



WATER for ALL

ADB's Comprehensive Water Policy Implementation Review

REPORT FROM THE THIRD WORK SESSION OF THE REVIEW PANEL

MANILA, PHILIPPINES

18-20 OCTOBER 2005

OCTOBER 2005

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I. INTRODUCTION

The Review Panel's Third Work Session for ADB's water policy implementation review took place at ADB HQ 18-20 October 2005. Meetings were planned in Manila to allow Review Panel members to meet with ADB operations staff and to participate in the private sector consultation taking place on 18 October at ADB HQ. During the third work session, panel members were briefed by staff on updated survey results and outputs from in-country consultations. The Review Panel met with ADB HQ staff and discussed inputs synthesized to date. The agenda is included in Appendix 1. This report recaps the issues discussed and understandings reached during the third work session, and provides background information on ADB's water policy, review processes, and assessments to date. Reports from all Review Panel work sessions are posted on ADB's website.

II. BACKGROUND ON ADB'S WATER POLICY AND REVIEW PROCESSES

A. ADB'S Water Policy and Review Process

In 2001, the Asian Development Bank (ADB) outlined its vision for integrated water management in the region in its "Water for All" water policy. The policy recognizes the Asia and Pacific region's need to formulate and implement integrated, cross-sectoral approaches to water management and development.

The principal elements of the water policy are as follows:

- Promote a national focus on water sector reform
- Foster the integrated management of water resources
- Improve and expand the delivery of water services
- Foster the conservation of water and increase system efficiencies
- Promote regional cooperation and increase the mutually beneficial use of shared water resources within and between countries
- Facilitate the exchange of water sector information and experience through partnerships
- Improve governance and capacity building

As stipulated in ADB's water policy, an in-house review of policy implementation was undertaken in the third year in 2003 and a more extensive comprehensive review led by an external expert review panel has been launched in 2005, five years after the policy was approved.

The purpose of the interim review was to assess how well the water policy has been integrated into ADB operations and to provide a progress report in advance of the comprehensive review.¹

The comprehensive review will build on the findings from the interim review and recent updates to the interim analysis to provide ADB and its various stakeholders with an assessment of progress to date to implement ADB's water policy and recommendations to improve ADB's water investments and operations in the future.

The comprehensive review has four core objectives:

- To assess performance or progress in the 7 key areas of the water policy
- To identify challenges, investment requirements, and opportunities
- To determine capacities and constraints in ADB and the DMCs (institutional, financial, human)
- To advise ADB's management if the policy needs to be revised or supplemented

¹ A summary of key findings and recommendations from the interim review is included in Appendix 4.

As outlined in the final objective, the comprehensive review may result in recommendations to revise or supplement ADB's water policy. However, the focus of this review is to assess policy implementation. If recommendations are made to revise the policy itself, they will be taken up under a separate exercise.

B. Expert Review Panel

In accordance with ADB's water policy, ADB has commissioned an expert review panel to guide the comprehensive review of its water policy implementation. In the selection of the leading experts from the DMCs, ADB sought candidates with policy and decision-making experience in the water sector. Selection of panel members also considered a desirable range of expertise and experience across regional perspectives, gender, and key areas targeted in ADB's water policy: water sector reforms, water resources management, water service delivery, conservation, regional cooperation and communication, and governance.

The review panel consists of three leading experts from ADB's developing member countries (DMCs), and senior representatives from international NGO, private sector, and bilateral donor communities. The Special UN Ambassador for Millennium Development Goals in Asia and the Pacific, Ms. Erna Witoelar, has been appointed to serve as the Review Panel Chair. A list of the panel members and their home countries is provided below and a summary of their short biographies is attached in Appendix 2.

Review Panel Members

Erna Witoelar, Indonesia (Panel Chair)
Li Yuanyuan, People's Republic of China
Gilberto Llanto, Philippines
Ravi Narayanan, India/UK
Pradeep Singh, India
Annelie Hubach, Netherlands

C. Comprehensive Review Design and Key Components

The review will be conducted in a manner that ensures broad stakeholder participation, transparent proceedings and reporting, and wide dissemination of the policy and the results and recommendations of the review. Leading the review, ADB's review panel will be informed by feedback gathered at consultations, water-related conferences, ADB staff workshops and surveys, and comments gathered on ADB's water website. Additional modalities may include interviews, case studies, desk study of loan, project and agreement documents, and involvement in external research studies relevant to the review.²

The review process will also be informed by experts from policy, practitioner and academic networks enlisted to inform the work of the panel and participate in the in-country consultations, and regional workshops where appropriate. Two Special Advisers will provide technical inputs, preparing papers and presentations to inform the panel throughout the review process. The Review Panel and its Special Advisers report to ADB Management through the Director General of ADB's Regional and Sustainable Development Department (RSDD)

² A timeline for major activities for the review is provided in Appendix 3 and an update of progress to date for each review modality is provided in Appendix 4. Regular updates are posted on ADB's website at <http://www.adb.org/water>.

