

ASIAN DEVELOPMENT BANK

INTERIM REVIEW OF ADB'S WATER POLICY IMPLEMENTATION

Report of the In-House Study by ADB's Water Sector Committee

February 2004

ABBREVIATIONS

| | | |
|---------|---|---------------------------------------|
| ADB | – | Asian Development Bank |
| CSP | – | Country strategy and program |
| CSPU | – | Country strategy and program update |
| DMC | – | developing member country |
| IWRM | – | integrated water resources management |
| Lao PDR | – | Lao People's Democratic Republic |
| PRC | – | People's Republic of China |
| SARD | – | South Asia Department |
| SERD | – | Southeast Asia Department |
| TA | – | technical assistance |
| WSC | – | Water Sector Committee |

NOTE

In this report, "\$" refers to US dollars.

This report was prepared by the Water Sector Committee chaired by W.T. Lincklaen Arriens, lead water resources specialist, Agriculture, Natural Resources and Social Sectors Division.

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EXECUTIVE SUMMARY

On 16 January 2001, the Board of Directors of the Asian Development Bank (ADB) approved the policy on water - *Water for All: The Water Policy of the Asian Development Bank*. This was based on extensive consultations with stakeholders over several years.

As stipulated in the Water Policy, an in-house review of policy implementation has been undertaken in the third year, and this review is reported to the Board in this information paper. The review has been undertaken by ADB's Water Sector Committee to assess how the Water Policy has been integrated into ADB operations, take stock of achievements, and stimulate improvements in project design and implementation.

In summary, the progress of implementation is shown in the box for each of the policy's seven main elements.

Summary of the Progress of Implementation of ADB's Water Policy "Water for All"

Encouraging progress:

- Improving and expanding the delivery of water services
- Conserving water
- Fostering participation
- Improving governance

Modest progress:

- Fostering the integrated management of water resources
- Promoting regional cooperation

Limited progress:

- Promoting a national focus on water sector reform

Of the 26 water loans approved after the Water Policy was adopted, 14 or 54%, demonstrated exemplary or good practice in implementing the Water Policy, compared with 10% of the water projects approved in the period 1997–2000, when the Water Policy was being drafted. This achievement demonstrates encouraging progress. Moreover, it was also found that most of the recently approved water loans were designed to achieve ADB's poverty reduction strategy.

However, of the 41 water technical assistance projects (TAs) approved since 2001, only 8 or 20% demonstrated exemplary or good practice achievements with regard to their consistency with the Water Policy, and this is a cause for concern.

The following water policy actions were the most difficult to achieve in the developing member countries (DMCs):

- Pursuing comprehensive water sector assessments and subsequent sector-level policy dialogue;
- Water policy development and sector reform;
- Institutional development at sector and subsector levels;

- Private sector participation; and
- Cost recovery.

ADB has substantially achieved its internal water policy actions relating to the skills mix in the operational departments, information dissemination, capacity building, monitoring, and coordination at the focal point. However, further work is needed 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;
- Prioritize water sector reforms and investments through the country strategy and program process;
- Increase the number of specialists in policy and institutional development, water quality and wastewater management, social sciences and resource economics, and private sector participation; and
- Strengthen networking among water staff.

The review found that ADB's reorganization in January 2002 had positive impacts on the support provided to operational departments by the Water Sector Committee and other means. It also found that ADB's Cooperation Fund for the Water Sector, established in 2001 to catalyze the implementation of the Water Policy, provided a strategic framework and much-needed financial resources to support water policy implementation by adding value and creating greater synergy in ADB's water operations.

The following recommendations are made for ADB to further operationalize the policy:

- Undertake sector-level water policy dialogues in the DMCs and support national water sector reforms;
- Prioritize resource allocation within ADB to support comprehensive water sector assessments and reforms in the DMCs; and
- Develop guidelines, checklists, and generic terms of reference to facilitate water project design in support of the Water Policy.

Preparations for the comprehensive review of ADB's Water Policy implementation, scheduled for 2005 as stipulated in the policy, should start soon after the completion of this in-house review. The comprehensive review should be organized proactively and in a participatory manner, involving government and nongovernment stakeholders from the region and beyond.

The comprehensive review should provide an in-depth assessment of ADB's effectiveness in key areas of water policy implementation, such as promoting national water reforms, catalyzing poverty reduction in rural and urban areas, fostering integrated water resources management in river basins, extending and improving water services, catalyzing financing and governance, facilitating regional cooperation, promoting public awareness, mainstreaming gender, strengthening collaboration with development partners, and improving ADB's internal organization.

I. INTRODUCTION

1. On 16 January 2001, the Board of Directors of the Asian Development Bank (ADB) approved the policy on water - *Water for All: The Water Policy of the Asian Development Bank*. This was based on extensive consultations with stakeholders over several years starting with a regional consultation workshop in May 1996 at ADB headquarters.

2. As stipulated in the Water Policy, an in-house review of policy implementation has been undertaken in the third year, and this review is reported to the Board in this information paper. ADB's Water Sector Committee (WSC)¹ undertook the in-house review and the preparation of this paper.²

3. The purpose of the review is to assess whether the Water Policy has been consistently integrated into ADB operations to verify achievement, take stock of how much work has been accomplished, and derive lessons for ongoing and future operations. The review hopes to stimulate improvements in project design and implementation.

4. The paper recalls the principal elements of the Water Policy, sets out the methodology and scope of the review, provides an assessment of how well the policy has been implemented, and presents conclusions and recommendations for the further implementation of the policy. A detailed description of the methodology and analysis is provided in Appendixes 1 to 11 and in supplementary appendixes (available on request).

5. There are inherent limitations and constraints to an in-house policy review based on desk analysis (paras. 10 and 11). Given the relatively short period since adopting the policy, the review is essentially limited to assessing the preparation of loan and technical assistance (TA) projects. In addition, ADB's internal water policy actions were reviewed, as well as the effects on policy implementation from ADB's reorganization and the establishment of the Cooperation Fund for the Water Sector. Nevertheless, the in-house review should provide a "progress report" and a basis for the comprehensive water policy review scheduled for 2005, 5 years after approval of the Water Policy. As stipulated in the policy paper, an expert group to be commissioned by ADB will conduct the comprehensive review.

II. ELEMENTS OF THE WATER POLICY

6. ADB's Water Policy reflects the urgent need to formulate and implement integrated, cross-sector approaches to water management and development, including the delivery of water services and the management of water resources. The conservation and protection of water resources in the region through a participatory approach are at the heart of the policy. It seeks to promote the concept of water as a socially vital economic good that needs increasingly careful management to sustain equitable economic growth and to reduce poverty.

¹ The members of the WSC are K. Yokoyama, K. Tamaki, I. Fox, A. Goffeau, X. Ye, G. Jackson, J. Yamagata (replaced by S. Wermert and U. Zimmerman in October 2003), M. Ashraf Malik, I. Keum, C. Wensley, T. Miyazato, R. Frauendorfer, S. Muramoto, E. van de Walle, N. Convard, K.E. Seetharam (until November 2003), with W.T. Lincklaen Arriens as Chair, and C. Andrews as Alternate Chair.

² The review was undertaken by a WSC Subcommittee composed of I. Fox, K.E. Seetharam, and E. van de Walle, assisted by A. Alejandrino, D. Custodio, E. Pascua, and F. Roble Jr.

7. The policy has seven main elements, as shown in Box 1, and specifies 40 actions to be pursued in the design and implementation of ADB's water operations (Appendix 1).³

Box 1: Principal Elements of ADB's Water Policy "Water for All"

1. Promote a national focus on water sector reform;
2. Foster the integrated management of water resources;
3. Improve and expand the delivery of water services;
4. Foster the conservation of water and increase system efficiencies;
5. Promote regional cooperation and increase the mutually beneficial use of shared water resources within and between countries;
6. Facilitate the exchange of water sector information and experience; and
7. Improve governance.

8. Water management is critical to poverty reduction, both in the delivery of water services and through the management of water resources. The Water Policy supports ADB's poverty reduction strategy by addressing each of the three key elements of the framework for poverty reduction - pro-poor sustainable growth, social development, and good governance.

9. The policy paper stipulates that implementation will initially concentrate on water sector assessments and policy dialogue to reach agreements on appropriate national water sector reforms in selected developing member countries (DMCs). These reforms will include the adoption or revision of a national water policy, law, institutional arrangements, information management, and other reforms to expedite an integrated approach to water service delivery and to water resources management in line with an action agenda. Such reforms will form the basis for plans to invest in a new generation of integrated investment packages and to link these to resources. The plans will be based on the country water action agenda, and will be guided by ADB's country operational strategies and programs.

III. METHODOLOGY OF THE REVIEW

10. The scope of the review⁴ included (i) water sector assessments and policy dialogue in DMCs, (ii) the design of loan and TA projects, (iii) response to ADB's poverty reduction strategy, (iv) progress of regional cooperation, (v) internal ADB actions, (vi) impact on policy implementation of ADB's 2002 reorganization, and (vii) the impact of the Cooperation Fund for the Water Sector on operations. Items (i) to (iii) were subjected to detailed analysis through individual project checklists. The other four items were based on surveys of the perceptions of WSC members and their divisional directors.

³ The 40 policy actions are reflected in the proposed operational procedures for the water sector, to be approved as part of ADB's Operations Manual.

⁴ Comments from DMCs and nongovernment organizations (NGOs) were solicited through the ADB web site as inputs to the review, though no responses were received. This information paper will be posted on the web site in due course for comments to be considered prior to and during the comprehensive policy review in 2005.

11. The review focused on the design of “water sector”⁵ loan projects and TA projects approved after the Water Policy was approved in January 2001. Selected projects approved before January 2001 were also considered for comparison. In these earlier projects, some DMCs had already taken initiatives to implement recommended policy actions prior to the adoption of ADB’s Water Policy.

12. A total of 121 water projects were reviewed, 117 public sector projects and 4 private sector investments. The 117 public sector projects comprised: (i) 26 recently approved loan projects (January 2001–March 2003); (ii) 41 recently approved TAs (January 2001–March 2003); and (iii) 50 loan projects approved prior to January 2001 (1997–2000).

13. Of the 40 water policy actions, eight were considered applicable or common to all water subsectors, namely those related to national policies and reforms, fostering participation, and improving governance. The rest of the policy actions were considered as specific or unique to particular subsector projects.

14. In the case of private sector investments, the projects were evaluated solely against the applicable policy actions on the principal element “Improving Water Services”.

15. Separate review instruments (checklists) were used for the assessment of subsector projects to include the policy actions that are common and those that are unique to the particular subsector: (i) water resources and watershed management; (ii) water supply and sanitation; (iii) irrigation and drainage; (iv) flood management, urban drainage, and disaster response; (v) wastewater management and environmental improvement; (vi) hydropower; (vii) navigation; (viii) marine and coastal resources management; and (ix) regional projects.

16. Noting that only 3 years have elapsed since the Water Policy was adopted, the general objective of the review was **to stimulate improvements in project design** and thus mainstream the Water Policy in ADB operations. To this end, projects and countries that have done exceptionally well in supporting the key water policy actions through ADB assistance are highlighted as **exemplary practice**. Projects showing **good practice** are also highlighted, while the remainder of the projects are earmarked as showing **room for improvement**. The detailed methodology is shown in Appendix 2.

