOWRAM) in further developing its policy and strategy framework.
2. Assistance for undertaking water sector assessments will be provided to ensure that policy formulation and sector reforms are well grounded.	YES	Para 32. The Project will assist MOWRAM in adopting an IWRM approach to river basin development by financing water resources assessments and water use studies in selected river basins.
3. Because project planning and implementation are commonly fragmented among many institutions, ADB will support the optimization of agency functions for planning and implementation. It will also focus on the development of effective cross-sectoral coordination mechanisms, such as a neutral sector apex body that can oversee the policy formulation and sector reform process.	YES	Para 14. The Project will continue previous ADB support to the MOWRAM in further developing its policy and strategy framework. MOWRAM serves as the statutory leader in the water sector.

APPENDIX 3 (contd.)

POLICY ITEM CHECKLIST FOR RURAL WATER SUPPLY PROJECTS

<p>4. Support will be provided for the review and revision of water legislation particularly in the areas of water rights and allocation among competing uses, water quality standards, groundwater use, demand management, resource conservation, private participation, and institutional responsibilities for water sector functions at national, regional or basin, local, and community levels.</p>	<p>YES</p>	<p>Para 32. The Project will assist MOWRAM in adopting an IWRM approach to river basin development by financing water resources assessments and water use studies in selected river basins. Further, this is part of the assurance (Para 63).</p>
<p>5. ADB will encourage the DMCs to adopt participatory and negotiated approaches for water allocation.</p>	<p>YES</p>	<p>Para 43. Multi-user committees for management of water resources will be established at the basin level. Overall policy relating to management of water, and its release from barrages and reservoirs will be discussed with and agreed by these committees.</p>
<p>6. ADB will help develop contracting modalities that allow potential investors to participate in the expansion and improvement of services. In particular, contracts that address social equity concerns and improve water and sanitation services to the poor will be developed.</p>	<p>NO</p>	<p>Not explicitly indicated in the scope of the project but can be included in the IWRM sub-component of the Project.</p>
<p>7. ADB will promote recovery-based tariff through water-related projects and programs to modify structures and rates so that they reward conservation and penalize waste and promote phased elimination of direct subsidies to the poor for accessing basic water services in line with an increase in affordability levels.</p>	<p>YES</p>	<p>Para 5 of Appendix 13. The farmers will only shoulder O&M costs for routine maintenance of the secondary and tertiary canals.</p>
<p>8. ADB will promote the establishment of regulatory systems through policy dialogue with the DMCs and by leveraging loan and technical assistance programs to this end.</p>		
<p>Ordinal Type of Actions</p>		
<p>9. To help stakeholders address water quality issues, ADB will support water quality investment programs that focus on four existing gaps: (i) knowledge development of the impact of human activities on water quality, and of water quality requirements for ecosystems, including determination of water quality thresholds; (ii) management of land conversion, including protection of catchments and wetlands, which are the natural filters in many aquatic systems, and pollution prevention at source; (iii) improving water management to reduce the inefficient use of water, excessive water abstraction, and groundwater pumping leading to salinization; and (iv) reducing pollution by urban and industrial users, through on-site or combined wastewater treatment and reuse, and improved farming practices.</p>		

APPENDIX 3 (contd.)

POLICY ITEM CHECKLIST FOR RURAL WATER SUPPLY PROJECTS

10. The introduction of wastewater discharge permits and effluent charges as part of water rights administration will be encouraged.		
11. User participation will also be supported to (i) make services and service providers more responsive and accountable to beneficiaries; (ii) align the provision of services with users' needs and ability to pay, thereby improving cost recovery and sustainability; and (iii) tailor institutional arrangements for water service management to local practices. Participation will be the cornerstone of ADB's country water sector strategies; institutional arrangements for participation, particularly at the community level, will be strengthened.	YES	Para 55. Participatory consultations initiated during project preparation and loan processing stages will continue through water users community/groups.
12. In its water-related projects and programs, ADB will incorporate components that educate the industry on the efficient use of water , and the need for higher prices for both water use and effluent treatment and discharge .		
Actions Specific to the Subsector		
13. ADB's sector strategies within countries will identify the need for introducing phased programs to increase the autonomy and accountability of service providers , either as new enterprises or by reorganizing existing agencies.	NO	Not explicitly indicated in the Project scope but may be addressed in the IWRM project sub-component.
14. The autonomy of service providers, especially in terms of staffing and tariffs, but not privatization, is typically the central issue in urban water supply and sanitation systems. ADB will support the upgrading of existing systems in physical and managerial terms.		
15. The phased turnover of responsibilities for distribution system operation and maintenance to user groups will improve system sustainability. Correspondingly, the collective and individual rights and responsibilities of water users, service providers, and public agencies will be clarified and agreed upon.	YES	Para 50. In line with the Government policy on IMT, the FWUCs and WUGs will be responsible for overall O&M of the secondary and tertiary canal and drain systems.
Questionnaire on Project Framework		
16. Has the project framework reflected the water policy in the goal and objectives sections?	YES	Reflected in both the goal and objectives.
17. Has the project framework included measurable indicators in the project objectives/ outputs/ activities sections?	YES	Measurable indicators are included in the goal, objectives, and outputs. The activities are not included in the project framework.