II. SUMMARY FROM THIRD WORK SESSION OF REVIEW PANEL

A. Objectives

The main objectives of the panel's third work session were to:

- brief the panel on updated inputs for the review e.g. special adviser papers, survey results, and feedback from in-country consultations to date
- connect the panel with ADB HQ staff
- provide the opportunity for review panel members to attend the private sector consultation
- determine the panel's remaining resource and information needs
- finalize expectations for final consultations and next assignments
- discuss and map the process to deliver the final Panel Report.

B. Process

The Review Panel's third work session began with the private sector consultation. Following the consultation, the meeting involved two days of individual meetings and briefings from ADB HQ staff on critical issues relevant to the review and updates on the various review modalities, including survey results and in-country consultations to date. Panel members met with water operations directors and members of ADB's Water Committee to discuss the opportunities to increase ADB's water investments, and capacity development needs within ADB and in the DMCs.

During the last day of the work session, the panel discussed preliminary findings and identified next assignments to prepare for the final work session to be held 2-6 December 2005 in Manila. Panel members also reconfirmed their representation in the upcoming civil society consultation.

C. Key Issues Discussed

Private Sector Consultation

The panel discussed several recommendations that were made during the private sector consultation regarding ADB's possible role to facilitate private sector participation including:

- mitigating risk (political, economic, financial, social)
- improving the regulatory and legal framework
- providing alternative dispute resolution mechanisms
- linking investments with reforms
- developing capacity and expertise in public sector to engage in PSP models
- facilitating access to funding, financing options, credit, and capacity building in rural areas
- enforcing safeguards for the poor/MDGs: addressing issues of affordability and access in both urban and rural areas (waiving connection fees versus tariff subsidies)
- facilitating media/public awareness and education (water as a resource versus water as a service/distinctions between privatization and various PSP models)

Review Panel Meetings

In preparation for the third session the panel synthesized initial assessments of progress, challenges, and required actions in the key areas outlined in ADB's water policy: national water sector policies and sector reforms, water resource management, and water service delivery. The panel's preliminary findings outline next steps for ADB in four key areas focused on: a) the enabling environment, b) capacity development, c) investments and d) the process to ensure implementation. During the third

work session, the panel reviewed each of the 26 areas outlined in the scope of the review³ to identify remaining gaps and incorporated additional issues raised in the in-country and private sector consultations and survey results. Key concerns discussed with ADB staff included: private sector participation, civil society and NGO feedback during the in-country consultations, capacity development needs within ADB and the DMCs, and plans for ADB's proposed water financing program 2006-2010.

D. Timeline and Expected Outputs

The Review Panel will meet four times over the course of the review to examine various inputs, discuss stakeholder feedback, and prepare the Panel Report. The first meeting took place at ADB HQ 9-13 May 2005. During the first work session panel members were briefed by staff on ADB's water operations, key priorities, and issues relevant to the review. During the second meeting, the panel reviewed updates on key components of the review and finalized the outline of the Panel Report. As outlined earlier, during the third meeting 18-20 October 2005 at ADB HQ, the review panel discussed feedback from the in-country consultations and surveys, participated in the private sector consultation, and met with ADB operations staff. The final meeting of the panel will take place in early December 2005 in Manila, during which the panel is expected to finalize the Panel Report and recommendations to ADB Management.

The main text of the final Panel Report is expected to be no more than 15 to 20 pages. At the end of the final work session, the Panel Chair will submit this report to the Director General of ADB's Regional and Sustainable Development Department (DG RSDD) who is responsible for the review. In December 2005 the DG is expected to circulate the report to regional directors to collect interdepartmental comments. In January 2006 the Panel Chair would discuss these comments with DG RSDD and finalize the report. As stipulated in the policy, DG RSDD will submit the final report to Management for circulation to ADB's Board of Directors as a Board Information Paper. At this time, RSDD will also post the Panel Report on ADB's website.