17. Projects were also reviewed for consistency with ADB’s poverty reduction strategy.

18. A brief assessment of regional cooperation activities undertaken after the adoption of the Water Policy was also carried out. The in-house review also took into account comments made by the Office of the General Counsel in connection with the preparation of the water section of ADB’s Operations Manual, in particular regarding the need to update the Water Policy’s provisions for large water resources projects.

19. ADB’s achievements with respect to the internal policy actions were also reviewed, through a survey among WSC members and operations directors.

20. The impacts of ADB’s 2002 reorganization and the support provided by the Cooperation Fund for the Water Sector were assessed through a survey among WSC members.

⁵ The WSC has defined “water sector” projects to also include projects from other sectors that have significant water components whose cost is more than 30% of the total cost of the project or greater than \$5 million. Some of these projects are noted as such in Appendixes 4, 6, and 7.

IV. ANALYSIS OF POLICY IMPLEMENTATION

A. Summary of Progress

21. The results of the detailed analysis are presented in the following sections. For a summary overview, the progress in implementing the seven main elements of the Water Policy is shown in Box 2 under three headings: (i) where there is encouraging progress with room for improvement; (ii) where there is modest progress shown with some good examples that can be replicated; and (iii) where progress has been generally limited and disappointing, and more attention and resources will be needed to achieve the policy objective.

**Box 2: Summary of the Progress of Implementation of
ADB's Water Policy "Water for All"**

Encouraging Progress:

- Improving and expanding the delivery of water services.
- Conserving water.
- Fostering participation.
- Improving governance.

Modest progress:

- Fostering the integrated management of water resources.
- Promoting regional cooperation.

Limited progress:

- Promoting a national focus on water sector reform.

B. Country Assessments on Water Sector Reforms

22. Out of 17 DMCs with ADB-financed water operations, comprehensive water sector assessments were completed in Cambodia and Pakistan after the approval of the Water Policy, and in People's Republic of China (PRC), Lao People's Democratic Republic (Lao PDR), and Sri Lanka at an earlier date. These resulted in the publication of a National Water Sector Profile. In Bangladesh, India, and Nepal, comprehensive sector assessments were undertaken with support from other funding agencies. Partial water sector assessments were conducted in eight countries: Azerbaijan, India (Madhya Pradesh), Indonesia, Kyrgyz Republic, Nepal (Kathmandu), Philippines, Tajikistan, and Timor-Leste. Water sector assessments in these countries, except India, were limited to water supply and sanitation and resulted in subsector profiles.

23. To the degree that national water policies and water sector reforms are critical to the implementation of ADB's Water Policy, the completed checklists of all recently approved loans and TAs for each DMC were analyzed as a group. The results of the country water sector assessments are summarized in Appendix 3 for 17 DMCs.

24. National water policies are in place in four countries: Bangladesh, India, Lao PDR, and Philippines. In the Lao PDR, these were undertaken with ADB assistance. In Bangladesh and the Philippines, the governments initiated the water policies with the assistance of external

support agencies. In the case of the Philippines, policies were put into effect in the mid-1970s and are being reviewed and updated on government initiative, with the assistance of ADB and other external funding agencies. National water sector reforms are ongoing in eight countries: Cambodia, Indonesia, Nepal, Pakistan, PRC, Sri Lanka, Timor-Leste, and Viet Nam. In the case of India, sector reforms have been initiated at the state level. In all these countries, reforms are generally being undertaken with ADB assistance as well as in partnership with other external funding agencies such as the World Bank.

25. Further work is needed to undertake or complete comprehensive water sector assessments in 12 countries: Azerbaijan, Bangladesh, India, Indonesia, Kyrgyz Republic, Mongolia, Nepal, Philippines, Tajikistan, Timor-Leste, Uzbekistan, and Viet Nam. ADB seeks full government ownership of such assessments with assistance from the international funding community, including ADB.

26. As stipulated by the Water Policy, these water sector assessments are to be followed by policy dialogue with each country concerned, to agree on water sector reforms, lay the basis for plans to invest in a new generation of integrated investment packages and to link these plans to resources. However, no such sectorwide policy dialogues have been undertaken to date in any country in a systematic and structured manner on the basis of the comprehensive water sector assessment. ADB's water policy dialogue has consequently been confined to the negotiation of loan conditionalities during the processing of individual projects. If investments in a new generation of integrated investments packages are to be based on country water sector assessments, a well structured sectorwide water policy dialogue as envisaged in the Water Policy should normally be conducted separately from regular project-level policy dialogues conducted during project preparatory TAs (PPTAs), loan processing, or country strategy and programs (CSPs).

27. Experience shows that policy dialogue undertaken in the process of negotiating individual loan projects is rarely an effective process for pursuing national water sector reforms. Conducting comprehensive water sector assessments and policy dialogue are essential to provide a better basis for the government concerned and ADB to decide on national water sector reforms, prioritization and design of investment projects, the packaging of these investment projects with support for policy development, public awareness and sustained capacity building, and defining ADB's overall role in catalyzing water governance and financing in its DMCs.

C. Recently Approved Loan Projects (2001–2003)

28. The 26 water loan projects approved after January 2001 were reviewed. These include 13 projects for water supply and sanitation, 4 for water resources management, 4 for flood management and urban drainage, 2 for disaster response and mitigation, and 1 each for irrigation and drainage, wastewater management, and hydropower. Their level of achievement in terms of consistency with the Water Policy is shown in Appendix 4.

29. Out of the 26 projects, 2 are considered as exemplary practice, 12 as examples of good practice, and the remaining 12 projects were found to have room for improvement in project design. The following projects were assessed as exemplary practice: L1966-NEP: Urban and

Environmental Improvement Project⁶ and L1985-PRC: Hebei Province Wastewater Management Project.⁷

30. To review results by region, projects were grouped according to ADB's five regional departments (Appendix 4, Table A4.2). For the Central Asian countries that are in transition from a centrally planned economy to a market-oriented economy, there is definite room for improvement in TA and loan design since water sector reforms have yet to start or gain momentum. Only one private sector water loan was recently approved, as shown in Appendix 5. The water supply project is consistent with the water policy actions on helping develop modalities for public-private partnership and contracting modalities, in this case through joint-venture arrangements between the private sector and government enterprises.

D. Recently Approved TA Projects (2001–2003)

31. The 41 water TA projects approved after January 2001 were reviewed. These include 13 TAs for water supply and sanitation, 8 for water resources management, 5 for wastewater management and environmental improvement, 4 for irrigation and drainage, 3 for flood management and urban drainage, 3 for hydropower, 3 for marine and coastal resources management, and 1 project each for disaster response and navigation. Their level of achievement in terms of consistency with the Water Policy is shown in Appendix 6.⁸

32. Out of the 41 projects, 1 stands out as an example of exemplary practice (TA3715-IND: Madhya Pradesh Integrated Water Resources Management Strategy⁹), 7 are considered examples of good practice, and the remaining 33 showed room for improvement in project design.

33. To review results by region, the TAs were grouped by regional department (Appendix 6, Table A6.2).

E. Loan Projects Approved Before January 2001 (1997–2000)

34. For comparison, the 50 water loan projects approved between 1997 and 2000 were also reviewed with respect to consistency with the Water Policy, which had been available in draft form for several years before its approval. These projects include 17 for water supply and sanitation, 13 for irrigation and drainage, 7 for wastewater management and environmental improvement, 6 for flood management and urban drainage, 4 for disaster response and mitigation, 2 for water resources management, and 1 for marine and coastal resources management. The level of consistency with the Water Policy is shown in Appendix 7.

35. Of the 50 projects, 2 may be considered as exemplary practice, 7 as examples of good practice, and the remaining 41 were shown to have room for improvement.

36. To review results by region, projects were grouped by regional department (Appendix 7, Table A7.2). The three private sector water loans earlier approved are shown in Appendix 5.

⁶ Loan 1966-NEP: *Urban and Environmental Improvement Project*, for \$30 million, approved on 10 December 2002.

⁷ Loan 1985-PRC: *Hebei Province Wastewater Management Project*, for \$82.3 million, approved on 19 December 2002.

⁸ The analysis included some urban development and renewal TAs with small water components, like the Metro Manila Urban Services for the Poor Project and the Integrated Urban Development in Madhya Pradesh Project.

⁹ TA3715-IND: *Madhya Pradesh Integrated Water Resources Management Strategy*, for \$0.5 million, approved on 6 September 2001.

The three water supply projects, although contracted prior to the adoption of the Water Policy, support it in terms of allowing potential investors to participate in the expansion and improvement of water services through build-operate-transfer (BOT) schemes and concession arrangements.

F. Common Constraints in Project Design

37. Based on project documents, the review has indicated the extent to which water sector projects have responded to ADB's Water Policy. From the analysis, a significant improvement in the design of projects was noted as a result of ADB's adoption of the Water Policy. Nevertheless, only 14 out of 26 loan projects approved after January 2001, or 54%, have been considered as examples of exemplary or good practice, indicating significant room for further improvement in project design.

38. Analysis of common constraints in projects responding to the Water Policy revealed that the following 10 water policy actions proved to be most challenging to achieve through TA and project design—(i) common policy actions: (a) development of comprehensive national water policies, (b) review and revision of water legislation, (c) conduct of water sector assessments, and (d) establishment of a neutral water sector apex body; and (ii) subsector specific actions: (a) establishment of river basin organizations, (b) development of contracting modalities for potential private sector investors, (c) adoption of cost recovery principles, (d) establishment of regulatory systems, (e) development of modalities for public-private partnerships, and (f) promotion of tariff reforms (Appendix 8).

39. Most of these challenges are of a policy or institutional nature. Further progress in these policy actions will depend on (i) the commitment in ADB and DMCs to undertake comprehensive water sector assessments, sector reforms, and sector-level water policy dialogue; (ii) the resources invested by ADB to support these processes; and (iii) the modalities of providing such support, in particular if this support is to be integrated into PPTAs and loans or pursued separately through stand-alone studies and TAs. The review noted that in countries where water sector assessments had been carried out, these have yet to be followed up with policy dialogue. It has generally been difficult to integrate comprehensive water sector assessments into PPTAs, and to achieve policy and sector reforms solely through project loans. Further discussion will be needed on alternative and complementary modalities to conduct policy dialogue, both on using advisory TAs to support sector assessments and design of reforms, and on creating incentives for the implementation of reforms to be financed from loans.

40. Pursuing water sector assessments and policy and sector reforms has been particularly challenging in the transition Central Asian DMCs.

G. Asian Development Bank Poverty Reduction Strategy

41. The completed checklists of the 26 recently approved projects were evaluated in relation to their incorporation of water policy actions directly aimed at poverty reduction, including (i) developing pro-poor water policies and the participation of the poor in the project, (ii) developing water rights in a manner that protects the rights of the poor to equitable water services, (iii) turning over irrigation operation and maintenance to farmer groups, (iv) targeting the needs of the poor in flood management projects, and (v) addressing water pollution problems affecting the poor.

42. Of the 26 projects, the design of 21 incorporated these actions, 3 projects did not, and for 2 projects these actions are not applicable. This is an 88% achievement rate.

