

ADB's Water Policy Implementation Review

CONSULTATION REPORT FOR THE PRIVATE SECTOR CONSULTATION 18 OCTOBER 2005

WATER for ALL

The views expressed in this report do not necessarily reflect the views or policies of the Asian Development Bank. The Asian Development Bank does not guarantee the accuracy of the data presented.

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Stakeholders from the private sector met at ADB Headquarters in Manila to discuss investment priorities and opportunities to improve ADB's water operations. This consultation was part of a series of consultations for the comprehensive review of ADB's water policy implementation. The agenda is included in Appendix 1 and a list of the participants is included in Appendix 2. This report recaps the issues discussed and views expressed during the consultation, and provides background information on ADB's water policy and review processes. This report will be posted on ADB's website for comment.

I. INTRODUCTION

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 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

The comprehensive 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, 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.¹

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

¹ Please refer to Appendix 5 for a complete list of the 26 areas covered in the scope of the comprehensive review.

recommendations of the review. As outlined in the policy, an external expert review panel will lead the review and 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

II. BACKGROUND ON CONSULTATION PROCESS

A. Objectives and Process

ADB expects to conduct five in-country consultations and up to two other consultations on key topics to inform the comprehensive review. The in-country 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 sub sector 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 consultations, interacting with various stakeholder groups across the region.

B. Timeline and Expected Outputs

The consultations are expected to take place during the months of June to November 2005. The schedule listed below has been coordinated with the Resident Missions, related regional events, and other ADB policy reviews planned for 2005. The consultations have been scheduled in countries representing the five regions ADB serves.

Table 1: Schedule for Consultations

Country	Regional Department	Proposed Dates
<i>In-country</i> ³		
Cambodia (Phnom Penh)	Mekong	23-24 June 2005
Fiji (Suva)	Pacific	9-10 August 2005
Indonesia (Jakarta)	SERD	25/27 August 2005
Kazakhstan (Almaty)	ECRD	15-16 September 2005
India (New Delhi)	SARD	28 September 2005

² A timeline for major activities for the review is provided in Appendix 4. Regular updates are posted on ADB's website at <http://www.adb.org/water>.

³ The consultation itself is a one-day exercise. The second day listed in the table is allotted for possible site visits for the Review Panel members present.

<i>Other Consultations</i>		
ADB HQ (Manila)	Private Sector Consultation	18 October 2005
ADB HQ (Manila)	Civil Society Consultation	17-18 November 2005

Each in-country 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 where possible. Individual and group exercises during the consultation include two surveys, breakout group exercises, and plenary discussions.

Each consultation is expected to produce the following outputs:

- Participants' assessment of ADB's water policy implementation: performance and progress, challenges and constraints, and required actions
- Participants' recommendations to improve ADB's water policy implementation in the short and medium term: investment priorities, partnerships, innovations, and new business opportunities
- A summary report of the consultation reflecting participants views and comments

III. SUMMARY OF PRIVATE SECTOR CONSULTATION

A. Participants and Process

Representatives from large and small scale private sector water service providers and commercial banks interested in financing water sector projects attended the consultation to discuss the role of the private sector in the water sector and key issues that require attention. Members of the panel of experts tasked to conduct the external review of ADB's water policy implementation also participated in the consultation. A copy of the participants list is included in Appendix 2.

During the private sector consultation, participants were asked to contribute their views through a survey⁴, panel-led plenary discussions, and small breakout group discussions. The private sector consultation aimed to secure feedback from private sector operators in the Asia Pacific region to inform the review panel and consequently improve ADB's water operations. The consultation focused on:

- ADB's experience in implementing the water policy
- role of ADB in promoting private sector operations
- role of private sector in water sector investments and services
- investment priorities and opportunities for involvement of the private sector
- opportunities for partnership
- issues that require attention: (tariffs, regulation, lending, risk)

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

⁴ A copy of the survey is included in Appendix 3.

B. Key Questions and Issues Discussed

Speakers included representatives from ADB's private sector operations department, ADB project staff working in the water sector, large and small private water service providers, and commercial banks interested in lending for water projects. Participants and speakers shared their views on the enabling environment for private sector participation, investment priorities, and the complementary roles for ADB and the private sector.