In February 2006, ADB is expected to initiate follow up actions in response to the Panel Report. As outlined earlier, the review process may result in recommendations to revise or supplement ADB's water policy. However, the focus of this review is to assess policy implementation. If recommendations are made to revise the policy itself, they will be taken up under a separate exercise.

Throughout the review process, regular updates will be posted on ADB's website for comment: <http://www.adb.org/water>.

FOR MORE INFORMATION ABOUT THE REVIEW PANEL OR THIS REPORT:

Throughout the course of the Review Panel's engagement, regular communication with the Lead Facilitator, ADB Water Policy Implementation Review, will be maintained to monitor progress and to ensure that the review is completed on schedule. Her contact information is as follows:

Kathryn E. Nelson

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Visit our website at <http://www.adb.org/water>

³ Please refer to Appendix 5 for a complete list of the 26 areas covered under the scope of the review.

Appendix 1: Agenda insert revised agenda

ADB WATER POLICY IMPLEMENTATION REVIEW REVIEW PANEL WORK SESSION Suite 9271W at ADB Headquarters, Manila, Philippines 18-20 October 2005

DRAFT Agenda

Schedule at a Glance:

Tuesday 18 October	PRIVATE SECTOR CONSULTATION (see separate agenda)
Wednesday 19 October	REVIEW PANEL MEETING/INDIVIDUAL MEETINGS: discussion of private sector consultation, updates on survey results and in-country consultations, review of individual assignments, afternoon individual meetings with PSOD and other ADB HQ staff.
Thursday 20 October	INDIVIDUAL MEETINGS/REVIEW PANEL MEETING: individual meetings and work time continue in the morning. Panel meetings with environmental and social sector directors in ADB's regional departments and Water Committee. Wrap up panel meeting in the afternoon to discuss Panel's response to NGO letter, plans for the civil society consultation, and assignments for final report and preparations for the final December meeting.

Wednesday, 19 October:

9:00 – 9:15	Welcome and Opening Remarks <i>Erna Witoelar, Review Panel Chair</i>
9:15 – 9:30	Background Materials, Overview of Agenda, Revised Summary Timelines <i>Kathryn E. Nelson, Lead Facilitator, Water Policy Implementation Review, RSDD</i>
9:30 – 10:30	Panel Discussion on Private Sector Consultation <i>Erna Witoelar, Review Panel Chair</i>
10:30 – 10:45	TEA BREAK
10:45 – 12:00	Panel Discussion on Synthesis of Draft Assignments for Panel Report <i>Erna Witoelar, Review Panel Chair</i>
12:00 – 1:30	LUNCH (PDR 4)
1:30 – 4:30	Individual Meetings and Work Time (see meeting schedule)
4:30 – 5:00	Panel Meeting with Jeremy Bird on CSP Update <i>Erna Witoelar, Review Panel Chair</i>
5:00 – 5:15	Outline of Next Day's Agenda and Adjourn Meeting <i>Kathryn E. Nelson</i>

Thursday, 20 October:

WRAP UP AND NEXT STEPS

--NOTE CHANGE IN VENUE FOR MORNING SESSION--

- 8:30 – 9:30 Panel Discussion on NGO Feedback and Civil Society Consultation
Erna Witoelar, Review Panel Chair
- Discuss Civil Society Consultation Draft Agenda and Invitees List
 - Discuss Review Panel's Response to Letter from NGOs
- 9:00 --9:15 Overview of Final Day's Agenda
Kathryn E. Nelson
- 9:15 – 11:00 Individual Meetings and Work Time
- 11:00– 12:00 Panel Meeting with Sector Directors in ADB's Regional Departments
Erna Witoelar, Review Panel Chair
ERD Conference Room 7213N
- 12:00 – 1:30 LUNCH (PDR 3A)
Hosted by DG, RSDD
- 1:30 – 2:30 Panel Meeting with Members of ADB's Water Committee
Erna Witoelar, Review Panel Chair
- 2:30 – 3:00 Panel Discussion: Preparations for Final Session and Final Outputs
- Discuss Preparations for Final Panel Report
 - Review and Finalize Report for Third Work Session
 - Individual Assignments
 - Special Advisers' Assignments
 - Agenda for December Work Session and ADB Staff Session
- Erna Witoelar, Review Panel Chair*
- 3:00– 3:15 TEA BREAK
- 3:15 – 4:45 Afternoon Panel Discussion Continues
Erna Witoelar, Review Panel Chair
- 4:45 – 5:00 Wrap Up, Next Steps, and Adjourn Meeting
Kathryn E. Nelson
- (Panel Members complete session evaluation)*