43. ADB coordinated the preparation and conduct of the water and poverty theme sessions of the 3rd World Water Forum held in March 2003 in Japan. This has resulted in significantly increased knowledge of water and poverty linkages, and in more collaboration with development partners. ADB launched several initiatives at the Forum both to increase levels of investment in water projects that explicitly target the poor and to make these investments more effective and better targeted through the adoption of a participatory and demand-led approach that combines advocacy, capacity building, and community empowerment. The initiatives include the Water for Asian Cities Program, the Water for the Poor—Partnerships for Action initiative, and the Gender in Water Partnership.

44. It is expected that the comprehensive policy implementation review in 2005 will undertake a more detailed assessment of the Water Policy's impact on poverty reduction.

H. Regional Cooperation

45. The in-house review has focused primarily on water sector reforms and projects in individual DMCs. However, ADB also has an important mandate to support (sub)regional cooperation among its member countries, and progress was noted in this area after the approval of the Water Policy in 2001, particularly in the Pacific and Central Asian subregions.

46. In the Pacific subregion, ADB organized a regional consultation workshop in 2002 on water issues in small island countries. The consultation among government, private sector, and civil society representatives from 18 island countries resulted in the governments adopting a regional water policy framework and action plan. Collaboration with other external support agencies was strengthened in the process.

47. In the Central Asian subregion, a regional consultation organized by ADB in 2002 resulted in the determination of four priority areas for collaboration among the riparian countries of the Aral Sea Basin: (i) facilitating interstate agreements on water sharing, (ii) improved exchange of information, (iii) water quality improvement, and (iv) improving environmental and socioeconomic conditions of poor communities in the lower Aral Sea Basin. The consultations also resulted in a request by the riparian countries for ADB to begin support as an "honest broker" in addressing regional water resources management issues, in complement to TA provided by other external support agencies. Interstate arrangements and regional projects have been developed to promote dispute resolution mechanisms and collaborative efforts to improve water resources management in the Aral Sea Basin. A strategy for ADB support for regional cooperation is now in preparation through a further process of subregional consultations. In passing, it may be noted that ADB arranged for representatives from Afghanistan to join the subregional consultations on shared water resources for the first time.

48. In partnership with United Nations (UN)-Habitat, ADB launched a Water for Asian Cities Program to promote investments in water and sanitation for the urban poor.

49. ADB's participation in the 3rd World Water Forum has helped further promote and catalyze the implementation of ADB's Water Policy in the region. ADB provided leadership in organizing thematic sessions and panels on water and poverty, water in Asian cities, water in small island countries, shared water resources in Central Asia, and poverty and floods. This provided opportunities to (i) demonstrate how projects in the region are improving water

management and reducing poverty; (ii) showcase ADB-supported water projects; (iii) exchange knowledge, experience, and lessons learned; (iv) strengthen ADB collaboration with development partners through follow-up initiatives; and (v) increase public awareness on important water issues in the region and raise ADB's profile in the water sector.

50. The first ADB Water Week was held in Manila in December 2002 and was attended by around 300 participants who discussed 15 case studies covering all areas of water policy implementation. The ADB Water Prize was presented by President Chino for recognizing good practice in implementing ADB's Water Policy, in the Rural Water Supply and Sanitation Project in Punjab province in Pakistan.

I. Large Water Resources Projects

51. During the in-house review and the formulation of operational guidelines for water to be adopted as part of ADB's Operations Manual, the Office of the General Counsel commented on the need to update the Water Policy's provisions with regard to large water resources projects. The Water Policy states that ADB will adopt a cautious approach to large water resources projects—particularly those involving dams and storage—given the record of environmental and social hazards associated with such projects, and adds that all such projects will need to be justified in the public interest, and that all government and nongovernment stakeholders in the country must agree on the justification. The review noted that while ADB should continue to pursue a cautious approach to projects involving dams, the adoption of ADB's new accountability mechanism should cause a revision of this policy provision to reflect what is practically possible in terms of achieving agreement of all stakeholders. It is therefore recommended that ADB Board approval be sought for the replacement of the impractical requirement that all stakeholders should agree on the justification of large water resources projects with a statement that ADB promotes the participation of government and nongovernment stakeholders in the country in the decision-making process.¹⁰

J. Internal Asian Development Bank Policy Actions

52. A survey of WSC members and divisional directors was undertaken to assess the effectiveness of internal ADB actions to comply with the requirements of the Water Policy. The summary of responses is shown in Appendix 9. It is expected that a more rigorous assessment of these actions will be made during the comprehensive review to be undertaken in 2005 in respect of the human and financial resources requirements to support water policy implementation.

53. An analysis of the survey indicates that ADB has successfully achieved 10 out of the 15, or 67%, of the internal policy actions. In relation to maintaining an adequate number of specialists in the operational departments, the survey results indicate that an adjustment of the skills mix of ADB staff is required, with greater inputs required from policy and institutional development specialists, water quality and wastewater management specialists, social scientists, resource economists, and private sector specialists. The establishment of the WSC has provided staff with new opportunities to engage in interdepartmental teamwork. More work is, however, needed to expand such opportunities to the Water Sector Network members (ADB's community of staff working on water-related projects, now numbering 109 members), for which knowledge management initiatives are in preparation.

¹⁰ This recommendation will be followed up separately through a Board paper seeking approval on a no-objection basis for the change in this policy provision.

54. More effort is also needed in the allocation of financial resources and reordering of development priorities to support water sector reforms and development needs in the DMCs, through the process of CSPs and country strategy and program updates (CSPUs). This process has not yet yielded the expected and urgently needed increases in investments for water sector reforms, capacity building, and improvement of water infrastructure and services. The Water Policy advocates an integrated approach to water operations, and ADB's *Annual Report* for 2002 for the first time showed ADB's water operations as a cross-cutting sector that accounts for more than 25% of ADB's active loan projects. The cross-sector nature of ADB's water operations, however, poses a challenge to prioritizing comprehensive water sector reforms and promoting integrated investment packages under the CSP process, which often prioritizes among water subsectors such as irrigation and water supply. The WSC has therefore recommended that ADB adopt "water management" as an additional thematic classification, in pursuit of the Water Policy's thrust toward a comprehensive approach to water management that includes the delivery of water services and the management of water resources. This recommendation will be followed up separately with departments concerned and with Management.

K. Asian Development Bank 2002 Reorganization

55. A questionnaire survey among WSC members and divisional directors was undertaken on the impact of ADB's 2002 reorganization on the implementation of the Water Policy.¹¹ The responses are summarized in Appendix 10.

56. Positive impacts were found in terms of (i) technical support provided to the regional departments by the WSC, Regional and Sustainable Development Department, and Water Sector Network; (ii) strengthening of the skills mix within the operational departments through the country and project teams; and (iii) increased country focus by operational staff because of the reorganization into five regions.

L. Cooperation Fund for the Water Sector

57. A survey of WSC members and divisional directors was also conducted on the impact of the Cooperation Fund for the Water Sector (established in December 2001) on the implementation of ADB's Water Policy.¹² The responses are summarized in Appendix 11. The results indicate that the Fund¹³ has provided a strategic framework and financial support for improving water awareness, knowledge management, and capacity building as part of ADB's water operations. The Fund has also enabled ADB to finance pilot and demonstration activities, and to improve networking and regional initiatives in support of the Water Policy. This was found to be an invaluable complement to add value to the increasingly scarce TA resources allocated to project preparation.

58. The implementation of the Fund is conducted following a medium-term strategy, and has been guided by a steering committee comprising operational directors, the Office of External Relations, and the Regional and Sustainable Development Department. Progress reviews of the

¹¹ Responses were received from Pacific Operations Department (PAOD), Agriculture, Natural Resources, and Social Sectors Division (RSAN), Southeast Asia Social Sectors Division (SESS), South Asia Agriculture, Environment, and Natural Resources Division (SAAE), Operations Evaluation Department (OED), and South Asia Social Sectors Division (SASS).

¹² Responses were received from PAOD, RSAN, SESS, SAAE, OED, and SASS.

¹³ The \$9.3 million Fund has supported two regional TAs. The third one is in preparation.

Fund will be undertaken separately, in consultation with the countries that have made contributions to the Fund.

59. ADB's Water Awareness Program was launched at the World Summit on Sustainable Development and has helped to promote ADB's Water Policy and issues in the region through a variety of activities and media.

V. CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

60. **Summary.** The review shows that there is encouraging progress in implementing many of the seven main elements of the Water Policy, but with room for further improvement. Modest progress is reported for two elements—fostering integrated water resources management and promoting regional cooperation. However, good examples have been demonstrated under these two policy elements and these can be replicated. The progress in promoting a national focus on water sector reform has, in general, been disappointing, and the review concludes that more attention and resources are needed to achieve this policy objective, which is critical to improving the way water services are delivered and water resources are managed in ADB's DMCs.

61. **Water Sector Assessments and Policy Dialogue.** Out of the 17 countries where ADB is involved in financing water operations, comprehensive water sector assessments were conducted in five countries, and sector-level water policy dialogues based on these comprehensive assessments have yet to take place. Comprehensive national water policies are in place in nine countries, and water sector reforms are ongoing in 10 countries. The 10 countries are better positioned to design and implement water sector projects in accordance with ADB's Water Policy (which pursues an integrated approach to the delivery of water services and the management of water resources).

62. **Design of Water Projects.** Significant improvements were noted in the design of water projects as a result of the adoption of ADB's Water Policy in 2001. Of the 26 recent loan approvals, 14 (54%) demonstrated exemplary or good practice in implementing the Water Policy, compared with 10% of projects approved in the period 1997–2000. However, of the 41 recently approved water TAs, only 8 (20%) demonstrated exemplary or good practice achievements with regard to their consistency with the Water Policy. This must be regarded as a matter of concern for ADB's water operations and needs further review. Factors to be considered include resource constraints in TAs, need for checklists and guidelines to operationalize the policy actions, and the appropriate choice of instruments to pursue water sector assessments and reforms, either as part of PPTA or separately through advisory TA and studies.

63. **ADB's Poverty Reduction Strategy.** Preliminary indications are that most of the water sector loan projects approved after the adoption of the Water Policy were designed to achieve policy actions in support of ADB's poverty reduction strategy. ADB has also sought to sharpen its operational focus on poverty reduction through the 3rd World Water Forum and its follow-up initiatives (see under Regional Cooperation, above).

64. **Challenges in Water Operations.** Among the most challenging policy actions to achieve were those pursuing comprehensive water sector assessments, sector-level water policy dialogue, policy development and sector reform, institutional development at sector and

subsector levels, private sector participation, and cost recovery. Pursuing water sector assessments and policy and sector reforms has been particularly challenging in the transition Central Asian DMCs.

65. **Regional Cooperation.** ADB's leading role in five thematic areas for the 3rd World Water Forum has helped promote and catalyze the implementation of ADB's Water Policy in the region, and has achieved good results in improving subregional cooperation in the Pacific and in Central Asia. Several follow-up initiatives were launched to increase levels of investment in water projects that explicitly target the poor and to make these investments more effective and better targeted by adopting a participatory and demand-led approach that combines advocacy, capacity building, and community empowerment.

66. **Internal ADB Actions.** ADB has substantially complied with the internal water policy actions. These relate to the skills mix in the operational departments, information dissemination, capacity building, monitoring, and coordination at the focal point. Further work is needed to (i) strengthen networking among water staff; (ii) increase inputs from policy and institutional development specialists to support water sector assessments and reforms, water quality and wastewater management specialists, social scientists, resource economists, and private sector specialists; (iii) prioritize comprehensive water sector reforms and investments through the CSP process; and (iv) adopt water management as a thematic classification, including the delivery of water resources and the management of water resources as per ADB's Water Policy.