Geoffrey Bridges, ADB Consultant

Setting the Scene: Policy Issues and Possible Reforms

- Double Investment to Meet MDGs: investment needs to double, be better directed, and give better value if MDG goals are to be met;
- Reduce Risks: international private operators in the water sector need higher rates of return to invest, which involves building equity and reducing financial risks;
- Link Investments to Reforms
- Decentralize Financial Resources (with concessional loans negotiated direct with local government (sub-sovereign lending), or on-lent by central government on identical terms);
- Mobilize Domestic Financial Resources (by strengthening local capital markets: (i) support development of local financial markets, local government capacity; (ii) establish local currency)

Among the key issues discussed were the following:

Water for the Poor

Affordability of tariffs particularly with respect to the poor is one of the principal issues confronting the sector. Water utility operators emphasize that the issue of connection fees amounting to an average of USD 110 per connection pose a heavy burden for poor consumers. In Metro Manila, water utilities already have deferred payment schemes over a one (1) year period but despite this, poor consumers still have difficulty meeting their payments. Consequently, the connection fee is a huge disincentive to connect to the system and poor consumers resort to illegal connections.

Cost Recovery-based Tariffs and Subsidies

Cost recovery-based tariffs are essential to the sustainability of water utility operations whether they are public or private. Keeping tariffs artificially low has produced disastrous results as has been seen in many cases. This has been the experience of private water operators in the aftermath of the Asian Financial Crisis of 1997 when the concessionaires of Jakarta and Manila suffered heavy financial setbacks as a result of arbitrary caps in tariffs.

Clearly, one of the basic problems in Asia affecting water utility operations is currency risk. Extreme cases of devaluations such as that in 1997 can result in extraordinary tariff increases in some cases doubling, if not tripling current tariff levels. Most participants recognize that the impact of these increases to poor consumers is great and must be tempered. However, private utility operators indicate that the balance of interest must not tip carelessly against the utility operator who likewise must not be made to solely carry the burden of currency devaluation and other such unforeseen events.

Providing subsidies may be a solution, however this approach must be rationalized to ensure that they specifically target the poor. There is no reason for all consumers, regardless of social status, to benefit from subsidies for water supply.

From a commercial lender's standpoint, BNP Paribas acknowledges that currency devaluation has seriously affected commercial lending resulting in at least 50% of projects not reaching financial close. As water projects are largely built along its viability, lenders often look into means to reduce their risks by having sufficient provisions in contracts to mitigate these risks. Clear provisions for tariff adjustments especially for currency fluctuations, arbitration and mediation processes, a termination and step-in rights process, protection from political interference, tax incentives, among others, are usually required which add to the viability of a project and provides comfort to lenders. Lenders as well expect that governments will abide by these contractual provisions or at the very least allow for negotiations to arrive at an acceptable solution in respect of extraordinary and unforeseen events.

Alix Burrell, BNP Paribas

A Lender's Risk Analysis

- Regulatory and Political Risk
 - Does the regulatory framework for water at a national level support the water development plan at a local level?
 - Political risk profile: (i) currency devaluation; (ii) transferability and convertibility; (iii) social unrest, acts of war
 - Tariff intervention risk
- Borrower Risk
 - Due diligence: (i) do the bidding documents reflect the infrastructure to be inherited?; (ii) detailed reviews done by lenders' independent engineer?
 - Management ability is key: (i) there is limited real security available to lenders; (ii) there is limited cash flow control by lenders; (iii) there is limited monitoring control by lenders over discretionary capex
- Force Majeure (FM) Risk
 - Unforeseen risks outside the control of either party should be insured as far as practicably possible
 - Risks that cannot be insured should be placed with the party best able to manage those risks
 - Remaining risks will be FM events
- Termination/Compensation Risk
 - Security: the social impact of the water business makes exercising security largely impractical
 - Termination events: (i) avoid hair trigger events of default; (ii) provide for step-in rights and a termination process
 - Compensation in the event of termination: (i) clarity on payment terms; (ii) timing; (iii) currency

Balanced Contracts

Suez Environnement, one of the world's largest private utility operators, asserts that the success of a private-public partnership in water supply is largely dependent on a balanced contract where risks are borne by the appropriate party. Risks such as *force majeure*, financial disruptions, political risks, among others, must not be passed on to the private sector but must be shared equitably amongst the parties that are best able to address specific risks. The experience thus far has not been encouraging.