Appendix 2: Short Biographies for Review Panel Members

Panel Chair

Ms. Erna Witoelar is the UN Special Ambassador for Millennium Development Goals in Asia and the Pacific. Before this post, she served as the Indonesian Minister of Human Settlements and Regional Development, responsible for the portfolio on housing & human settlements, public works, water resource management, and spatial planning. Ms. Witoelar also serves as the chairperson of the Indonesia Biodiversity Foundation (KEHATI) and is an Earth Charter Commissioner. She initiated several partnerships and organizations focused on governance and environmental reforms including the Partnership for Governance Reform in Indonesia and the Indonesian Forum for the Environment (WALHI) and provided leadership to others, serving as president of Consumers International and the Indonesian Consumer Foundation (YLKI). Ms. Witoelar received a masters degree in Chemical Engineering from the Bandung Institute of Technology, and completed post-graduate study in Human Ecology from the University of Indonesia.

Panel Members

Mr. Li Yuanyuan is the Deputy Chief Engineer and Professor of the Water Resources and Hydropower Planning and Design General Institute of the Ministry of Water Resources. In this capacity, he is spearheading several long-term water resource planning initiatives in the PRC focused on flood mitigation, infrastructure and land use, and national water sector development. Mr. Li also serves as the Secretary-General of the National Committee of International Water Resources Association and National Water Resources Planning Study Commission, Vice-Chairman of China Water Resources Association, China Natural Resources Association and is a Member of the International Collaborative Council of Water and Sanitation. Mr. Li obtained his B.S. in Hydrology and Water Resources from Chengdu Science and Technology University, PRC.

Mr. Gilberto Llanto is the Vice-President of the Philippine Institute for Development Studies (PIDS). Prior to this post, he has held various executive and technical (research) positions as a professional economist most recently with the National Economic and Development Authority (NEDA) as Deputy Director General [Under Secretary]. He currently serves as a Research Fellow with the Rural Development Research Consortium at the University of California, Berkeley, and is a member of the National Research Council of the Philippines and the International Association of Survey Statisticians. He is also a member of the Editorial Board of the Journal of Philippine Development. Mr. Llanto has chaired and served on the Board of Directors of several organizations including the Center for Training and Research in Agricultural Banking (CENTRAB), the Philippine Economic Zone Authority and the Philippine Economic Society. Mr. Llanto has conducted extensive economic research and policy work focused on financial markets, fiscal and monetary policy, agricultural finance, and public economics.

Mr. Ravi Narayanan is the Chief Executive of WaterAid, an international NGO focusing on the delivery of water and sanitation services and working on pro poor policy and advocacy issues worldwide. Prior to joining WaterAid, Mr. Narayanan was the Head of International Operations and Asia Director at ActionAid, where he previously directed programs for Africa, Asia and Latin America. He currently serves as a Trustee of Action on Disability and Development and is a member of the Water Supply and Sanitation Collaborative Council. Mr. Narayanan is also engaged as a Senior Associate with the National Institute of Advanced Studies. In addition to earning bachelors and masters degrees from Delhi and Cambridge Universities in Physics and Engineering, Mr. Narayanan has nearly two decades experience in engineering design, production, sales and general management in the UK and India.

Mr. Pradeep Singh is the President and CEO of IL&FS Infrastructure Development Corporation, which has established partnerships with the Federal Government and more than ten state governments in India for developing infrastructure projects in Public Private Partnership formats. Mr. Singh is a former member of the Indian Administrative Service and held several positions in state and central government before joining the IL&FS in 1997. He was also engaged in policy formulation and implementation of development programs that focused on the poor. Mr. Singh received a Masters of Public Administration degree from Harvard University and a MBA and M.Sc in Physics from Punjab University, India. He was also a Rotary International Graduate Fellow at Stanford University in the Department of Engineering Economic Systems.

