



ADB's Water Policy Implementation Review

Asian Development Bank

BACKGROUND BRIEF FOR PARTICIPANTS OF THE IN-COUNTRY CONSULTATION IN INDONESIA

WATER for ALL

AUGUST 2005

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I. INTRODUCTION

The in-country consultation process is a key component of ADB's comprehensive review of water policy implementation. Seven in-country consultations throughout the region are planned to secure feedback from stakeholders in ADB's developing member countries (DMCs). The consultations are scheduled in countries representing the five regions ADB serves and involve stakeholders from national and sub-national levels of government, civil society including NGOs and academe, private sector, the media, and other stakeholders involved in water sector related work. The in-country consultation for Indonesia will take place in Jakarta, Indonesia 25 August, 2005. This consultation brief provides background information on ADB's water policy and review processes, outlines the agenda and focus for the in-country consultations, and provides a brief summary of ADB water operations and progress in Indonesia.

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 goals outlined in 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 in the future.

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

The comprehensive review has four core objectives:

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

As outlined in the fourth 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 progress and experience in 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 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, knowledge sharing through partnerships, and governance.

The review panel consists of three leading experts from ADB's developing member countries (DMCs), and senior representatives from NGO, private sector, and bilateral donor communities. The Special UN Ambassador for Millennium Development Goals in the Asia and the Pacific region, 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. Review Design

Key Components and Methodology

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 in-country consultations, regional workshops, 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

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>.

The review process will benefit from 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 share during the second Review Panel meeting in August 2005. The Review Panel and its Special Advisers report to ADB Management through the Director General of ADB's Regional and Sustainable Development Department (RSDD).

Scope

The review will focus on the three key areas highlighted in ADB's water policy (water sector reforms, water resource management, and water service delivery), and the four cross-cutting issues (resource conservation, regional cooperation, knowledge sharing through partnerships, and governance). In addition to the seven key areas outlined in ADB's water policy, the comprehensive review will also consider a number of key internal and external issues and drivers relevant to implementing ADB's water policy and strengthening efforts to address the region's water sector needs:

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)

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

D. Timeline and Expected Outputs

The review of ADB's water policy implementation is expected to span seven months and will produce a Panel Report and recommendations to ADB Management in December 2005.

The Review Panel will meet three times over the course of the review to examine various inputs, discuss stakeholder feedback, and prepare the Panel Report. The second meeting is expected to take place in Indonesia in late August in conjunction with the Indonesia in-country consultation and 2nd Southeast Asia Water Forum (29 August to 3 September). During the second session, Special Advisers to the panel are expected to present papers on key topics, and the Review Panel will finalize the outline of the Panel Report, which will be drafted for discussion at the regional consultation and final staff workshops planned for November. The final meeting of the review panel will take place in early December 2005 at ADB HQ 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.

III. IN-COUNTRY CONSULTATIONS

A. Objectives and Process

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

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

Country	Regional Department	Proposed Dates
<i>In-country</i>		
Cambodia (Phnom Penh)	Mekong	23-24 June 2005
Fiji (Suva)	Pacific	9 August 2005
Indonesia (Jakarta)	SERD	25 August 2005
Kazakhstan (Almaty)	ECRD	15-16 September 2005
India (New Delhi)	SARD	28-29 September 2005
PRC (Zhengzhou)	ECRD	21 October 2005
Philippines (Manila)	SERD	October/November TBD
<i>Regional Events</i>		
PRC	Proposed Water Week	17-21 October 2005
Philippines	Regional Workshop	17-18 November 2005

Each consultation includes an opening program featuring remarks by representatives from the appropriate government ministries, regional bodies, ADB's resident mission, and other representatives as coordinated through the resident mission. Other key components include a film introducing the water policy, overview presentations on ADB's review processes, innovative project presentations, multi-stakeholder dialogue, surveys, individual and group work, and site visits for the Review Panel member present. Individual and group exercises during the consultation include two surveys, breakout group exercises, and plenary discussions.

B. Key Questions and Focus of Consultations

Through individual and group work, participants are asked to provide their assessment of ADB's water policy implementation, highlighting progress, remaining challenges and constraints, and required actions to improve performance in key areas outlined in the policy: water sector reforms, integrated water resources management, and water services delivery both in water supply and sanitation and irrigation and drainage. Participants are also asked to recommend necessary investments and new opportunities that ADB should pursue in the short and medium-term to improve water sector operations. Questions focus on issues of coverage and efficiency, capacities and sustainability, as well as affordability, access, participatory practices, and social and environmental concerns.

Stakeholder Surveys: Performance, Investment Priorities and Partnerships³

During the consultation, participants will be asked to contribute their views through two surveys focused on performance, investment priorities, and partnerships.

The Client Stakeholder Survey contains questions focused on ADB's performance, progress in the DMCs, and recommendations on investment priorities and partnerships. Related to the final question in the Client Stakeholder Survey, the NGO Center Questionnaire seeks input about partnerships and regional cooperation to help improve ADB's Cooperation Framework. This Framework aims to guide ADB's efforts to strengthen cooperation between ADB, NGOs, and the governments of ADB's developing member countries (DMCs).

Single-stakeholder Breakout Groups: Investment Priorities, Community Ownership, and Partnerships

Drawing on individual survey responses, the single-stakeholder breakout group exercise will focus on the following three questions:

- 1) INVESTMENT PRIORITIES: Where should ADB concentrate its water investments over the next 5 years in your country? What should be included in ADB's water investment packages in your country?
- 2) COMMUNITY OWNERSHIP/SUSTAINABILITY: What strategies would be the most effective in promoting community ownership of water infrastructure and services in poor rural areas in your country?
- 3) PARTNERSHIPS: Which groups or organizations should ADB partner with in the next 5 years in your country? (advocacy and reform, co-financing, knowledge sharing, capacity-building)

For the single-stakeholder breakout group exercise, participants will be divided into three groups: 1) government and private sector, 2) NGOs and academe and 3) international organizations and project resource persons. Each group will address three questions and prioritize the group's top answers to each question. Each group will designate a recorder during the group work and a reporter for the

³ Both surveys are included in Appendix 5.

plenary discussion. The duration of this exercise is expected to be an hour and 45 minutes: 60 minutes for group work and 45 minutes for plenary discussion.