67. **ADB's 2002 Reorganization.** ADB's reorganization has had positive impacts with respect to institutionalizing the provision of technical support to operational departments through the WSC and other means.

68. **Cooperation Fund for the Water Sector.** The Cooperation Fund for the Water Sector was established to catalyze implementation of the policy and has provided a strategic framework and much-needed financial resources in support of water policy implementation.

B. Recommendations

69. The following recommendations are intended to further operationalize water policy actions into TAs and loans and to increase the effectiveness of ADB's water operations.

70. **Develop Guidelines for Project Design.** To further operationalize water policy actions into ADB's water TAs and loans and to improve the effectiveness of ADB's water operations, design guidelines and checklists should be prepared immediately for water projects and for other projects with significant water components. Poverty reduction strategies should be part of the guidelines. In developing the guidelines, attention should be given to harmonizing ADB's approach with that of other funding and aid organizations. Particularly well-designed projects should be disseminated as exemplary practice. Good examples of project frameworks should be developed with measurable indicators linked to water policy requirements. The preparation of guidelines and good examples should be supported by the Cooperation Fund for the Water Sector.

71. **Undertake Policy Dialogue and National Reforms.** Greater effort should be devoted to undertaking comprehensive water sector assessments resulting in national water sector profiles, as a basis for policy dialogues and sector reform. This is particularly urgent in Central Asia. The development and refinement of water sector roadmaps should be continued as a complementary exercise to provide the strategic background for CSP and CSPU preparation.

National water sector profiles and roadmaps should be summarized for inclusion as an appendix in PPTA reports. Advisory services for developing and testing the procedures for conducting policy dialogue and documenting the results for replication should be supported by the Cooperation Fund for the Water Sector.

72. Review Development Priorities in DMCs. ADB should prioritize the allocation of sufficient financial resources to support water sector 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. Development priorities should be revisited/reviewed during the preparation of CSPs and CSPUs to increase investments in the water sector. Modalities to conduct sector assessments and support of sector reforms outside of PPTA should be considered. Development of procedures and dissemination of examples should be supported by the Cooperation Fund for the Water Sector.

73. Comprehensive Policy Implementation Review. The recommendations of the in-house review should be implemented as soon as possible. Preparations for the comprehensive review of ADB's water policy implementation, scheduled for 2005, should start soon after the completion of this in-house review. The Water Policy stipulates that the comprehensive review be conducted by an expert group to be commissioned by ADB, and that it will include ADB staff, advisers drawn from the DMCs, other external support agencies, and international specialists. In accordance with this provision, it is recommended that the comprehensive review be organized proactively and in a participatory manner, involving government and nongovernment stakeholders from the region and beyond, and that it will assess ADB's effectiveness in the following key areas of water policy implementation:

- (i) Promoting and supporting national water policies, comprehensive water sector assessments, sector-level water policy dialogues, and sector reforms in the DMCs.
- (ii) Catalyzing poverty reduction in rural and urban areas through water policy and sector reform, governance improvements, and through investments in water services and resource management, and how the partnership initiatives launched at the 3rd World Water Forum have supported this objective.
- (iii) Fostering the integrated management of water resources in river basins with the involvement of stakeholders.
- (iv) Extending and improving water services with more autonomy and accountability of the water service providers, supported by transparent water policies and stronger regulatory frameworks and, where possible, with private sector participation.
- (v) Catalyzing financing arrangements and governance improvements in the water sector, for water services delivery and water resources management.
- (vi) Facilitating subregional and regional cooperation on water issues and solutions.
- (vii) Promoting public awareness and community education initiatives in water management, including the role of ADB's Water Awareness Program.
- (viii) Mainstreaming gender and development in water sector operations.
- (ix) Strengthening collaboration with development partners, including other multilateral development banks, bilateral funding agencies, nongovernment

organizations, professional organizations and research institutes, and international water forums and networks.

- (x) Improving ADB's internal organization, human and financial resources allocation, and resources mobilization to support the implementation of the Water Policy, including the use of resident missions and the Cooperation Fund for the Water Sector.

**POLICY ACTIONS TO SUPPORT THE ASIAN DEVELOPMENT BANK WATER POLICY
“WATER FOR ALL”**

Table A1.1: All Policy Actions

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| <p>Notes and Instructions</p> <ol style="list-style-type: none"> 1. These Policy Actions are extracted from the Water Policy. These are used for reviewing achievement of projects in all developing member countries (DMCs) in the implementation of the Water Policy. 2. Not all policy actions, however, are applicable to all subsector projects. Specific checklists were developed for each subsector. |
| <p>Asian Development Bank Water Policy Actions</p> |
| <p>National Policies and Reforms</p> <ol style="list-style-type: none"> 1. The Asian Development Bank (ADB) will help develop comprehensive water policies in the DMCs. 2. Assistance for undertaking water sector assessments will be provided to ensure that policy formulation and sector reforms are well grounded. 3. Because project planning and implementation are commonly fragmented among many institutions, ADB will support the optimization of agency functions for planning and implementation. It will also focus on the development of effective cross-sector coordination mechanisms, such as a neutral sector apex body that can oversee the policy formulation and sector reform process. 4. Support will be provided for the review and revision of water legislation particularly in the areas of water rights and allocation among competing uses, water quality standards, groundwater use, demand management, resource conservation, private participation, and institutional responsibilities for water sector functions at national, regional or basin, local, and community levels. |
| <p>Water Resources Management</p> <ol style="list-style-type: none"> 5. ADB will help the DMCs introduce integrated water resources management (IWRM) and undertake comprehensive water resources assessments in river basins as a basis for future water investment projects 6. To implement IWRM, ADB will support the establishment of river basin organizations (both formal and informal) to facilitate stakeholder consultation and participation, and to help improve planning, information gathering, monitoring, and advisory services to local and national authorities. 7. ADB will encourage the DMCs to adopt participatory and negotiated approaches for water allocation. 8. ADB will adopt a cautious approach to large water resources projects—particularly those involving dams and storage—given the record of environmental and social hazards associated with such projects. All such projects will need to be justified in the public interest, and all government and nongovernment stakeholders in the country must agree on the justification. |

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| 9. Where the risks are acceptable and ADB's involvement necessary, ADB will ensure that its environmental and social impact assessment procedures are rigorously applied. Any adverse environmental effects will be properly mitigated, the number of affected people in the project area will be minimized, and those adversely affected will be adequately compensated in accordance with ADB's policy on involuntary resettlement. |
| 10. In line with its energy sector policy, ADB will continue to extend its support for technically and economically feasible hydropower projects that form part of a country's least-cost energy development plan, provided that their environmental (including impact on fisheries) and social effects can be satisfactorily managed in accordance with ADB policies. |
| 11. To help stakeholders address water quality issues , ADB will support water quality investment programs that focus on four existing gaps: (i) knowledge development of the impact of human activities on water quality, and of water quality requirements for ecosystems, including determination of water quality thresholds; (ii) management of land conversion, including protection of catchments and wetlands, which are the natural filters in many aquatic systems, and pollution prevention at source; (iii) improving water management to reduce the inefficient use of water, excessive water abstraction, and groundwater pumping leading to salinization; and (iv) reducing pollution by urban and industrial users, through on-site or combined wastewater treatment and reuse, and improved farming practices. |
| 12. The introduction of wastewater discharge permits and effluent charges as part of water rights administration will be encouraged. |
| 13. ADB will pursue the protection and rehabilitation of degraded forestlands . To rehabilitate watersheds, ADB encourages the involvement of local communities and nongovernment organizations (NGOs). |
| 14. Wetlands have important functions in the river basin, including flood alleviation, groundwater recharge, water quality improvement, ecosystem maintenance, and biodiversity conservation. ADB will promote wetland conservation and improvement in a river basin context. |
| 15. ADB will continue to help the DMCs reduce economic losses from floods and rapidly restore economic infrastructure and social services after such disasters. |
| 16. ADB will seek to increase its understanding of the effects of periodic El Niño and La Niña events on climatic patterns, and share its knowledge and experience with the DMCs. |
| 17. ADB will adopt a proactive approach to reduce the severe economic and social costs of natural disasters by promoting the use of combined structural and nonstructural approaches to flood protection, including flood-risk insurance. |
| 18. Poverty reduction will be targeted by carefully formulating flood management projects, and negative impacts will be eliminated by ensuring compensation for loss of assets or livelihoods and assistance in reestablishing productive activities. |
| Improving Water Services |
| 19. ADB's sector strategies within countries will identify the need for introducing phased programs to increase the autonomy and accountability of service providers , either as new enterprises or by reorganizing existing agencies. |
| 20. ADB will develop modalities for public-private partnerships in the management of physical infrastructure. |

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| 21. User participation will also be supported to (i) make services and service providers more responsive and accountable to beneficiaries; (ii) align the provision of services with users' needs and ability to pay, thereby improving cost recovery and sustainability; and (iii) tailor institutional arrangements for water service management to local practices. Participation will be the cornerstone of ADB's country water sector strategies; institutional arrangements for participation, particularly at the community level, will be strengthened. |
| 22. The autonomy of service providers, especially in terms of staffing and tariffs, but not privatization, is typically the central issue in urban water supply and sanitation systems. ADB will support the upgrading of existing systems in physical and managerial terms. |
| 23. ADB will help develop contracting modalities that allow potential investors to participate in the expansion and improvement of services. In particular, contracts that address social equity concerns and improve water and sanitation services to the poor will be developed. |
| 24. Subsidies for operating and maintaining public irrigation and drainage systems will be phased out . |
| 25. The phased turnover of responsibilities for distribution system operation and maintenance to farmer groups will improve system sustainability. Correspondingly, the collective and individual rights and responsibilities of water users (including poor and marginal farmers at the tail end of irrigation systems), service providers, and public agencies will be clarified and agreed. |
| 26. ADB will seek to initiate monitoring and benchmarking exercises for irrigation and drainage service providers to track value and performance parameters. |
| Conserving Water |
| 27. ADB will promote tariff reforms through water-related projects and programs to modify structures and rates so that they reward conservation and penalize waste. |
| 28. ADB will consistently advise governments of the need to adopt cost recovery principles in their water policies and strategies. |
| 29. ADB will continue to press for and support policies that provide for explicit participation of the poor in water-related projects; simultaneously, it will promote the phased elimination of direct subsidies to the poor for accessing basic water services in line with an increase in affordability levels. |
| 30. ADB will promote the establishment of regulatory systems through policy dialogue with the DMCs and by leveraging loan and technical assistance programs to this end. |
| 31. In its water-related projects and programs, ADB will incorporate components that educate the industry on the efficient use of water , and the need for higher prices for both water use and effluent treatment and discharge . |
| Promoting Regional Cooperation |
| 32. By assisting with water sector assessments in riparian countries, and helping with the exchange of data, ADB will promote awareness and understanding of water resources issues and needs within each country. |
| 33. Based on joint requests from riparian countries, ADB will support joint projects for the planning, development, and management of shared water resources, including the mapping of physical and institutional resources, information sharing, and establishment of a regional legal regime encompassing dispute resolution mechanisms. |