Ms. Annelie Hubach is consultant to the Division for Environment and Water Resources Management of the Ministry of Foreign Affairs of the Netherlands. Ms. Hubach's work focuses on integrated water resources management and water and sanitation with respect to poverty and gender mainstreaming and institutional change. She is also engaged as advisor to the Netherlands' Council of Women assisting with policy and strategy development for the Women for Water Partnership. Prior to these engagements, she also served as an adviser with the Water Unit and Social Policy Division of the Ministry of Foreign Affairs of the Netherlands. Ms. Hubach obtained a Masters in Social Geography and Teaching Training College diploma from Vrije Universiteit van Amsterdam, with qualifications in Geography and History.

Appendix 3: Revised Summary Timeline of Key Events 2005

Month	Major Activities (dates)
2005	
January-March	PLANNING AND INCEPTION PHASE: <ul style="list-style-type: none"> ▪ Interview ADB operations directors and staff to secure initial feedback on the review design and Review Panel selection process ▪ Finalize Review Panel and Special Advisors recruitment and schedule ▪ Finalize schedule for in-country consultations and regional meetings ▪ Finalize communications strategy & schedule: coordinate with Water Awareness Program (WAP) ▪ Finalize design of review process and submit inception report presenting work plan
April	<ul style="list-style-type: none"> ▪ ADB Staff Workshop: Water Sector Network (WSN) and ADB water operations staff (12) ▪ Training Workshop for National River Basin Management Organizations (NARBO) Colombo, Sri Lanka (24-29) ▪ 2nd Regional Meeting of Apex Bodies in Bangkok, Thailand (27-29)
May	<ul style="list-style-type: none"> ▪ Review Panel Work Session #1: ADB HQ (9-13)
June	<ul style="list-style-type: none"> ▪ SEAWUN Convention on Water and Wastewater in Southeast Asia in Hanoi, Vietnam (7-9) ▪ Roundtable on Private Sector Participation in Urban Water Supply, Bangalore, India (15-16) ▪ In-country Consultation #1: Phnom Penh, CAMBODIA (23-24)
July	
August	<ul style="list-style-type: none"> ▪ In-country Consultation #2: Suva, FIJI (9-10) ▪ Review Panel Work Session #2: Jakarta/Nusa Dua, Indonesia (4 days) (26, 27, 30-31) ▪ In-country Consultation #3: Jakarta, INDONESIA (25/27) ▪ 2nd Southeast Asia Water Forum in Nusa Dua, Indonesia (29-2)
September	<ul style="list-style-type: none"> ▪ In-country Consultation #4: Almaty, KAZAKHSTAN (15-16) ▪ In-country Consultation #5: New Delhi, INDIA (28)
October	<ul style="list-style-type: none"> ▪ 2nd International Yellow River Forum, Zhengzhou, PRC (17-21) ▪ Private Sector Consultation, ADB HQ (18) ▪ Review Panel Work Session #3: ADB HQ (18-20)
November	<ul style="list-style-type: none"> ▪ Civil Society Consultation at ADB HQ (17-18)
December	<ul style="list-style-type: none"> ▪ FINAL Review Panel Work Session: ADB HQ (2-6) ▪ ADB Staff Workshop #2 at ADB HQ (2 TBD)
2006	
January	FINAL STEPS OF REVIEW PROCESS: <ul style="list-style-type: none"> ▪ DG RSDD and Panel Chair discuss interdepartmental comments and finalize the Panel Report ▪ DG RSDD submits report to ADB's Management for endorsement to circulate to ADB's Board of Directors as a Board Information Paper (as stipulated in the policy) ▪ RSDD posts Panel Report on ADB website
February	<ul style="list-style-type: none"> ▪ ADB initiates follow up actions in response to the Panel Report

Appendix 4: Summary of Assessments and Review Processes to Date

A. 2003 Interim Review

In 2003, ADB conducted an interim review to assess the implementation of ADB's water policy approved in 2001. This review identified 40 policy actions in the seven policy areas and examined how these had been integrated into the 117 ADB loans and TAs.

Scope

The scope of the review encompassed the following:

- water assessments and policy dialogue in DMCs
- design of loan and technical assistance projects
- response to ADB's poverty reduction strategy
- progress of regional cooperation
- internal ADB actions
- impact of ADB's 2002 reorganization on policy implementation
- impact of the Cooperation Fund for the Water Sector on operations

Methodology

The interim review was an in-house exercise relying on information gathered through desktop analyses of project documents, completion of checklists for policy actions, and surveys of regional directors. While the process was internal, the report was posted on the website to secure comments from DMCs and NGOs.

