

ADB WATER PANEL REPORT: A CORPORATE BIAS*



People wait for their turn in a public water supply system in Patan District, Nepal.

Photo by Miwa Fujinuma, JACSES

In 2005, the Asian Development Bank (ADB) Water Policy of 2001 was subjected to an implementation review. The panel report entitled “*Water for All: Translating Policy into Action*” was completed and published in April 2006. Members of the NGO Forum on ADB and the WaterAid produced several case studies to bring to fore the impact of ADB-funded water projects in several countries. NGO Forum report entitled “*Running Dry*” was the synthesis report of the three-day regional conference on the ADB Water Policy, and was presented during the ADB and Civil Society consultation held in Manila, Philippines, in November 2005.

The FORUM and WaterAid joint report underscored recommendations to the ADB Water Panel. The main recommendation was that ADB should revise its Policy to include Water as a human right. It is also stipulated in the report that the ADB should remove Full-cost Recovery, Private Sector Participation (PSP) and Water Entitlements from the policy. Civil society believes that these provisions are geared towards water privatization. It is also noted that the negative project impacts are a direct result of lack of community consultation and participation.

Based on the recommendation of the ADB Water Panel, all indications point that the efforts of the civil society fell into “deaf ears”, as exemplified in the following recommendations by the Panel:

1) Increase ADB’s commitments and develop ADB’s capacities: This will require increased investments, staff realignment and development, and provide leadership in the region to prioritize water.

2) Develop long-term partnerships with DMC stakeholders and donors: This will necessitate policy dialogues, sector assessments, trainings, and promotion of programmatic or policy-based lending approaches to raise status of water,

strengthen institutional frameworks, improve water governance, develop capacities, and improve donor harmonization and aid effectiveness in the Developing Member Countries (DMCs).

3) Focus the implementation of Integrated Water Resource Management (IWRM) on stakeholder needs and ownership: This will need supporting IWRM planning and implementation, increasing knowledge on IWRM in DMCs and at ADB, and developing/improving assessment tools for benchmarking, monitoring and evaluation.

4) Promote “business unusual:” This will require leveraging innovations to increase access, affordability, efficiency and cost-effectiveness, including nuanced guidance on subsidy use, promoting PPPs, alternative financing modalities under IEI, robust O & M arrangements, and scaling up of alternative technologies.

5) Improve processes to ensure effective policy implementation: This will require improving ADB’s internal communications and procedures, coordinating with DMCs on CSPU process and national planning, and monitoring and evaluation efforts to mitigate social and environmental impacts of ADB projects.

*Written by Mr. Hemantha Withanage, incumbent executive director of the NGO Forum on ADB.

In March 2007, during the 4th World Water Forum held in Mexico, ADB announced the doubling of its water investments. It also announced the implementation of Integrated Water Resources Management (IWRM) approach in 25 rivers.

Unfortunately, the Water Review Panel has done nothing new but merely reiterated what ADB was doing in the past. The Panel's major recommendation "Do more and do better" is difficult since this will require improving capacity and a proper structure. As the Panel report pointed out, ADB has no adequate capacity although it claims to have a 40-year knowledge and experience in the water sector.

The Panel has clearly shown their bias towards the "Private Public Partnerships" (PPP). To our understanding, ADB's PPP approach was heavily criticised during the consultations. It is no doubt that the statements such as "ADB to support/implement a sustained programme of advocacy and outreach to clarify the role of PPP in water sector as a driver" and "ADB must emerge as a market maker" clearly show the corporate bias of the Panel.

ADB was in the decision to increase water financing prior to the panel report, which are unconditionally accepted by the Panel. Hence, ADB's approach on identifying investment opportunities is merely endorsed by the Panel. In fact, most of the materials provided to the Panel was prepared by ADB and not independently commissioned by the former. This compromises the "independence" of the Panel report.

WaterAid response to the Panel report states that "International experience over the last decade has raised a number of questions over the effectiveness of PPP. The World Bank, a former advocate of PPP, is now taking a more pragmatic approach and is switching focus to strengthening of public utilities. The Panel's recommendations appear out of date and continue to promote "fattening" of public utilities for

privatisation. This, despite the fact that in recent years ADB has itself been singing the praises of improving and successful public utilities such as those in Cambodia."