APPENDIX 4

POLICY ITEM CHECKLIST FOR BASIN WATER PROJECTS

CHECKLIST OF WATER POLICY IMPLEMENTATION Basin Water (Water Resources, Watershed, Flood Management, and Hydropower) Project. No. & Title: TA4223: Shandong Hai River Basin Pollution Control Project		
NOTES & INSTRUCTIONS		
a. The Checklist is intended for reviewing compliance of ongoing (1997–2000) and recently approved (2001–2004) projects on Basin Water in all DMCs in the implementation of the water policy. b. The ADB Policy Actions to be reviewed are quoted directly from the policy paper. c. The appropriate water subsector project classification should be indicated. d. All project documents used in the review should be listed. e. Indicate compliance by a YES , or noncompliance by a NO , or by NA if policy action is not applicable, and give comments . f. In the case of the Questionnaire on Project Framework, indicate response by YES , or NO , or NA if not applicable, and give comments .		
Subsector Project Classification: Wastewater Management	Documents Reviewed: TA Paper	
ADB Policy Actions	Compliance	Comments
Principal Type of Actions		
1. ADB will help develop comprehensive water policies in the DMCs.	YES	Water policies already in place
2. Assistance for undertaking water sector assessments will be provided to ensure that policy formulation and sector reforms are well grounded.	YES	National water sector profile prepared 1997. See also para 3, HRPPCP
3. Because project planning and implementation are commonly fragmented among many institutions, ADB will support the optimization of agency functions for planning and implementation. It will also focus on the development of effective cross-sectoral coordination mechanisms, such as a neutral sector apex body that can oversee the policy formulation and sector reform process.	YES	Para 13, Appendix 4
4. Support will be provided for the review and revision of water legislation particularly in the areas of water rights and allocation among competing uses, water quality standards, groundwater use, demand management, resource conservation, private participation, and institutional responsibilities for water sector functions at national, regional or basin, local, and community levels.	YES	Water Law in place
5. ADB will encourage the DMCs to adopt participatory and negotiated approaches for water allocation .	NO	Not considered
6. ADB will promote recovery-based tariff through water-related projects and programs to modify structures and rates so that they reward conservation and penalize waste and promote phased elimination of direct subsidies to the poor for accessing basic water services in line with an increase in affordability levels.	YES	Para 2, Appendix 4

APPENDIX 4 (contd.)

POLICY ITEM CHECKLIST FOR BASIN WATER PROJECTS

7. ADB will promote the establishment of regulatory systems through policy dialogue with the DMCs and by leveraging loan and technical assistance programs to this end.	NO	
Complementing Type of Actions		
8. To help stakeholders address water quality issues , ADB will support water quality investment programs that focus on four existing gaps: (i) knowledge development of the impact of human activities on water quality, and of water quality requirements for ecosystems, including determination of water quality thresholds; (ii) management of land conversion, including protection of catchments and wetlands, which are the natural filters in many aquatic systems, and pollution prevention at source; (iii) improving water management to reduce the inefficient use of water, excessive water abstraction, and groundwater pumping leading to salinization; and (iv) reducing pollution by urban and industrial users, through on-site or combined wastewater treatment and reuse, and improved farming practices.	YES	Para 3, Appendix 4 TOR
9. The introduction of wastewater discharge permits and effluent charges as part of water rights administration will be encouraged.	YES	Para 10, Appendix 4
10. User participation will also be supported to (i) make services and service providers more responsive and accountable to beneficiaries; (ii) align the provision of services with users' needs and ability to pay, thereby improving cost recovery and sustainability; and (iii) tailor institutional arrangements for water service management to local practices. Participation will be the cornerstone of ADB's country water sector strategies; institutional arrangements for participation, particularly at the community level, will be strengthened.	YES	Para 11, Appendix 4
11. In its water-related projects and programs, ADB will incorporate components that educate the industry on the efficient use of water , and the need for higher prices for both water use and effluent treatment and discharge .	YES	Paras 2 & 10, Appendix 4
Subsector-Specific Type of Actions		
12. ADB's sector strategies within countries will identify the need for introducing phased programs to increase the autonomy and accountability of service providers , either as new enterprises or by reorganizing existing agencies.	YES	Para 13, Appendix 4
13. ADB will develop modalities for public-private partnerships in the management of physical infrastructure.	YES	Para 13, Appendix 4
Questionnaire on Project Framework		
14. Has the project framework reflected the water policy in the goal, objectives sections?	YES	
15. Has the project framework included measurable indicators in the project objectives/ outputs/ activities sections?	YES	