Key Findings

The review determined that ADB had made encouraging progress to help its clients expand the delivery of water services, conserve water, foster participation, and improve governance. ADB made modest progress in fostering integrated water resource management (IWRM) and in promoting regional cooperation. Key findings include the following:

- 54% of ADB's water loans approved after the water policy's adoption are consistent with the policy
- 20% of water TA projects examined were consistent with the policy
- 29% of DMCs with ADB water financing operations conducted comprehensive water assessments (5 in 17)
- 53% of DMCs have national water policies in place (9 in 17)
- 59% of DMCs are conducting national water sector reforms (10 in 17)

Significant gains were also made by DMCs to involve more stakeholders in their efforts to adopt reforms and improve governance in the water sector. ADB also achieved positive gains in improving information dissemination, capacity building, monitoring and coordination for the operations departments. Moreover, the Cooperation Fund for the Water Sector provided much-needed additional resources to catalyze policy implementation while also providing a strategic framework and creating synergy among ADB's water operations. Additionally, ADB's reorganization in January 2002 provided considerable additional support to operational departments through the Water Sector Committee and Network, supported by the water focal point (Water Team) in the Regional and Sustainable Development Department.

Key Recommendations

The interim review resulted in recommendations for internal ADB actions as well as external actions in the DMCs. Key recommendations are as follows:

In the DMCs: Pursue national water sector reforms, develop capacity, & address financing issues.

1. *Conduct comprehensive water sector assessments* to guide sector-level policy dialogues and develop national policies. Only 5 in 17 DMCs with water operations completed comprehensive national water sector assessments. While 9 of these DMCs had national water policies in place and 10 are engaging in water sector reforms, no sector-level policy dialogues had taken place at the time of the interim review.
2. *Increase investments* in institutional development at sector and sub-sector levels.
3. *Adopt new financing methods*, particularly with the private sector, and for cost recovery.

Within ADB: Embed the water sector and the water policy better in CSP processes and in the project cycle, and strengthen water staffing.

1. *Operations departments to improve project design* to be more consistent with the water policy, in particular in TAs. Only 20 percent of the TAs were consistent with the water policy.
2. *ADB to adopt water management as a thematic classification*, including both the delivery of water services and the management of water resources, as advocated in the water policy.
3. *ADB to improve staff strength in water specialists*, particularly in policy and institutional development, water quality and wastewater management, social sciences and resource economics, and private sector participation.

Overall, the review resulted in three key overarching recommendations focused on policy dialogue and sector reforms, development priorities and investments, and measurable indicators and best practices. Key points for each recommendation are as follows:

Undertake Policy Dialogue and Promote Sector Reforms.

1. Conduct more comprehensive national water sector assessments:
2. Develop and refine water sector roadmaps as the critical foundation for CSP/U preparation.
3. Provide advice in developing and testing policy dialogue with DMCs and replicating the results.

Review Development Priorities in DMCs and Align Investments

1. Examine development priorities in preparation of CSP/Us to increase water sector investments.
2. Prioritize ADB resources to support comprehensive water sector assessments, reforms and development needs in the DMCs so that the most urgent needs can be met within the budget constraints and TA and lending ceilings.
3. Consider modalities to conduct sector assessments and support sector reforms beyond PPTA.

Develop Guidelines for Project Design, Establish Measurable Indicators, and Disseminate Best Practices

1. Establish guidelines, checklists and generic terms of reference for water project designs and projects with significant water components.
2. Align guidelines and checklists with the 40 actions outlined in the water policy, incorporating key elements of the poverty reduction strategy (pro-poor sustainable growth, social development, and good governance), and targeting harmonization with other aid organizations' efforts and global benchmarks e.g. the MDGs and the World Bank Water Resources Strategy.
3. Disseminate examples of well-designed projects and project frameworks with measurable indicators linked to water policy requirements.

ADB's Response to Interim Review Recommendations

ADB has responded to nearly every recommendation with some measure of follow-up action since the interim review concluded. Key initiatives underway are summarized in the table below.