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| <p>34. Given its ability, neutrality, and comparative advantage in providing assistance of this nature, ADB will assist governments to develop collaborative frameworks with riparian stakeholders. These will include an assessment of the downstream impact of any ADB-financed water project, in a river basin context.</p> |
| <p>35. Strategically, ADB will accord higher priority to the optimization of existing systems. In line with this approach, and subject to joint requests made by governments concerned, ADB will be prepared to help operationalize international arrangements to manage river systems.</p> |
| <p>Fostering Participation</p> |
| <p>36. ADB will promote participation in the management of water resources at all levels and collaborate in fashioning partnerships between governments, private agencies, NGOs, and communities.</p> |
| <p>37. Water projects supported by ADB will incorporate carefully designed components that promote the participation of civil society in identifying needs and issues, designing solutions, and establishing mechanisms for monitoring and dispute resolution.</p> |
| <p>38. The key elements in a gender approach to planning, implementing, and evaluating of water sector activities are (i) including a gender analysis at the design stage, (ii) incorporating explicit gender equity provisions in the objectives and scope of the activity, and (iii) disaggregating data in monitoring and management information systems along gender lines. These elements will be incorporated in ADB's water sector operations.</p> |
| <p>Improving Governance</p> |
| <p>39. ADB will promote the development of sustainable plans for capacity building; these will include the establishment of indigenous institutional arrangements for skills development at basic and advanced levels. The plans will incorporate processes that allow the sharing of subregional or regional experiences.</p> |
| <p>40. To optimize the work of knowledge and skills development institutions, and to promote regional self-help, a regional research and capacity-building network among these institutions would provide a cost-effective approach. ADB will continue dialogue with its development partners to jointly establish the network as a complementary capacity-building ingredient in the water sector.</p> |

Table A1.2: Policy Actions by Subsector

| Subsectors | Numbers of Policy Actions Applicable |
|--|---|
| All Subsectors (common policy actions) | 1, 2, 3, 4, 36, 37, 38, 39 |
| Water Resources & Watershed Management | 5, 6, 7, 13, 14, 28 |
| Water Supply & Sanitation | 20, 21, 22, 23, 27, 28, 29, 30 |
| Irrigation & Drainage | 6, 7, 19, 20, 21, 23, 24, 25, 26, 27, 28 |
| Flood Management, Urban Drainage & Disaster Response | 6, 15, 16, 17, 18, 28 |
| Wastewater Management & Environmental Improvement | 6, 11, 12, 20, 21, 23, 28, 30, 31 |
| Hydropower | 5, 6, 8, 9, 10, 28 |
| Navigation | 6, 11, 18, 20, 21, 23, 28 |
| Marine & Coastal Resources Management | 6, 13, 14, 28 |
| Regional Projects | 5, 6, 7, 13, 14, 28, 32, 33, 34, 35, 40 |
| | |
| Poverty Reduction Strategy | 7, 11, 18, 25, 29 |

METHODOLOGY AND SCOPE OF REVIEW

1. The review analyzes policy elements embedded in the design of projects approved since the adoption of the Water Policy in 2001 and loans prior to that to identify changes that have taken place since the policy was adopted. A special focus on poverty reduction was adopted to assess the extent to which policy actions related to poverty reduction were followed. In addition, Asian Development Bank (ADB) internal actions were reviewed, namely the reorganization, to assess its effects on implementing the Water Policy. The Cooperation Fund for the Water Sector was also reviewed to assess how it helps catalyze the implementation of the Water Policy. The scope of the review included 117 projects (26 loans and 41 TAs approved between 2001 and 2003, and 50 loans approved between 1997 and 2000) in the following sectors: (i) marine and coastal resources management; (ii) flood management, urban drainage, and disaster response; (iii) water supply and sanitation; (iv) hydropower; (v) irrigation and drainage; (vi) navigation; (vii) wastewater management and environmental improvement; and (viii) water resources and watershed management. Given the short period since adopting the policy, the review is limited to assessing project designs.

2. The review was based on desk analyses by the policy review team of project documents such as reports and recommendations of the President (RRPs), technical assistance (TA) papers, back-to-office reports (BTORs), country strategies and programs (CSPs)/country strategy and program updates (CSPUs), and project performance reports (PPRs). To ensure a systematic and consistent approach to reviewing project design documents, a standardized checklist for each subsector was used. This desk review was complemented by extensive review and comments by Water Sector Committee (WSC) members and discussion during two plenary WSC meetings, and a workshop with the Water Sector Network. Validation and confirmation by operations staff were also sought. The review did not involve primary data collection in developing member countries (DMCs). A detailed assessment, including fieldwork, will be undertaken after 5 years of policy implementation. Review of ADB internal policy actions was done through surveys among regional departments (RDs). The findings of the draft review were presented at a meeting attended by the Steering Committee of the Cooperation Fund for the Water Sector.

3. The scope of the review¹ included (i) water sector assessments and policy dialogue in DMCs, (ii) the design of loan and TA projects, (iii) ADB's poverty reduction strategy, (iv) regional cooperation, (v) internal ADB actions, (vi) impact on policy implementation of ADB's 2002 reorganization, and (vii) the impact of the Cooperation Fund for the Water Sector on operations. Items (i) to (iii) were subjected to detailed analysis through individual project checklists. The other four items were based on surveys of the perceptions of WSC members and their divisional directors. More rigorous assessments on all items is expected during the comprehensive review to be undertaken in 2005.

A. Water Sector Assessments and Policy Dialogue

4. Achievements with regard to water sector assessments and policy dialogue in DMCs were reviewed based on results of the completed checklists that were used for subsector projects of all loans and TAs approved after adoption of the Water Policy, supplemented with other available information. This involved evaluating the four key policy actions on national

¹ Comments from DMCs and nongovernment organizations (NGOs) were solicited through the ADB web site as inputs to the review; however, no responses were received. This paper will be posted on the web site in due course for comments to be considered prior to and during the comprehensive policy review in 2005.

policies and sector reforms. For the country assessments, the completed checklists for all the projects of each DMC were analyzed as a group.

B. Design of Projects

5. The review focused on the design of “water sector”² loan projects and technical assistance (TA) projects approved after January 2001. Selected projects approved before January 2001 (i.e., before the Water Policy came into effect) were also considered. In these earlier projects, some DMCs had taken the initiative to implement recommended policy requirements prior to the adoption of ADB’s Water Policy, often with the support of other external support agencies.

6. In support of the policy actions on promoting public-private partnerships in the management of physical infrastructures, ADB has provided bank loans to private sector companies in the water sector. From 1999 to 2002, the Private Sector Operations Department provided four loans (one in Viet Nam, one in the Philippines, and two in the People’s Republic of China [PRC]) totaling \$163 million. These water sector loans represented about 5.5% of the total private sector loans portfolio of about \$2.9 billion as of 31 December 2002.

7. A total of 117 public sector projects were reviewed. The projects comprised: (i) 26 recently approved loan projects (2001–31 March 2003); (ii) 41 recently approved TAs (2001-31 March 2003); and (iii) 50 loan projects approved prior to January 2001 (1997–2000).

8. Of the 40 policy actions, eight were considered applicable or common to all water subsectors, namely those related to national policies and reforms, fostering participation, and improving governance. The rest of the policy actions were considered as specific or unique to particular subsector projects.

9. Separate review instruments or checklists were therefore developed for the assessment of subsector projects to include the policy actions that are common and those that are unique to the particular subsector: (i) water resources and watershed management, with 14 policy actions; (ii) water supply and sanitation, with 16 policy actions; (iii) irrigation and drainage, with 19 policy actions; (iv) flood management, urban drainage and disaster response, with 14 policy actions; (v) wastewater management and environmental improvement, with 17 policy actions; (vi) hydropower, with 14 policy actions; (vii) navigation, with 15 policy actions; (viii) marine and coastal resources management, with 12 policy actions; and (ix) regional projects, with 15 policy actions.

10. For multipurpose projects, special checklists have been developed to include the relevant subsector policy actions.

C. Detailed Procedure for Analyzing the Checklists

11. Noting that only three years have elapsed since the Water Policy was adopted, the general objective of the analysis was **to stimulate improvements in project design** and thus mainstream the Water Policy in ADB operations. The methodology and analysis adopted in this in-house review have made it possible to identify projects and countries that have done

² The WSC has defined “water sector” projects as to also include projects from other sectors that have significant water components whose cost is more than 30% of the total cost of the project or greater than \$5 million. Some of these projects are noted as such in Appendixes 4, 6, and 7.

exceptionally well in supporting the key water policy actions through ADB assistance and these are highlighted as **examples of exemplary practice**.

12. The common sentence structure of all the 40 water policy actions indicates that, “**ADB will**” followed by the particular action to be pursued. For recently approved projects, this has been interpreted to mean that **ADB assistance is provided** for implementing the recommended water policy action. In cases where the policy action has been accomplished on the initiative of governments or with the assistance of other external agencies, these are assessed in terms of their consistency with ADB policy.

13. Projects that were approved before adoption of the Water Policy were assessed whether they are consistent with the Water Policy.

14. In the checklists for subsector projects, the instructions specify that achievement shall be indicated by a **Yes**, or no action by a **No**, or **NA** if policy action is not applicable, and to **give comments in all cases**. The comments provided valuable insights to the review team.³

15. All policy actions were given equal weight in the analysis. While it may be argued that some policy actions could take priority over others from ADB’s point of view, it was noted that the DMCs may have other priorities besides the fact that the DMCs would need more time to implement some of the policy actions. For instance, ADB considers the establishment of a water sector apex body to oversee national reforms as a high priority but for some DMCs, such institutional reforms take a longer time to realize.

16. Achievement with regard to the water policy actions was first analyzed in a statistical manner for the common policy actions and the subsector policy actions, respectively. This was done for the recently approved loan projects and TAs. In the case of ongoing loan projects, the analysis was on the consistency with the water policy actions as these projects were approved prior to the adoption of the Water Policy.

17. The projects were then classified according to the level of achievement with the Water Policy, namely, (i) substantial achievement, (ii) significant achievement, and (iii) minimal achievement. This classification was followed for both the common as well as the subsector policy actions.

18. Projects that have been classified as having substantial achievements on both sets of policy actions have been considered as examples of **exemplary practice**. The projects that have been classified as having substantial achievement in one set and significant achievement in the other set are considered as examples of **good practice**. Other projects were classified as projects where there is **room for improvement**.

19. The achievement classification indicates the extent to which **ADB has provided assistance** in the implementation of the Water Policy as shown in the project documents. The classification also noted that in some DMCs, certain policy actions are not a priority because of certain constraints as well as for other reasons.

³ Among the comments indicated are: (i) completed with ADB assistance in earlier projects, (ii) completed without ADB assistance, (iii) not included in the scope of project, and (iv) not mentioned in RRP. For the purpose of tabulating the indicators, all policy actions with the foregoing comments were listed as **No** except the first comment which was listed as **Yes**.

20. It is noted, however, that some projects that have not been classified as exemplary and good practice may well have benefited from the initiatives of the DMCs and the help of other external funding agencies in implementing the water policy actions.

D. ADB's Poverty Reduction Strategy

21. A review was made of recently approved loan projects (2001–2003) concerning the pro-poor focus of the projects. The achievements with regard to consistency with ADB's poverty reduction strategy was assessed based on the results of the completed checklists that were used for subsector loan projects approved after the adoption of the Water Policy. This involved evaluating five of the key policy actions concerned with the poverty reduction strategy.