Multi-stakeholder Breakout Groups: Innovations and Progress, Challenges and Constraints, Actions and Opportunities

For the multi-stakeholder breakout group exercise, participants will be divided into four groups to consider four different topics. Within each group, participants will respond individually to three questions on color-coded cards. Each group will prioritize the group's top answers to each question. Each group will designate a group leader/reporter and a recorder. The group leader/reporter will work closely with the consultation facilitators to handle the group work and report the groups' outputs in the plenary session. The exercise is expected to take one hour and 45 minutes: 60 minutes for group work and 45 minutes for plenary discussion.

Each participant will receive three note cards per question to record multiple responses to the same question (9 cards total). Participants will be asked to record one idea per card. Note cards containing individual responses will be collected for documentation and future reference. Listing participants' names or organizational affiliations on the note cards is optional. However, we ask that you indicate your primary stakeholder group affiliation: NGO, government, international organization, academe, private sector, or project resource person.

There will be a sign up sheet at registration for participants to select in which group they prefer to participate. Based on the final number of consultation participants, each group is expected to have no fewer than nine participants and no more than fifteen participants.

▪ **Group 1: National Water Policies and Water Sector and Sub-sector Reforms**

1. PROGRESS: What key improvements have resulted from the implementation of national water policy, legal, and institutional reforms in your country? What progress has been made to strengthen the coordination, institutional capacities, and participatory practices of the agencies and institutions charged with governance of the water sector in your country?
2. CHALLENGES/CONSTRAINTS: What challenges or constraints remain in the way of improving water governance at the national and sector and sub-sector levels?
3. REQUIRED ACTIONS: What water sector reforms are still necessary to build capacities, address constraints, and improve governance in your country? What should ADB do to help?

▪ **Group 2: Water Resources Management**

1. PROGRESS: What progress has been made to develop river basin organizations (RBOs) and to pilot a river basin approach to implementing integrated water resources management (IWRM) in your country? What improvements have been made (good practices) to acknowledge social and environmental concerns in water resources projects in your country?
2. CHALLENGES/CONSTRAINTS: What challenges or constraints remain in the way of improving water resources development and management and addressing social and environmental concerns in water resource projects in your country?
3. REQUIRED ACTIONS: What actions must be taken in the next five years to improve water resources development and management (including addressing social and environmental concerns) in your country and what can ADB do to help?

▪ **Group 3: Water Service Delivery (Irrigation and Drainage)**

1. PROGRESS: What progress has been made to improve coverage and increase efficiencies in water service delivery in your country? What reforms have been implemented to improve the quality and sustainability of water service delivery in your country? What progress has been made to address affordability and access?

2. CHALLENGES/CONSTRAINTS: What challenges or constraints remain in the way of improving water service delivery in your country?

3. REQUIRED ACTIONS: What actions must be taken in the next five years to expand and improve water service delivery your country and what can ADB do to help?

▪ **Group 4: Water Service Delivery (Water Supply and Sanitation)**

1. PROGRESS: What progress has been made to improve coverage and increase efficiencies in water service delivery in your country? What reforms have been implemented to improve the quality and sustainability of water service delivery in your country? What progress has been made to address affordability and access?

2. CHALLENGES/CONSTRAINTS: What challenges or constraints remain in the way of improving water service delivery in your country?

3. REQUIRED ACTIONS: What actions must be taken in the next five years to expand and improve water service delivery your country and what can ADB do to help?

In addition to answering the survey questions and breakout group questions, participants are also given the opportunity to identify and express any pressing concerns that were not covered in any of the consultation exercises. A form to record additional concerns and feedback will be included in the consultation seminar kit with the consultation evaluation.

Expected Outputs From Consultation Process

Each consultation is expected to produce the following outputs:

- Participants' assessment of ADB's water policy implementation and progress
- Participants' identification of key challenges, constraints, investment and capacity building requirements, and new opportunities that ADB should pursue in the short and medium term
- A summary report of the consultation reflecting participants' views and comments

IV. SUMMARY OF ADB WATER OPERATIONS AND PROGRESS IN INDONESIA

A. Country Strategy and Programs (CSP) and ADB Projects

The CSP and ADB Projects

The Country Strategy and Program (CSP) integrates the country operational strategy and country assistance plan processes and documents. Anchored on strong poverty, economic, social, and sector analyses, the CSP is prepared once every five years with developing member countries' (DMCs) active participation through consultation with the government and other stakeholders -- civil society, NGOs, the private sector, and other aid agencies. Currently, a CSP update is prepared every year

taking into account the continued relevance of the CSP, its implementation, and its operational program for the next three years. Recent efforts to implement a more “results-based” approach to country programming have more closely aligned ADB’s strategy and programs with the DMC’s own development plan and included benchmarks to measure results in terms of NDP objectives and targets.

Importantly, the CSP:

- defines ADB’s medium-term development strategy in agreement with DMCs
- identifies ADB’s role and focus on poverty
- outlines DMCs’ priorities
- determines ADB’s country-specific poverty reduction strategy, thematic, and sector priorities
- focuses on results, measured by DMCs own benchmarks in line with ADB’s Managing for Development Results Initiative

In line with the country’s CSP, ADB provides financing for projects that will effectively contribute to the economic and social development of the country concerned and have the strongest poverty reduction impact in conformity with the country and ADB strategies. Project identification may require the help of outside experts, especially in the smaller and less developed DMCs. If so, ADB can provide technical assistance to help a country identify and prepare a project for possible financing.