APPENDIX 5

POLICY ITEM CHECKLIST FOR URBAN WATER SUPPLY PROJECTS

CHECKLIST OF WATER POLICY ACTIONS Urban Water (Urban Water Supply and Sanitation and Wastewater Management) Project. No. & Title: 2119/2120-AZE – Urban Water Supply and Sanitation Project		
NOTES & INSTRUCTIONS		
a. The Checklist is intended for reviewing compliance of ongoing (1997–2000) and recently approved (2001–2004) projects on Urban Water in all DMCs in the implementation of the water policy. b. The ADB Policy Actions to be reviewed are quoted directly from the policy paper. c. The appropriate water sub-sector project classification should be indicated. d. All project documents used in the review should be listed. e. Indicate compliance by a YES , or noncompliance by a NO , or by NA if policy action is not applicable, and give comments . f. In the case of the Questionnaire on Project Framework, indicate response by YES , or NO , or NA if not applicable, and give comments .		
Subsector Project Classification: Basin Water	Documents Reviewed: RRP dated 16 November 2004	
ADB Policy Actions	Compliance	Comments
Cardinal Type of Actions		
1. ADB will help develop comprehensive water policies in the DMCs.	NO	Not in project scope.
2. Assistance for undertaking water sector assessments will be provided to ensure that policy formulation and sector reforms are well grounded.	YES	Para 37. The Project supports the Government's ongoing efforts to reform the WSS sector, and will help shape and direct those reforms.
3. Because project planning and implementation are commonly fragmented among many institutions, ADB will support the optimization of agency functions for planning and implementation. It will also focus on the development of effective cross-sectoral coordination mechanisms, such as a neutral sector apex body that can oversee the policy formulation and sector reform process.	YES	Para 35. The capacities of the Joint Stock Companies (JSCs) will be developed through on-the-job training by the Management Contractor (MC) during initial operational years of the new systems.
4. Support will be provided for the review and revision of water legislation particularly in the areas of water rights and allocation among competing uses, water quality standards, groundwater use, demand management, resource conservation, private participation, and institutional responsibilities for water sector functions at national, regional or basin, local, and community levels.	YES	Para 44 will include recommendations for institutional, legislative, and regulatory reforms for the secondary towns' WSS sectors.

APPENDIX 5 (contd.)

POLICY ITEM CHECKLIST FOR URBAN WATER SUPPLY PROJECTS

<p>5. ADB will encourage the DMCs to adopt participatory and negotiated approaches for water allocation.</p>		
<p>6. ADB will help develop contracting modalities that allow potential investors to participate in the expansion and improvement of services. In particular, contracts that address social equity concerns and improve water and sanitation services to the poor will be developed.</p>	<p>YES</p>	<p>Para 32. The new status and identity of the JSC established in each project town will provide a foundation for independence in ownership, operation, and management of the assets.</p>
<p>7. ADB will promote recovery-based tariff through water-related projects and programs to modify structures and rates so that they reward conservation and penalize waste and promote phased elimination of direct subsidies to the poor for accessing basic water services in line with an increase in affordability levels.</p>	<p>YES</p>	<p>Para 69. Social implications of the increased WSS tariffs will be addressed through a public awareness and education campaign.</p> <p>Para 63 will improve cost recovery through better customer satisfaction.</p> <p>Para 73 The Project is classified as a poverty intervention project</p>
<p>8. ADB will promote the establishment of regulatory systems through policy dialogue with the DMCs and by leveraging loan and technical assistance programs to this end.</p>	<p>YES</p>	<p>Para 44 will include recommendations for institutional, legislative, and regulatory reforms for the secondary towns' WSS sectors.</p>
<p>Ordinal Type of Actions</p>		
<p>9. To help stakeholders address water quality issues, ADB will support water quality investment programs that focus on four existing gaps: (i) knowledge development of the impact of human activities on water quality, and of water quality requirements for ecosystems, including determination of water quality thresholds; (ii) management of land conversion, including protection of catchments and wetlands, which are the natural filters in many aquatic systems, and pollution prevention at source; (iii) improving water management to reduce the inefficient use of water, excessive water abstraction, and groundwater pumping leading to salinization; and (iv) reducing pollution by urban and industrial users, through on-site or combined wastewater treatment and reuse, and improved farming practices.</p>		
<p>10. The introduction of wastewater discharge permits and effluent charges as part of water rights administration will be encouraged.</p>		

