



Issue 5, April 2004

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Lessons from ADB Water Week, Part 2

Special feature: Revising ADB's Water Policy

Focus on Large Water Resources Projects

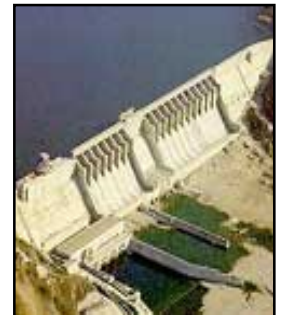
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[Revising ADB's Water Policy: focus on large water resources projects](#)

[ADB's Water Policy](#) adopts a cautious approach towards large water resources projects, calling for all government and non-government stakeholders in the country to agree on the justification of such projects.

In the recently concluded [Interim Review of the Water Policy Implementation](#), however, ADB's Water Sector Committee (WSC) noted that while caution should remain, it is impractical to expect all stakeholders to agree. They recommended to revise the policy provision in the context of ADB's new [accountability mechanism](#), and to reflect how ADB can promote the participation of stakeholders in project preparation.



Lessons from ADB Water Week 2004, Part 2 Change Agenda



Changing selection criteria: working with the right information, organization and leaders

"Don't put your resources in a leaking bucket," was the message from Alistair Wray, Senior Infrastructure and Urban Development Adviser of UK's Department for International Development.

Too many water investments have been wasted by being directed to governments that promise a lot but fail to measure up with sustainable results. The reasons for this failure vary—from inability to link investments to reform, to perverse incentives that favor the better off, to vested interests influencing investments.

Participants to the ADB Water Week 2004 agreed that changes are urgently needed.

Read their recommendations.

Changing incentives and advocacy: empowering civil society to catalyze reforms

"No voice, no capacity, no water" describes the circumstances of many poor in Asia. Yet research has confirmed that when civil society, particularly the poor, has information, decision-making authority and resources, they can initiate and sustain reforms, even against entrenched and powerful vested interests.

Unfortunately, civil service remains disorganized-- often putting out confusing, contradictory and unsystematic messages that even harm those they claim to represent. And when it comes to water, they still do not appreciate that paying tariffs put them in control whereas asking for subsidies leave the politicians in control. These, compounded by the often confusing or non-transparent legislation and reform strategies, hamper the civil society's ability to bring about changes in the water sector.



Clearly, a lot of changes are needed before civil society can be an effective partner in water sector reforms. Participants to the Water Week discussed what these changes should be.



Changing regulation: from independent to credible regulator

Unregulated water markets typically discriminate against the poor. Effective regulation can help the poor by ensuring that monopoly providers are not captured by vested interests, and that they meet the needs of customers at affordable prices.

All regulatory bodies should aim for accountability, efficiency, equitability and transparency. But why now aim for a credible regulator instead of an independent one?

Although independence is ideal, experience has shown a strong resistance against establishing independent regulators. The resistance came from public sector agencies concerned about the loss of accountability and control. Independence is therefore difficult to achieve, and pursuing credible regulators may be the next best objective. Read more.

Changing the rules to reward efficiency: linking formal and informal providers

Millions of people in Asia depend on small-scale water providers (SSWPs) for their basic water supplies. And research has shown that they will continue to do so for a long time to come. Yet SSWPs are often overlooked by government policy makers and donors, and seen as targets for cash by corrupt officials, a nuisance by government owned water providers, and exploiters of the poor by the public at large.

Ignorance of the role SSWPs play, their customer base and the value of services they offer are probably at the root of this problem.

That SSWPs persist to offer essential water services is remarkable in view of the unfavorable business environment in which they operate. It is about time that governments recognize the importance of SSWPs in the sector, and that policy and legislation can be changed to recognize the contributions made by these providers in extending services to the poor.



Changing the focus of lending: catalyzing water investments to the rural poor

When it comes to water supply services, it is possible for large and mid-sized cities in Asia and the Pacific to achieve and sustain 24-hour universal coverage that is financed predominantly by service charges. This has already been proven by several cities in developing countries, among them Chengdu, Shanghai, Phnom Penh and Tashkent.

Sadly, cities continue to be the focus of development assistance while the rural areas—where most of Asia's poor live—suffer from insufficient resources. Official development assistance resources and central government support should be diverted from urban water supply development to rural and small town water supply.

The reasons for this are clear—i) most of Asia's poor live in these areas, and they are the ones that really lack access to good quality water services; ii) investments in rural water supply services can dramatically reduce poverty; and iii) self-financing in rural areas is more challenging, partly because their size makes it difficult to generate economic and financial returns on investment, hence they can really use the help.