Water operators in several Asian cities cite the need to mitigate political risk in order to increase private sector interest in water projects. Experience in the region reveals that contracts are dependent on political leadership and personalities rather than institutions.

Although the private sector recognizes that the water sector is more sensitive than others and that operators have a social responsibility to provide good quality water at reasonable costs, governments should likewise balance the interests of both the operators and consumers.

Reliable Data and Contract Clarity

The difficulties in water projects involving private sector operators to a large extent are a result of incorrect baseline data. Private operators rely on information provided by governments on asset conditions such as length and location of pipes, number of connections, non-revenue water, among others which form the basis of their bids. However, experience shows that such information is later on proven incorrect and therefore contracts will have to be renegotiated.

There is a need to assist governments who wish to involve private sector operators in water supply projects to establish sound and clear baseline conditions for PSP contracts. Certainly this will require considerable time and money, however investment in this stage will eliminate significant problems in the future and result in more viable contracts.

Regulation

Private sector operators agree that the presence of good regulation and competent regulators are key ingredients to the success of contracts. This is particularly important in concession contracts which usually have long-term periods of 25-30 years. Regulators should be strong enough to enforce the contract and flexible enough to allow for amendments to accommodate changes in circumstances and the environment, which were not originally contemplated by the parties at the time the contract was signed. In light of the length of such contracts, it is likely that the parties will not have completely identified all possible scenarios that may arise during the contractual period, which will ultimately require negotiations and possible amendments of the original contract.

Jacques Letondot, Suez Environnement

Private Sector Perspective on Regulation: Necessary Conditions

- The existence of an independent regulator with appropriate powers and capabilities to: (i) assess the performance of the parties; (ii) enforce its decisions vis-à-vis the parties; (iii) have those decisions accepted and supported by the authorities and the general public
- The strength of the public authority to ensure: (i) adjustments to evolving conditions; (ii) agreements to contract modifications; (iii) gaining public acceptance of the contract
- The unbiased support of authorities so that service is not affected by the occurrence of unforeseen events, or political intervention

Participants recognize that the capacity of existing regulators has to be strengthened. Twinning arrangements as a way to build capacity is a viable option. For example, the regulators of Subic Water and the Manila concessions supported by the ADB under the technical assistance on capacity building for the Regulatory Office of the Manila concessions had remarkable results. Regulators from both agencies learned from each other's experience, particularly in dealing with the difficult issues of tariff reform. Participants also benefited from best practice models from international experts. Furthermore, this technical assistance demonstrated the importance of recognizing the need for regulation for both private and public water utilities.

Moreover, institutional arrangements of regulatory offices should likewise be improved. Regulators ideally should to the extent possible be independent from political interventions and pressures. Regulation by contract, although expedient in some cases, may not be ideal as this does not provide the regulator such independence and authority vis-à-vis the appointing powers. This was the experience in Manila where the regulator continues to be a creation of the concession contract and is administratively attached to the MWSS which is the other party to the concession agreement. The private concessionaires are therefore left with a situation where its regulator is effectively answerable to the other contractual party thus leaving an impression that the regulator cannot independently decide on issues without the consent of the MWSS.

Rural Water Supply

Participants agree that expanding coverage to rural populations continues to be a challenge yet still remains a priority. Most urban areas are expected to meet the Millennium Development Goals (MDGs) but rural areas are clearly lagging behind. Regarding private sector involvement, there appears to be a lack of sufficient interest in rural areas, since typically these areas do not possess the requisite population and economic base to support or sustain business. In short, most rural areas are too small to allow private sector operators a decent return on their investments.

Even when efforts are made to overcome economies of scale issues, political conflicts at the local level in rural areas can jeopardize private sector involvement. Benguet Corporation, which won the concession for a rural area in the Philippines, shared its experience in one particular rural project. The project, originally packaged by the World Bank, comprised five (5) towns which provided the requisite “economy of scale” to sustain business. However, political bickering amongst the five (5) local Mayors resulted in the withdrawal of the largest town from among the five (5), so the project is now in danger of failing.

Small Scale Private Water Providers (SSPWP)

Private utility operators recognize that there may be a role for small scale service providers to play in expanding services to the poor. Participants agree that full-piped networks may not necessarily be appropriate in all cases especially in poor areas where space is limited. Alternative models such as those provided by SSPWPs may be a solution.