APPENDIX 5 (contd.)

POLICY ITEM CHECKLIST FOR URBAN WATER SUPPLY PROJECTS

<p>11. User participation will also be supported to (i) make services and service providers more responsive and accountable to beneficiaries; (ii) align the provision of services with users' needs and ability to pay, thereby improving cost recovery and sustainability; and (iii) tailor institutional arrangements for water service management to local practices. Participation will be the cornerstone of ADB's country water sector strategies; institutional arrangements for participation, particularly at the community level, will be strengthened.</p>	<p>YES</p>	<p>Para 39 promotes local participation and consumer interest in WSS services with municipalities represented on JSC boards and establishment of town water users' associations (TWUAs).</p>
<p>12. In its water-related projects and programs, ADB will incorporate components that educate the industry on the efficient use of water, and the need for higher prices for both water use and effluent treatment and discharge.</p>		
<p>Actions Specific to the Subsector</p>		
<p>13. ADB's sector strategies within countries will identify the need for introducing phased programs to increase the autonomy and accountability of service providers, either as new enterprises or by reorganizing existing agencies.</p>		
<p>14. ADB will develop modalities for public-private partnerships in the management of physical infrastructure.</p>	<p>YES</p>	<p>Para 37. Alternative institutional options will include corporatization and commercialization of local, state-run utilities.</p>
<p>15. The autonomy of service providers, especially in terms of staffing and tariffs, but not privatization, is typically the central issue in urban water supply and sanitation systems. ADB will support the upgrading of existing systems in physical and managerial terms.</p>	<p>YES</p>	<p>Para 32. The institutional reform and capacity building component will establish a Joint Stock Company in each project town to provide efficient and financially viable operations.</p>
<p>16. The phased turnover of responsibilities for distribution system operation and maintenance to user groups will improve system sustainability. Correspondingly, the collective and individual rights and responsibilities of water users, service providers, and public agencies will be clarified and agreed upon.</p>		
<p>Questionnaire on Project Framework</p>		
<p>17. Has the project framework reflected the water policy in the goal, objectives sections?</p>	<p>YES</p>	<p>The objective is to provide safe, reliable, and sustainable WSS services and improved WSS services.</p>
<p>18. Has the project framework included measurable indicators in the project objectives/ outputs/ activities sections?</p>	<p>YES</p>	<p>Includes measurable indicators.</p>

