



Running Dry

Does the ADB stand for “Water for all”?

Synthesis Report of the civil society organisations to the
Implementation Review of the
Asian Development Bank Water Policy

18th November 2005,

Quezon City, Philippines

**NGO FORUM ON ADB
Jubilee South (APMDD)**

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List of acronyms

ADB	Asian Development Bank
APMDD	Asia Pacific Movement on Debt and Development
CSO	Civil Society Organisations
CSP	Country Strategy Programs
CRBIP	Chashma Right Bank Irrigation Project
DMC	Developing Member Country
FACT	Fisheries Action Coalition Team
FCDI	Flood Control and Irrigation
IFI	International Financial Institutions
IWRM	Integrated Water Resource Management
KUDCEMP	Karnataka Urban Development and Coastal Environmental Management Project.
KUDECM	Karnataka Urban Development and Coastal Environmental Management
KUIDP	Karnataka Urban Infrastructure Development Project
LBOD	Left Bank Outfall Drainage
MDIP	Meghna Dhnonogonda Irrigation Project
MOWRAM	Ministry of Water Resources and Meteorology
MWSS System	Manila Metropolitan Waterworks and Sewerage System
NGO	Non Governmental Organisation
PSP	Private Sector Participation
RBO	River Basin Organisation
SIDA	Sindh Irrigation and Drainage Authority
TA	Technical Assistance
TOR	Terms of Reference
TSBMO	Tonle Sap Basin Management Organisation
TSBR	Tonle Sap Biosphere Reserve
TSEMP	Tonle Sap Environmental Management Project
TSI	Tonle Sap Initiative

UATP	Umiray-Angat Transbasin Project
WAPDA	Pakistan's Water and Power Development Authority
WCD	World Commission on Dams
WRB	Water Resources Board

Running Dry

Does the ADB stand for “Water for All”?

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submitted on the 18th November 2005, Quezon City, Philippines

I. Introduction

The ADB Water Policy entitled “Water for All” was approved by the Asian Development Bank in October 2001. This was the result of a process conducted for more than half a decade from the beginning of the 1990s. The Policy set the environment for ADB’s engagement and investment in the water sector. The nature of the projects varies from water service and sanitation, to flood control, irrigation and dam construction. The ADB Policy also promotes setting the local legislative and policy environment to suit its investments in its Developing Member Countries (DMCs).

The ADB’s cumulative investment financing for the water sector exceeds US\$16 billion. From the start of ADB’s operations, an average of 18 percent of its total lending has been in the water sector. This can be broken down into: 18 percent in irrigation, 28 percent in water supply and sanitation, 17 percent in hydropower and 33 percent in multi-sector water projects. By subregion, the approved loan amount for projects with water components in East Central Asia, the Mekong Region and South Asia for 2004 alone is US\$662.72 million. The approved technical assistance (TAs) with water components for the same areas within the same year amounted to US\$15,979.00 (Jubilee South Asia-Pacific Movement on Debt and Development, 2005).

ADB Process

Following its normal process, the ADB Water Policy should be subjected to a full review in 2006. However, ADB declared 2005 as the review year for its ‘Water for All’ policy. As part of this review, ADB appointed a six-member expert panel, three coming from DMCs and three from the international NGO, private sector and donor community. stakeholder groups. The panel conducted five in-country consultations in India, Indonesia, Kazakhstan, Fiji and Cambodia. The ADB organized a private sector consultation in its Manila headquarters

on the 18th October 2005, and a civil society consultation on the 18th November 2005.

The objectives of the ADB Water Policy Implementation Review are to:

- Access policy implementation performance
- Identify challenges, investment requirements, and new business opportunities for ADB in the water sector
- Determine capacities and constraints (institutional, financial and human)
- Advise ADB's management if the policy needs to be revised or supplemented

Civil Society Process

Civil Society organizations monitoring ADB activities, led by the NGO Forum on ADB together with the Jubilee South Network, initiated a parallel review process. The Civil Society process aims at engaging with the ADB during its Implementation Review. The NGO Forum on ADB is a network of Civil Society Organizations (CSOs) in Asia-Pacific and ADB donor-countries that are involved in monitoring ADB policies and projects and work to amplify each other's positions. The Jubilee South Asia-Pacific Movement on Debt and Development (Jubilee South APMDD) is a network of jubilee and debt campaigns, social movements, people's organizations, communities, NGOs and political formations aiming to emerge and develop as an international South Movement on debt.

As an initial step, a letter signed by over 20 CSOs (see annex) dated 29th July 2005 was sent to ADB President Haruhiko Kuroda. The letter raised major concerns with ADB's Water Policy Implementation Review. These included:

1. Uncertainty with the concept of a review on implementation, specifically, whether such a review will lead to a review of the Policy itself,
2. Concern about the criteria and processes the ADB used in selecting the panel of experts tasked to review the implementation of its water policy and whether CSOs can access the Terms of Reference (TOR) between the Bank and the members of the review panel,

3. Apprehension about the criteria and processes that the ADB followed in choosing the countries for the in-country consultations.
4. Concern about the criteria and processes the ADB used in selecting ADB-funded water projects for the review case studies.

ADB responded to this letter on the 7th September 2005, clarifying the issues raised and also informing the CSOs that it will consider opening the Water Policy to a real review if there is any recommendation to do so from the Review Panel.

In response to the Implementation Review process, the NGO Forum on ADB and other civil society organizations prepared several case studies to surface the local impacts of the ADB Policy and thus evaluate the Policy's successes and failures to date.

Regional Water Conference 13-15 November 2005

Forty civil society representatives from eleven countries of Asia-Pacific and Europe met in Quezon City, Philippines from 13th to 15th November 2005 to discuss the ADB Water Policy Implementation Review. This Regional Water Conference was organized by the NGO Forum on ADB, and Jubilee South with the support of the 11.11.11. Coalition, Friends of the Earth International, Oxfam Australia, Freshwater Action Network, Focus on the Global South and Freedom from Debt Coalition.

During the three-day meeting, 10 case studies were presented from Bangladesh, Cambodia, India, Indonesia, Nepal, Pakistan, and the Philippines. These highlighted the negative and positive impacts of ADB projects in these countries. Apart from the case studies produced by the NGO Forum member groups, Jubilee South authored a synthesis report based on the case studies it has collected through its member organizations in Korea, Indonesia and the Philippines.

Aside from the presentation of case studies, the Conference undertook plenary and small working group discussions with the objective of coming up with a clear concise and concrete Civil Society input to the Implementation Review. Synthesis reports prepared by the NGO Forum on ADB, Jubilee South and a draft synthesis report presented by Water Aid contributed directly to this workshop output.

This synthesis report and the recommendations herein presented on 18th November 2005, at the ADB headquarters in Manila, for the final CSO consultation meeting is based on the above mentioned process.

II. Does the ADB Water Policy mean ‘Water for All’?

While the ADB Water Policy entitled “Water for All” did not exist when many of the ADB-funded water projects were started, the experiences from the ground offer direct insight into the ADB’s **disastrous record in the water sector**. Moreover, “**objectionable**” elements in the **ADB Water Policy** similarly comprised the rationale for ADB investments in the water sector since the beginning of the 1990s. Furthermore, these are the very same elements that led to failure of implementation of these projects.

The case studies point to several ADB-funded projects in the areas of irrigation, flood control, watershed management, water supply and sanitation, and water management that led to **ecological harm** (damaging the environment and the ecosystem), **displacing of people** (loss of livelihood, loss of access to water and displacement from communities), **non-achievement of project objectives** (unfinished damaged and costly infrastructure), and **disregard for people’s participation** as the ADB continues to impose a top-down planning approach that discounts people’s alternatives. Therefore, the ADB 2001 Water Policy is fundamentally and structurally erroneous.

The ADB Water Policy aims to promote **poverty reduction** and claims to have a pro-poor approach. However, its strategies and practices have been to the contrary, leading to negative impacts on the poor. The ADB notion of water as an **economic good** is a departure from the long-held belief of water as a right and as a common. This reflects ADB’s market-oriented paradigm in the water sector where, for instance, the problem of allocation is to be resolved by rates and prices. This subjects water allocation to the vagaries of market forces and the powerful economic interests that dominate.

Private sector participation (PSP) as it is outlined in the ADB Water Policy is no different from privatization. ADB’s promotion of **private sector participation** is seducing big water companies to take over the fundamental role, duty and social responsibility of states to provide

clean, safe and affordable water to its citizens. **Private sector participation** promoted by ADB and other IFIs is an attack on the sovereignty and dominion of nations over their natural resources, like water.

Past and present experiences of privatizing water utilities have only led to increased water tariffs, depriving the poor of access to water and, in some cases, taking away a significant portion of poor peoples' income. According to Jubilee South APMDD, big companies are already encroaching on the water sector in the Asia-Pacific region. These include Suez Ondeo and its subsidiaries Nalco, Degremont, Hydroplus; Vivendi; and Thames Water and its subsidiary RWE.

The concept of **tradable water rights** has enabled private concessionaires to take, for profit, communities' right to water. Overall, implementing this idea will lead to the transfer of the right to water from low-value users (urban and rural and poor farmers) to high-value users (the rich, commercial and industrial users). **Tradable rights** has increased inequality between those who can afford (to connect and pay) and those who cannot afford; between urban centers and rural communities. In the end, this continuing advocacy of ADB on tradable rights will allow private concessionaires to take over communities' access to water.

