

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.

- 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, Priorities and Process DMC and CSP	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? ADB aims to finish this updated assessment in time for discussion during the Review Panel's second work session scheduled 25-31 August in Bali, Indonesia.

C. Progress to Date on Comprehensive Review Modalities

- In-country Consultations:

ADB expects to conduct seven in-country consultations for 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 in-country 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 in-country consultations, interacting with various stakeholder groups across the region.

- Regional Events and Workshops

Throughout the review process, 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. In addition to attending regional events, ADB is working with PRC to organize Water Week 2005, tentatively scheduled for 17-19 October 2005. ADB also expects to organize a regional workshop at ADB HQ in Manila to learn from the in-country consultations and get further advice on key topics and themes.

The schedule to date for the regional and in-country consultations is listed below.

Table 1: Tentative Schedule for Regional and In-country Consultations

Country	Regional Department	Proposed Dates
In-country		
Cambodia (Phnom Penh)	Mekong	23-24 June 2005
Fiji (Suva)	Pacific	11-12 August 2005
Indonesia (Bali)	SERD	27 August 2005
Kazakhstan (Almaty)	ECRD	15-16 September 2005
India (New Dehli)	SARD	September TBD
PRC (Zhengzhou)	ECRD	21 October 2005
Philippines (Manila)	SERD	November TBD
Regional Events		
PRC	Proposed Water Week	17-21 October 2005
Philippines	Regional Workshop	17-18 November 2005

- 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
- 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

ADB has recently partnered with international NGO, WaterAid, which 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.

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. Moreover, ADB will take the lead in preparing a technical background paper specifically on water and the MDGs, which will be launched in August shortly before the second work session of the Review Panel.