

ADB's Water Policy Review 2005: Can we expect any difference?

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Introduction

Since the approval of the ADB's Water Policy in October 2001, the ADB has decided that it will conduct a review of the implementation starting June until November 2005. This review will include multi-stakeholder consultations in seven countries, i.e India, Cambodia, Fiji, Indonesia, Kazakhstan, China and the Philippines. They will also have a regional consultation in Manila.

The Bank's policy promotes the concept of water as a "socially vital economic good" which needs integrated management in a participatory manner to sustain equitable economic growth and poverty reduction. ADB's water policy aims to: (a) promote focus on water sector reforms across the Bank's DMCs; (b) foster integrated management of water resources; and (c) improve and expand delivery of water services through autonomous & accountable service providers and private sector participation in 'public-private partnerships'. The policy also promotes regional cooperation for the mutually beneficial use of shared waters, and integrated water resource management (IWRM) as a universally-recognized aspiration. The ADB water policy covers water utilities, sanitation and other water infrastructure (e.g. irrigation). It promotes full cost recovery, water entitlements, "tradable water rights", and private sector participation (PSP). Under water governance it promotes river basin management. The policy also promotes water conservation.¹

In 2003-04, ADB did an internal review of the implementation of its water policy; the review document was completed in February 2004.

The 2001 policy adopts a "cautious approach" towards "large water resources" projects (e.g. hydropower/ irrigation dams) by calling for all government and non-government stakeholders to agree on the justification of such projects. The 2004 internal review paved the way for a controversial policy change. The ADB's Water Sector Committee (WSC) noted that while caution should remain, it is impractical to expect all stakeholders to agree. The WSC recommended revising the policy provision in the context of the ADB's new accountability mechanism. In February 2005, the ADB's Board approved the amendment on large water resources projects that now says "stakeholders must be provided with the opportunity to comment on the

justification for the project, with their views considered." Two months later, ADB's Board approved funding for the controversial Nam Theun 2 dam in Laos, a first after a period of moratorium on large dam projects.

The ADB's response to the World Panel Report on Financing Water Infrastructures, also known as the Camdesus report published in January 2004, states that the ADB encourages PSP in water service and in water resources management. It is keen to promote PSP involving a full range of private enterprise, from small independent providers to medium and large national firms, to large multinational firms.

According to the ADB, WaterAid, a UK based NGO, is conducting a study into ADB water and sanitation projects and assessing these from equity, pro-poor and sustainability angles, and contribution to MDGs and impact on the debt burden in the country. They are looking at ADB-funded projects in Bangladesh, India and Nepal only. They are also looking at how the ADB evaluates their water and sanitation projects and how this evaluation mechanism can be improved.

In beginning of 2005 ADB appointed a panel to conduct the review. The panel is comprised of Erna Witoela, (Chair) UN Special Ambassador for MDGs in Asia and Pacific, Li Yuanyuan, Deputy Chief Engineer and Professor of Water Resources and Hydropower Planning — China, Gilberto Llanto, Voice President of the Philippine Institute for Development Studies, Pradeep Singh, President and CEO of IL& FS Infrastructure Development Corporation — India Annelie Hubach, Consultant to the Division for Environment and Water Resources Management of the Ministry of Foreign Affairs — Netherlands, and Ravi Narayanan, CEO of Water Aid.

At the moment the end result of the review is not very clear. The concrete, immediate output will be a paper of recommendations by the Panel of Experts to ADB Management. However, this will set the ADB's approach for the future.

Present debate

In the advent of neoliberal globalization—where liberalization, deregulation and privatization become dominant economic thoughts—the concept of public and common good is now becoming blurred. This is in the area of ownership and control. The trend is the transfer of control of water resources from state and public control to private control.

The Multilateral Development Banks (MDBs), including the Asian Development Bank (ADB), are aggressively pushing the state away from running public utilities (such as the delivery of water services) in favor of the private sector. They argued that the private sector is more efficient than the public sector in the delivery and allocation of scarce resources, like water. This argument is very present in the ADB's Water Policy (Water for All), Energy Policy (Energy 2000), and Regional Strategy and Cooperation, among others. The ADB established the Private Sector Development Strategy (PSDS) with a loan portfolio for the private sector.

Most of the ADB's Developing Member Countries (DMCs) are forced by the Bank to adopt new policies and regulations to match their water policy. These countries are now adopting the Full Cost Recovery, Private Sector Participation, and Entitlements policies. The so-called principle of entitlement took away the water rights of the people. Thus, vulnerable groups are now having difficulty accessing water. There are a number of examples in Sri Lanka on this situation. This is funded by the ADB under its 3rd Water and Sanitary project through the Water Supply and Drainage Board. This is the case in a number of other ADB DMCs.

The ADB also provides loans and grants for water and sanitation projects. These are bundled with policy changes. While some sanitation projects and other water projects are positive, most people are afraid of the consequences when water gets into private hands. These water projects technically transfer the water rights or access from the poor farmers — for irrigation, particularly paddy farming — to other water consumers, namely industrial, commercial and residential users.