APPENDIX 6

RESULTS OF 2003 INTERIM REVIEW OF 2001-2002 WATER-RELATED LOAN DESIGNS BY REGION

Loan/TA Number	Country	Project Title	Achievements		Category
			Common Policy Action	Sub-sector Policy Action	
ECRD					
1985	PRC	Hebei Province Wastewater Management Project	Substantial	Substantial	Exemplary Practice
1907	MON	Integrated Development of Basic Urban Services in Provincial Towns Project ^a	Significant	Substantial	Good Practice
1835	PRC	PRC Yellow River Flood Management (Sector) Project	Substantial	Significant	Good Practice
1919	PRC	Songhua River Flood Management Sector Project	Substantial	Significant	Good Practice
1903	UZB	Western Uzbekistan Rural Water Supply Project	Significant	Substantial	Good Practice
1922	PRC	Hebei Zhanghewan Pumped Storage Project	Minimal	Significant	Room for Improvement
1995	PRC	Harbin Water Supply Project	Significant	Minimal	Room for Improvement
1852	TAJ	Emergency Restoration of Yavan Water Conveyance System	Significant	Significant	Room for Improvement
1980	TAJ	Agriculture Rehabilitation Project	Significant	Significant	Room for Improvement
1842	UZB	Urban Water Supply Project	Significant	Significant	Room for Improvement
MKRD					
1939	CAM	Tonle Sap Environmental Management Project	Substantial	Significant	Good Practice
1834	LAO	Vientiane Urban Infrastructure and Services Project ^a	Substantial	Significant	Good Practice
1933	LAO	Nam Ngum River Basin Development Sector Project	Substantial	Significant	Good Practice
1855	VIE	Second Red River Basin Sector Project	Substantial	Significant	Good Practice
1994	LAO	Small Towns Development Sector ^a	Minimal	Substantial	Room for Improvement
1880	VIE	3rd Provincial Towns Water Supply and Sanitation Project	Minimal	Significant	Room for Improvement
SARD					
1966	NEP	Urban and Environmental Improvement Project	Substantial	Substantial	Exemplary Practice
1941	BAN	Jamuna-Meghna River Erosion Mitigation Project	Significant	Substantial	Good Practice
1934	PAK	Sindh Rural Development Project ^a	Substantial	Significant	Good Practice
1950	PAK	Punjab Community Water Supply and Sanitation Project	Substantial	Significant	Good Practice
1993	SRI	Secondary Towns and Rural Community-based Water Supply and Sanitation Project	Significant	Substantial	Good Practice
1831	BAN	Second Small-scale Water Resources Development Sector	Substantial	Minimal	Room for Improvement
1826	IND	Gujarat Earthquake Rehabilitation and Reconstruction Project	Significant	Significant	Room for Improvement
1854	PAK	Northwest Frontier Province Urban Development Sector Project ^a	Significant	Significant	Room for Improvement
1846	SRI	North East Community Restoration and Development Project	Minimal	Minimal	Room for Improvement
SERD					
1843	PHI	Mindanao Basic Urban Services Sector Project ^a	Minimal	Minimal	Room for Improvement

Note: ^a These Projects are purely urban development renewal with water component.

- 1966-NEP – The project water infrastructure components (water supply and sanitation, drainage, wastewater management, and river training) were designed with due regard to the development of modalities for private-public partnerships in management of infrastructure, participation at the community level, upgrading of existing systems in physical and managerial terms, development of modalities for potential investors, promotion of tariff reforms, adoption of cost recovery principles, phased elimination of subsidies, and establishment of a regulatory system. Furthermore the project incorporated the outputs of the previous ADB initiatives for the water sector.
- 1985-PRC – The project specifically stated the ADB policy initiatives it supports and strengthens to wit: (a) integrated basin-wide pollution prevention and control, (b) improved wastewater management to create a sustainable urban environment, (c) enterprise reform and corporate governance, (d) cost recovery and tariff reform, and (e) private sector participation. The project policy framework enumerated the major related projects financed by ADB covered in the Policy issue it addressed.
- 1939-CAM, 1834&1933-LAO, 1934&1950-PAK, 1835&1919-PRC, and 1855-VIE – The Reports and Recommendations of the President (RRPs) have adequately reflected the substantial requisite national reforms that are being instituted in these countries. The projects also supported ADB policy initiatives on fostering participation of civil society, private sector, and non-government organizations (NGOs), formulation of a gender strategy and the development of sustainable plans for capacity building.
- 1903-UZB, 1907-MON, 1993-SRI, and 1994-LAO – These water supply projects have incorporated in the design the following ADB water policy initiatives: (a) development of modalities for public-private partnerships in management of water infrastructures, (b) participation at the community level, (c) upgrading of existing systems in physical and managerial terms, (d) development of modalities for potential investors, (e) promotion of tariff reforms, (f) adoption of cost recovery principles, (g) phased elimination of direct subsidies, and (h) establishment of a regulatory system.
- 1941-BAN – The Government has adopted a National Water Policy with assistance of other external funding agencies. The project supports ADB policy initiatives particularly on reduction of economic losses from floods, promoting the use of combined structural and non-structural approaches to flood protection, poverty reduction by carefully formulating flood management projects and adoption of cost recovery principles.
- 1831-BAN – The Government has adopted a National Water Policy with assistance of other external funding agencies. The project supports ADB policy initiatives of (a) review and revision of water legislation particularly in the areas of water rights and allocation on small scale water resources projects, (b) participation in the management of water resources at all levels, (c) promote the participation of civil society in identifying needs and issues, designing solutions, and establishing mechanisms for monitoring and dispute resolution, (d) formulation of a gender strategy, and (e) development of sustainable plans for capacity building.