The elements of **full cost recovery** and **elimination of subsidies** will only heighten social inequalities, and deprive the poor and other marginalized groups of good quality water. As ADB stated in its policy, consumers can expect to meet the full operation and maintenance costs of water facilities and service provision in urban and rural water supply and sanitation systems. While subsidies can be considered, this will be on a case-to-case basis. All of this will lead to water rate increases, and prevent the poor from connecting to ADB-funded water utilities.

Countries' water sectors are the targets of ADB's agenda. The ADB will push to change DMCs water policies through Country Strategy Programs (CSPs), Technical Assistance (TAs) and Project Loans. Slowly but surely, without meaningful people's participation, these policy changes will take place without attracting much attention.

The ADB Water Policy, TAs and the project loans are isolating the constitutional responsibilities of local governments by isolating their role as 'service providers'. The governance of water is promoted as

'outside' the purview of local governments and consolidation of the Private Sector Participation as an alternative for water governance.

Integrated water resource management (IWRM) has been offered as the sole tool for water management. However, in its practice, ADB hires expensive technocrats and experts who have disregarded existing traditional water management mechanisms at the local level in project planning. This has led to failures in implementation.

III. Issues Arising From Implementation

This section draws on the in-country experiences of NGO Forum on ADB's member organizations, to evaluate the implementation of the ADB Water Policy. In particular, it utilizes case studies of ADB-funded water projects in Bangladesh, Cambodia, India, Nepal, Pakistan, the Philippines and Sri-Lanka. It exposes the problems and negative impacts of implementation and thus, highlights ADB failure to achieve its objectives in the water sector, as stated in its Water Policy and project descriptions, specifically the common 'objectionable' aims and elements in both. This failure points to fundamental problems within the ADB Water Policy, necessitating its comprehensive and complete review.

1. Implementation of National Water Sector Reforms

The ADB Water Policy will ...
“Promote a national focus on water sector reform. DMCs will be supported to adopt effective national water policies, water laws and sector coordination arrangements; improve institutional capacities and information management; and develop a national action agenda for the water sector. Throughout, the needs of the poor will be specifically factored into legal, institutional and administrative frameworks.” (p. 13, ADB, 2001)

ADB influences the water sector of Asian countries in three ways. First, is through the Country Strategy Programs (CSPs) agreed on with its Developing Member Countries (DMCs) that include specific targets and plans for policy reforms and projects in each country. In CSPs, ADB states its intention to support and reform the policy and legal framework of their developing member countries (DMCs). All CSP's are

framed according to ADB's overarching objective of poverty reduction, and promote private sector participation (PSP) by ensuring ADB's support to DMCs in providing the enabling environment, the laws and policies, for it.

The second approach is providing technical assistance (TA) consisting of studies to aid policy reform to provide enabling environments for PSP as well as capacity building for implementing this strategy. Finally, project loans in water and sanitation, irrigation, drainage and dams that are mostly for investment-intensive infrastructure are provided.

Policy Critique

Although the ADB's Water Policy notes that 'no single, common policy can serve as a model for all', the NGO Forum on ADB views the objective of 'implementing national water sector reform' as ADB's intention to intervene and push for reforming the water sector of DMCs along its 'one way highway' of Private Sector Participation as the only means towards development.

In steering DMCs along this 'one way highway,' the ADB fails to recognize the diversity of social, economic, and cultural values held by DMCs. The application of the ADB Water Policy should be sensitive to these values.

Imposing conditionality on loans, sometimes even against national 'constitutional rights of citizens and constitutional mandates of local and state governments' and without appropriate parliamentary scrutiny and broad community and NGO participation in the decision making process, erodes rather than strengthens democratic good governance. Financial and technical assistance must not be made contingent on legal and institutional reforms. The ADB must respect the laws of each country.

Implementation Critique

While the ADB is 'free' to promote its framework for water reform to DMCs, the implementation of water sector reform has been aggressively and inappropriately forced upon many DMCs. The Indian, Indonesian and Sri Lankan case studies illustrate that the ADB has failed to respect the laws and the autonomy of these countries. Furthermore, through loan conditionality the implementation of water

sector reforms has forced some DMC's to adopt policies inconsistent with the concerns and needs of its citizens.

Through ADB technical assistance, made available to DMCs, the ADB has been able to bring each country within its development paradigm, framework and agendas. Such assistance has been pervasive in defining the management of the water sector in each country, setting national priorities, developing national and local policies, developing projects and instituting governance structures.

The focus on construction and development of water resources in ADB investment has had a devastating impact on local communities and the environment. This focus has been inconsistent with the overall aims of the ADB Water Policy.

Case Study Evidence

Country: Sri Lanka

ADB-funded project title: National Water Policy Reforms – Kirindi Oya Irrigation and Resettlement Project

Prepared by Dilena Pathragoda (2005), Centre for Environmental Justice and Mihimaw Foudation

In 1996, the Sri Lankan Government set out to prepare a National Water Policy with technical assistance from the Asian Development Bank (ADB grant TA 1918, approved on 30 July 1993 for \$188,000). A water secretariat was established in 1998. The Policy was approved by the Cabinet in March 2000. Its primary focus of was establishing water as a commodity and an investment opportunity for the private sector, rather than guaranteeing its sustainable management and conservation.

In turn, the Policy has led to the development of water reform projects that involve the sale of water to various areas. These projects have overlooked the needs of villagers who previously enjoyed water as a common property. The 2000 Sri Lankan National Water Policy states that water is owned by the State. The idea of tradable water rights was established through water entitlements. Full cost recovery and privatization/ private sector participation has also been included in this policy.

The policy process and policy vision was heavily criticized by Civil Society. No proper participatory process was undertaken. After five months of continuing public protest, the government decided to change this policy and it went through a series of revisions.

Meanwhile the government tried to bring a new act to privatize urban water facilities. This was again defeated by civil society through court interventions.

The succeeding coalition government had an internal dispute on the Water Policy. As a result, a much lighter Policy was drafted. However, the Policy approved by the cabinet on the 30th December 2004 still includes the elements of full cost recovery, public private partnerships and water permits.

Today, several ADB water and sanitation projects take away the water rights of the local communities. A potential “timebomb” is the ADB-funded Secondary Towns and Rural Community-Based Water Supply and Sanitation project implemented by the National Water Supply and Drainage Board, which, provides for the transfer of water rights.

The Kadupity Oya Water Supply project financed under ADB funds has taken over the water rights of more than 1000 farmers which has destroyed community cohesion and harmony.

2. Integrated Management of Water Resources

The ADB Water Policy will ...

“Foster the integrated management of water resources. Integrated management will be based on conducting comprehensive water resource assessments and concentrating interlinked water investments in river basins.” (p. 13, ADB, 2005)

Policy Critique:

‘Integrated Water Resource Management’ in principle, as it appears in the ADB Water Policy, is commendable as it takes a holistic and realistic view of the many stakeholders and the way water is used in Asia-Pacific. It realizes that competing uses of water must be clearly considered and managed in ADB project planning and implementation. However, the implementation of the Integrated Water Management has been problematic.

Implementation Critique:

The implementation of ADB-funded water projects has in some cases failed to include and respect existing indigenous water management systems. This has had devastating impacts on the local communities who have traditionally relied on management systems to access water. For example, ADB’s Chasma Right Bank Irrigation Project (CRBIP) in Pakistan sought to construct a 247-kilometer canal along the Indus River. Throughout project planning and implementation, the traditional *rowd- kohi* (hill torrent) irrigation system, which supported a large

number of the population in and around the project, was destroyed. From the case studies, the implementation of IWRM as mandated by the ADB Water Policy continues to be characterized by a centralized approach based on hydrological models and large scale interventions in river systems.

ADB-funded water projects have failed to recognize and respect existing indigenous use of protected watersheds and wetlands. In the CRBIP Project in Pakistan, and in the Khulna Jessore Drainage Rehabilitation Project (KJRDP) in Bangladesh, the ADB has failed to appreciate how seasonal flooding is necessary to the livelihoods of the communities it seeks to protect. These projects have oversimplified the multiple uses of water, and ignored the role of flooding for local communities.

The implementation of ADB project has failed to acknowledge the existence of multiple water users and their rights of the river waters in its urban waters supply projects. The project has increased the clashes between the citizens of urban areas, farmers and the city administration for sharing of river waters.

The Karnataka (India) experience shows that the existing water supply lines have been expanded without due consideration to the needs of upstream users. This is causing divisions between people as 'rural against urban' people.

The implementation of the ADB Water Policy has failed to ensure grassroots stakeholder participation. The Water Policy recognizes the importance of stakeholder participation, but that participation has failed to be meaningful. This is clear when looking at the portfolio of ADB projects in the Tonle Sap region of Cambodia titled the 'Tonle Sap Basin Strategy'. Whilst the overarching objectives of the strategy, including conservation and promoting sustainable livelihoods, appears desirable, there has been little meaningful consultation with local stakeholders, especially in defining the strategy's objectives. Consequently, to date local people have little understanding of the series of projects proposed under the strategy including their functions and purposes, and therefore it has not fostered peoples' ownership.