E. Regional Cooperation

22. A brief assessment is provided of regional cooperation activities undertaken after the adoption of the Water Policy.

F. Internal ADB Actions

23. ADB's achievements with respect to the internal policy actions were reviewed through a survey form completed by WSC members and divisional directors.⁴

G. ADB's Reorganization and Cooperation Fund for the Water Sector

24. To assess the impacts of ADB's 2002 reorganization and the support provided by the Cooperation Fund for the Water Sector (established in December 2001), the perceptions of the WSC members were sought through written comments to a questionnaire. More rigorous assessments shall be made in the comprehensive review to be undertaken in 2005.

⁴ The results of this survey were discussed in plenary at the WSC meeting.

OVERVIEW OF WATER SECTOR REFORMS IN DEVELOPING MEMBER COUNTRIES

| Country (Summary) | Details | | | |
|---|--|--|--|--|
| | Comprehensive National Water Policy | Comprehensive Water Sector Assessment | Neutral Water Sector Apex Body | Updated Water Legislation |
| Afghanistan | Partial. In preparation | Partial. In preparation | No. | Yes. Scheduled for revision 2004 |
| Azerbaijan | Partial. For water supply and sanitation | Partial. For water supply and sanitation | Partial. For water supply and sanitation | Partial. For water supply and sanitation |
| Bangladesh Water sector reforms are ongoing | Yes. Adopted in 1999 | Yes as part of the preparation of National Water Management Plan | Yes. National Water Council formed in 1999 | No. Water Act under review |
| Cambodia Water sector reforms are ongoing | Yes. Adopted in 2001 | Yes. Water sector profile has been prepared and adopted | No | No. Water Resources Law under review |
| India | Yes. Adopted in 1987; updated 2002 | Yes. Further work is ongoing at state level | Partial. For several states. | Partial. For several states. |
| Indonesia Water sector reforms are ongoing | Partial National Water Resources Policy adopted in 2001 | Partial. For water supply and sanitation | No Proposal under review | Yes. Water Law approved in 1974, revised law under review |
| Kyrgyz Republic | Partial. For water supply and sanitation | Partial. For water supply and sanitation | No | No. Revised law in preparation |
| Lao People's Democratic Republic Water sector reforms are ongoing | Yes. National strategic action plan adopted in 1999 | Yes. National water sector profile completed in 1997, updated in 2001 and adopted | Yes. Water Resources Coordinating Committee established in 1998 | Yes. Water and Water Resources Law adopted in 1996 |
| Mongolia | No | No | No | Yes. Water Law was passed in 1996 |
| Nepal | No. In preparation | Yes | No | Yes. Under review. |
| Pakistan Water sector reforms are ongoing | Yes. Adopted in 2002 | Yes. National water sector profile completed in 2002 and adopted | No. Proposals under review | No. Legislative reforms under review |

| Country (Summary) | Details | | | |
|---|--|---|---|--|
| | Comprehensive National Water Policy | Comprehensive Water Sector Assessment | Neutral Water Sector Apex Body | Updated Water Legislation |
| Philippines Water sector reforms are ongoing | Yes. Adopted in 1975 | Partial. Water and sanitation subsector profile completed in 2001 | Yes. National Water Resources Council (now a Board) in 1974, provisions updated recently | Yes. Adopted Water Code in 1976—revisions under consideration |
| People's Republic of China Water sector reforms are ongoing | Yes. Adopted Water Law in 1988 that includes policies | Yes. National water sector profile prepared as part of ADB Strategic Options Study | No. Water Resources Management Committee proposed | Yes. Revision of legislation (1988 Water Law) |
| Sri Lanka Water sector reforms are ongoing | Yes. Water Resources Policy adopted, further public consultations ongoing | Yes. National water sector profile completed in 1996 | Yes. Water Resources Council established in 1996 | Yes. Water Resources Act awaiting approval |
| Tajikistan | No | Partial. For water supply and sanitation | No | Yes. Water Code approved in 2002 |
| Timor-Leste Water sector reforms are ongoing | Yes. Adopted in 2002 | Partial For water supply and sanitation | No | No |
| Uzbekistan | Partial. For water supply only | No | No Reforms are under discussion | No. Reforms are under discussion |
| Viet Nam Water sector reforms are ongoing | Partial. For water supply and sanitation | Yes. National water sector profile has been completed but not yet adopted | Yes. National Water Resources Council formed in 1998 | Yes. Water Resources Law adopted in 1998 |

ACHIEVEMENTS OF RECENTLY APPROVED LOAN PROJECTS (2001–2003)

Table A4.1: All Projects

| Loan/TA Number | Country | Project Title | Achievements | | |
|-----------------------------|---------|---|-----------------------|---------------------------|---------------------------|
| | | | Common Policy Actions | Sub-sector Policy Actions | Poverty Reduction Actions |
| Exemplary Practice | | | | | |
| 1966 | NEP | Urban and Environmental Improvement Project | Substantial | Substantial | Significant |
| 1985 | PRC | Hebei Province Wastewater Management Project | Substantial | Substantial | Significant |
| Good Practice | | | | | |
| 1941 | BAN | Jamuna-Meghna River Erosion Mitigation Project | Significant | Substantial | Significant |
| 1939 | CAM | Tonle Sap Environmental Management Project | Substantial | Significant | NA |
| 1834 | LAO | Vientiane Urban Infrastructure and Services Project ^a | Substantial | Significant | Significant |
| 1933 | LAO | Nam Ngum River Basin Development Sector Project | Substantial | Significant | Minimal |
| | | Integrated Development of Basic Urban Services in Provincial | | | |
| 1907 | MON | Towns Project ^a | Significant | Substantial | Significant |
| 1934 | PAK | Sindh Rural Development Project ^a | Substantial | Significant | Significant |
| 1950 | PAK | Punjab Community Water Supply and Sanitation Project | Substantial | Significant | Significant |
| 1835 | PRC | PRC Yellow River Flood Management (Sector) Project | Substantial | Significant | Significant |
| 1919 | PRC | Songhua River Flood Management Sector Project | Substantial | Significant | Significant |
| | | Secondary Towns and Rural Community-based Water Supply | | | |
| | | and Sanitation Project | | | |
| 1993 | SRI | Western Uzbekistan Rural Water Supply Project | Significant | Substantial | Significant |
| 1903 | UZB | Western Uzbekistan Rural Water Supply Project | Significant | Substantial | Significant |
| 1855 | VIE | Second Red River Basin Sector Project | Substantial | Significant | Significant |
| Room for Improvement | | | | | |
| 1831 | BAN | Second Small-scale Water Resources Development Sector | Substantial | Minimal | Minimal |
| 1826 | IND | Gujarat Earthquake Rehabilitation and Reconstruction Project | Significant | Significant | Significant |
| 1994 | LAO | Small Towns Development Sector Project ^a | Minimal | Substantial | Significant |
| 1854 | PAK | Northwest Frontier Province Urban Development Sector Project ^a | Significant | Significant | Significant |
| 1843 | PHI | Mindanao Basic Urban Services Sector Project | Minimal | Minimal | Significant |
| 1922 | PRC | Hebei Zhanghewan Pumped Storage Project | Minimal | Significant | NA |
| 1995 | PRC | Harbin Water Supply Project | Significant | Minimal | Minimal |
| 1846 | SRI | North East Community Restoration and Development Project | Minimal | Minimal | Significant |
| 1852 | TAJ | Emergency Restoration of Yavan Water Conveyance System | Significant | Significant | Significant |
| 1980 | TAJ | Agriculture Rehabilitation Project | Significant | Significant | Significant |
| 1842 | UZB | Urban Water Supply Project | Significant | Significant | Significant |
| 1880 | VIE | 3rd Provincial Towns Water Supply and Sanitation Project | Minimal | Significant | Significant |

^a These projects are purely urban development renewal with water component.

- 1966–NEP – The project water infrastructure components (water supply and sanitation, drainage, wastewater management, and river training) were designed with due regard to the development of modalities for private–public partnerships in management of infrastructure, participation at the community level, upgrading of existing systems in physical and managerial terms, development of modalities for potential investors, promotion of tariff reforms, adoption of cost recovery principles, phased elimination of subsidies, and establishment of a regulatory system. Furthermore the project incorporated the outputs of the previous ADB initiatives for the water sector.
- 1985–PRC – The project specifically stated the ADB policy initiatives it supports and strengthens to wit: (a) integrated basin–wide pollution prevention and control, (b) improved wastewater management to create a sustainable urban environment, (c) enterprise reform and corporate governance, (d) cost recovery and tariff reform, and (e) private sector participation. The project policy framework enumerated the major related projects financed by ADB covered in the Policy issue it addressed.
- 1939–CAM, 1834&1933–LAO, 1934&1950–PAK, 1835&1919–PRC, and 1855–VIE – The Reports and Recommendations of the President (RRPs) have adequately reflected the substantial requisite national reforms that are being instituted in these countries. The projects also supported ADB policy initiatives on fostering participation of civil society, private sector, and non-government organizations (NGOs), formulation of a gender strategy and the development of sustainable plans for capacity building.
- 1903–UZB, 1907–MON, 1993–SRI, and 1994–LAO – These water supply projects have incorporated in the design the following ADB water policy initiatives: (a) development of modalities for public–private partnerships in management of water infrastructures, (b) participation at the community level, (c) upgrading of existing systems in physical and managerial terms, (d) development of modalities for potential investors, (e) promotion of tariff reforms, (f) adoption of cost recovery principles, (g) phased elimination of direct subsidies, and (h) establishment of a regulatory system.
- 1941–BAN – The Government has adopted a National Water Policy with assistance of other external funding agencies. The project supports ADB policy initiatives particularly on reduction of economic losses from floods, promoting the use of combined structural and non-structural approaches to flood protection, poverty reduction by carefully formulating flood management projects and adoption of cost recovery principles.
- 1831–BAN – The Government has adopted a National Water Policy with assistance of other external funding agencies. The project supports ADB policy initiatives of (a) review and revision of water legislation particularly in the areas of water rights and allocation on small scale water resources projects, (b) participation in the management of water resources at all levels, (c) promote the participation of civil society in identifying needs and issues, designing solutions, and establishing mechanisms for monitoring and dispute resolution, (d) formulation of a gender strategy, and (e) development of sustainable plans for capacity building.