Priority Area	Initiatives Underway
Water Sector Reforms, DMC Priorities and CSP Process	Starting with the 4 th Phase RETA under the water fund approved in 2004, support was offered to operations divisions on a pilot basis for water sector assessments and policy dialogue in DMCs, and CSP preparation.
Capacity Development and Knowledge Management	The Water Sector Committee approved a capacity development program for DMC and ADB water staff focused on knowledge management (KM) for water reforms. KM applications were developed for launch in 2005 to improve information and experience sharing.
Financing Issues	In 2004, RSDD launched a Financing Water program to address critical water financing issues. Specific initiatives to date included: advocacy package on tariff reform, pilot implementation of small piped water networks, and financing for small-scale piped networks.

The interim review also highlighted the need to revise the policy provision for large water resources projects that involve dams. The recommendation involved modifying the impractical requirement for all stakeholders to agree on the justification of large water resources projects with the provision that, "...stakeholders must be provided the opportunity to comment regarding the justification with their views considered. The ADB will promote the participation of government, civil society and other stakeholders in the country towards this end."

The review noted that while ADB should continue to pursue a cautious approach to projects involving dams, it is impractical to expect all stakeholders to agree on the justification for such projects. The Water Sector Committee 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. Water agencies, NGOs, and other interested stakeholders were invited to send their comments in 2004. The comments received were reviewed, and a revised proposal was submitted and approved by ADB's Management and Board of Directors in January 2005.

B. 2004-2005 Updated Analyses

ADB is conducting an update to the interim review analysis to include projects through 2004. The expanded study attempts to quantify outputs achieved under each of the seven key elements and 40 policy actions of the water policy. How many river basin organizations (RBOs) and national apex bodies have been formed? How many national water policies have been enacted? The study also includes efforts to strengthen the methodology and indicators used to assess policy implementation. ADB has produced two draft papers for the Review Panel's consideration.

C. Progress to Date on Comprehensive Review Modalities

▪ Consultations:

ADB expects to conduct five in-country consultations and up to two additional consultations on key topics to inform the comprehensive review. The schedule listed below has been coordinated with the Resident Missions, related regional events, and other ADB policy reviews planned for 2005.

The consultations will be scheduled in countries representing the five regions ADB serves and involve stakeholders from national and sub-national levels of government, elected representatives, civil society including NGOs and academe, private sector, the media, and other institutions involved in water sector related work. In selecting participants and outlining the agenda, ADB will strive for a balanced representation across geography, ethnicity, gender, and the main subsector and thematic areas outlined in ADB's work.

The consultations are expected to take place during the months of June to November 2005. The consultations are designed to generate feedback on policy implementation and other inputs to improve water operations, considering:

- experience in implementing the water policy
- achievements and lessons learned
- challenges and investment requirements
- opportunities and areas for improvement
- issues specific to the country and region that require attention

Review Panel members plan to participate in all the consultations, interacting with various stakeholder groups across the region.

The schedule to date for the consultations is listed below.

Table 1: Tentative Schedule for Consultations

Country	Regional Department	Proposed Dates
<i>In-country</i> ⁴		
Cambodia (Phnom Penh)	Mekong	23-24 June 2005
Fiji (Suva)	Pacific	9-10 August 2005
Indonesia (Jakarta)	SERD	25/27 August 2005
Kazakhstan (Almaty)	ECRD	15-16 September 2005
India (New Delhi)	SARD	28 September 2005
<i>Additional Consultations</i>		
ADB HQ (Manila)	Private Sector Consultation	18 October 2005
ADB HQ (Manila)	Civil Society Consultation	17-18 November 2005

- Additional Regional Events

Throughout the review process, ADB expects to participate in several water-related conferences and regional events to secure feedback through surveys circulated to stakeholders and conference participants and to share progress reports on the review.

- ADB Staff Workshops

ADB will organize in-house staff workshops and circulate surveys to elicit feedback from ADB's water operations directors and Water Sector Committee and Network staff members and consultants. ADB staff workshops and surveys aim to:

- review and respond to key findings and recommendations from the 2003 interim review
- outline the expanded scope of the 2005 comprehensive review
- secure feedback on ADB's performance and progress to address key water sector priorities

⁴ The consultation itself is a one-day exercise. The second day listed in the table is allotted for possible site visits for the Review Panel members present.

- identify benchmarks and criteria to measure ADB's progress in implementing the water policy
- identify key constraints facing water operations staff and ADB clients
- identify necessary resources or technical inputs to improve implementation of ADB's water policy
- identify priority investments and business opportunities that ADB should pursue in the next year.