The Cambodia experience has also shown how river basin organizations tend to be monopolized by government departments with little participation of civil society. Whilst the development of the 'Tonle Sap Basin Management Organization' is presently at an early stage, it would appear that the organization is being developed in a

top-down technocratic manner and driven primarily by the ADB, rather than evolving from the on-going decentralization process and therefore the needs of local-level stakeholders. Should the ADB fail to build consensus among local communities for the implementation of the integrated management of water resources, success is unlikely.

Thus, although the ADB claims to adopt an integrated approach, more often than not the conventional integrated river basin management approach ends up as a coordinating platform for technocratic representations. Apex level consultation does not translate into stakeholder participation.

Case Study Evidence

Country: Pakistan

ADB Funded Project Title: Chashma Right Bank Irrigation Project (CRBIP), 1993-2009
Prepared by *Azhar Lashay*(2005), Action-Aid Pakistan

The CRBIP involved the construction of a 274-kilometer canal along the Indus River. It aimed to guarantee continuous irrigation water supply, ensure the efficient distribution of water, provide drainage and flood relief, improve access to water within the area, and strengthen agricultural support services.

In Stage III of the project, the ADB approved major design changes, with implications for project targets, costs and outcomes. This included the alignment of the main canal to be moved further uphill to enable the use of super passages for flood flows from hill torrents. It was projected that the realignment of the main canal would expand the target irrigated area. ADB agreed to finance additional costs with funds diverted from the country's National Drainage Program that it supported.

The changes failed to achieve its intended goals. Instead, the structures brought on massive flooding in the area threatening human life and the livelihood of communities. The canal was breached three times during the 2001 monsoon season. Furthermore, the CRBIP destroyed important traditional irrigation systems – *rowd-kobi* (hill torrent) supporting a significant proportion of the population in and around the project area. Its structures aggravated the flooding risk to the area and cut off the original source of irrigation to more than 36,000 hectares of land formerly irrigated by *rowd-kobi*, rendering them useless.

Action-Aid argues that the project failed because local communities were kept unaware about the CRBIP and its components. There were no institutional mechanisms for information sharing or gathering local information about funding impacts.

Country: Bangladesh

ADB Funded Project Title: Khulna Jessore Drainage Rehabilitation Project (KJRDP)
Prepared by *Zakir Kibria* (2005), *BanglaPraxis*, Dhaka, Bangladesh

To solve the drainage problems of this part of the mighty Ganges-Brahmaputra-Meghna river basin, engineering consultants came up with the technical solution of dredging the rivers and simultaneously building a large regulator downstream of the area which would let water flow out but not in. Local communities affected by the Flood Control and Irrigation (FCDI) projects in Bangladesh knew that massive sedimentation would occur along the ADB constructed regulators, thereby causing water logging in vast areas to the north. The project would not solve the problem but rather would aggravate the problem in the course of time. NGOs petitioned ADB to allow the natural tidal river flow to enter the wetland area to keep the natural sedimentation and soil enrichment process.

The ADB asked for an independent Environmental and Social Impact Assessment, which took over the alternative suggested by the local people, i.e. to keep the rivers open and create tidal basins at appropriate locations to ensure sufficient tidal flows to keep the rivers deep enough for effective drainage of the water from the area. This new model, Tidal River Management, was agreed by the Bangladesh Water Development Board and the EIA/SIA concluded that this option would be most suitable in solving problems of the area in a sustainable manner.

Although it has now been implemented in the Hari river system, the project went ahead and resulted in degradation of the river and destruction of crops. The project caused catastrophic drainage congestion due to silt in the river channels, outside polders and along the sluice gates. Local rivers are silted up and drying, and fisherfolk are out of work.

Country: Cambodia

ADB Funded Project Title: Tonle Sap Lake Basin

Prepared by Middleton (2005), Fisheries Action Coalition Team

The Tonle Sap Lake, and more widely its basin, is central to Cambodia's food security, economy, and cultural identity. In recognition of this the Tonle Sap Lake was nominated as a UNESCO biosphere reserve in 1997, named the 'Tonle Sap Biosphere Reserve' (TSBR). Yet, numerous environmental and social challenges face the sustainable and equitable management of the Lake.

The ADB has declared the Tonle Sap Basin a geographical focus of investment in Cambodia, as well as promoting itself as a 'lead agency' of Cambodia's water sector. Therefore, the ADB is perhaps one of the most influential stakeholders in the development of Tonle Sap Lake. Fulfilling this role, the ADB initiated the 'Tonle Sap Initiative' (TSI) in 2002 followed by the 'Tonle Sap Basin Strategy' in 2003. There was, however, only limited Civil Society consultation in the process.

Many elements of ADB's intervention in the water sector and the Tonle Sap Basin are promoted by the ADB Water Policy including:

- National Water Sector Reform and technical assistance for Water Sector Assessments, National Water Policies, Plans, and Programs
- Support to a National Apex Body, (the Ministry of Water Resources and Meteorology)

- Promotion of IWRM, a Basin Management Organization, community resource management, and through this the decentralization process
- Establishment of Farmer Water User Communities that will operate on the principal of full cost recovery

The first project of the TSI, the Tonle Sap Environmental Management Project (TSEMP), is oriented around conservation and support to rural livelihoods, together with government capacity building that, in principle, is commendable. In practice, the project has been subject to numerous delays that have the potential to jeopardize its successful implementation. Through the TSEMP project, the ADB has provided, since 2002, technical support to the TSBR Secretariat whose mandate is to coordinate ministries in conservation and development activities within the TSBR.

Since 2004, the ADB has promoted, via two Technical Assistance grants, a ‘Tonle Sap Basin Management Organization’ (TSBMO) that would promote IWRM throughout the Tonle Sap Lake basin. Yet, presently there is little to no awareness of the proposed TSBMO amongst most stakeholders, particularly at a provincial level. In other words, the TSBMO has been institutionalized and developed in a top-down manner. It is arguable that basin management organizations are most likely to succeed if arising as a result of the decentralization process based on the perceived need of the stakeholders, rather than being imposed in a top down manner. Furthermore, because neither the Water Law nor the ‘Organic Law’ (on deconcentration and decentralization) have as of yet been passed by Cambodia’s National Assembly the TSBMO may be considered premature.

The pace of change proposed under the TSBS is rapid and ambitious, as demonstrated by the promotion of a TSBMO, and yet the ADB Water Policy notes that ‘Country capacity to undertake sustainable reform will be continuously assessed and factored into individual water action agenda’ (p. 38, ADB, 2001). Whilst initiatives such as the TSBMO may be desirable in the long-term, more account should be paid to current conditions so as to maximize the chances of project success.

According to ADB, Cambodia is categorized as a debt-stressed country. As a result of these conditions, it is more appropriate to slow the rate of lending to ensure an adequate monitoring and appraisal process that will allow the incorporation of lessons learnt. If projects prove to be poorly designed and therefore fail on implementation then rather than the loans benefiting all Cambodians and paying themselves back, the only result for Cambodia will be a crippling debt.

Grants should be provided to develop pilot activities that can demonstrate the effectiveness of proposed interventions before loans are taken out; it is encouraging that the next project of the TSI, the Sustainable Livelihoods project, is now offered as a grant rather than a loan as planned earlier in 2005.

Country: India

ADB Funded Project Title: Karnataka Urban Development and Coastal Environmental Management (1999-2004)

Prepared by Budhya (2005), Urban Research Centre, Bangalore, India

The traditional control of communities over water is systematically being destabilized by allowing urban and industrial interests to compete for the access to water resources and creating conflicts by the KUDCEM Project. For example, the summer months in Mangalore causes water supply shortage from Nethravathi river. The Nethravathi river water users association and the other farmers are ordered not to draw water by the City Corporation and the District Administration. The livelihood of thousands of farmers is under threat due to this recent development, and the expansion of water supply lanes under the KUDCEM Project has ignored this sensitive and very important rights issues.

Similarly, in Sirsi, the building of a dam on river Aghanashini (near Balgar village of Siddapur taluk) to provide water supply to Sirsi was opposed by the villagers. Later it was decided to provide water to Sirsi without constructing the dam. The District Collector, MLA (Member of Legislative Assembly), MLC (Member of Legislative Council) and KUIDFC were allowed to go ahead with the scheme only after ensuring a minimum of 8 MLD water at the source, remaining water to cater to the needs of Sirsi.

3. Improving Water Services

The ADB Water Policy aims to:

“Improve and expand the delivery of water services. Focusing on water supply and sanitation (both rural and urban), irrigation and drainage and other sub sectors, supports, support will be providers, private sector participation and public-private partnerships, emphasising equity in access to water for the poor and underserved.” (p. 13, ADB, 2005)

Policy Critique

The ADB is pushing to modify governments' role in water services from that of provider to regulator, and transferring this role to the private sector.

The Water Policy makes clear the ADB's all-out preference for private over public. It promotes private sector participation through concessional loans. Even viable publicly managed setups are still being pressured to open up to some form or another of private sector participation.

The NGO Forum on ADB contends that encouraging contracting out of core services will have an adverse impact on the quality of services

being delivered. Contracting out has also had adverse consequences on labor standards as well as brought on gender-differentiated impacts.

The ADB should stop unwarranted promotion of decentralization and private sector participation, this undermines governments' constitutionally-mandated role as a provider of social services eg. water. Moreover, the Bank's assumption that private sector is more efficient than the public sector is a fallacy. The ADB's pursuit of water privatization is resulting in exclusion of the poor from access to water. Its undifferentiated approach transforms water into a profitable business for ADB clients such as transnational water companies.