Table A4.2: Regional Groupings

| Loan/TA Number | Country | Project Title | Achievements | | Category |
|----------------|---------|---|----------------------|--------------------------|----------------------|
| | | | Common Policy Action | Sub-sector Policy Action | |
| ECRD | | | | | |
| 1985 | PRC | Hebei Province Wastewater Management Project | Substantial | Substantial | Exemplary Practice |
| | | Integrated Development of Basic Urban Services in Provincial | | | |
| 1907 | MON | Towns Project ^a | Significant | Substantial | Good Practice |
| 1835 | PRC | PRC Yellow River Flood Management (Sector) Project | Substantial | Significant | Good Practice |
| 1919 | PRC | Songhua River Flood Management Sector Project | Substantial | Significant | Good Practice |
| 1903 | UZB | Western Uzbekistan Rural Water Supply Project | Significant | Substantial | Good Practice |
| 1922 | PRC | Hebei Zhanghewan Pumped Storage Project | Minimal | Significant | Room for Improvement |
| 1995 | PRC | Harbin Water Supply Project | Significant | Minimal | Room for Improvement |
| 1852 | TAJ | Emergency Restoration of Yavan Water Conveyance System | Significant | Significant | Room for Improvement |
| 1980 | TAJ | Agriculture Rehabilitation Project | Significant | Significant | Room for Improvement |
| 1842 | UZB | Urban Water Supply Project | Significant | Significant | Room for Improvement |
| MKRD | | | | | |
| 1939 | CAM | Tonle Sap Environmental Management Project | Substantial | Significant | Good Practice |
| 1834 | LAO | Vientiane Urban Infrastructure and Services Project ^a | Substantial | Significant | Good Practice |
| 1933 | LAO | Nam Ngum River Basin Development Sector Project | Substantial | Significant | Good Practice |
| 1855 | VIE | Second Red River Basin Sector Project | Substantial | Significant | Good Practice |
| 1994 | LAO | Small Towns Development Sector ^a | Minimal | Substantial | Room for Improvement |
| 1880 | VIE | 3rd Provincial Towns Water Supply and Sanitation Project | Minimal | Significant | Room for Improvement |
| SARD | | | | | |
| 1966 | NEP | Urban and Environmental Improvement Project | Substantial | Substantial | Exemplary Practice |
| 1941 | BAN | Jamuna-Meghna River Erosion Mitigation Project | Significant | Substantial | Good Practice |
| 1934 | PAK | Sindh Rural Development Project ^a | Substantial | Significant | Good Practice |
| 1950 | PAK | Punjab Community Water Supply and Sanitation Project | Substantial | Significant | Good Practice |
| | | Secondary Towns and Rural Community-based Water Supply | | | |
| 1993 | SRI | and Sanitation Project | Significant | Substantial | Good Practice |
| 1831 | BAN | Second Small-scale Water Resources Development Sector | Substantial | Minimal | Room for Improvement |
| 1826 | IND | Gujarat Earthquake Rehabilitation and Reconstruction Project | Significant | Significant | Room for Improvement |
| 1854 | PAK | Northwest Frontier Province Urban Development Sector Project ^a | Significant | Significant | Room for Improvement |
| 1846 | SRI | North East Community Restoration and Development Project | Minimal | Minimal | Room for Improvement |
| SERD | | | | | |
| 1843 | PHI | Mindanao Basic Urban Services Sector Project ^a | Minimal | Minimal | Room for Improvement |

Note: ^a These Projects are purely urban development renewal with water component.

PRIVATE SECTOR INVESTMENT FACILITIES TO THE WATER SECTOR

| Investment Number | Country | Project Title | Contracting Modality |
|---|---------|---|------------------------|
| Earlier Approved Investments (prior to 2001) | | | |
| 7152/1669 | PRC | Chengdu Generale Des Eaux Marubeni Waterworks | BOT scheme |
| 7154/1696 | PHI | Maynilad Water Services Inc. | Concession arrangement |
| 7163/1776 | VIE | Lyonnaise Viet Nam Water Company | BOT scheme |
| Recently Approved Investments | | | |
| 7175/1905 | PRC | Water Infrastructure Development | Joint venture |

BOT = build-operate-transfer, PRC = People's Republic of China, PHI = Philippines, VIE = Viet Nam.

ACHIEVEMENTS OF RECENTLY APPROVED TAs (2001–2003)

Table A6.1: All Projects

| Loan/TA Number | Country | Project Title | Achievements | |
|-----------------------------|---------|--|--------------------------|--------------------------|
| | | | Common Policy Action | Sub-sector Policy Action |
| Exemplary Practice | | | | |
| 3715 | IND | Madhya Pradesh Integrated Water Resources Management Strategy | Substantial ^a | Substantial |
| Good Practice | | | | |
| 3793 | INO | Participatory Irrigation Sector Project | Substantial | Significant |
| 3685 | MON | Integrated Development of Basic Urban Services in Secondary Towns | Significant | Substantial |
| 3700 | NEP | Optimizing Water Use in Kathmandu Valley | Significant | Substantial |
| 3802 | PAK | Southern Punjab Basic Urban Services Project | Significant | Substantial |
| 3998 | PRC | Sanjiang Plains Wetland Protection Project | Substantial | Significant |
| 3986 | TIM | Integrated Water Resources Management | Substantial | Significant |
| 3908 | UZB | Amu Zhang Water Resources Management Project | Substantial | Significant |
| Room for Improvement | | | | |
| 3774 | AZE | Urban Water Supply and Sanitation Project | Minimal | Substantial |
| 3864 | AZE | Flood Mitigation Project | Significant | Significant |
| 3659 | BAN | Jamuna-Meghna River Erosion Mitigation Project | Minimal | Substantial |
| 4000 | BAN | Secondary Towns Integrated Flood Protection II Project | Significant | Minimal |
| 4079 | BAN | Southwest Area IWRM Project | Substantial | Minimal |
| 3688 | CAM | Rural Water Supply and Sanitation Project | Minimal | Significant |
| 3758 | CAM | Northwest Irrigation Sector Project | Substantial | Minimal |
| 3997 | CAM | Chong Kneas Environmental Improvement Project | Significant | Minimal |
| 3759 | IND | Integrated Urban Development in Madhya Pradesh Project ^b | Minimal | Minimal |
| 3974 | IND | Inland Waterway Sector Development Program | Minimal | Minimal |
| 3761 | INO | Regulatory Framework for Private and Public Water Supply and Wastewater Enterprises | Significant | Significant |
| 3782 | INO | Reform of Water Enterprises | Minimal | Substantial |
| 4063 | INO | Community Water Services and Health Project | Significant | Minimal |
| 3718 | LAO | Northern Community-Managed Irrigation Sector | Significant | Minimal |
| 3903 | LAO | Northern and Central Regions Water Supply and Sanitation Project | Significant | Minimal |
| 3745 | NEP | Community-Managed Irrigation Sector Project | Minimal | Minimal |
| 3844 | NEP | Community-Based Water Supply and Sanitation Project | Minimal | Minimal |
| 3692 | PHI | Integrated Coastal Resource Management Project | Substantial | Minimal |
| 3703 | PHI | Capacity Building for the Regulatory Office of the Metropolitan Waterworks and Sewerage System | Minimal | Significant |
| 3760 | PHI | Metro Manila Urban Services for the Poor Project ^b | Significant | Minimal |
| 2477 | PRC | Hebei Zhanghewan Pump-Storage Project | Significant | Minimal |
| 3376 | PRC | Songhua River Flood, Wetland, and Biodiversity Management Project (Supplementary) | Minimal | Significant |
| 3638 | PRC | Wuhan Wastewater Treatment Project | Minimal | Substantial |
| 3730 | PRC | Gansu Hydropower Project | Minimal | Substantial |
| 3749 | PRC | National Guidelines for Urban Wastewater Tariffs and Management Study | Minimal | Significant |
| 3963 | PRC | Study of the Water Capacity of Water Resources | Minimal | Minimal |
| 4014 | PRC | Fuzhou Environmental Improvement Project | Minimal | Substantial |
| 4061 | PRC | Songhua River Basin Water Quality and Pollution Control Management | Significant | Minimal |
| 5974 | RETA | Coastal and Marine Resources Management | Significant | Minimal |
| 5995 | RETA | Integrating Environmental Considerations into Development Policies, Plans and Programs | Minimal | Minimal |
| 4049 | SRI | Strengthening the Regulatory Framework for Water Supply and Sanitation | Significant | Significant |
| 3956 | TAJ | Hydropower Development Strategy | Minimal | Minimal |
| 4001 | VIE | Central Region Water Resources Sector Project | Substantial | Minimal |

^a See next page for the Notes.^b These projects are purely urban development renewal with minimal water component.

Table A6.1 con't: All Projects**Notes:**

1. 3715-IND - The project initiated state level reforms supporting ADB water policy particularly relating to comprehensive water policies, water sector assessments, creation of a neutral sector apex body, and review and revision of water legislation particularly in the legal and regulatory framework governing integrated water resources management (IWRM). The project also supports ADB initiatives on undertaking comprehensive water resource assessments in river basins; establishment of river basin organizations; adopt participatory and negotiated approaches for water allocation, management of water resources, identifying needs and issues and designing solutions; adoption of cost recovery principles in their water policies and strategies; and development of sustainable capacity building programs.
2. 3793-INO & 3986-TIM - One of the objectives of these projects was the assistance to the developing member countries (DMCs) in developing a comprehensive water policy. The projects also support ADB's various water policy initiatives including undertaking water sector assessments, optimizing agency functions and creating a neutral sector apex body, review or revision of water legislation and development of a sustainable capacity building program
3. 3908-UZB & 3998-PRC - These projects support ADB policy initiatives in undertaking water sector assessments, fostering participation in the management of water resources at all levels, between governments, private agencies, NGOs, communities and civil society, development of a gender strategy and sustainable capacity building program.
4. 3685-MON & 3802-PAK - The water supply and sanitation component of these basic urban services development projects supports ADB policy initiatives on (a) developing modalities for public-private partnerships, (b) participation at the community level, (c) development of modalities for potential investors, (d) adoption of cost recovery principles, and (e) phased elimination of direct subsidies to the poor
5. 3700-NEP - This water resources management project supports ADB policy initiatives in undertaking comprehensive water resource assessments in river basins, adoption of participatory and negotiated approaches for water allocation, protection and rehabilitation of degraded forestlands, promotion of wetland conservation and improvement
6. 3692-PHI & 4079-BAN - The national policies of these two countries are already in place, nevertheless the projects provide assistance in undertaking sector assessments and institutional studies to strengthen the development of the agencies. The projects also support ADB initiatives of fostering participation in the management of water resources and of civil society in identifying the needs and designing solutions, and development of gender strategies and sustainable plans for capacity building.
7. 3758-CAM & 4001-VIE - These projects support the development or the review of a comprehensive water policies of the DMCs including undertaking the water sector assessment and developing the capacity of agencies as a neutral sector apex body. The projects also support ADB policy initiative of fostering participation in the management of water resources, participation of civil society, and development of sustainable plans for capacity building.
8. 3638-PRC & 4014-PRC - These wastewater and environmental improvement projects have incorporated in their design the following ADB water policy initiatives; (a) address water quality issues, (b) introduction of wastewater discharge permits and effluent charges, (c) development of modalities for public-private partnerships in the management of physical infrastructures, (d) provision of support in community level participation, (e) development of modalities for potential investor participation, (f) adoption of cost recovery principles, (g) establishment of regulatory system, and (h) the education of the industry on the efficient use of water.
9. 3774-AZE & 3782-INO - These water supply projects have incorporated in the design the following ADB water policy initiatives: (a) development of modalities for public-private partnerships in management of water infrastructures, (b) participation at the community level, (c) upgrading of existing systems in physical and managerial terms, (d) development of modalities for potential investors, (e) promotion of tariff reforms, (f) adoption of cost recovery principles, (g) phased elimination of direct subsidies, and (h) establishment of a regulatory system.
10. 3730-PRC - This hydropower project supports ADB policy initiatives on adoption of a cautious approach to large water resource projects, rigorous application of environmental and social impact assessment procedures, support for technically and economically feasible hydropower projects, and adoption of cost recovery principles
11. 3659-BAN - This erosion mitigation project incorporates in its design the following policy initiatives of ADB: rapid restoration of economic infrastructure and social services, promotion of the use of combined structural and non-structural approaches to flood protection including flood-risk insurance, careful formulation of flood management projects focusing on poverty reduction, and adoption of cost recovery principles