In assessing projects, ADB pays specific attention to the:

- economic viability, technical feasibility, and financial soundness of projects
- effect on development activity in the country concerned
- contribution to removing economic bottlenecks
- capacity of the borrowing country to service additional external debts
- introduction of new technologies to raise productivity
- expansion of job opportunities
- strengthening of institutions along the criteria of good governance
- integration of environmental and social considerations into ADB projects

Indonesia’s CSP and ADB Projects in the Water Sector in Brief

Indonesia’s current CSP emphasizes the need to manage the country’s natural resources with a focus on capacity building, sustainability, and economic development, in order to combat poverty. With regard to water resources, the CSP proposes policies focused on developing coastal, fishery, and marine resources with provisions for livelihood support to the rural poor. With the goal of improving water service delivery and community health and sanitation, the CSP outlines support for autonomous service providers, private sector participation, and expanded services for the poor.

Indonesia is currently updating its CSP. The proposed update to the CSP will focus on supporting the Government’s priority of higher quality economic growth resulting in job creation, and will selectively address five constraints: (i) infrastructure, (ii) decentralization, (iii) regional disparities, (iv) natural resource management, and (v) financial sector concerns. Under decentralization, the provision of minimum service standards in, among others, water supply and sanitation will be supported; rural infrastructure development will help reduce regional disparities, and water resources management and marine and coastal resources management will be the pillars under natural resources management.

In the years to come, two themes will dominate ADB’s environmental assistance: (i) mitigation of environmental degradation and (ii) improvement of natural resource management. The first will involve, where possible, restoring degraded resources and reducing pollution. Both will require

strengthening governance, clarifying the policy and regulatory frameworks for sustainable management of marine and fishery resources, enforcing laws, and building capacity for decentralized management of resources.

Aligned with Indonesia's CSP and ADB's overarching environmental strategy, ADB water-related projects broadly support improved governance for institutional development, capacity building and participation, and environmental monitoring and rehabilitation.⁴

- Improving Governance and Institutional Development

ADB will continue to help establish policy and regulatory frameworks to manage water resources, strengthen sectoral institutions at national and regional levels, and foster integrated water resource management and interlinked investments within river basins for multi-sectoral uses and flood management.

Marine and coastal resource management projects will adopt an integrated approach to rehabilitation and protection of coastal ecosystems. Projects will aim to (i) reduce fishing to regenerate fish stock and protect biodiversity, (ii) improve social services and provide alternative livelihood for participating coastal communities, and (iii) promote water conservation and system efficiencies through appropriate charges and regulation and increasing public awareness of the problems.

With the expected completion of the marine and coastal resources sector assessment in 2005, ADB will continue to strengthen its work on coastal fisheries, marine resources management, and aquaculture development. Public hearings are now being conducted on a coastal resources management law. ADB plans to support the implementation of this law, particularly with respect to strengthening regional government capacity in sustainable development of marine and coastal resources.

In response to recent large-scale floods, the Government with ADB's support is moving toward a more integrated river basin management approach to river basin and flood management. Proposed pipeline projects include a holistic approach to efficient water utilization and management on Indonesia's most important river basin, the Citarum, and a project focusing on flood management in three selected water basins on the island of Java.

Assistance will be provided for water conservation and improvement of efficiency in irrigation systems through interventions that promote a participatory approach to development and management of the systems, reduce government subsidy in system maintenance, and improve sustainability. The strategy will support Government initiatives to improve and expand water delivery services, establish autonomous and accountable service providers, and promote private sector participation.

ADB has provided advisory assistance for improving the regulatory framework for water and wastewater enterprises, and for the reform of water enterprises, which is complemented by relevant loan projects. The proposed loan Water Supply and Sanitation Project will address major water utility reform issues, including improvement of technical, managerial, operational, financial, and institutional deficiencies, which hamper improved service delivery of the water utilities.

- Promoting Local Participation and Regional Cooperation

ADB recognizes that the poor require assistance to protect themselves from pollution, often live in areas prone to flooding or landslides, and lack adequate sanitation and clean water. Indonesia's CSP advocates that people at the local level be involved in decision making and outlines ADB's role in

⁴ A complete list of water-related projects in Indonesia is included in Appendix 6.

promoting community and civil society participation in resource assessment, allocation, and use. Capacity building of sectoral agencies and local governments for environmental protection and natural resource management will be an important element of many ADB projects, with the understanding that if governance is not strengthened, improved administrative capacity is unlikely to have much impact. ADB also recognizes that regional cooperation must also be strengthened to help address and mitigate cross-border environmental problems.

- Monitoring Environmental Impacts and Overall Performance

ADB's environmental strategy for Indonesia is anchored on the core objective of mainstreaming sound environmental management in all development activities across sectors. Strategic thrusts will thus be to (i) integrate environmental concerns in development policies, regulatory measures, and institutional reforms; (ii) establish environmental performance criteria; (iii) establish market-based instruments and incentives for resource conservation and environmental protection; and (iv) enforce laws.

Importantly, ADB projects with possible adverse impacts will be carefully designed and monitored. Moreover, environmental concerns will be mainstreamed into all projects in the pipeline that could have implications for the environment. Through its efforts, ADB will monitor and aim to achieve the following outcomes: improved freshwater availability, reduced economic losses due to floods, and improved coastal environment, better reef quality and larger stock of fish and other marine resources.

Medium-term sector performance will be monitored in the following areas: (i) participation of local communities in natural resource management; (ii) annual expenditures on environment-related activities; (iii) water quality of major rivers and coastal zones; (iv) marine parks or sanctuaries; and (iv) restored forest and coastal lands. Mainstreaming of environmental concerns in ADB projects will be monitored on the basis of project data.