In Metro Manila, both concessionaires have utilized alternative models for connecting poor communities such as above ground connections and meter sharing amongst multiple households. Manila concessionaires for now, tolerate the presence of SSPWPs. They stress however that these providers should be viewed as an interim solution only while the concessionaires are not able to service a particular area.

Moreover, concessionaires point to the need to regulate these providers with respect to water quality and tariffs. SSPWPs, like any other water provider, must meet world health standards for water quality and impose reasonable tariffs.

C. Summary of Recommendations to ADB to Help Facilitate PSP

Participants made several recommendations outlining how ADB can help facilitate private sector participation in the water sector. Broadly, these recommendations cover risk mitigation, capacity building to improve regulation, financing to expand coverage in poor and rural areas, and public awareness to promote understanding of PSP options.

Antonino Aquino, Manila Water Company

Private Sector Operator's Perspective: What Can ADB Do to Help Facilitate PSP?

- Influence water sector policies of government
- Assist in the formulation of regulatory framework
- Provide funding facility
 - Less stringent (aligned with affordable tariffs)
 - Long-term (consistent with typical profile of water projects)
 - Innovative to fund social programs (e.g. output-based aid or OBA)

MITIGATE POLITICAL AND ECONOMIC RISKS

- Mitigate political risks by facilitating dialogue amongst public and private sectors especially with contract difficulties that require renegotiations and/or providing political risk guarantees
- Mitigate risks of currency devaluation by introducing long-term financing in local currency

BUILD CAPACITY TO IMPROVE REGULATION

- Improve regulatory capacities through training and capacity building programs for regulators including twinning arrangements with other regulators in the region and facilitate the exchange of information amongst them, hiring consultant-advisors to assist regulators in the early stages of development
- Assist the public sector in the development of regulatory frameworks that promote transparency, accountability, credibility and independence of regulators
- Develop capacity and expertise within the public sector to prepare basic conditions for PSP contracts. ADB could assist in the packaging of projects including baseline data on asset conditions, preparation of PSP contracts, bid documents and the selection process

FACILITATE ACCESS TO FINANCING TO EXPAND COVERAGE IN POOR AND RURAL AREAS

- Assist in expanding coverage to the poor by shouldering connection fees through partnership projects with private sector providers or grant funding
- Facilitate access to financing for public utilities especially in rural areas to expand coverage.
- Facilitate access to financing for private sector operators who have a proven track record of efficiency in service delivery and possibly explore equity participation in such private water utilities
- Explore the possibility of facilitating access to financing for SSWIPs to expand coverage in poor communities closely coordinating with existing concessionaires, if any

RAISE PUBLIC AWARENESS AND EDUCATION ON THE VIABILITY OF PSP OPTIONS

- Promote media/public awareness and education on PSP options and the role of the private sector in water utility operations (i.e. water as a resource versus water as a service/distinctions between privatization and various PSP models)
- Promote public awareness on the need for cost-recovery tariffs and assist governments develop a more rational programme of subsidies that will specifically benefit the poor

IV. FOR MORE INFORMATION ABOUT THE REVIEW AND THIS REPORT:

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 Water Governance Specialist was also enlisted to help organize this consultation. 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 Private Sector Consultation