A recent ADB publication on water, however, warned about the pitfalls of relying too much on the private sector in providing water for all, including the poor. Among other

things, the paper contends that: (1) The headlong rush toward private markets has failed to address some of the most important issues and concerns about water. Water has vital social, cultural, and ecological roles to play that cannot be protected by purely market forces. (2) There is a need to provide for the basic water requirements of people and ecosystems, permit access to water for poor populations, include affected parties in decision making, and improve water use efficiency and productivity. (3) Openness, transparency, and strong public regulatory oversight are fundamental requirements in any efforts to shift the public responsibility for providing clean water to private entities. (4) The World Bank, other international aid agencies, and some water organizations like the World Water Council are increasingly pushing privatization in their efforts, but without a common set of guidelines and principles. (5) The rapid pace of privatization in recent years and the inappropriate ways several projects have been implemented have compounded the worries of local communities, NGOs, and policy makers. As a result, private water companies are increasingly seeing serious and sustained public opposition to privatization proposals. (6) Improvements in efficiency reduce water sales and hence may lower revenue. As a result, utilities or companies that provide utility services may have little or no incentive to encourage conservation. (7) Efforts should be made to strengthen the ability of governments to meet water needs. Unfortunately the worst risks of privatization are also where governments are weakest.²

Interestingly, the ADB awarded its 2004 Water Prize to the publicly-managed Phnom Penh Water Supply Authority, citing improved performance of the water utility over the past 12 years.³ Clearly, certain dynamics still exist within the Bank vis a vis the merits/demerits of privatization/PSP and public sector reforms/governance.

While MDBs in general have been actively promoting private sector involvement in the water sector, there are some recent observations that the World Bank is coming to regard water privatization as a failure and moving back to public sector financing. Many big water companies seem to be re-shifting their investments to northern markets as developing country markets have not been profitable enough.

ADB Consultation process

The ADB is conducting a series of multi stakeholder consultations in different regions. However, it is not clear how the ADB selected the panel of experts and the venues for the consultations. For example, the ADB has no consultation scheduled in Sri Lanka where the water debate is very serious.

So far it is not clear whether the ADB implementation review makes any changes to the ADB approach on water. The key question the ADB is asking at the consultations gives the impression that they meant to extract responses solely on the positive side of the projects by directly asking about the improvements the ADB-funded projects brought to the community, in particular, and the country, in general. Clearly, these sets of questions did not mean to confront the possible social and environmental impacts brought by the ADB-funded water projects to communities, individuals and the country as a whole.

Key questions asked by the ADB in the water policy review include the following:

- *On national water policies and water sector reforms:*
 - What key improvements have resulted from the implementation of national water policy, legal, and institutional reforms in your country?
 - What progress has been made to strengthen the coordination, institutional capacities, and participatory practices of the agencies and institutions charged with governance of the water sector in your country? What challenges remain to improve water governance at the national level?
 - What water sector reforms are still necessary to build capacities, address constraints, and improve governance in your country? What should ADB do to help?
- *On water supply delivery (water supply and sanitation):*
 - What progress has been made to increase coverage and improve efficiencies in water service delivery in your country?
 - What reforms have been implemented to improve the quality and sustainability of water service delivery in your country?
 - What actions must be taken by the ADB in the next five years to expand and improve water service delivery your in country and what should the ADB do to help?

During the Cambodia consultation (through a Client Stakeholder Survey), the participants were asked to respond to the following questions:

- What progress has been made to address the 7 key areas outlined in ADB's water policy?
- In what areas should ADB prioritize its investments in the next 5 years? (2005-2010)
- What partnerships should ADB focus on in the next 5 years?

In our opinion the water policy implementation review's approach does not explore the social, economic and environmental impacts of the present ADB policy. Civil society is wondering whether this consultation process is only a means of getting agreements from the civil society to justify what the ADB is doing right now.

Although the ADB invites the civil society organizations to the consultations, the talks are dominated by government staff and other interests. It is, therefore, a dilemma whether it is worthwhile to participate in these consultations or not.

What can we do?

We think that there is a need for non-government organizations (NGOs) and civil society organizations (CSOs) to push for a better ADB water policy.

The affected communities and their respective NGO partners, should prepare case studies on the impact of the implementation of the ADB's 2001 Water Policy.

It is important to gather representatives from different Asia-Pacific countries to present their cases—the peoples' experiences, the impact of the ADB's water projects and gather critiques on the ADB's 2001 Water Policy based on the practical experience.

The output (the documented and summarized case studies and recommendations) can be used for engaging the ADB while undergoing reviews and consultations of the 2001 Water Policy. These case studies/papers could also input into the water policy review processes. The same output will be shared to network members for local campaigns and advocacy on on-going and proposed water projects. and for the continuing struggle of challenging the ADB's, and other MDB's, development paradigm.

Conclusion

As mentioned above it is not clear whether the ADB is really looking for changes in the ADB approach on the water sector. Also it is not clear how the implementation policy review makes any changes in the current water policy. However, this provides a momentum for civil society organizations to learn about the ADB's impacts in the water sector in Asia and gather information at the local level.

The major changes in the ADB water policy means changes in its approach of full cost recovery, private sector participation and tradable water rights and stopping their imposition as conditions in the water sector and non-water sector project loans.

Endnotes:

¹FORUM Briefer, April 2002 provides a list of contentious provisions of the 2001 policy.

²**Asian Water Supplies – Reaching the Urban Poor**, A Guide and Sourcebook on Urban Water Supplies in Asia for

Governments, Utilities, Consultants, Development Agencies, and Non government Organizations, by Arthur C. McIntosh. Asian Development Bank and International Water Association, August 2003 (p. 91; available at ADB website)

³ (ADB, 27 Jan 2004, <http://www.adb.org/Documents/News/2004/nr2004012.asp>)

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