APPENDIX 7

RESULTS OF 2003 INTERIM REVIEW OF 2001-2002 WATER-RELATED GRANT DESIGNS BY REGION

Loan/TA Number	Country	Project Title	Achievement		Category
			Common Policy Action	Sub-sector Policy Action	
ECRD					
3685	MON	Integrated Development of Basic Urban Services in Secondary Towns	Significant	Substantial	Good Practice
3998	PRC	Sanjiang Plains Wetland Protection Project	Substantial	Significant	Good Practice
3908	UZB	Amu Zhang Water Resources Management Project	Substantial	Significant	Good Practice
3774	AZE	Urban Water Supply and Sanitation Project	Minimal	Substantial	Room for Improvement
3864	AZE	Flood Mitigation Project	Significant	Significant	Room for Improvement
2477	PRC	Hebei Zhanghewan Pump-Storage Project	Significant	Minimal	Room for Improvement
3376	PRC	Songhua River Flood, Wetland, and Biodiversity Management Project (Supplementary)	Minimal	Significant	Room for Improvement
3638	PRC	Wuhan Wastewater Treatment Project	Minimal	Substantial	Room for Improvement
3730	PRC	Gansu Hydropower Project	Minimal	Substantial	Room for Improvement
3749	PRC	National Guidelines for Urban Wastewater Tariffs and Management Study	Minimal	Significant	Room for Improvement
3963	PRC	Study of the Water Capacity of Water Resources	Minimal	Minimal	Room for Improvement
4014	PRC	Fuzhou Environmental Improvement Project	Minimal	Substantial	Room for Improvement
4061	PRC	Songhua River Basin Water Quality and Pollution Control Management	Significant	Minimal	Room for Improvement
3956	TAJ	Hydropower Development Strategy	Minimal	Minimal	Room for Improvement
MKRD					
3688	CAM	Rural Water Supply and Sanitation Project	Minimal	Significant	Room for Improvement
3758	CAM	Northwest Irrigation Sector Project	Substantial	Minimal	Room for Improvement
3997	CAM	Chong Kneas Environmental Improvement Project	Significant	Minimal	Room for Improvement
3718	LAO	Northern Community-Managed Irrigation Sector	Significant	Minimal	Room for Improvement
3903	LAO	Northern and Central Regions Water Supply and Sanitation Project	Significant	Minimal	Room for Improvement
4001	VIE	Central Region Water Resources Sector Project	Substantial	Minimal	Room for Improvement
PARD					
3986	TIM	Integrated Water Resources Management	Substantial	Significant	Good Practice
SARD					
3715	IND	Madhya Pradesh Integrated Water Resources Management Strategy	Substantial	Substantial	Exemplary Practice
3700	NEP	Optimizing Water Use in Kathmandu Valley	Significant	Substantial	Good Practice
3802	PAK	Southern Punjab Basic Urban Services Project	Significant	Substantial	Good Practice
3659	BAN	Jamuna-Meghna River Erosion Mitigation Project	Minimal	Substantial	Room for Improvement
4000	BAN	Secondary Towns Integrated Flood Protection II Project	Significant	Minimal	Room for Improvement
4079	BAN	Southwest Area IWRM Project	Substantial	Minimal	Room for Improvement
3759	IND	Integrated Urban Development in Madhya Pradesh Project ^a	Minimal	Minimal	Room for Improvement
3974	IND	Inland Waterway Sector Development Program	Minimal	Minimal	Room for Improvement
3745	NEP	Community-Managed Irrigation Sector Project	Minimal	Minimal	Room for Improvement
3844	NEP	Community-Based Water Supply and Sanitation Project	Minimal	Minimal	Room for Improvement
4049	SRI	Strengthening the Regulatory Framework for Water Supply and Sanitation	Significant	Significant	Room for Improvement
SERD					
3793	INO	Participatory Irrigation Sector Project	Substantial	Significant	Good Practice
3761	INO	Regulatory Framework for Private and Public Water Supply and Wastewater Enterprises	Minimal	Significant	Room for Improvement
3782	INO	Reform of Water Enterprises	Minimal	Substantial	Room for Improvement
4063	INO	Community Water Services and Health Project	Significant	Minimal	Room for Improvement
3692	PHI	Integrated Coastal Resource Management Project	Substantial	Minimal	Room for Improvement
3703	PHI	Capacity Building for the Regulatory Office of the Metropolitan Waterworks and Sewerage System	Minimal	Significant	Room for Improvement
3760	PHI	Metro Manila Urban Services for the Poor Project ^a	Significant	Minimal	Room for Improvement
RETA					
5974	REG	Coastal and Marine Resources Management	Significant	Minimal	Room for Improvement
5995	REG	Integrating Environmental Considerations into Development Policies, Plans and Programs	Minimal	Minimal	Room for Improvement

Note: ^a These projects are purely urban development renewal with water component.