- Providing Emergency Assistance and Sustainability

In addition to ADB's planned projects, ADB has also provided emergency technical assistance and support to address issues associated with the tsunami that struck Southeast Asia in December 2004. Through its Community Water Services and Health Project, ADB will provide clean water and sanitation facilities to about 1,500 communities of rural Indonesia, including tsunami affected areas. This project will target 1,000 communities in 20 districts in the provinces of West and Central Kalimantan, Jambi, and Bengkulu, where the project will provide about 1.2 million people with safe drinking water and about half of these with improved sanitation.

An additional five districts consisting of 500 communities in Aceh and Nias-North Sumatra affected by the December 2004 earthquake and tsunami disaster will be covered under a complementary emergency assistance grant package.

This project will give local governments the capacity to plan sustainable investments. It will also provide advocacy and awareness training among the communities to build capacity for them to operate and maintain new water and sanitation facilities that will be built through the project. To maximize the health impact of the project investments, the project will finance hygiene promotion at schools, religious facilities, and in communities.

B. Brief Summary of Progress in Priority Areas Outlined in ADB's Water Policy

Decentralization in Indonesia provides an uncertain environment for developments in the water sector. There have been large investments in water sector reform in recent years and good progress has been made in some areas, but sustained implementation of reforms have been more difficult to

achieve, and results slow to materialize. Indonesia's leadership in river basin management provides a promising foundation for future change.

1. Water Policy and Sector Reforms

The Government prepared and approved the National Water Resources Policy (NWRP) in December 2001. NWRP provides a framework to coordinate water resource development and management at national and regional levels and recommends integrated water resource management within a river basin to meet multi-sectoral demands and needs. The successful implementation of NWRP will require strengthening the national and regional sectoral institutions and the legal judicial system. In February 2004, a new Indonesia Water Law (Law No. 7/2004) was approved by the House of Representatives. The law ignited protests from farmer organizations, the urban poor consortium, student movements, religious groups, the indigenous peoples' alliance, and environmentalists. WALHI/FoE Indonesia with 15 other organizations filed a lawsuit against the law in the constitutional court in June 2004 and eight hearings were held between November 2004 and March 2005. Key concerns included water privatization and affordable access for the public to water resources. In July 2005, the Indonesian Constitutional Court rejected the lawsuit and moved forward to implement draft regulations to implement the new law. The Water Coalition which initially filed the suit will monitor the processes of drafting the ancillary regulations to implement the law and implementation of the law itself.

2. Water Resource Management

The State Policy Guidelines dictate that natural resources should be managed to ensure that their carrying capacity is preserved for the welfare of present and future generations, and to protect the national wealth of biodiversity. The guidelines require enacting legislation to gradually delegate authority for managing natural resources to the local level. The guidelines give special attention to the empowerment of local communities and traditional and nongovernmental institutions for natural resource management. PROPENAS builds on the Guidelines, requiring transparency in the allocation and management of natural resources, and increased community participation in decision making.

Presidential Decree No. 9 of 14 January 1999 created a nine-member inter-ministerial coordination team for river utilization use and sustainable watershed management. A Presidential Decree of 5 December 2001 reconstituted this team with the coordinating minister for the economy as the chairperson, the state minister for national planning as vice chairperson, and the minister for public works as chairperson for routine meetings. This coordinating team is viewed as the forerunner of a national water resources council to be established under the new water law. The water law provides for the inclusion of nongovernmental representatives and other stakeholders in the national water resources council.

A number of government regulations and ministerial decisions or decrees need to be replaced and existing legislation must be revised in support of the national water resources policy. A number of government regulations and decrees have been prepared with ADB's support⁵ and will be processed once effectiveness of the new water law takes effect. These cover: irrigation management, irrigation commissions, water resources management, river management, swamp development, groundwater management, watershed management, clean water management (for water supply), establishment of a river basin corporation establishment, financing of the river basin corporation financing, water use rights, stakeholder participation, and strengthening existing of the river basins of Brantas and Citarum.

Water resources and infrastructure management at the river basin scale (Brantas and Citarum Rivers) and flood mitigation are widely regarded as a success in Indonesia, and steps are being taken to

⁵ *Loan to the Republic of Government Indonesia for the Capacity Building Project in Water Resources Development*. Manila (Loan No. 1339-INO, for \$27.71 million, approved on 6 December 1994).

extend them to basin level organizations. Many other aspects of iWRM and the management of catchments/land cover and wetlands have been less successful, including the provision of basic information on water resources, establishment of mechanisms for water allocation, and the management of pollution, sedimentation and water quality.

3. *Water Service Delivery*

Water services largely are provided and managed by various levels of government; government-owned utilities have limited autonomy or accountability. Service levels and coverage tend to be low, and reliance on central funding for O&M and investment has led to the deterioration and disrepair of much infrastructure. Some efforts are being made to transfer responsibility to beneficiaries, but success is slow in coming. There is limited private sector engagement, except that many irrigation schemes are operated by the farmers themselves.

Although Indonesia has made progress in providing water and sanitation to its people, standards remain below those of its neighboring Southeast Asian countries. Only about 15% of rural households and just 13% of poorest households obtained drinking water from pipe or pump sources in 2002, according to a Government survey. The great majority rely on shallow groundwater abstraction, rainwater collection, or use of water from nearby rivers or springs. Inadequate access to clean water and sanitation facilities combined with poor hygiene have resulted in high rates of diseases such as diarrhea, intestinal worms, skin diseases, and other water-related disease such as malaria and dengue. Poor people in remote rural areas, particularly women, children, and the elderly, comprise affected populations.

The Government's National Policy for the Development of Community-Managed Water Supply and Environmental Sanitation Facilities and Services highlights the need for a demand-responsive approach to rural water supply and sanitation. The policy is being implemented in several pilot provinces and districts since 2004. In addition, the Government is currently finalizing the complementary policy for institutionally-based water supply and sanitation, which is supposed to be adopted by the end of the year.