Instead of promoting exclusively private sector participation (PSP), a case-dependent, differentiated approach should be applied, taking into account alternative models of water service management, for example community management.

Although sanitation is a more challenging target of the Millennium Development Goals, in most Asian countries, the ADB has not made significant contributions to sanitation in comparison with targets on water supply.

Implementation Critique

The implementation of the ADB Water Policy has resulted in the transformation of government's role from that of provider to regulator of water services. In the process, the ADB has assumed and promoted the private sector to be more efficient than the public sector. It continually highlights the privatization of the Metro Manila Waterworks and Sewerage (MWSS) in the Philippines to be one of the best examples of private sector participation in water service provision. As such, it has provided technical assistance to MWSS to assist in strengthening regulation, and finding new water sources.

However, studies from the ground in the Philippines and Indonesia reveal the opposite to be true. Private sector management of water service utilities has contributed to poor peoples' woes. The MWSS privatization has led to the following results, among others: an increase of 500 to 700 percent of pre-privatization water rates, outbreak of disease from unsafe water, increased debt burden of government, and no expansion in water service to marginalized communities.

Consequently, ADB implementation of its Water Policy and PSP promotion has contributed to the poor continuing to suffer lack of access to affordable and safe water.

Case Study Evidence

Country: Philippines

ADB Funded Project Title: Manila Metropolitan Waterworks and Sewerage System (MWSS) – Umiray-Angat Transbasin Project (UATP)

Prepared by *Freedom from Debt Coalition- Philippines*

The aim of the ADB funding of the Umiray-Angat Transbasin Project was to assist the MWSS in introducing private sector participation in the operation and management of MWSS sector activities. The ADB's technical assistance aimed to further promote and increase privatization of the water sector

The *Freedom from Debt Coalition* points to serious flaws in the MWSS privatisation project. Transparency, accountability and public participation have all been sidelined in the project implementation process.

When private outfits Maynilad and Manila Water won the water concessions, they promised a range of benefits that included the lowering of tariffs for good quality water and uninterrupted water supply. These have not been met. Instead of better service to consumers and compliance with WHO water and effluent standards, water contamination in several areas even resulted in an outbreak of cholera and gastroenteritis for more than 600 people and killing seven others. Water supply is irregular and water pressure is low. Instead of the promised depolitization, undue pressure has been applied on the government.

Concessionaires now charge 500 to 700 percent higher than their beginning tariffs. Government bailed out Maynilad through its corporate rehabilitation. The MWSS Board resolution that the concessionaires are not public utilities led to passing on to costumers of payments for corporate income taxes, generating more private profit than the 12 percent profit limit on public utilities. The government is to buy 84 percent ownership in the mismanaged bankrupt company, but control of operations remains with the concessionaire. MWSS is to borrow anew US\$31 million.

All in all, the project has privileged private enterprise at the expense of millions of consumers and failed to guarantee the access of the poor to safe and affordable water.

4. Conservation of water

The ADB Water Policy aims to:

“Foster the conservation of water and increase system efficiencies.

Packages that combine water use and resource management charges to recover costs, improved regulation and increased public awareness, and provisions to ensure that the poor are not excluded will be supported.” (p. 13, ADB, 2001)

Policy Critique

The ADB Water Policy does not talk about protection of watersheds in water projects. The ADB Water Policy promotes the ‘conservation’ of surface waters, meaning to carefully tap and store the water.

The ADB promotes the notion of water as a socially vital economic good and forwards pricing as an efficient method to manage and conserve water.

The notion of water as economic good in contrast to the belief of water as a right and as a common, reflects ADB’s market-oriented paradigm where rates and prices are subjected to market forces. This will not guarantee humans right of access to water, in particular for the poorest and most vulnerable.

The NGO Forum questions the assumption that water is primarily an economic good. Water is a basic human need, people have a right to water in order to ensure their survival. They have an inalienable right to water, even as there are cost implications to its delivery.

The NGO Forum opposes the use of the pricing mechanism as the **primary** means to manage and conserve water use. Pricing is a bad form of demand management. The rich are not hindered from wasting water, but are instead encouraged to simply pay for it.

A person’s right to water should not be determined by their ability to pay.

The Water Policy should give greater flexibility for continuation of subsidies, they are needed in particular contexts such as in enabling the poor to have water connections, and in providing services in areas that are not financially viable but where there is a real need for water.

So-called ‘evidence’ that the poor are willing to pay should be reviewed and reframed. The concept of willingness-to-pay is a false one given that water is a need and people will have to pay in order to live. There is no choice. Water being available at a high cost means that there will be consequences and adjustments in peoples’ needs

such as food, clothing, shelter and medicine. Instead of using 'willingness to pay', policies should focus more on enabling access and achieving 'affordability', otherwise the pro-poor focus will be mere window dressing.

While ADB can advise governments to adopt cost recovery principles, in no way should the ADB coerce governments to adhere to this policy. Governments should have the space to decide and follow alternative methods. Again, the ADB should not use lending to leverage policy reforms.

Where regulation is weak, ADB may provide assistance but without any attached conditionality.

Implementation Critique

The cost recovery principle has been over-zealously applied. In some projects, users are paying capital costs as well as operation and maintenance costs. Local governments are peripheral to project design, not leading on setting tariff projections, assurances and loan repayments. Hence divergence between unrealistic pre-feasibility projections and actual policies followed (Draft synthesis report WaterAid 2005).

The ADB Water Policy neglects the management of watersheds and the impact of urban water supply projects that could threaten the 'conservation of watersheds' that ensure water cycle.

Case Study Evidence

Country: Nepal

ADB Fnded Project Title: Melamchi Water Supply Project (2001-current)

Prepared by Ram (2005), Pro-Public

The Melamchi Water Supply Project (MWSP) has had mixed benefits for the people of Nepal. Kathmandu Valley suffers from chronic water shortage, and the MWSP proposes to divert 170 MLD of water from the Melamchi River via a 26 km long tunnel to a water treatment plant and distribution facilities in the Kathmandu valley. For the people of the Kathmandu valley this project will improve the overall availability of water. Yet at the same time, in 2004 the project was referred to the Accountability Mechanism because of participation and environmental issues. Whilst the case was eventually rejected by the Office of the Special Project Facilitator, the Norwegian government withdrew their money due to the corruption allegations, and both the Prime Minister and the Minister for Physical Planning and Works are presently in jail related to these charges. As a result, progress on the Melamchi works is very slow. The original cost of the project, which remains the official

one, is US\$464 million, although the most recent adjusted cost estimate is US\$ 490 million. The ADB recently became the lead agency of the project. Concerns have been expressed by Civil Society regarding transparency, as well as Civil Society participation that is perceived as being on the terms of the ADB.

Donor support for the project has been contingent on a series of institutional reforms that have included the introduction of a foreign, private sector Management Contractor; a reform based on PSP. Nepal's water agency, the 'Nepal Water Supply Corporation' will also to be split into five agencies. Legal reforms have been required as a part of the projects loan conditions, including a law to establish the Water Supply Management Board.

Issues of equity are raised by the project, as it is estimated that due to the size of the MWSP investment the Kathmandu Valley will benefit from around two thirds of all water and sanitation sector investments over the next decade in Nepal, despite servicing only a projected population of 12% (6% at present). This is due to the high per capita costs of the Melamchi project, which are 7 to 30 times the costs required to provide water in rural areas where lower cost technologies can be used. Therefore the huge investment for Kathmandu residents will hinder access to water and sanitation facilities for the rest of the country.

The case study also found that inequitable connection for poor households has not been properly addressed. Proposed tariffs mean that people using standpipes would ultimately end up paying more for a minimum lifetime amount of water; an illustration that tariff reform under ADB leadership is not pro-poor.

Under the connection and tariff scheme, connections are ensured up to 30 meters from the main road, and for reduced prices between 30-50 meters. People living just beyond 50 meters, most often the poorest, will not be serviced unless paying a connection cost of US\$270, equivalent to 10 months salary. This explains why communities, from their local experiences with ADB projects, do not trust the pro-poor intentions. The case study also shows that the Policy is failing to be implemented according to its main principles and goals, because of the over-zealously applied cost recovery principle (pers. Comm. Ram).

There are also concerns that because only 4 percent of the total project cost has been allocated for the wastewater treatment, this is not sufficient to account for the increased waste water management demands and therefore will result in environmental damage.

Country: India

ADB Funded Project Title: Karnataka Urban Development and Coastal Environmental Management (1999-2004)

Prepared by Budhya (2005), Urban Research Centre, Bangalore, India

The focus of the KUDCEM Project in Karnataka (India) has been to expand existing infrastructure for bring more water into the city. The calculations for expanding the water supply provision to Mangalore city was based on the TA report, where the consultants referred an old report. The water availability at the vented dam was estimated to be about 9 Million Cubic Meters and in the monsoon of 2003-04 it was realized that the capacity of the vented dam is not more than 5 Million Cubic Meters. The implementing agency has not

taken responsibility for this improper planning. There has not been a consideration on conserving watersheds in the catchments. The thrust is on exploiting and extracting the maximum surface water available. The planning also includes providing water to the neighboring two towns (Ullal and Mulky), the capacity of the river to provide water and the rights of farmers has been undermined.

