

ADB water Policy-water for all or private hands?

A poser to the Review panel

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There is no doubt that Water is a basic need. It is natural resources available for all living things. Through the evolution Man has created diverse structures to bring water to the water scarce territories. However, the human mismanagement as well as natural calamities has created an enormous pressure on the water resources. This is an issue between life and death. This varies from desertification to the civil conflicts and cross boarder wars.

Delivery of clean affordable water is one of the major services of the governments. This is a tradition established thousands of years. However, with the intervention of corporate sector and the global funding mechanisms, governments are trying to escape from this responsibility. As water is becoming scarce every day and water supply is becoming expensive, the governments trying to tap financial resources from the donors and the corporations .Asian Development Bank is one donor agency which involve in financing diverse water sector projects from water and sanitation to dam construction.

ADB water policy implies that “water no longer being a gift from the gods but a resource that needs prudent management for profits. This is the ADB’s departure from the notion of water and as common good to economic good. The ADB policy then state cost recovery as the major conservation effort together with the tradable water rights. Throughout the policy ADB promotes private sector as the key service provider. Therefore ADB is promoting new vision that water is a resource given by the gods for private profits.

ADB water policy was discussed since 1995 and approved in October 2001. Since then amendment of the existing policies and regulations or bringing new policies is one of the condition to many loan agreements with the DMCs. ADB involvement in the water sector became very controversial in countries such as Sri Lanka, Philippine and Indonesia.

Paragraph 21 of the ADB water Policy promote the concept of water as a socially vital economic good that needs increasingly careful management to sustain equitable economic growth and to reduce poverty. Policy also state conservation and protection of water resources in the region through a participatory approach are at the heart of the policy. Although the policy provide good basis for water conservation it is not the main mandate of the ADB. Result is that ADB promotes water as a commodity.

Sri Lankan water policy approved in March 2000 prepared under the Technical Assistance of the ADB stated “water is own by the State”. Tradable water rights were promoted as the mechanism to sell water to the people. Private sector was promoted as exactly mention in the ADB water policy.

ADB policy is based on 7 major elements (Para 22) i.e. “Promote a national focus on water sector reform; Foster the integrated management of water resources; Improve and expand the delivery of water services; Foster the conservation of water and increase system efficiencies; Promote regional cooperation and increase the mutually beneficial use of shared water

resources within and between countries; Facilitate the exchange of water sector information and experience and Improve governance.

Policy state that “it takes note of the recently approved ADB strategy for poverty reduction and specifically provides for the involvement of the poor in water conservation and management. It recognizes that the specific needs and vulnerabilities of the poor are central in formulating sound and equitable water strategies. The poor must be enabled to influence decisions that affect their access to water for both consumptive and productive uses. The policy also reflects the considerable potential that exists for mobilizing community effort to directly contribute to pro-poor water development. It also requires that knowledge bases of the water needs of the poor be developed.”¹

The policy also reflects ADB’s strategy for private sector development. ADB policy state that “Well-managed and cost-effective private sector participation will be promoted throughout the water sector to maximize efficiency.”² It also promotes provisions to make tradable water rights, bringing private sector and recovering full cost of the water services as the solution to the Asia water crisis.

ADB Policy states that “Private sector initiatives and market-oriented behavior are expected to improve performance and efficiency, particularly in service delivery. ADB will seek to provide innovative financial packages to enable commercial lenders and promoters to manage the risks involved with investing in water-related projects. In financing build-operate transfer and build-own-operate projects from its private sector window, ADB will promote selection through international or local competitive bidding.”³

However, the policy also state “associating with the private sector does not always bring benefits. In Sri Lanka, the National Water Supply and Drainage Board contracted out meter reading and billing for its water supply services. With irregular readings and billing delays averaging six months, it decided to undertake the functions in-house. Bills are now sent out within a month of meters being read and consumer complaints have fallen from over 10 percent to less than 2 percent.”⁴

Bottle water industry is one of the major businesses of the private sector. Sri Lanka has 138 water bottling companies which only 21 have obtained the Sri Lankan Standards (SLS). Laboratory test done by the Centre for Environmental Justice, Sri Lanka shows that some companies sold water with pH level 5.2 which is acidic. Same Water Company was accused for drawing water from a polluted water hole for the bottling factory. Centre for Science and Environment based in India also found pesticides in water bottles. Therefore, ADBs assumption that private sector can improve the water quality and the access is a myth.

ADB as a bank which is interested in lending as well as interested in the private capital to make their business profitable, private sector participation is a perfect mechanism. We also see that no difference in the terms privatisation and the private sector participation as both allow flow of profits to the private hands. However can the local governments elected by its own people can swallow the same path? The water struggles between the Asian governments and the people are mainly due to taking the ADB path while they have different models and the traditions.

¹ ADB Water Policy, October 2001, Para 23

² Ibid, Para 24

³ Ibid, Para 38

⁴ Ibid, Box 3

ADB policy has good policy provisions for water conservation, governance and participation. However they are not in the main agenda of the ADB. One major problem of the ADB is the implementation of people dislike policies while keeping good policies as a treasure.