APPENDIX 8

RESULTS OF 2005 QUANTITATIVE ASSESSMENT OF 2003-2004 WATER-RELATED LOAN DESIGNS

Loan/TA Number	Country	Name	Total Achievement		
			No. of Policy	No. of Achievement	Percentage Achievement
Exemplary Practice					
3715	IND	Madhya Pradesh Integrated Water Resources Management Strategy	14	12	79
4014	PRC	Fuzhou Environmental Improvement Project	13	11	79
Good Practice					
3638	PRC	Wuhan Wastewater Treatment Project	13	9	67
3774	AZE	Urban Water Supply and Sanitation Project	13	9	67
Room for Improvement					
3986	TIM	Integrated Water Resources Management	14	9	62
4061	PRC	Songhua River Basin Water Quality and Pollution Control Management	14	9	61
3688	CAM	Rural Water Supply and Sanitation Project	13	8	61
3903	LAO	Northern and Central Regions Water Supply and Sanitation Project	13	8	61
3793	INO	Participatory Irrigation Sector Project	13	8	58
3376	PRC	Songhua River Flood, Wetland, and Biodiversity Management Project (Supplementary)	14	8	56
3700	NEP	Optimizing Water Use in Kathmandu Valley	14	8	56
3685	MON	Integrated Development of Basic Urban Services in Secondary Towns	13	7	55
3749	PRC	National Guidelines for Urban Wastewater Tariffs and Management Study	13	7	55
3703	PHI	Capacity Building for the Regulatory Office of the Metropolitan Waterworks and Sewerage System	13	7	53
3782	INO	Reform of Water Enterprises	13	7	53
3718	LAO	Northern Community-Managed Irrigation Sector	13	7	53
4049	SRI	Strengthening the Regulatory Framework for Water Supply and Sanitation	13	7	52
3908	UZB	Amu Zhang Water Resources Management Project	14	7	51
4000	BAN	Secondary Towns Integrated Flood Protection II Project	14	7	50
3997	CAM	Chong Kneas Environmental Improvement Project	13	6	47
3761	INO	Regulatory Framework for Private and Public Water Supply and Wastewater Enterprises	13	6	47
3745	NEP	Community-Managed Irrigation Sector Project	13	6	47
4001	VIE	Central Region Water Resources Sector Project	14	6	45
3692	PHI	Integrated Coastal Resource Management Project	14	6	44
3998	PRC	Sanjiang Plains Wetland Protection Project	14	6	44
3802	PAK	Southern Punjab Basic Urban Services Project	13	5	41
3844	NEP	Community-Based Water Supply and Sanitation Project	13	5	41
3758	CAM	Northwest Irrigation Sector Project	13	5	41
3956	TAJ	Hydropower Development Strategy	14	5	39
3760	PHI	Metro Manila Urban Services for the Poor Project	13	5	39
4063	INO	Community Water Services and Health Project	13	5	39
3963	PRC	Study of the Water Capacity of Water Resources	14	5	39
3730	PRC	Gansu Hydropower Project	14	5	39
3974	IND	Inland Waterway Sector Development Program	14	5	39
3659	BAN	Jamuna-Meghna River Erosion Mitigation Project	13	4	33
3864	AZE	Flood Mitigation Project	14	4	33
3759	IND	Integrated Urban Development in Madhya Pradesh Project	13	4	33
2477	PRC	Hebei Zhanghewan Pump-Storage Project	14	4	33
5974	RETA	Coastal and Marine Resources Management	10	2	22
AVERAGE ACHIEVEMENT					49