The project calculates per-capita consumption of water according to international standards, which differentiates 135 LPD for a Corporation resident and 55 LPD for a villager. This high consumption allocation is itself questionable. Calculations for financial resources for water storage, distribution, infrastructure and maintenance begin from this calculation. The loan amounts are exaggerated by consultants not based on field realities.

All the solid waste management components of the project are causing pollution to streams, wetlands and rivers due to the dump yard leachates.

The RRP:IND 30303 (p.68) concludes that the initial environmental examination (Appendix 10, p.1) indicates no requirement for an environmental impact assessment as the project aims to improve and sustain the urban environment in the project towns. This is misleading, as the initial environmental examination looks at aspects 'only' related to the water pollution, solid waste and other aspects only 'during' the project, but not beyond. The project fails to look at the larger impact of the project on the natural resources of the region.

The introduction of vacant land tax by the Government of Karnataka to raise resources and meet the assurances given to ADB for the KUDCEM Project, has contributed to the selling of vacant lands by owners. This resulted in new constructions, felling of trees and inflow of more migrants Mangalore is Malaria prone and the most vulnerable are the migrant labourers living in areas not having basic civic amenities.

Country: Pakistan

ADB Funded Project Title: Left Bank Outfall Drain (LBOD) Project

Prepared by Zulfeqar Halepoto (2005)

To fully recover the project cost, the ADB and the Government of Sindh, through "Covenants and Conditions" agreed to raise the irrigation fees by 100 percent to finance O & M, and the phasing out subsidies.

Concretely, what the Borrower government did to comply was eliminate the subsidy on fertilizers and rationalize agriculture prices.¹ It also reduce its control on the export of rice and cotton..

Although the Borrower government has increased the irrigation services fees by more than 100 percent since 1984, the actual level of cost recovery declined due to inflation. To address the continuing problems faced in the irrigation sector, the provincial government adopted a

¹ Implementation of these reforms was supported by ADB through Loan No. 1062, Agriculture Sector Program, for \$200 million, approved on 11 December 1990.

new strategy in 1997. This strategy, the implementation of which is supported through NDP, aims to redefine the government's role with the ultimate aim of (i) establishing autonomous management organizations for irrigation supply and drainage, (ii) transferring secondary-level irrigation and drainage O&M to FOs, and (iii) phasing out subsidies for O&M within 7 to 10 years. The Sindh Irrigation and Drainage Authority Act adopted in 1997 provides the legal framework for implementation of the new strategy. The Project helped prepare the ground for the implementation of the new strategy by forming the first three FOs in Sindh and supporting preparatory work for the establishment of the Nara AWB.

5. On fostering participation and improving governance

The ADB policy intends to:

“Facilitate the exchange of water sector information and experience.

Socially inclusive development principles will be supported to promote stakeholder consultation and participation at all levels, increase access to basic water services by poor consumers, and enhance water investments in the DMCs through public-private-community-NGO partnerships.

Improve governance. This will be accomplished by promoting decentralization, building capacity, and strengthening monitoring, evaluation, research, and learning at all levels, particularly in public sector institutions.” (p. 14, ADB, 2001)

Policy Critique

The policy claims to have a pro-poor focus, but to be meaningfully pro-poor would imply that investment is dependent on the development needs and consent of local people and that there is a recognition of peoples' basic rights. This would entail broad participatory local and regional development planning by multi-stakeholder representative platforms, well informed on the different development alternatives and implications of loan conditions and debt burden. A project as an outcome of such an ideal process of participatory planning would ensure co-responsibility and define participatory monitoring and evaluation schemes.

The NGO Forum finds the ADB elaborations on participation to be biased from the perspective of private sector participation (PSP). The language is imprecise and ambiguous that it can easily be interpreted from a private sector interests perspective and be detrimental to the

poor and marginalized. Participation has been highlighted most of all at the management level, as 'fashioned partnerships between governments, private agencies, NGOs and communities.' Instead, the pro-poor, gender- and ethnically-sensitive participation of involved communities and NGOs, in the whole project cycle -- from identification of alternatives, design, environmental impact assessments, implementation, monitoring and evaluation -- should be the core concept in the Policy.

The Policy raises crucial questions not only about who participates with whom, but how and for what? Is the ADB participating in people's development or are people participating in Bank's project development? Is the goal of participation to mitigate negative impacts of the project on local people or to mitigate negative impacts of the local people on the project? Participation should not be used to legitimize projects.

Poor and indigenous people should **not** be mainstreamed. They should not be made to pay the full tariff or be cut off from subsidies. Indigenous people should not be submerged in privatization or have their cultural identities homogenized. It should be stated explicitly that mainstreaming is a **differentiated approach**, ensuring that specific needs and concerns are met, especially the right for water (and land). Indigenous peoples' right to Free Prior Informed Consent, as outlined in some national laws, should be respected (as for example in the Philippines).

Gender focus, as well as the pro-poor focus, should be enforced in practice, with measurable disaggregated indicators. These have not been implemented so far, making it impossible to evaluate the real impact on poor and/or women (Draft WaterAid report).

The terminologies used by ADB Water Policy are vague and misleading, such as stakeholders, NGO stakeholders, civil society, water users etc. These terminologies can be conveniently interpreted to bring 'good water governance'.

The ADB's notion of forcing government's role from provider to regulator and equaling municipalities with other state agencies is debatable.

Implementation Critique

In the headlong rush to implement projects in the water sector, the ADB was consistently heedless of fostering and establishing genuine peoples' participation in each project. In the country experiences, it was consistently cited that for the most part, the people were unaware of project plans and purposes, especially the ones who were most affected by projects. This has resulted in grave consequences in many of the projects already mentioned.

In projects that carried out consultations with people, the meetings were only carried out to fulfill project obligations and did not really mean to take note of what the people had to say. The issue of genuine peoples' participation in ADB projects is the most critical one, given that the purpose for all of these initiatives should be to benefit the people. In its principles, guidelines and project documents, the ADB is keen to point out that it undertakes consultations with the people. Experience has shown that this is definitely not true.

While decentralization is in principle a good concept, the unwritten policy implemented by the ADB is that once decentralization has been implemented, governments detach from the projects and services. Along with this, financial support for the water facilities comes to an end. This is exacerbated by the Water Policy's promotion of the removal of subsidies. Consequently, the water facilities are left with no choice except to raise water rates.

In summary, autonomy often leads water services to bankruptcy which becomes the opportunity for the private sector to intervene. Instead of being used to foster good governance, decentralization has become a way for government to abscond on its responsibility to provide water to the public.

The interference with national policy reform, in combination with top down approaches, hampers the achievement of democratic good governance. It has seriously undermined parliamentary or local government processes in Indonesia and Sri Lanka.

Moreover, ADB supports authoritarian regimes in some Asian countries. Working with non-democratic forces puts into question ADB's proclamation of good governance as a pre-condition for poor people's access to water. The Melamchi Water Project in Nepal was infamous for corruption. However ADB still continues to support that project.

This ADB Water Policy has encouraged in India, in the name of furthering 74th Constitutional Amendment and decentralization process, to promote 'model state agencies' or 'Special Purpose Vehicles (SPVs)' to implement it's projects that encroach the constitutional mandate of local governments. This is to delineate water from the mandate of local governments and carving a framework for 'water governance' in the hands of private sector. The policy conditionalities attached with every loan would make way for this to happen.

Case Study Evidence

Country: India

ADB Funded Project Title: Karnataka Urban Development and Coastal Environmental Management (1999-2004)

Prepared by Budhya (2005), Urban Research Centre, Bangalore, India

The implementation of urban infrastructure development projects in Karnataka have clearly shown that the poor have been excluded. The planning process was "highly technical, non-participatory, non-inclusive and removed from the realities of the citizens it aimed to assist".

No public consultation was done to assess the need of the people. With difficulty the NGO Forum on ADB got hold of the ADB's initial project report. This report contained outdated data and wrong information which meant that the project ended up being unaffordable for the city corporation and put an unbearable tax burden on the local people.

The project did not take advantage of local knowledge failing to check the adequacy of the water source, the Nethravathi River. The capacity of the pumping unit, clarification system, transmission lines, storage facilities and distribution system in the city has been doubled with no assessment of whether the source is capable of delivering such a quantity of water.

It is evident that the project is viewed as a 'technical' answer to 'peoples' problems. The inputs from people into the planning process have been totally missing.

The high cost public products like public toilets, construction of community toilets in private compounds and slum improvement benefiting individual beneficiaries rather than the community etc raise the concerns of whether the benefits would reach the 'poor'.

The participatory approach highlighted in the reports and documents means in reality that people are expected to attend meetings whenever they are invited. And it is the discretion of 'officials' or the 'implementing agency' to consider or accept the suggestions.

The slum residents in specific and the citizens in general have been excluded largely from planning and monitoring of physical works as the tasks are managed by the Project Implementation Uni (PIU) and Design and Supervision Consultants (DSC).

Being an outside arrangement, Project Implementation Unit (PIU) is limited by its inability to engage the municipalities and enhance their capacities. The situation is such that the implementing agency would 'complete' the project and handover the assets to the municipalities and wind up.