As mentioned in the ADB policy they look at cost recovery as the main strategy for water conservation. It states “Conservation of water and its sustainable use are increasingly critical factors in managing a scarce resource. Governments and civil society need to see water as an economic good. Financial incentives for optimizing water use will be strengthened through a mix of water charges, market-based instruments, and penalties. Public awareness programs will reinforce the incentives. The incentives include water use rights, licenses and charges, tradable permits, effluent charges, water treatment fees, access fees, environmental liabilities, fishing rights, and tax incentives.”⁵

Paragraph 45 of the policy state “Evidence from scores of water projects shows that the poor are increasingly willing to pay for water services that are predictable and effective. Governments have been consistently mistaken in their assertions that charging farmers for irrigation services is not possible because of their inability to pay. Several irrigation regimes in the region, including those in Indonesia, Pakistan, Thailand, and Viet Nam, show that farmers, including poor farmers, are willing to pay for irrigation services that are efficient and reliable.

However, the case studies in many countries shows poor people are not connected to the water systems financed by the ADB since they cannot pay the connection fee as well as the monthly water bill. A Sri Lankan experience shows government failed to introduce water tax for the farmers since the farmers refused to pay due to inability.

ADB policy report state “In the Philippines, water supply and sewerage services in the Metro Manila area were awarded in 1997 as concession contracts for 25 years. Service quality has improved markedly with regular hours of supply, fewer interruptions, an improvement in water quality, and significantly reduced water bills.”⁶ However the report prepared by the Freedom from Debt Coalition, a Philippine based organization shows that the Manilad water company failed to improve water quality and the water bills increased several times.

Policy also state “Likewise, requiring the poor to pay for the true costs of urban and rural water supplies is possible and has been found to be an effective means of sustaining the services and involving the poor in their management.” However, ADB has mistaken when they ask the poor people to pay for water. Of course poor will pay for water if there are no other options, compromising the education of their children and probably food.

Para 63 of the policy notes that communities need to be empowered, educated, and involved in the process of water management, to provide more equitable access to water for the poor. ADB will promote granting of entitlements in water or usage rights, so that the poor have a claim to a basic human need. These rights are to be protected by regulatory agencies whose establishment is supported by the policy.

But as in the case of Sri Lankan water policy, these rights will be only granted to the bulk water users. The civil society argues that when the bulk water users were given such rights poor will not have adequate water especially during the dry seasons. Further although individual farmers are not a bulk water user, farmer companies or associations established under various ADB and other funded project are been treated as a bulk water user. Therefore poor farmers have to pay water to have access to the ADB financed water systems.

⁵ Ibid, Para 43

⁶ Ibid, Box 3

ADB Policy is overwhelmingly explaining the participation of the people especially poor. This varied from prior informed consent to construction of the water facilities to participation by recovering the costs. A recent example in Sri Lanka shows that Kadupity Oya river water has been diverted to a water service project depriving water to more than 1000 farmers without their consent. There are many similar projects in Sri Lanka which involve in transferring the water right to new consumers. They have destroyed the harmony within the communities. They can be time bombs crated with the ADB money ready for explosion in the future.

ADBs new interests

The Objectives of the current ADB water Policy Implementation review are a) Assess policy implementation performance b) Identify challenges, investment requirements, and new business opportunities for ADB in the water sector i.e. Identify medium and longer term water sector development challenges and investment requirements in the region , and opportunities for ADB to proactively respond to these needs c) Determine capacities and constraints(Institutional, financial and human) and d) advise ADB's management if the policy needs to be revised or supplement

According to the ADB, key findings shows that ADB had made encouraging progress to help its clients expand the delivery of water services, conserve water, foster participation, and improve governance. ADB made modest progress in fostering integrated water resource management (IWRM) and in promoting regional cooperation. Among the key findings 54% of ADB's water loans approved after the water policy's adoption are consistent with the policy; 20% of water TA projects examined were consistent with the policy; 29% of DMCs with ADB water financing operations conducted comprehensive water assessments (5 in 17); 53% of DMCs have national water policies in place (9 in 17); 59% of DMCs are conducting national water sector reforms (10 in 17)

This does not mention in how many countries, the communities started struggling with their own governments against the pushing of ADB model water policies. If the ADB water policy implementation is successful, why the communities in many Asian countries engage in these struggle.

As mention in the objectives of the Implementation review, it is clear that ADB is looking for new investment opportunities for the Bank as well as there corporate allies. In this context the public consultation is mere white wash.

If ADB looks for new perspectives, it is clear that ADB need to review the full policy and cannot be satisfied with the so called implementation review. It is also clear that ADB consultative process has designs to get the positive outcome of the policy and hide negative implications. The consultative process is mere touching the civil society but not go deep into the local communities.

ADB need to revisit its policy intentions such as full cost recovery, private sector role and the tradable rights, which has designed to solve the financing difficulties and profit making rather than encouraging people to manage and conserve water and improve access. ADB need to look at alternative financing models. Meaningful dialogue need to be established between the real stakeholder's i.e. local communities. We hope the Implementation Review Panel will come out with a long term proposal rather than mere promoting private sector as the only medicine for the for the Asian water crisis.

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