C. Key Issues Facing Indonesia's Water Sector

The key issues affecting Indonesia's water sector are (i) inadequate policy, legislative and regulatory frameworks, (ii) weak land and water resource management due to recent decentralization and corruption, (iii) Increasing competition for water for agricultural, urban, and industrial uses, which has resulted in over-exploitation of resources, resource depletion, and environmental degradation, deterioration of water quality and watersheds, (iv) vulnerability to natural disasters e.g. tsunamis and recurring severe floods in Java and Sumatra, (v) low service coverage with piped water supply, (vi) financially unsustainable water supply services, and (vii) lack of sanitation services.

1. Inadequate Policy, Legislative and Regulatory Framework

Overall, there is a lack of capacity in the regulatory framework to police polluters and those overexploiting natural resources e.g. fishing. In urban and industrial areas, lack of effective treatment facilities and lax enforcement of regulations have resulted in heavy and increasing water pollution. Efforts of ADB to protect water resources in Bandung illustrate the difficulties of environmental protection. ADB supported the construction and operation of a waste treatment facility in the heart of the heavily polluting textile industry. Although properly constructed and staffed, the facility operates well under capacity. Due to lack of provisions for enforcement in the regulatory environment and weakness in the judicial system, even near-by plants do not always treat their wastes.

2. Weak Land and Water Resource Management: Institutional Capacity and Decentralization

Decentralization has greatly hindered resolving environmental problems. While an increased sense of ownership at local levels is beneficial in the long run, under the current policy, regional governments have little incentive or capacity to manage environmental resources. New approaches are needed, such as utilizing market-based instruments and incorporating civil-society participation in policymaking. Progress will require increased funding—in the past decade Indonesia spent less than 0.5% of GDP annually on the environment—as well as a reversal of tax and subsidy policies that encourage unsustainable choices. More money, however, will be of little use unless the legal and judicial system allows enforcement of rules and regulations that protect and manage environmental resources.

The ongoing administrative and fiscal decentralization provides opportunities for increased local participation in development activities and increased transparency in resource allocation and management. However, if the related policy and institutional issues are not addressed and capacities of the local governments and sectoral agencies for implementing a sustainable development program are not enhanced, resource management may continue to deteriorate.

Implementation issues in recent years reflect economic difficulties and evolving administrative and fiscal decentralization. These issues are common to many sectors. Problems include lack of clarity in the interim arrangements for sharing institutional and fiscal responsibilities by national, provincial, and district governments; delays in the procurement of goods and services; and delays in approving project budgets and releasing funds. While the participatory approach to development has been accepted in principle by most of the agencies in the natural resource sector, change within them has been slow, and institutional capacity is lacking at local levels, within government and non-government institutions, to mobilize local communities to participate in development activities.

3. Increasing Competition for Natural Resource Use: Exploitation and Environmental Degradation

Indonesia's rich and unique natural resources are significant assets. Arguably, the country's forests and marine and coastal resources are of global importance because of their rich biological diversity. However, all resources—water, marine and coastal resources, forests, and land—are under severe stress. Decades of inadequate management and overexploitation have caused resource depletion and environmental degradation. The potential of the vast resource base to support growth in a sustainable fashion is at risk as a result of this continued exploitation and mismanagement.

The forests, marine, water, and soil resources, and urban air quality are all deteriorating. Environmental degradation has extensively affected coral reefs, which have been further damaged by global warming and associated coral bleaching. Less than half the important coral reefs are in good condition as a result of cyanide and blast fishing, coral mining, sedimentation, and pollution. Since coral reefs are habitats of some 90% of the fish caught in the coastal areas, their degradation has considerably affected the livelihood of artisan fishers. Moreover, their deterioration will further undermine the stock of fish and marine life, already under pressure from inappropriate and excessive fishing.

The marine and fishery resources of the world's largest archipelago also remain undeveloped. Indonesia trails far behind Thailand and the Philippines in the production, processing, and exporting of marine and aquatic products, partly due to inadequate attention to the sector in the past and largely to the lack of technology, management, and financial support; weak law enforcement; and over fishing and environmental degradation in coastal zones.

Environmental problems and priorities are correlated with the geographical pattern of development. Improving water resource management to meet multi-sectoral demands, restoring degraded coastal resources, improving sanitation and solid waste management, and controlling vehicle emissions and industrial and urban pollution are the priorities on the densely populated and industrialized inner

islands. On the outer islands, the main environmental issues concern the sustainable use of forests, marine, and other resources; and conservation of biodiversity.

These regional challenges underscore the need to integrate regional, social, and environmental considerations into economic decision making, and to evolve appropriate regional environmental management strategies to address increasing competition for resources, including appropriate pricing of resources, improvement of livelihood of families dependent on depleted resources, effective regulation, and local capacity building. While resources are still substantial and the economy will remain dependent on natural resources in the short term, unsustainable management of these resources will continue to aggravate environmental degradation and adversely affect the livelihood of many people, particularly the poor.

4. Vulnerability to Natural Disasters: Severe Flooding, Earthquakes and Tsunamis

Indonesia remains vulnerable to natural disasters. Severe flooding continues to plague Java and Sumatra. The earthquake and tsunami that hit the Indian Ocean on 26 December 2004 devastated the province of Aceh and some coastal areas of the province of North Sumatra. The death toll reached 130,000 and more than 500,000 people were displaced. Environmental and economic losses were estimated at \$4 to \$5 billion, roughly equivalent to the country's GDP. The Indonesian Government in partnership with the international community is still attempting to recover losses and reconstruction efforts continue.

5. Low Service Coverage with Piped Water Supply

Most urban public enterprises, which are tasked to provide basic services to urban dwellers, are in crisis, notably local water utilities. Many of the more than 300 water utilities (PDAMs) throughout Indonesia are barely able to provide minimum services to consumers and have connected only about 39% of the urban population to piped water supply. The large number of PDAMs is a concern, because many are too small to be ever sustainable.