The promotion of the state agency by ADB as a 'model' organization, as a Special Purpose Vehicle (SPV) and the assurance that the 74th Constitutional Amendment provisions will be implemented totally contradicts as such a project in reality, the state agency is dominating and encroaching the 'autonomy' of urban local governments.

The ADB project monitoring processes and ground realities are weak and totally rely on the feedback of the implementing agency. The ADB's outreach to the public on the project implementation does not exist, making the project not reach its goals.

Country: Pakistan

ADB funded Project Title: Left Bank Outfall Drainage Project (LBOD) (stage one 1986-2002)

Prepared by Zulfiqar Halepoto (2005), Forum for Conflict Resolution, Sindh, Pakistan

When the LBOD was set up, civil society organizations raised the concerns of local indigenous communities that due to wrong discharge design of the project, there would be damages to the irrigation, groundwater quality and ecosystem of the Indus River. Interestingly, the provincial government of Sindh, through Sindh Irrigation and Drainage Authority, refused to take charge of the project.

ADB Funded Project Title: Chashma Right Bank Irrigation Project (CRBIP) Stage III

Prepared by Azhar (2005), Action-Aid Pakistan

Locals residing in the Chashma Right Bank Irrigation Project (CRBIP) area reported that they suffer from displacement issues due to flood caused by the project. Overall the project has harmed more than benefited.

Many of the catastrophic results of the CRBIP could have been prevented had there been peoples' participation in the project. The project design was grounded in theoretical calculations and done only the basis of physical conditions, without taking into account local knowledge and expertise on actual cropping patterns, and flood flows. The people could have told project engineers early on that the silt levels of the super passages across the main canal were too high and would cause ponding. Also the course and size of hill-torrents are not predictable so flood flows ought not to be controlled.

In projects that carried out consultations with people the meetings were only carried out to fulfill project obligations and did not really mean to take note of what the people had to say.

Case study: Bangladesh

ADB Funded Project Name: Khulna Jessore Drainage Rehabilitation Project (KJRDP)

Prepared by Zakir Kibria (2005), BanglaPraxis, Dhaka, Bangladesh

Local communities affected by the Flood Control and Irrigation (FCDI) projects in Bangladesh knew that massive sedimentation would occur along the ADB constructed regulators. NGOs petitioned ADB to allow the natural tidal river flow to enter the wetland area to keep the natural sedimentation and soil enrichment process. These petitions were ignored and civil society consultation tended to be monopolised by government departments.

The ADB funded project followed the initial design parameters set by hydrological engineers that were aimed at satisfying the demands for technological and economic-wellbeing. Local participation both in cities and rural areas, remained limited to consultation in the later phases of fine-tuning policy and project design in this case-study. The FCDI project went ahead and resulted in degradation of the river and destruction of crops.

IV. Conclusion and Recommendations

The overriding conclusion, founded on the general critique of the ADB Water Policy and supported by 10 country case studies, is that the Water Policy is fundamentally flawed in its central tenets and structure. As a result it is not achieving its self-prescribed objective of 'Water for All' and is therefore failing the needs of the poor.

Therefore, the principle recommendation of the NGO Forum on ADB is that a complete review of the ADB Water Policy must be conducted. The review process must involve meaningful participation of all stakeholders, and be designed to objectively examine the fundamental principles on which the policy is constructed.

More specific conclusions and recommendations are as follows:

1. On Central Principles of the Water Policy

Water as an inalienable human right

The ADB founds its Water Policy on the central tenet that 'Water is a socially vital economic good'. Yet, more fundamentally, water is a basic human need and therefore a human right. This report concludes that there is an inherent conflict between the ADB's position of water as a 'socially vital economic good' and that of water access as a human right. As a result, it is concluded that some ADB projects have not actively protected the human right of access to water, and that in particular, the poorest and most vulnerable have often been victim.

The NGO Forum recommends that the ADB Water Policy be reoriented that peoples right of access to water is placed unequivocally foremost, such that all ADB supported Water Sector projects place every persons' right of access to water central to project design and implementation.

Public Sector Participation

The promotion of PSP has led to negative impacts on water utilities, raising tariff rates and ultimately leading to increasing burden for the poor. There is a fine line between PSP and privatization which was arguably crossed in some case studies presented directly impacting the poor.

PSP should not be promoted as the only approach to managing water services.

Where PSP is found to fail, the burden should not be transferred to the poor in the form of rising tariffs and decreasing quality of service.

Tradable Water Rights

Tradable water rights allocate access to water along economic principles, favoring the rich over the poor, and the market over human rights. Not only is this unjust and inequitable, but also threatens the arrival of commercial and industrial users whose presence is often not in local users' interests. Such a circumstance is allowed to arise because the ADB Water Policy primarily sees water as an economic good rather than a human right, bringing into question whether the policy is indeed pro-poor.

Tradable water rights should not be used as a management tool. The NGO Forum recommends that sharing water resources should be dealt within the existing concepts of water as a common good. Water allocation protocols should be sensitive to economic, social and cultural considerations.

Full Cost Recovery

Full cost recovery is promoted in ADB's Water Policy, identifying that the poor are willing to pay the increasing fees. In fact, the poor have no choice but to pay costs of water, whether they are willing or not.

The combination of full cost recovery with private sector operation is particularly worrisome. Whilst the ADB Water Policy does deal with circumstances under which subsidies might be appropriate, it is clear that they are meant to be used only as a last resort. Case studies by Water Aid found that in some cases additional costs beyond that of operation and maintenance were being charged to consumers.

The overall emphasis on full cost recovery should be reduced in the policy, and more flexibility promoted in the use of subsidies for the poor.

The ADB should, in no way, coerce governments to adhere to cost recovery principle, namely by attaching conditions to loans. Governments should have the space to decide and follow alternative models.

Where regulation is weak, ADB could provide assistance, although conditions should not be attached to TA and support should be culturally and socially sensitive.

2. On National Policies and Reforms

In numerous cases the ADB has been found to promote, sometimes aggressively via technical assistance grants and loans, the adoption of its Water Policy in DMC's national policies and laws. In some cases, approval of loans has been directly linked to the countries' undertaking policy reforms. The ADB's Water Policy notes that 'Country capacity to undertake sustainable reform will be continuously assessed and factored into individual water action agenda', although this is arguably not applied in practice.

NGO Forum calls on the ADB to de-link loans from conditionality. Financial and technical assistance must not be made contingent on legal and institutional reforms. The Bank must respect the Constitution and laws of each country. Any proposed reform process must be brought into the public domain.

The ADB should recognize the diversity of social, economic, and cultural values held by DMCs and that application of the ADB Water Policy should be sensitive to these values.

3. On Integrated Water Resource Management (IWRM)

River basin planning and management

The NGO Forum has no argument with the principles of IWRM being promoted, and that integral to this approach is the formation of River Basin Organizations (RBO). Yet, the policy does not recognize existing indigenous and local water management systems, instead promoting a technocratic approach to IWRM and RBO.

The NGO Forum calls on the ADB to recognize and respect existing indigenous and local water management systems.

Local-level stakeholder participation is central to the successful establishment of RBOs, yet the ADB Water Policy fails to adequately recognize that RBOs should arise from locally perceived needs, for example that which might come up from a country's decentralization process. We believe that IWRM can only be successful when the RBO is founded on the participation of organized local community stakeholders such as village community groups and community-based natural resource users groups. To ensure meaningful participation, that participation must come from the bottom up and not be imposed primarily from the top down.

The NGO Forum contends that river basin organizations be constructed from the bottom up.

Water Allocation

Regarding water allocation under IWRM, the ADB water policy promotes DMCs to adopt participatory and negotiated approaches that include *tradable water rights*. This is a confusing and dangerous concept that needs further clarification from the Bank.

The NGO Forum opposes the notion of tradable water rights where they infringe on peoples rights to water to fulfill basic needs including for their own subsistence. Allocation of rights to water use should not be left to market forces.

The World Commission on Dams (WCD) presented its findings in 2000, which were widely accepted by diverse stakeholders as a minimum standard to ensure environmental protection and social measures. The ADB is yet to fully adopt the recommendations of the WCD. The NGO Forum deplores the environmental harm and dislocation of peoples wrought by large dam projects.

NGO Forum demands that the ADB adopt fully as a matter of priority the recommendations of the WCD.

Environmental Protection and Social Measures

In considering the maintenance of critical watersheds, the ADB Water Policy refers to ADB's policy in forestry, which has been under a prolonged review process, and the current status of which is uncertain.

NGO Forum requires to know the current status of the forestry policy review, and how any changes will be accounted for in the ADB Water Policy.

Watershed and wetland protection is identified by the ADB as an integral part of water resource management, and it will promote wetland conservation and improvement. Exclusive conservation measures may lead to conflicts with local communities, especially indigenous peoples.

The ADB should acknowledge that indigenous populations commonly live and derive their livelihoods from watershed and wetland areas, and recognize and respect existing indigenous use of these areas within their watershed conservation plans.

Flood Protection and Control

ADB water sector projects have been promoted that alter flooding patterns, and that have demonstrated no consideration of locally suggested solutions. This has occurred due to a preference for technical solutions over solutions that recognize that flooding is a natural process that is integral to the livelihoods of water and wetland users

In the formulation of policies and programs aimed at improved management of floods appropriate consideration should be given to flood dependent communities and, where suitable, alternative project designs considered, based on local experience.

