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The WCD Report and ADB's Water Policy

A. Introduction

1. The latter part of the last century witnessed an explosion in the construction of large projects for water storage, flood control, irrigation, and hydropower. The driving forces were population growth, food security, national security, and industrial development.
2. Decisions to implement large-scale projects have almost always been taken by small groups representing a limited set of political, technical, and financial interests. The affected communities have often been excluded from the decision-making process.
3. We have now begun to run up against severe natural resource constraints and an accumulating backlog of negative environmental and social impacts of many of the earlier projects. We are also aware that many developing countries need to improve their water security by constructing dams for storing water. The reduction in the potential for developing additional surface and groundwater supplies has heightened our awareness of a potential crisis situation with respect to freshwater supplies.
4. There is also growing public pressure for the costs and benefits of water development projects to be shared more equitably, and for investments to be directed toward satisfying basic human needs rather than benefiting certain groups at high cost to the community at large. In addition, people the world over now place a high value on maintaining the ecological function of freshwater ecosystems.
5. WCD's global review of the performance of large dams examined the decision-making process from both sides of the dam debate. This showed that the decision-making process lacks transparency and frequently excludes the stakeholders who are most affected. The balanced assessment of WCD has, however, helped to define common ground by changing the "tenor of the debate from one of lack of trust and destructive confrontation to co-operation, shared goals and more equitable development outcomes." The WCD Report has described this in eloquent and compelling terms.
6. WCD's findings, which are generally applicable to all major infrastructure projects, challenge the traditional way of developing and managing water resources. Importantly, WCD has also described a way forward by elaborating a rational approach to decision-making for all such projects. This approach, based on five core values, uses a "rights and risks" assessment to identify those stakeholders whose voices should be heard.¹
7. WCD's strategic priorities set out guiding principles for ensuring better decision-making in relation to water resources development. These are undeniably sound principles, but how will they be accepted and put into practice.
8. In its final chapter titled "Beyond the Commission – An Agenda for Change," the WCD Report describes actions which each of the various stakeholders could do to "step out of their familiar frame of reference" and begin to implement new approaches to water resources development for the betterment of all. The recommendations apply to all phases of development projects. One of the most important immediate actions identified for multi-lateral development banks (MDBs) is to:

¹ The five core values are equity, efficiency, participatory decision-making, sustainability, and accountability.

“Review internal processes and operational policies in relation to the Commission’s recommendations to determine changes needed in the selection of projects for lending portfolios; the appraisal process; and implementation, monitoring, and evaluation.”

9. This presentation therefore looks at the Asian Development Bank’s Water Policy and assesses how well this policy fulfils the goals set by WCD.

B. ADB's Water Policy

10. ADB’s water policy evolved over several years and derived much of its thrust from regional consultations with stakeholders of all stripes.² It is premised on the urgent need to formulate and implement integrated, cross-sectoral approaches to water management and development, and it promotes the concept of water as a socially vital economic good that needs increasingly careful management to sustain equitable economic growth and reduce poverty. The conservation and protection of water resources through a participatory approach are at the heart of the policy.

11. The principal elements of ADB’s water policy are

- (i) Promote 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.
- (ii) Foster the integrated management of water resources, based on comprehensive assessments of water resources within river basins.
- (iii) Improve and expand the delivery of water services, focusing on water supply and sanitation, irrigation and drainage, and other subsectors, with emphasis on equity in access for the poor and under-served.
- (iv) Foster the conservation of water and increase system efficiencies through packages that combine water use and resource management charges to recover costs.
- (v) Promote regional cooperation and increase the mutually beneficial use of shared water resources within and between countries.
- (vi) Facilitate the exchange of water sector information and experience, and promote stakeholder consultation and participation at all levels.
- (vii) Improve governance by promoting decentralization, building capacity, and strengthening monitoring, evaluation, research, and learning at all levels, particularly in public sector institutions.

² ADB. 2001. *Water for All: The Water Policy of the Asian Development Bank*. Manila. The document may be viewed at (and printed in its entirety from) <http://www.adb.org/Documents/Policies/Water/>.

12. The policy takes note of the recently approved ADB strategy for poverty reduction and specifically provides for the involvement of the poor in water conservation and management.³ Based on lessons from ADB's 25 years' involvement in water-related projects, integration of pro-poor strategies into project formulation is necessary to ensure that services are extended into poor areas and that rights of access are assured for the poor and other disadvantaged groups.

13. The policy also reflects ADB's strategy for private sector development.⁴ Well-managed and cost-effective private sector participation will be promoted throughout the water sector to maximize efficiency.

14. An analysis of the policy actions stipulated in ADB's water policy has been made. This shows that the water policy contains no less than 131 policy actions covering (i) policy dialogue with developing member governments; (ii) ADB's sector work in support of its program and lending portfolio; (iii) project design; (iv) regional cooperation; and specific actions relative to ADB's internal procedures and operational policies to get the policy to work.