ADB'S COMPREHENSIVE WATER POLICY IMPLEMENTATION REVIEW PRIVATE SECTOR CONSULTATION

ADB HQ, Philippines
18 October 2005

Final Agenda

8:30 – 9:00	Welcome and Opening Session Keynote Remarks on ADB's Role in Improving the Environment for Private Sector Involvement in Water Projects <i>Robert Bestani, Director General, Private Sector Operations Department (PSOD), ADB</i> Keynote Remarks on Private Sector Participation in ADB's Water Sector Investments <i>Juan Miranda, Senior Advisor, Regional and Sustainable Development Department (RSDD), ADB</i>
9:00 – 9:15	Introduction of ADB's Water Policy: (film viewing) <i>Water for All: The Power to Change People's Lives</i>
9:15 – 9:30	Introduction of Review Panel and Overview of Comprehensive Review of ADB's Water Policy Implementation <i>Kathryn E. Nelson, Lead Facilitator, Water Policy Implementation Review, ADB</i>
9:30 – 9:45	Survey to Support ADB's Water Policy Implementation Review: Performance, Investment Priorities, and Partnerships <i>Kathryn E. Nelson</i>
9:45 – 10:15	Setting the Scene: An Overview of Policy Issues and Possible Reforms <i>Geoff Bridges, Water Supply and Sanitation Specialist (Consultant), ADB</i>
10:15 – 10:45	TEA BREAK
10:45 – 11:30	Private Sector Views: Conditions & Expectations for Private Sector Participation <ul style="list-style-type: none">▪ <i>Jacques Letondot, Suez Environment, S.A.</i>▪ <i>Antonino Aquino, President, Manila Water Company, Inc.</i>▪ <i>Alix Burrell, Director, Project Finance Asia, BNP Paribas Singapore</i>
11:30 – 12:00	Questions
12:00 – 1:30	LUNCH BREAK (PDR 3A – 4A)
1:30 – 3:00	Panel-led Plenary Discussion: Investment Priorities, ADB Interventions, and the Private Sector's Role

Panel Members:

Xiaowen Pu, Structured Finance Specialist, Infrastructure Finance Division (PSIF), Private Sector Operations Department (PSOD), ADB

Keiichi Tamaki, Senior Urban Development Specialist, Social Sectors Division (SASS), South Asia Department (SARD) ADB

Pradeep Singh, President and CEO, ILFS Infrastructure Development Corporation, India (Review Panel Member, ADB's Water Policy Implementation Review)

Graham Fairclough, Cascad Services, Ltd.

Fiorello R. Estuar, President, Maynilad Water Services, Inc.

3:00 – 3:30

TEA BREAK

3:30 – 3:45

Key Issues Affecting Private Sector Participation in Water Services
Anouj Mehta, Financial Management Specialist, Capacity Development and Governance Division (RSCG), Regional Sustainable and Development (RSDD), ADB

3:45 – 4:30

Break-out Discussion Groups

- Creating an Enabling Environment for Private Sector Participation: Considering Tariffs, Regulation, Lending and Risk
- Involving Domestic and Small-scale Entrepreneurs and their Role in Private Sector Operations

4:30 – 5:00

Report Out from Breakout Groups and Discussion

5:00 – 5:30

Participants' Reflections and Closing Remarks

Mr. Virgilio Rivera, Group Director - Regulation and Corporate Development, Manila Water Co.

Ms. Erna Witoelar, Special Ambassador for the Millennium Development Goals in Asia and the Pacific, United Nations, (Review Panel Chair, ADB's Water Policy Implementation)

K.E. Seetharam, Principal Water Supply and Sanitation, Regional and Sustainable Development Department (RSDD), ADB

Appendix 2: List of Participants

ADB'S COMPREHENSIVE WATER POLICY IMPLEMENTATION REVIEW PRIVATE SECTOR CONSULTATION

ADB HQ, Philippines
18 October 2005

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Appendix 3a: Summary of Survey Responses

ADB Water Policy Implementation Review Client and Stakeholder Survey Initial Tabulations October 2005

Number of Total Respondents: 14

<i>Date</i>	9 August 2005				
<i>Name (optional)</i>		<i>Age</i>		<i>Gender</i>	Male 11 Female 3
<i>Position</i>		<i>Organization</i>			
<i>Country</i>		<i>Email Address</i>			

Age:

- Under 18
- 18 – 25
- 26 – 35
- 36 – 45 = 3
- 46 – 55 = 5
- Over 55 = 2

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 = 11
- Private Citizen
- Multilateral/Intergovernmental Agency
- University/Educational Institution
- Research Institute/"Think Tank"
- Other (specify): Development assistance support company consultant; Law firm; Diversified resource corporation based in the Philippines focus - mining and water supply to Cebu (bulk)

My Work:

- Water resources management = 2
 - Urban water supply & sanitation = 5
 - Rural water supply & sanitation = 1
 - Bulk water supply = 2
 - Irrigation & drainage = 1
 - Hydropower
 - Flood management & urban drainage = 1
 - Disaster response & mitigation
 - Watershed management
 - Environment improvement = 2
 - Wastewater control & treatment = 1
 - 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 = 3
- Specific Country: Philippines (8x)