Environmental damage, social impacts, resettlement, and compensation

Environmental damage, social impacts, and inappropriately compensated resettlement is nothing new to ADB projects, and throughout the case studies examples of each were demonstrated.

ADB should ensure that all environmental and social safeguards are rigorously followed, and be held accountable where they are found to fail. These should include covering the costs of any environmental damage incurred. Compensation should be provided in a timely manner.

4. On Improving Water Services

The NGO Forum cases studies concluded that in many instances the ADB Water Policy had worked to undermine Government's role as a provider of social services, for example in promoting the privatization of water utilities.

The ADB should recognize that Governments have a constitutionally-mandated role to provide services to the people and in no way should the ADB pressure governments of DMCs to abdicate this role.

The NGO Forum case studies have demonstrated as a fallacy the Bank's assumption that the private sector is necessarily more efficient than the public sector, for example in the private-sector management of water services in Indonesia and the Philippines.

The ADB should stop unwarranted promotion of private sector participation. Loans should not be designed to be contingent on PSP. Alternative models of water service management, for example community management, should be promoted.

5. On Conservation of Water and Increasing System Efficiencies

Pricing water is an inequitable means of demand management, particularly in water stressed areas, because the rich are not hindered from wasting water but instead encouraged to simply pay for it. A person's right to water should not be determined by their ability to pay.

The ADB should ensure effective implementation of its safeguards on subsidies as they are needed in particular contexts to enable the poor to have water connections, and for

providing services in areas that are not financially viable but where there is a real need for water.

The assumption that the poor are willing to pay for water services, which is an integral concept of the ADB water policy, is questionable because water is a need and people therefore must pay in order to live. Water being available at a high cost means that there will be consequences and adjustments in other people's needs such as food, clothing, shelter, and medicine.

The ADB should re-examine evidence for peoples' willingness to pay. Instead of using willingness-to-pay, the ADB Water Policy should focus on enabling access and achieving affordability.

6. Improving Governance

The issue of genuine people's participation in ADB projects is a serious one given that the purpose for all of these initiatives is to benefit people. In its principles, guidelines and project documents the ADB refers to its consultations with non-governmental stakeholders. The NGO Forum case studies have raised a crucial question around who exactly is participating in these consultations. Of the case study projects that carried out consultations these meetings fulfilled the project obligations only.

To implement a real pro-poor strategy, ADB should ensure meaningful participation from the design stage. Peoples' participation should not be used simply to legitimize projects, instead it should relate to investment in local peoples' development needs and consent, and involve broad participatory local and regional development planning by multi-stakeholder representative platforms.

The language of the Policy is biased towards the paradigm of private sector participation (PSP). Where this is not clear the language is imprecise enough to be interpreted from a PSP perspective.

Participation must be bottom up making clear different development alternatives and their implications for loan conditions and the debt burden. Projects coming from this model will ensure co-responsibility and require participatory monitoring and evaluation schemes.

Water governance is, in many cases, being taken out of the hands of local government and put into the hands of the private sector. The ADB Water Policy makes no reference to the fact that water governance is overwhelmingly part of local governance.

The ADB's Water Policy should acknowledge and promote water governance at the local government level. However, the decentralization process should not exempt national governments from their responsibility for providing water services.

The Policy takes up gender concerns but the ADB has not addressed these concerns effectively in project implementation.

The ADB should implement its gender focus from project design, implementation, monitoring and evaluation with clearly disaggregated indicators.

Good Governance is an essential component of the ADB Water Policy. Yet the ADB supports governments that have demonstrated disregard for the principles of good governance?

ADB should not support high-risk projects in countries that have a bad track record of human rights violations.

In pursuance of the Water Policy, ADB projects promote parallel structures to manage and Special Purpose Vehicles (SPVs) to implement projects. The experience shows that these structures isolate and are not accountable to local governments, thus leading to centralization.

The ADB should not promote parallel structures to the local governments.

* * *

ANNEXES

Summaries of the case studies on six countries' experiences of ADB involvement in the water sector can be found below. The brief accounts describe the purposes, implementation, outcomes and ADB's role in each of the projects in Bangladesh, Pakistan, Cambodia, India, Sri Lanka and Nepal.

Bangladesh²

In what has been described as a “construction-happy flood control strategy,” engineering works and structures have been set up in river systems and water bodies in Bangladesh. The idea is to keep out excess water from project areas during monsoon floods, and increase agricultural production with the conversion of wetlands into croplands. The aimed increase in agricultural growth would compensate for the huge cost of flood control works.

Two of the projects implemented with ADB assistance are the Meghna Dhnogonda Irrigation Project (MDIP) and the Khulna Jessore Drainage Rehabilitation Project. The MDIP aimed at protecting the project area from river erosion and flooding, and hence, ensuring better irrigation and good harvest. However, the project completed in 1997, led to dire results. The whole area was separated from natural water flow, consequently, natural siltation and enrichment of the soil nutrient was stopped. Also, the water became polluted. With regulators and sluices obstructing fish migration routes, fish diversity was also affected. Moreover, local crop varieties were eroded with the introduction of the high-yielding variety of rice.

Such has been the damage that the Bank is presently financing another project to mitigate the problems caused by MDIP.

On the other hand, Khulna Jessore Drainage Rehabilitation Project aimed to reduce poverty by alleviating river drainage congestion. Specifically, this entailed renovating river drainage infrastructure, protecting the area from floods and supporting agricultural extension. The project successfully prevented saltwater from tidal flows and monsoon floods from seeping into 400,000 hectares of agricultural land. However, the project caused disastrous drainage congestion. There was massive sedimentation in the river channels, outside polders and along the sluice gates.

Pakistan

The Chasthma Right Bank Irrigation Project³ involved the construction of a 274-kilometer canal along the Indus River beginning in 1978. It aimed to provide continuous irrigation supply; ensure efficient distribution of water; provide drainage and flood relief; improve access within the area; and strengthen agricultural support services.

The largest water and drainage undertaking in Pakistan, the Left Bank Outfall Drainage Project⁴ was implemented in two stages, first starting in 1986 and again 1997. With assistance from eight

² Based on the case study “Impact of Asian Development Bank (ADB) Investment in the Water Sector in Bangladesh” prepared by Zakir Kibria, Executive Director of BanglaPraxis, October 2005.

³ Based on the case study “Violation of ADB's Policies and Procedures in CRBIP: A Case Study” prepared by Azhar Lashary, October 2005.

⁴ Based on the case study “Experimenting with the Lives of the Poor: ADB's Role in the Disaster of Coastal Communities in Pakistan” prepared by Zulfiqar Halepoto of the Forum for Conflict Resolution, October 2005.

international donors, the project aimed at improving agriculture production and socio-economic conditions of coastal communities.

Chasthma Right Bank Irrigation Project. The CRBIP turned out to be a three-stage project. In its first year of implementation, the project immediately ran into a lot of snags, undergoing delays and going beyond budget. In fact, the World Bank stopped disbursing its loan in 1979 due to the mounting costs. However, at the urging of the administration, Pakistan's Water and Power Development Authority (WAPDA) undertook a lengthy process of redesigning the project. In 1984, with a reactivated loan from the ADB, the project started implementation again and was completed in 1986.

Reports say however that only 14,000 hectares of the total command area of 140,000 hectares, was newly irrigated thru CRBIP. Moreover, a project audit report states that cropping intensities would still have increased 100 percent by project's end, even without the project. To add fuel to the unspectacular results, there were large seepage losses that caused water logging and harmed the crops. The Department of Agriculture reported that 40,000 hectares became waterlogged as a result of Stage 1 construction.

Notwithstanding the poor performance, ADB gave the go-ahead for Stage II work in 1987. By the time the second stage was finished in 1994, the Bank had already agreed to become the main financier of Stage III, providing 66 percent of total project cost. The last stage was scheduled to be implemented from 1993 to 2002. However, there were major changes that took place, and the project was extended till 2009.

In the midst of implementation, two major design changes were decided that had major consequences on project targets, costs and outcomes. First, it was agreed to replace culverts and siphons with super passages in cross drainage works even though this would be more costly. Second, the alignment of the main canal was shifted further uphill to enable the use of the super passages for the crossing of flood flows from hill torrents. It was projected that the realignment of the main canal would expand the target irrigated area from 570,000 to 606,000 hectares. The Bank agreed to all the design changes, and even agreed to foot the bill for these with funds diverted from the ADB-funded National Drainage Program.

What happened was that the cross drainage works and flood carrier channels that comprised 50 percent of the cost of the main canal not only failed to ensure safe drainage, but also caused the exact opposite of what was intended. These structures brought on massive flooding in the area threatening human life and the livelihood of communities. In fact, the canal was breached thrice during the 2001 monsoon season.

The CRBIP destroyed the centuries-old rowd-kohi (hill-torrent) irrigation system supporting a large number of the population in and around the project area. Its structures aggravated the flooding risk to the area, and cut off from the original source of irrigation more than 36,000 hectares of land formerly irrigated by rowd-kohi, rendering them useless. The design changes fully approved and funded by the ADB led to grave damage to livelihood and property.

By 1997, it had become clear that nine villages required relocation. Recent WAPDA estimates place this at 22 villages; whereas, locals would surely give a higher count.

Moreover, besides the adverse social and environmental impact, the actual command area and cropping intensity has been much less than projected. About 20,000 acres of land has been destroyed due to the extensive network of flood carrier channels.