The Panel's report makes no interest to learn from the two evidence-based studies from WaterAid and the NGO Forum on ADB, and much of the oral presentations made during consultation focused on such failures. This suggests a selective use by the Panel of the evidence made available. The example brought by the WaterAid study raises concerns over lack of involvement of local government in setting tariffs and on-lending of loans at increasing interest rates, neither of which are mentioned in the Panels report in Nepal.

Balancing "B" and the 'D' of ADB is an irrelevant subject for the review panel of Bank's water policy which used to justify Bank's failures.

WaterAid, in response to this Panel's report, stated that "The Panel's report is unlikely to result in more pro-poor and sustainable water supply and sanitation projects, increased people's participation and transparency. Advice to double investment without first improving effectiveness will result in more wasted resources and further increase in debt burdens. While acknowledging a number of important civil society concerns, the



A young Cambodian girl with a bottle of drinking water. Price of water in Kampong Chnang has doubled because community wells have dried up.



Photo courtesy of Sataporn Thongma/Greenpeace

recommendations in the Panel's report do not boldly promote actions to address them."











WaterAid also noted that *"Beyond these fundamental failures, there are a number of other major weaknesses in the Panel's report. The report is dominated by a polemical promotion of Private Public Partnerships. The Panel has reached unconvincing conclusions given the evidence available to it and appears to have been selective in which evidence it acted upon. In parts, the language used in the report is vague and misleading. The Panel has not sufficiently scrutinised the inputs provided it by the ADB and has been too quick to blame failures on Developing Member Countries. The Panel appears to have adopted a very narrow interpretation of its mandate and missed a number of opportunities. On top of these failures are key methodological weaknesses in the review which the Panel did not adequately address. It is disappointing that the ADB was unable to share the Independent Expert Review Panel's draft report prior to finalisation and submission to the ADB Board. Previous reports generated during the review were shared in draft form for feedback. By not creating opportunities for feedback on the final and most important document produced in the review, ADB gives the impression that it is not serious about transparency and consultation."*

As a response to the NGO Forum question during the 39th ADB AGM held in Hyderabad, ADB water experts pointed out that the Panel report is not the view of the ADB. However, ADB, since then, has taken steps to implement the suggestions to make water a corporate responsibility. The Panel has not considered the major points made by the civil society in its report *"Running Dry"* and the recommendation of the WaterAid.

In a nutshell, *"Running Dry"* synthesis report outlined the following recommendations:

-  Accepting Water as an **inalienable human right, not as an economic good.**
-  Private Sector Participation 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 should not be used as a management tool. Sharing of water resources should be dealt within the existing concepts of water as a common good. ADB should not, in any way, coerce governments to adhere to cost recovery principle, namely by attaching conditions to loans.
-  ADB to de-link loans from conditionalities. Financial and technical assistance must not be made contingent on legal and institutional reforms.
-  We ask for ADB to recognize and respect existing indigenous and local water management systems before so called IWRM.
-  The NGO Forum opposes the notion of tradable water rights where they infringe on peoples rights to water to fulfill basic needs including their own subsistence.
-  Allocation of rights to water use should not be left to market forces.
-  ADB to fully adopt as a matter of priority the recommendations of the WCD.
-  ADB should acknowledge that indigenous populations 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.
-  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.
-  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.
-  ADB should recognize that Governments have a constitutionally-mandated role to provide services to the people and in no way should ADB pressure governments



The Ambitious Kirindi Oya Irrigation and Settlement Project. According to villagers, only 4,000 acres have only been irrigated and not a single plot has been cultivated in the new development area since its completion. The project has displaced around 15,000 families.

Photo courtesy of Hemantha Withanage

of DMCs to abdicate this role. 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.
- ✎ 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.
- ✎ 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.
- ✎ 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.

- ✎ 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.
- ✎ 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. ADB should implement its gender focus from project design, implementation, monitoring and evaluation with clearly disaggregated indicators.
- ✎ ADB should not support high-risk projects in countries that have a bad track record of human rights violations. ADB should not promote parallel structures to the local governments.

As we understood, the Panel's report is merely a step in the process of the review. However, to date, there is no decision to review the policy as a whole and ADB is taking a safe approach by just improving the policy implementation. We call on the Board to make sure that the recommendations by the civil society organisations are properly addressed by the Board of Directors to ensure that consultation process of the independent panel does not go waste.