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.**

- | | |
|--|--|
| <input type="checkbox"/> National water sector reforms = 4 | <input type="checkbox"/> Water conservation and water use efficiency = 3 |
| <input type="checkbox"/> Integrated water resources management = 4 | <input type="checkbox"/> Regional cooperation = 2 |
| <input type="checkbox"/> Expansion and improvement of water services = 6 | <input type="checkbox"/> Stakeholder consultation and participation = 7 |
| | <input type="checkbox"/> Good governance and capacity building = 7 |

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

- | | |
|---|---|
| <input type="checkbox"/> Urban water supply = 11 | <input type="checkbox"/> Hydropower = 2 |
| <input type="checkbox"/> Rural water supply = 4 | <input type="checkbox"/> Transboundary rivers management = 1 |
| <input type="checkbox"/> Sanitation = 6 | <input type="checkbox"/> Regional exchange of experience = 2 |
| <input type="checkbox"/> Wastewater management = 5 | <input type="checkbox"/> Regional networking for capacity development = 5 |
| <input type="checkbox"/> Integrated water resources management in river basins (IWRM) = 2 | <input type="checkbox"/> Other: |
| <input type="checkbox"/> Irrigation and drainage | |
| <input type="checkbox"/> Flood management = 1 | |

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

- | | |
|--|--|
| <input type="checkbox"/> Sector assessments and analyses of issues = 7 | <input type="checkbox"/> Development partnerships = 5 |
| <input type="checkbox"/> Policy dialogue = 4 | <input type="checkbox"/> Regional cooperation = 1 |
| <input type="checkbox"/> Technical assistance = 7 | <input type="checkbox"/> Other: |
| <input type="checkbox"/> Infrastructure (new and rehabilitation) = 9 | Regulatory frameworks at national and local levels to foster private sector investment |
| <input type="checkbox"/> Capacity development = 9 | |

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

- | | |
|---|--|
| <input type="checkbox"/> Program approach (multi-donor budget support to government) = 2 | <input type="checkbox"/> Lending to national ministries and agencies = 2 |
| <input type="checkbox"/> Sector approach (financing subprojects selected by government) = 3 | <input type="checkbox"/> Lending to local government = 5 |
| <input type="checkbox"/> Project approach (financing of projects designed in advance) = 9 | <input type="checkbox"/> Private sector participation (without government guarantees) = 11 |
| | <input type="checkbox"/> Other: <i>Public / Private participation</i> |

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 = 7
- Empowering civil society organizations as catalysts for water sector reform = 3
- Promoting credible water regulatory bodies for water services = 14
- Linking formal and informal water service providers = 2
- Catalyzing water investments to the rural poor = 5
- Investing more in nonstructural interventions
- Lending more to subsovereign partners = 4
- Other:
 - Assisting in the framework for private sector investment

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 = 4
- Handover of management to water user organizations = 4
- Service agreements between water providers and water user organizations = 1
- Participation of NGOs/CBOs in projects implemented by local government = 3
- Water awareness campaigns by local government and service providers = 6
- Water education in schools = 5

7. Which of the following groups or organizations should ADB partner with in the next 5 years?

Please select up to 3 partners or partnerships that ADB should pursue.

Advocacy:

- Media and journalists = 3
- Civil society organizations = 3
- International advocacy NGOs = 2
- United Nations organizations = 2
- World Water Council = 3

- International organizations e.g. IWMI, IFPRI, IUCN, WWF = 1
- International professional associations = 1

Co-financing:

- Public-private partnerships = 13
- Bilateral funding agencies = 3

Capacity:

- Networks among national water apex bodies, river basin organizations, water utilities, and regulatory bodies = 5
- Regional water partnerships = 4
- Country water partnerships = 2
- Professional associations
- Research organizations = 1

Knowledge:

- Universities and institutes = 3
- Multilateral development banks = 1
- Global Water Partnership = 2

Other:

- Other: Private sector investor



WATER for ALL

**Appendix 4: Summary Timeline of Key Events
ADB 2005 Water Policy Implementation Review
Summary Timeline of Key Events
2005**

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

Appendix 5: Scope of the Comprehensive Review

7 Key Areas Outlined in the Water Policy

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

11 Internal Drivers and Issues at ADB

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

8 Broader Drivers and Issues

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