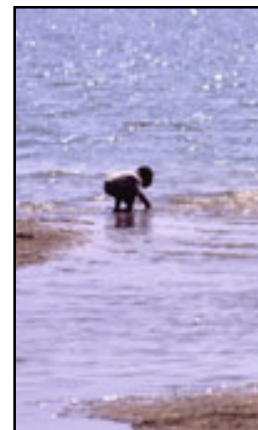
The challenge now is how to increase the investment flow to the rural sector.

Changing the nature of water projects: investing more in non-structural interventions

Structural works without non-structural measures are rarely effective. This was clear in the example of flood control in China, where nearly 50% of the population and more than 600 cities are constantly subjected to the threat of floods. China needed to complement its dikes and reservoirs with investments in forecasting and planning methods, risk analyses and disaster preparedness.

Unfortunately, most governments and many development agencies still focus their water investments on building new infrastructure. Big infrastructure projects appeal to politicians— they provide opportunity for corruption in the procurement process, and produce tangible results that justify lending for the donor.

Governments need to be prepared to invest in non-structural interventions. Development agencies can help by informing governments about the inter-dependencies between structural and non-structural investments, and the economic returns from packaging them together. Civil society can also add pressure by strongly voicing their concerns over "asset only" solutions.





[Changing water financing partners: from national to sub-sovereign](#)

Development banks like ADB must lend more--and more directly--to local governments for water investments. There will be implications for credit and currency risk management. But development banks should more ambitiously use the funding discretion contained in their charters. The full power of financial instruments should be applied to local water investments, including credit enhancing guarantees and foreign exchange risk coverage. This will help overcome the dire shortage of water financing where it is most severe, at subsovereign (state and municipal) level. Subsovereigns in low and middle income countries have small development budgets, and they cannot access local capital markets, obtain private project finance, or attract private equity investments.

There is currently a growing body of research and experience on innovative municipal financing for developing countries. ADB will now build on this knowledge and explore ways of working more closely with sub-sovereigns. These include increasing its public lending to sub-sovereigns, encouraging central governments to promulgate sub-sovereign water financing legislation, and more.

As Vice-President Jin said during Water Week, "Decentralizing water financing through autonomous and accountable service providers is a key part of ADB's water policy and we are keenly advocating this to our clients and partners."

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1-3 July	<p>1st African Development Bank Water Week (Tunis)</p> <p>Discussions at this event will be around the African Water Facility, Nile Basin Initiative and financing trans-boundary water development. Prior to the Water Week, a coordination meeting between the MDBs - Netherlands Water Partnership Programs will also take place on 30 June.</p>
12-16 July	<p>South East Asia Water Utilities Network Executive Committee and Planning Meeting (Hanoi, Viet Nam)</p> <p>The meeting will further define the directions and activities of SEAWUN for the year.</p>
13 - 16 July	<p>3rd South Asia Water Forum (SAWAF-III) (Dhaka, Bangladesh)</p> <p>The focus will be on how to achieve the targets set by the World Summit on Sustainable Development (WSSD) and meeting the water related Millennium Development Goals (MDGs).</p>
26 July - 9 August	<p>Training Program on IWRM and Strengthening of River Basin Committees (Bangkok and Chiang Mai, Thailand)</p> <p>The training program will strengthen river basin committees and enable water professionals in the region to integrate IWRM concepts into the planning process</p>
6 June	<p>ADB National Media Workshop on Water - Malaysia (Kuala Lumpur, Malaysia)</p> <p>A day-long media workshop on water issues will be held on 6 June, enabling journalists to take what they have learned out of the workshop and utilize them while attending the Malaysian Water Week.</p>
18-21 May	<p>Regional Meeting of National Water Sector Apex Bodies (ADB Headquarters, Manila, Philippines)</p> <p>The ADB has organized its 2nd Water Week to stimulate knowledge development in the water sector, particularly on the issue of water for the poor. The theme for the 2004 ADB Water Week is "Water for the Poor: Setting the Rules and Finding the Money."</p>
26-30 January	<p>ADB Water Week 2004 (ADB Headquarters, Manila, Philippines)</p> <p>The ADB has organized its 2nd Water Week to stimulate knowledge development in the water sector, particularly on the issue of water for the poor. The theme for the 2004 ADB Water Week is "Water for the Poor: Setting the Rules and Finding the Money."</p>

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