Left Bank Outfall Drainage Project. This project was started in 1986 with the grand aim of controlling water logging in 1.27 million acres of land by conveying saline effluent across 42 kilometers of coastal zone to the Arabian Sea. This would be done through the construction of open surface drains pumped by tubewells, and via a spinal drain and tidal link into the Sea.

Eighty to 85 percent of the work was completed in 1999, seven years after target date, and at a Rs 22 million cost overrun from the original Rs 8,000 million. Still, the remaining work was targeted for completion in a follow-up program scheduled from 1998 to 2004.

Meanwhile, upon the advice of IFIs involved in the project, the province of Sindh began undertaking required water sector policy reforms. This to prepare for the transfer of management of LBOD to the Sindh Irrigation and Drainage Authority (SIDA).

Unfortunately for all, due to several technical problems, the project turned on its head. The drainage effluents did not go to the sea but started seeping into the land destroying internationally recognized wetlands. Innumerable problems arose: flooding, sea intrusion, loss of crops and agricultural land, reduction of fish catch, and loss of lives. Fifty thousand acres of agricultural land were wasted by salinity; 10,000 fishermen lost their livelihood; four vast wetlands have been degraded; and there is a shortage of drinking water due to seawater intrusion and mixing of effluent water in the sources of drinking water.

What happened was that after project completion, there was erosion of the Tidal Link Canal and deterioration of the Cholri Weir. Moreover, major storms in 1999 and 2003 accelerated the damage.

Soon after the inoperative and incomplete LBOD was handed over to SIDA in 2002, the provincial authority proposed returning it to the national agency WAPDA for redesign and reconstruction.

Sri Lanka⁵

Kirindi Oya Irrigation and Resettlement Project. An ambitious project financed by the ADB starting in 1977, the Kirindi Oya Irrigation and Resettlement Project aimed to construct a large earth dam and irrigation canals in Sri Lanka's dry zone. This would make it possible to resettle 5,000 families from the countries' congested urban centers – providing them with employment and also increasing the country's agricultural outputs. Prior to resettlement activities, approximately 6,300 families already lived in the area using traditional farming practices and making use of groundwater resources.

Major problems plague this project: First, the river was dammed in the wrong place and the project design is inappropriate for the river flow. Second, more people were resettled than targeted, out of political accommodation. This means that more land has been cleared and developed than can be supported by the reservoir. More than that however, water for cultivation

⁵ Based on the case study "Privatization of Water Resources in Sri Lanka and its Adverse Impacts" prepared by Dilena Pathragoda, Center for Environmental Justice and Mihimaw Foundation, October 2005.

has remained a dream in the area; not a single plot has been cultivated. Many of the people are in despair and conflicts have come up between the new and old residents.

Upper Watershed Management. Currently on the halfway mark in implementation is the ADB project Upper Watershed Management in Sri Lanka. Started in 1997, the project should already be completed this 2005. It aims at the rehabilitation, sustainable management, and protection of the critical watersheds for the main rivers in Sri Lanka – the Kalu-ganga, Uma-oya, and Kirindi-oya. Identified strategies include increasing forest cover, raising crop productivity and farm incomes thru conservation-oriented farming systems, and strengthening management of watersheds.

A study by the non-government organization Green Movement of Sri Lanka revealed the following problems: lack of consultation with affected people, failure to implement the participatory fire prevention plan, failure to involve the village-level government officials, and failure to reach important areas for soil conservation activities. In addition, a number of financial and administrative irregularities have been reported.

The ADB has been alerted on the above problems but the Green Movement reports that the Bank still has not acted on the reports.

Kadapitiya Oya Water Project. In the district where this ADB-funded project was implemented, disputes have erupted over water. One is between the farmers and the Water Resources Board (WRB) who disagree on the agreements for project construction. Still, work has continued even without the farmers' participation. The farmers anticipate the loss of water for 6,000 acres of paddy and the paddy seed farm once the project is completed. They fear the project will not be sustainable given the sandy soil in the area. The WRB has not done any environmental impact assessments.

Meanwhile those who have applied for the drinking water service have been instructed to say there is no good water available in the area regardless of their actual experience. This is reportedly to help the WRB justify the project. In addition, there has been a lack of people's participation in the project.

India⁶

Karnataka Urban Infrastructure Development. In 1995, the ADB and the state of Karnataka undertook the project Karnataka Urban Infrastructure Development to formulate an integrated urban development strategy for the Bangalore subregion, including developing four other urban locations – Channaptna, Mysore, Ramanagaram, and Tumkur. The idea is to decongest Bangalore City and even out population growth and economic activity among the other towns. Project components include environmental sanitation, road improvement, poverty reduction, and the development of industrial sites and services.

On field visit in 2002, the NGO Task Force observed the poor quality of implementation work. Storm water drains were not done properly leading to water stagnation; the sewage treatments were not operational – while the underground drainage was ready in some cases, the treatment plant was not; there were delays in completing the roads and the water works.

⁶ Based on the case study "Implementation of the ADB Water Policy in Karnataka Urban Infrastructure Development and Coastal Environment Management Project in South India" prepared by Gururaja Budhya, Urban Research Center, October 2005.

In Ramanagaram, the technical plan did not match the topography. There were places where the water connections were operational but the drainage was not yet done causing sewage to elevation, failed to work. In Mysore, the dumpsites were already polluting the ground water sources and water ponds.

Karnataka Urban Development and Coastal Environmental Management. Started in 1999, KUDCEM invested in urban infrastructure and services in 10 urban areas in west Karnataka, and facilitated policy reforms to strengthen urban management. Specific to water, the project aimed to rehabilitate and expand the water supply in project areas.

First, the project has been under fire for a long list of issues including its high-cost planning, the choice of an untested implementing agency, and a repayment rate said to be beyond the means of municipalities. Second, the public consultations were said to be misleading in information given and purposes of activities, and often there was no information made available at all. Third, implementation has been said to be really slow, and there have been problems with quality of construction works. A fourth issue has to do with quality and cost of materials purchased. And last but perhaps the most important, the water shortage that occurred during the summer months this year indicates inaccurate planning because of wrong assumptions about water availability in the Nethravathi River.

Cambodia⁷

The Tonle Sap Lake and its floodplain was established as a multiple-use protected area by Royal Decree in 1993, and as a UNESCO biosphere reserve in 1997. The ADB established its presence in the Tonle Sap region through the Tonle Sap Environmental Management Project (TSEMP) in 2002. This conservation-oriented project emphasizes capacity building for government agencies in the area, and supports the lake-wide establishment of community fisheries. A Tonle Sap Basin Reserve (TSBR) Secretariat, also being developed and strengthened with ADB assistance, coordinates the various agencies involved in the TSEMP. For the moment, the government agencies involved are still learning the concept of coordinated management at a lake-wide scale.

The ADB's overall strategy towards the Lake is encapsulated in the 'Tonle Sap Basin Strategy', formulated in 2003. To date, however, there has been only limited Civil Society participation in the overall development of the ADB's strategy, and there is only limited awareness amongst stakeholders, particularly at a provincial level. The ADB is also extremely active in the water sector in Cambodia, and in 2005 proclaimed itself the 'lead agency' in agreement with other donors.

Since 2004, ADB has provided technical assistance grants towards the Tonle Sap Basin Management Organization (TSBMO). The TSBMO is conceptualized to be a coordinating organization represented by all relevant stakeholders that will adopt the best practices of Integrated Water Resources Management (IWRM) at a basin-wide scale. Whilst the TSBMO is desirable, and indeed necessary, in the long-term, current conditions are not favorable to its implementation, and therefore effort should first be focused on the TSBR secretariat to initiate biosphere-wide management coordination and generate lessons learnt, together with pilot projects at the local level, before extensive basin-wide expansion commences under the proposed TSBMO.

⁷ Based on the case study "The Expansion of ADB Influence in Cambodia's Water Sector: Judging the Effectiveness of ADB Water Management Projects in the Tonle Sap Basin" prepared by Carl Middleton of the Fisheries Action Coalition Team (FACT), October 2005.

Nepal⁸

The ADB is presently the lead donor in a consortium supporting the Melamchi Water Supply Project and the Kathmandu Water Supply Reforms. The projects are meant to relieve water scarcity suffered by all residents of Kathmandu Valley regardless of whether or not they are connected to the Nepal Water Supply Corporation.

The first project aims to divert water from the headwaters of the Melamchi River via a 26-kilometer long tunnel to a water treatment plant and distribution facilities to be constructed in the Valley. The second package provides for the implementation of institutional and legal reforms in support of the first project. Most notable among the planned reforms is the IFI condition to transfer management of the water utility to a performance-based Management Contractor from the private sector.

Melamchi waters are expected to arrive in the Valley in 2010 yet, if not later. In the meantime, the citizens of Kathmandu face the following concerns: where to get more water as of now, how to ensure that the poor will have access to water despite future issues on tariffs for water connection, meter, standpipe and service, how to ensure that sewerage concerns are also addressed, and how to sustain civil society participation in the projects.

⁸ Based on the case study “Making the Expensive Kathmandu Valley Water Supply Reforms Work for the Poor” prepared by the NGO Forum for Urban Water and Sanitation, October 2005.

Regional Conference on the ADB Water Policy 13-15 November 2005

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