6. Financing of Water Supply Services is Unsustainable

Widespread lack of cost recovery tariffs, compounded by a low level of revenue collection, results in reduced maintenance and investment capacity, deteriorating assets, and low service coverage and quality, all of which have a major impact on economic development, health, and well-being of the urban population. Most of the PDAMs are heavily indebted, with many of the loans in arrears. The bulk of finance for the urgently needed improvements will have to come from cash generated by the PDAMs, and from improved financial management and borrowing capacity of regional governments.

7. Lack of Sanitation Services

Poor sanitation services are the cause of severe urban pollution, with impact on public health and well being of the population. The high incidence of waterborne diseases is a potent indicator of the problems in the sector. Formal sewerage systems in Indonesia have been constructed in selected areas of a few large cities; but planned benefits of these systems have not been realized. Most are under-utilized and under funded, and generally the whole sanitation sector is virtually unmanaged. Overall sewerage coverage is about 3% of the urban population. The vast majority of citizens rely on on-site sanitation (e.g. septic tanks, and pit latrines); many other low-income families rely on grossly polluted drains and urban waterways. A large proportion of solid waste is discharged to city watercourses – rivers, canals, and drainage channels that should be subject of a general “clean up”.

V. FOR MORE INFORMATION ABOUT THE REVIEW AND THE IN-COUNTRY CONSULTATIONS:

Throughout the course of the review, the Lead Facilitator, ADB Water Policy Implementation Review, will oversee and manage all activities to monitor progress and to ensure that the review is completed on schedule. A Meeting Facilitator has also been enlisted to help organize and conduct the in-country consultations. Their contact information is as follows:

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

Appendix 1: Agenda for the In-country Consultation

ADB's WATER POLICY IMPLEMENTATION REVIEW IN-COUNTRY CONSULTATION FOR INDONESIA Shangri-la Hotel Jakarta, Indonesia 25 August 2005

DRAFT Agenda

Introductions and Overviews

- 8:00 – 8:30 Coffee and Registration
- 8:30 – 9:30 Welcome and Opening Remarks
Director, Indonesian Resident Mission (IRM ADB)
Anton Soedjarwo, Executive Director, Dian Desa Foundation
- Keynote Speech
H.E. Djoko Kirmanto, Minister of Public Works, Ministry of Public Works
- 9:30 – 9:45 Introduction of ADB's Water Policy: (film viewing)
Water for All: The Power to Change People's Lives
- 9:45 – 10:00 Overview of Comprehensive Review of ADB's Water Policy Implementation
Kathryn E. Nelson, Lead Facilitator, Water Policy Implementation Review, ADB
- Introduction of Consultation Agenda, Ground Rules, and Participants
Jean C. Laguerder, Meeting Facilitator, Water Policy Implementation Review, ADB
- 10:00 - 10:15 Questions
- 10:15 - 10:30 TEA BREAK
- 10:30 – 10:45 Overview of ADB's Water Policy
Wouter Lincklaen Arriens, Lead Water Resources Specialist, ADB
- 10:45 – 11:30 Indonesia's Water Sector and Innovative Water Projects
Introduced by Almud Weitz, Water Sector Specialist, IRM ADB
- South Java Flood Control Project
Sugianto, Project Director
- Community Water Services and Health Program
Djoko Wartono, Project Director
- Conflict Resolution in Water Management through the Establishment of the Ranca Salada Spring Commission
Safri Salim, Team Leader, L.P.3ES
- 11:30 – 11:45 Questions
- 11:45 – 12:15 Surveys: Performance, Investment Priorities, and Partnerships
- 12:15 – 1:30 LUNCH

Facilitated Exercises and Discussions to Secure Feedback on Water Policy Implementation

- 1:30 – 2:30 Single-stakeholder Breakout Groups: Discussion of Survey Responses
Investment Priorities, Community Ownership, and Partnerships
- Group 1: Government and Private Sector
 Group 2: NGOs and Academe
 Group 3: International Organizations and Project Resource Persons
- 2:30 – 3:00 Report Out from Breakout Groups and Discussion
- 3:00 – 3:15 TEA BREAK
- 3:15 – 4:15 Multi-stakeholder Breakout Groups: Innovations and Progress, Challenges and
Constraints, Required Actions and Opportunities
- Group 1: Water Sector Reforms
 Group 2: Water Resource Management
 Group 3: Water Service Delivery (Irrigation and Drainage)
 Group 4: Water Service Delivery (Water Supply and Sanitation)
- 4:15 – 5:00 Report Out from Breakout Groups and Discussion
- 5:00 – 5:30 Participants' Reflections and Closing Remarks
- 5:00 – 5:30 Wrap up and Next Steps
Kathryn E. Nelson
- 6:00 – 8:00 DRINKS AND DINNER
Hosted by Ramesh Subramaniam, Principal Economist and OIC, IRM

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: Summary Timeline of Key Events

Month	Major Activities (dates)
2005	
January-March	<p>PLANNING AND INCEPTION PHASE:</p> <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 (1.5 days) (23-24)
July	
August	<ul style="list-style-type: none"> In-country Consultation #2: Suva, FIJI (1 day) (9) Review Panel Work Session #2: Jakarta/Nusa Dua, Indonesia (4 days) (26, 27, 30-31) In-country Consultation #3: Jakarta, INDONESIA (1 day) (25) 2nd Southeast Asia Water Forum in Nusa Dua, Indonesia (29-2)
September	<ul style="list-style-type: none"> In-country Consultation #4: Almaty, KAZAKHSTAN (1.5 days) (15-16) In-country Consultation #5: New Delhi, INDIA (1.5 days) (28-29)
October	<ul style="list-style-type: none"> In-country Consultation #7: Manila, PHILIPPINES (1 day) (10 or 13 TBD) ADB-PRC Water Week and 2nd International Yellow River Forum, Zhengzhou, PRC (17-21) In-country Consultation #6: Zhengzhou, PRC (1 day) (21)
November	<ul style="list-style-type: none"> Regional Consultation at ADB HQ (2-day) (17-18) ADB Staff Workshop #2 at ADB HQ (one-day) (25 TBD)
December	<ul style="list-style-type: none"> FINAL Review Panel Work Session #3: ADB HQ (1-6)
2006	
January	<p>FINAL STEPS OF REVIEW PROCESS:</p> <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