15. ADB's water policy places an obligation on staff to promote the principles of integrated water resources management based on comprehensive water resources assessments in each of the bank's developing member countries (DMCs). ADB also undertakes to support the establishment of river basin organizations (both formal and informal) to facilitate stakeholder consultation and participation. Particular emphasis is given to inclusion of the poor and protection of their rights of access to water and other benefits of development.

16. The policy requires a cautious approach to large water resource projects, particularly those involving dams and storage, given the record of environmental and social hazards associated with such projects. Nevertheless, ADB will continue to support technically and economically feasible dam projects, provided their environmental and social effects can be satisfactorily managed in accordance with ADB's relevant policies and guidelines.

17. For irrigation and drainage projects, creation of incentives for more efficient allocation and delivery of water in a river basin context is now urgently needed. The policy supports introduction of user charges and establishment of favorable conditions for trading of water rights. In a complementary manner, greater control of the operation and maintenance of irrigation schemes will be given to the users of these schemes. The aim will be to achieve higher irrigation efficiencies, complemented by increased autonomy and accountability of service providers and the phasing out of subsidies.

18. For flood management projects, the desire to secure higher levels of flood protection will be balanced against the effectiveness of non-structural alternatives (such as planning and building controls, enhancement of wetlands, providing means for evacuating persons and livestock, flood-proofing of essential infrastructure, improved flood warning, etc.) which are less expensive and which do not disturb the river system and its aquatic ecology. The policy also supports greater use of flood damage insurance which, properly managed, could avoid the spiraling cost escalation of disaster rehabilitation and flood protection.

19. ADB will promote awareness and understanding of water resource issues within each DMC and, where applicable, across borders to foster riparian cooperation. ADB will support joint projects for the planning, development, and management of shared water resources. The

³ ADB. 1999. *Fighting Poverty in Asia and the Pacific; the Poverty Reduction Strategy*. Manila.

⁴ ADB. 2000. *Private Sector Development Strategy*. Manila.

downstream impacts of all ADB-financed water projects will be closely examined in a river basin context.

20. A focal point has now been established in ADB's Forestry and Natural resources Division (AEFN), under the direction of its Manager, Dr. M.A. Mannan, to support implementation of the policy recommendations and help improve the quality of ADB's water sector operations. The focal point will (i) collect and disseminate information on good practices; (ii) develop and maintain a database and a monitoring system for ADB's water sector operations; (iii) prepare progress reports on ADB's water operations; (iv) help identify and prepare appropriate skill development programs for water sector staff; and (v) promote networking with international, regional, and national water sector institutions, and coordination among funding agencies.

C. Conclusion

21. The major conclusion is that ADB's Water Policy reflects closely the recommendations of the WCD Report. The Water Policy will ensure that sustainability criteria, avoidance to the extent possible of negative social and environmental impacts, and consultation with stakeholders (with special provisions for safeguarding the rights of the poor) predominate in the decision-making process. Before deciding to invest in new storage and conveyance infrastructure, ADB will give close consideration to the alternatives within the river basin context.

22. Lest anyone imagine that participation has been neglected, the word (in one of its forms) appears no less than 49 times in the Water Policy. Nevertheless, the use of a word does not guarantee its application in practice. This is probably the area in which the water policy will meet its severest test. The principles of participation are applauded by all, but participatory processes are time-consuming and sometimes non-conclusive in terms of reaching a consensus. The pressures to shortcut procedures is always present. The participation process itself needs careful planning and management and, under the policy, will be monitored and evaluated.

23. New projects for dams, water storage, irrigation, drainage, flood protection, and water supply will continue to be needed in many countries where the basic water requirements for people have not yet been met. A positive outcome of WCD's examination of the large dam debate is the impetus given to finding new ways of solving problems of water scarcity. Improving the efficiency of existing physical infrastructure, introducing more efficient industrial processes, reallocating available water among competing users, and finding innovative ways of recycling water are among the alternatives to constructing new dams. This approach is fully concordant with ADB's water policy and other guidelines.

24. In spite of the difficult choices which have to be made to ensure sustainable water use and management, there is some cause for optimism. Commitment to stricter environmental controls and their enforcement does help to maintain healthier ecological conditions, and can restore severely degraded environments. Improvements in the efficiency of water use can be made without sacrificing quality of life, and such improvements can alleviate, if not completely avoid, looming water crises. Adoption of socially inclusive policies to spread the benefits of water resources development to the poor or other traditionally disadvantaged members of the community, benefits society as a whole by improving living conditions, health, social stability, and opportunities for productive employment.

25. To conclude, I would like to quote a key and irrefutable recommendation of the WCD Report: "Where other options offer better solutions, they should be favoured over large dams."