In April 2005, more than 30 staff (WSN and water operations colleagues) attended the first ADB staff workshop to help launch the comprehensive review and address key issues raised during the 2003 interim review. A very short survey targeting the members of the Water Sector Network (WSN) and other water project staff has also been circulated and initial responses from approximately 30 staff members have been tabulated. This "5-Minute Pulse Check" was designed to gauge perceptions on performance, constraints, and lending that could boost ADB's water operations in the next year.

Among respondents, there is a general consensus that ADB is making modest gains to promote national water sector reforms, implement IWRM, foster regional cooperation, conservation, and governance. However, several respondents stressed the need to improve efforts to promote national water sector reforms and water conservation. Perceptions were somewhat aligned regarding key constraints facing water policy implementation as capacity development, water sector reforms, and financing issues all ranked high. Capacity development in the DMC's was identified as the greatest constraint facing ADB staff and clients in implementing the water policy.

- Client and Stakeholder Survey and Website

As mentioned earlier, ADB expects to participate in several regional events to secure feedback through surveys circulated to stakeholders and conference participants and to share progress reports on the review. A client and stakeholder survey is also available on line at <http://www.adb.org/Water/Policy/review-draft-paper.asp>. Throughout the review process this website will serve as a clearinghouse for information about the comprehensive review and feedback from ADB stakeholders.

D. External Studies Relevant to the Review

WaterAid is conducting a donor effectiveness study and preparing its NGO partners for constructive engagement in ADB's review process through discussion of the findings of their study. The review process could benefit in many ways from this partnership. As WaterAid outlines in its own concept papers, their effectiveness study should underscore the fact that ADB's policy implementation review is acknowledging independent evidence-based reviews and employing participatory approaches to NGO involvement in the Review process. WaterAid presented preliminary findings during the India in-country consultation in September 2005, and will present their final assessment during the civil society consultation taking place in November 2005.

ADB staff will also monitor and take part in relevant regional activities such as critical research studies or evaluations to inform and improve the review process. Importantly, ADB is preparing the second progress report on MDGs in Asia in coordination with UNDP and UNESCAP. ADB has also taken the lead in preparing a technical background paper specifically on water and the MDGs.

Appendix 5: Summary Objectives and Scope of the Comprehensive Review

A. OBJECTIVES:

- **Assess policy implementation performance:** assess performance of ADB and its clients and partners in implementing the policy and recommend how performance can be improved in key areas of policy implementation
- **Identify challenges, investment requirements, and new business opportunities for ADB in the water sector:** identify medium and longer-term water sector development challenges and investment requirements in the region, and opportunities for ADB to proactively respond to these needs
- **Determine capacities and constraints (institutional, financial, and human):** review typical institutional, financial and human capacities and resource constraints for policy implementation in the DMCs and within ADB, and recommend actions for further capacity building and resource mobilization
- **Advise ADB's management if the policy needs to be revised or supplemented:** outline the specific needs for revision and how the revisions should be accomplished.

B. SCOPE:

7 Key Areas Outlined in the Water Policy

- National Water Policies and Water Sector and Sub-sector Reforms
- Water Resource Management: Integrated management of water resources (IWRM)
- Water Service Delivery (both water supply and sanitation and irrigation and drainage)
- Water Conservation (increasing system efficiencies)
- Regional Cooperation (increasing the mutually beneficial use of shared water resources within and between countries)
- Participation and Partnerships (expanding participation and facilitating the exchange of water sector information and experience through partnerships)
- Governance and Capacity Building

11 Internal Drivers and Issues at ADB

- Investment partnerships with DMCs
- Internal water policy actions (development of skills mix, resources, use of available knowledge)
- Innovation and Efficiency Initiative
- Managing for Development Results Initiative
- Capacity Development Program
- Gender and Development Program
- Poverty Reduction Strategy (pro-poor sustainable growth, social development, good governance)
- NGO Framework: empowerment of and interactions with civil society
- Cooperation Fund for the Water Sector
- ADB's Financing Water Program
- Agenda for Change (from ADB Water Week 2004)

8 Broader Drivers and Issues

- Millennium Development Goals (MDGs)
- harmonization with MDBs and other donors
- dams and development (what is possible)
- public awareness and information
- knowledge management and partnerships
- private sector participation
- urban & rural linkages (balancing urban & rural development through water sector investments)
- disaster management with a pro-poor focus