▪ 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 17-21 October 2005. ADB also expects to organize a regional workshop at ADB HQ in Manila in November 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
<i>In-country</i>		
Cambodia (Phnom Penh)	Mekong	23-24 June 2005
Fiji (Suva)	Pacific	9 August 2005
Indonesia (Jakarta)	SERD	25 August 2005
Kazakhstan (Almaty)	ECRD	15-16 September 2005
India (New Delhi)	SARD	28-29 September
PRC (Zhengzhou)	ECRD	21 October 2005
Philippines (Manila)	SERD	October/November TBD
<i>Regional Events</i>		
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

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 will present preliminary findings during the India in-country consultation in September 2005, as well as during the regional 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 5a: Client and Stakeholder Survey

ADB Water Policy Implementation Review

Client and Stakeholder Survey
2005

Date						
Name (optional)		Age		Gender	<input type="checkbox"/> Male	<input type="checkbox"/> Female
Position		Organization				
Country		Email Address				

My Organization:

- Central Government
- Sub-National Government (Region/State/District/Local)
- International NGO/Civil Society Organization
- National NGO/Civil Society Organization
- Local NGO/Civil Society Organization
- Trade Union
- Private Sector/Business Association
- Private Citizen
- Multilateral/Intergovernmental Agency
- University/Educational Institution
- Research Institute/"Think Tank"
- Other (specify): _____

My Work:

- Water resources management
- Urban water supply & sanitation
- Rural water supply & sanitation
- Bulk water supply
- Irrigation & drainage
- Hydropower
- Flood management & urban drainage
- Disaster response & mitigation
- Watershed management
- Environment improvement
- Wastewater control & treatment
- Marine & coastal management
- Others (specify: related field in health, education, environment, public governance)

Please take 10 minutes to answer the following 7 questions. Your response refers to:

- Asia Pacific Region, OR
- Specific Country: _____

1. **ADB's water policy aims to support its clients in the Asia Pacific region in the following seven areas. In which of these has progress been highest?** *Please select up to 3 areas where progress has been highest.*

- | | |
|--|--|
| <ul style="list-style-type: none"> <input type="checkbox"/> National water sector reforms <input type="checkbox"/> Integrated water resources management <input type="checkbox"/> Expansion and improvement of water services <input type="checkbox"/> Water conservation and water use efficiency | <ul style="list-style-type: none"> <input type="checkbox"/> Regional cooperation <input type="checkbox"/> Stakeholder consultation and participation <input type="checkbox"/> Good governance and capacity building |
|--|--|

2. **Where should ADB concentrate its water investments over the next 5 years (through 2010)?** *Please select up to 3 areas for priority investments.*

- | | |
|--|--|
| <ul style="list-style-type: none"> <input type="checkbox"/> Urban water supply <input type="checkbox"/> Rural water supply <input type="checkbox"/> Sanitation <input type="checkbox"/> Wastewater management <input type="checkbox"/> Integrated water resources management in river basins (IWRM) <input type="checkbox"/> Irrigation and drainage | <ul style="list-style-type: none"> <input type="checkbox"/> Flood management <input type="checkbox"/> Hydropower <input type="checkbox"/> Transboundary rivers management <input type="checkbox"/> Regional exchange of experience <input type="checkbox"/> Regional networking for capacity development <input type="checkbox"/> Other: |
|--|--|

3. **What should ADB include in its water investment packages?** *Please select up to 3 options to be included.*

- | | |
|---|--|
| <ul style="list-style-type: none"> <input type="checkbox"/> Sector assessments and analyses of issues <input type="checkbox"/> Policy dialogue <input type="checkbox"/> Technical assistance <input type="checkbox"/> Infrastructure (new and rehabilitation) | <ul style="list-style-type: none"> <input type="checkbox"/> Capacity development <input type="checkbox"/> Development partnerships <input type="checkbox"/> Regional cooperation <input type="checkbox"/> Other: |
|---|--|

4. **How could ADB become more responsive to client needs and increase its water investments?** *Please select up to 3 approaches to increase investments.*

- Program approach (multi-donor budget support to government)
- Sector approach (financing subprojects selected by government)
- Project approach (financing of projects designed in advance)
- Lending to national ministries and agencies
- Lending to local government
- Private sector participation (without government guarantees)
- Other:

5. **Which of these changes (suggested by participants of ADB's Water Week 2004) are the most important?** *Please select up to 3 changes.*

- Working more selectively with the right information, organizations, and leaders
- Empowering civil society organizations as catalysts for water sector reform
- Promoting credible water regulatory bodies for water services
- Linking formal and informal water service providers
- Catalyzing water investments to the rural poor
- Investing more in nonstructural interventions
- Lending more to subsovereign partners
- Other:

6. **Which of the following options would be most effective in promoting community ownership of water infrastructure and services in poor rural areas?** *Please select up to 3 options.*

- Small private water networks
- Community-managed water networks
- Handover of management to water user organizations
- Service agreements between water providers and water user organizations
- Participation of NGOs/CBOs in projects implemented by local government
- Water awareness campaigns by local government and service providers
- Water education in schools

7. **Which of the following groups or organizations should ADB partner with during the next 5 years?** *Please select up to 3 partners or partnerships that ADB should pursue.*

Advocacy:

- Media and journalists
- Civil society organizations
- International advocacy NGOs
- United Nations organizations
- World Water Council

Co-financing:

- Public-private partnerships
- Bilateral funding agencies

Knowledge:

- Universities and institutes
- Multilateral development banks
- Global Water Partnership

- International organizations e.g. IWMI, IFPRI, IUCN, WWF

- International professional associations

Capacity:

- Networks among national water apex bodies, river basin organizations, water utilities, and regulatory bodies
- Regional water partnerships
- Country water partnerships
- Professional associations
- Research organizations

Other:

- Other:

Please submit your completed survey to ADB staff at the event you are attending. You may also fax your responses to ADB's Water Team at +63 2 636 2381/2356 or visit ADB's water website at <http://www.adb.org/water> to complete this survey online.