APPENDIX 9

RESULTS OF 2005 QUANTITATIVE ASSESSMENT OF 2003-2004 WATER-RELATED GRANT DESIGNS

Loan/TA Number	Country	Name	Total Achievement		
			No. of Policy	No. of Achievement	Percentage Achievement
Exemplary Practice					
4223	PRC	Preparing the Shandong Hai River Basin Pollution Control Project	13	11	79
4485	VIE	Preparing the Central Region Small and Medium Towns Development Project	13	11	78
Good Practice					
4404	PRC	Implementation of the National Strategy for Soil and Water Conservation	14	11	73
4436	PRC	Wuhan Wastewater and Storm-Water Management Project	13	10	73
4411	INO	Preparing the Water Supply and Sanitation Project	13	10	73
4552	PHI	Master Plan for the Agusan River Basin	14	11	72
4227	PRC	Preparing the Jilin Water Supply and Sewerage Development Project	13	10	70
4447	PRC	Evaluation of Environmental Policy and Investment for Water Pollution Control in the Huai River Basin and the Taihu Lake Basin	14	10	68
4372	UZB	Preparing the Kashkadarya and Naoi Rural Water Supply Project	13	9	67
4233	PRC	Preparing the Henan Wastewater Management Project	13	9	67
4106	IND	Kerala Sustainable Urban Development Project	13	9	67
4420	AFG	Western Basins Water Resources Management and Irrigated Agriculture Development Project	14	10	67
4096	NEP	Katmandu Valley Water Management Support Project	13	9	66
4215	PRC	Safe Drinking Water and Sanitation for the Rural Poor	13	9	66
Room for Improvement					
6163	RETA	Improved Management of Shared Water Resources in Central Asia	10	7	65
4435	PAK	Water Sector Irrigation Development	13	9	64
4143	TAJ	Water Resources Development and Rehabilitation	14	9	61
4098	PAK	Rawalpindi Environmental Improvement Project	13	8	61
4535	BAN	Preparing the Secondary Towns Water Supply and Sanitation Project	13	8	61
4403	KGZ	Study on Pricing Systems and Cost-Recovery Mechanisms for Irrigation	13	8	61
4348	IND	North Eastern Region Urban Development Project	13	8	59
4377	LAO	Preparing Northern and Central Regional Water Supply and Urban Development Project	13	8	59
4216	IND	Chhattisgarh Irrigation Development Sector Project	13	8	59
4427	CAM	Establishment of the Tonle Sap Basin Management Organization II	14	8	56
4367	PAK	Balochistan Rural Development and Drought Mitigation	14	8	56
4213	LAO	NAM THEUN 2 Hydropower Development	14	7	51
4159	INO	Flood Management in Selected River Basins Project	14	7	50
4438	KGZ	Second Agriculture Area Development Project	13	6	47
4079	BAN	Preparing the Southwest Area IWRM Project	14	6	45
4385	PRC	Preparing the Guangxi Nanning Urban Infrastructure Development Project	14	6	45
4440	VIE	Preparing the Rural Infrastructure for Sustainable Livelihood Improvement in Central Region Project	13	6	45

APPENDIX 9 (contd.)

**RESULTS OF 2005 QUANTITATIVE ASSESSMENT OF 2003-2004 WATER-RELATED
GRANT DESIGNS**

Loan/TA Number	Country	Name	Total Achievement		
			No. of Policy	No. of Achievement	Percentage Achievement
Room for Improvement					
4230	PAK	Balochistan Resource Management Program	14	6	45
4323	LAO	TA for Nam Theun 2 Hydropower Development Project – Phase II	14	6	45
4327	PRC	Flood Management Strategy Study	14	6	44
6224	RETA	Pilot Testing Participatory Assessment Methodologies for Sustainable and Equitable Water Supply and Sanitation Services	9	4	43
4525	PAK	Sindh Coastal and Inland Community Development Project	14	5	39
4336	IND	Preparing the Hydropower Development Project	14	5	39
4533	BHU	Urban Infrastructure Development Project	13	4	38
4197	CAM	Preparing the Tonle Sap Sustainable Livelihoods Project	13	4	33
4324	PRC	Hunan Flood Management Project	14	4	33
4423	TAJ	Development of Community-Based Micro-Hydropower Supply in Remote Rural Areas	14	3	27
4493	NEP	Preparing the Rural Electrification and Renewable Energy Power	14	3	27
5995	RETA	Integrating Environmental Considerations into Development Policies, Plans, and Programs	9	1	23
4425	PAK	Renewable Energy Development Project	14	2	21
6149	RETA	Flood Management and Mitigation Program	10	1	16
OVERALL ACHIEVEMENT					53