Thank you for your time and interest! Visit our website for regular updates on the review process.

Appendix 5b: NGO Cooperation Survey

ADB's NGO Center Questionnaire

ADB-Government-NGO Cooperation

In May 2003, former ADB President Tadao Chino approved ADB-Government-NGO Cooperation: A Framework for Action, 2003-2005 (The Framework). The Framework has sought to give full effect to relevant ADB policies, in particular the Policy on Cooperation Between ADB and Nongovernment Organizations (1998). The Framework was developed over several months in a participatory manner with input from hundreds of representatives of ADB, governments, NGOs, and the private sector. Over the past two years, the Framework has provided a common frame of reference for cooperation among ADB, governments, and NGOs in the context of ADB-assisted activities.

The overall goal of the Framework has been: "improved cooperation among the ADB, NGOs, and governments to reduce poverty in the Asia and Pacific Region through collaborative efforts to promote pro-poor sustainable growth, social development, and good governance."

ADB will soon begin formulation of a new action plan for tripartite cooperation for the period 2006-2010. To contribute to a review of the Framework, and to help prepare for the drafting of a new action plan, ADB seeks your views and input. Thank you for taking a moment to complete this short questionnaire.

1. Are you familiar with ADB-Government-NGO Cooperation: A Framework for Action, 2003-2005? (If not, please check "No" and skip to question 6).

Yes, I know something about *the Framework*

No, I do not know anything about *the Framework*

2. In which of the following five areas has the greatest progress been made since 2003 in improving ADB-Government-NGO cooperation? (Check up to three).

Strengthening NGO participation in ADB-supported activities

Enhancing transparency and accountability through access to information

Developing ADB's capacity for NGO cooperation

Building NGO capacity and providing institutional support

Strengthening Government-NGO cooperation and collaboration

3. What have been the most significant contributions by ADB to implementing *the Framework* and strengthening ADB-Government-NGO cooperation over the past two years?

4. What have been the most significant contributions of NGOs and other civil society organizations to implementing *the Framework* and strengthening ADB-Government-NGO cooperation over the past two years?

5. What have been the most significant contributions of ADB member governments to implementing *the Framework* and strengthening ADB-Government-NGO cooperation since 2003?

6. A new action plan for ADB-government-NGO cooperation (2006-2010) should give greatest attention to the following priorities (check up to three).

- Strengthening NGO participation in ADB-supported activities
- Enhancing transparency and accountability through access to information
- Developing ADB's capacity for NGO cooperation
- Building NGO capacity and providing institutional support
- Strengthening Government-NGO cooperation and collaboration
- Other (please specify: _____):
- Other (please specify: _____):
- Other (please specify: _____):

7. What are the most significant obstacles to strengthening ADB-Government-NGO cooperation?

8. In what country do you live?

9. What description best fits your organization? (Check one).

- Government/public sector body
- Academic/research institution
- Advocacy/issue-based NGO
- Service-delivery NGO
- Nonprofit community-based organization
- Other (please specify: _____)
- Trade union/workers organization
- Professional association
- Foundation
- Business/profit-making enterprise
- International organization/IFI

10. If you would like to be kept informed about the development of a new action plan for ADB-Government-NGO Cooperation, please provide your e-mail address here:

APPENDIX 6: Summary of ADB Water-related Projects in Indonesia

PROJECT NAME	PROJECT TYPE
Completed Projects	
Capacity Building Project in the Water Resources Sector	Loan
Farmer Managed Irrigation Systems Project	Loan
Metropolitan Bogor, Tangerang and Bekasi Urban Development (Sector) Project	Loan
North Java Flood Control Sector	Loan
Power Development and Efficiency Enhancement Project	Loan
Rural Water and Sanitation Sector Project	Loan
Second Integrated Irrigation Sector	Loan
Sumatra and West Java Urban Development (Sector) Projects	Loan
Community Water Services and Health	TA
Preparing the Community Water Services and Health Project	TA
Preparing the Participatory Irrigation Sector Project	TA
Reform of Water Enterprises	TA
Regulatory Framework for Private and Public Water Supply and Wastewater Enterprises	TA
On-going Projects	
Community Water Services and Health	Loan
Marine and Coastal Resources Management Project	Loan
Metropolitan Medan Urban Development Project	Loan
Northern Sumatra Irrigated Agriculture Sector Project	Loan
Participatory Irrigation Sector Project	Loan
Power XXIII Project	Loan
Segara Anakan Conservation and Development Project	Loan
South Java Flood Control Sector Project	Loan
Flood Management in Selected River Basins	TA
Integrated Citarum Water Resources Management	TA
Water Supply and Sanitation	TA
Pipeline Projects	
Flood Management in Selected River Basins in Java	Loan
Private Sector Participation Development Facility for Urban Infrastructure	Loan
Urban Waste Management II	Loan
Urban Water Supply and Sanitation Sector II	Loan
Citarum Water Resources Management Sector	Loan
Water Supply and Sanitation Project	Loan
Water Supply and Sanitation Project (WSSP)	Loan
Capacity Building for Water Resources Management Under Decentralization	TA
Community Water Services and Health II	TA
Institutional and Regulatory Framework for PSP in Local Development	TA
Urban Water Supply and Sanitation Sector II	TA
Waste Management and Environmental Protection for Urban Poor Communities	TA
Dropped Projects	
Regulatory Framework for the Water Sector 2	TA
Updating Natural Resources and Environmental Profile	TA
Water Resources Development	TA