Table A6.2: Regional Groupings

| Loan/TA Number | Country | Project Title | Achievement | | Category |
|----------------|---------|--|----------------------|--------------------------|----------------------|
| | | | Common Policy Action | Sub-sector Policy Action | |
| ECRD | | | | | |
| 3685 | MON | Integrated Development of Basic Urban Services in Secondary Towns | Significant | Substantial | Good Practice |
| 3998 | PRC | Sanjiang Plains Wetland Protection Project | Substantial | Significant | Good Practice |
| 3908 | UZB | Amu Zhang Water Resources Management Project | Substantial | Significant | Good Practice |
| 3774 | AZE | Urban Water Supply and Sanitation Project | Minimal | Substantial | Room for Improvement |
| 3864 | AZE | Flood Mitigation Project | Significant | Significant | Room for Improvement |
| 2477 | PRC | Hebei Zhanghewan Pump-Storage Project | Significant | Minimal | Room for Improvement |
| 3376 | PRC | Songhua River Flood, Wetland, and Biodiversity Management Project (Supplementary) | Minimal | Significant | Room for Improvement |
| 3638 | PRC | Wuhan Wastewater Treatment Project | Minimal | Substantial | Room for Improvement |
| 3730 | PRC | Gansu Hydropower Project | Minimal | Substantial | Room for Improvement |
| 3749 | PRC | National Guidelines for Urban Wastewater Tariffs and Management Study | Minimal | Significant | Room for Improvement |
| 3963 | PRC | Study of the Water Capacity of Water Resources | Minimal | Minimal | Room for Improvement |
| 4014 | PRC | Fuzhou Environmental Improvement Project | Minimal | Substantial | Room for Improvement |
| 4061 | PRC | Songhua River Basin Water Quality and Pollution Control Management | Significant | Minimal | Room for Improvement |
| 3956 | TAJ | Hydropower Development Strategy | Minimal | Minimal | Room for Improvement |
| MKRD | | | | | |
| 3688 | CAM | Rural Water Supply and Sanitation Project | Minimal | Significant | Room for Improvement |
| 3758 | CAM | Northwest Irrigation Sector Project | Substantial | Minimal | Room for Improvement |
| 3997 | CAM | Chong Kneas Environmental Improvement Project | Significant | Minimal | Room for Improvement |
| 3718 | LAO | Northern Community-Managed Irrigation Sector | Significant | Minimal | Room for Improvement |
| 3903 | LAO | Northern and Central Regions Water Supply and Sanitation Project | Significant | Minimal | Room for Improvement |
| 4001 | VIE | Central Region Water Resources Sector Project | Substantial | Minimal | Room for Improvement |
| PARD | | | | | |
| 3986 | TIM | Integrated Water Resources Management | Substantial | Significant | Good Practice |
| SARD | | | | | |
| 3715 | IND | Madhya Pradesh Integrated Water Resources Management Strategy | Substantial | Substantial | Exemplary Practice |
| 3700 | NEP | Optimizing Water Use in Kathmandu Valley | Significant | Substantial | Good Practice |
| 3802 | PAK | Southern Punjab Basic Urban Services Project | Significant | Substantial | Good Practice |
| 3659 | BAN | Jamuna-Meghna River Erosion Mitigation Project | Minimal | Substantial | Room for Improvement |
| 4000 | BAN | Secondary Towns Integrated Flood Protection II Project | Significant | Minimal | Room for Improvement |
| 4079 | BAN | Southwest Area IWRM Project | Substantial | Minimal | Room for Improvement |
| 3759 | IND | Integrated Urban Development in Madhya Pradesh Project ^a | Minimal | Minimal | Room for Improvement |
| 3974 | IND | Inland Waterway Sector Development Program | Minimal | Minimal | Room for Improvement |
| 3745 | NEP | Community-Managed Irrigation Sector Project | Minimal | Minimal | Room for Improvement |
| 3844 | NEP | Community-Based Water Supply and Sanitation Project | Minimal | Minimal | Room for Improvement |
| 4049 | SRI | Strengthening the Regulatory Framework for Water Supply and Sanitation | Significant | Significant | Room for Improvement |
| SERD | | | | | |
| 3793 | INO | Participatory Irrigation Sector Project | Substantial | Significant | Good Practice |
| 3761 | INO | Regulatory Framework for Private and Public Water Supply and Wastewater Enterprises | Minimal | Significant | Room for Improvement |
| 3782 | INO | Reform of Water Enterprises | Minimal | Substantial | Room for Improvement |
| 4063 | INO | Community Water Services and Health Project | Significant | Minimal | Room for Improvement |
| 3692 | PHI | Integrated Coastal Resource Management Project | Substantial | Minimal | Room for Improvement |
| 3703 | PHI | Capacity Building for the Regulatory Office of the Metropolitan Waterworks and Sewerage System | Minimal | Significant | Room for Improvement |
| 3760 | PHI | Metro Manila Urban Services for the Poor Project ^a | Significant | Minimal | Room for Improvement |
| RETA | | | | | |
| 5974 | REG | Coastal and Marine Resources Management | Significant | Minimal | Room for Improvement |
| 5995 | REG | Integrating Environmental Considerations into Development Policies, Plans and Programs | Minimal | Minimal | Room for Improvement |

Note: ^a These projects are purely urban development renewal with water component.

ACHIEVEMENTS OF EARLIER APPROVED LOAN PROJECTS (1997–2000)

Table A7.1: All Projects

| Loan/TA Number | Country | Project Title | Achievements | |
|-----------------------------|---------|--|--------------------------|--------------------------|
| | | | Common Policy Action | Sub-sector Policy Action |
| Exemplary Practice | | | | |
| 1575 | SRI | Third Water Supply and Sanitation Sector Project | Substantial ^a | Substantial |
| 1820 | NEP | Melamchi Water Supply Project | Substantial | Substantial |
| Good Practice | | | | |
| 1812 | PNG | Provincial Towns Water Supply and Sanitation Project and Low-Cost Sanitation, Community Awareness and Health Education | Significant | Substantial |
| 1770 | INO | Marine and Coastal Resources Management Project | Significant | Substantial |
| 1704 | IND | Karnataka Urban Development and Coastal Environmental Project ^b | Significant | Substantial |
| 1632 | SRI | Urban Development and Low-Income Housing (Sector) Project | Significant | Substantial |
| 1742 | KGZ | Community-Based Infrastructure Services Sector Project | Significant | Substantial |
| 1757 | SRI | Water Resources Management Project | Substantial | Significant |
| 1788 | LAO | Decentralized Irrigation Development and Management Sector Project | Substantial | Significant |
| Room for Improvement | | | | |
| 1666 | BAN | Flood Damage Rehabilitation Project | Minimal | Minimal |
| 1825 | BAN | Southwest Flood Damage Rehabilitation Project | Minimal | Minimal |
| 1625 | BHU | Urban Infrastructure Improvement Project ^b | Minimal | Minimal |
| 1725 | CAM | Provincial Towns Improvement Project | Significant | Significant |
| 1753 | CAM | Stung Chinit Irrigation and Rural Infrastructure Project | Minimal | Minimal |
| 1824 | CAM | Emergency Flood Rehabilitation Project | Minimal | Minimal |
| 1647 | IND | Rajasthan Urban Infrastructure Development Project | Minimal | Significant |
| 1804 | IND | Gujarat Power Sector Development Program | Minimal | Minimal |
| 1813 | IND | Calcutta Environmental Improvement Project ^b | Minimal | Minimal |
| 1579 | INO | Northern Sumatra Irrigated Agriculture Sector Project | Minimal | Significant |
| 1587 | INO | Metropolitan Medan Urban Development Project ^b | Minimal | Significant |
| 1592/3 | KAZ | Water Resources Management and Land Improvement | Minimal | Significant |
| 1633 | KGZ | Flood Emergency Rehabilitation Project | Significant | Minimal |
| 1726 | KGZ | Agriculture Area Development | Minimal | Significant |
| 1648 | KIR | Sanitation, Public Health and Environmental Improvement Project | Significant | Significant |
| 1525 | LAO | Secondary Town's Urban Development Project ^b | Minimal | Significant |
| 1710 | LAO | Water Supply and Sanitation Project | Minimal | Substantial |
| 1560 | MON | Provincial Towns Basic Urban Services Project | Significant | Significant |
| 1609 | NEP | Community Groundwater Irrigation Sector Project | Significant | Minimal |
| 1755 | NEP | Small Towns Water Supply and Sanitation Project | Significant | Significant |
| 1531 | PAK | Dera Ghazi Khan Rural Development Project | Significant | Minimal |
| 1578 | PAK | Second Flood Protection Sector Project | Minimal | Significant |
| 1672 | PAK | Malakand Rural Development Project ^b | Significant | Minimal |
| 1679 | PAK | Punjab Farmer-Managed Irrigation Project | Minimal | Significant |
| 1787 | PAK | Northwest Frontier Province Barani Area Development Project (Phase II) | Significant | Significant |
| 1599 | PHI | Subic Bay Area Municipal Development Project | Significant | Significant |
| 1667 | PHI | Agrarian Reform Communities Project ^b | Minimal | Minimal |
| 1668 | PHI | Southern Philippines Irrigation Sector Project | Significant | Significant |
| 1745/1746 | PHI | Pasig River Environmental Management and Rehabilitation Sector Development Program | Minimal | Significant |
| 1544 | PRC | Zhejiang-Shanxi Water Supply Project (Phase I) | Minimal | Significant |
| 1636 | PRC | Fuzhou Water Supply and Wastewater Treatment Project | Minimal | Substantial |
| 1692 | PRC | Suzhou Creek Rehabilitation Project | Minimal | Significant |
| 1797 | PRC | Tianjin Wastewater Treatment and Water Resources Protection Project | Minimal | Minimal |
| 1814 | PRC | West Henan Agricultural Development Project | Minimal | Significant |
| 1685/6/7 | PRC | Northeast Flood Damage Rehabilitation Project | Minimal | Significant |
| 1545 | SRI | Upper Watershed Management Project | Significant | Minimal |
| 1714 | TAJ | Emergency Flood Rehabilitation Project | Minimal | Minimal |
| 1646/1410 | THA | Samut Prakarn Wastewater Management Project | Significant | Significant |
| 1514 | VIE | Second Provincial Towns Water Supply and Sanitation Project | Significant | Minimal |
| 1564 | VIE | Rural Infrastructure Sector Project ^b | Significant | Significant |
| 1702 | VIE | Ho Chi Minh City Environmental Improvement Project | Minimal | Significant |

^a See next page for the Notes.

^b These Projects are purely urban development renewal with water component.

Table A7.1 con't: All Projects

Notes:

1. 1575-SRI - Many of the ADB water policy action initiatives were part of the project assurances like: development of comprehensive water policies, creation of a neutral apex body, review and revision of water legislation, development of public-private partnership modalities, and establishment of regulatory systems. The project also included in its design the following initiatives: (a) participation at the community level, (b) upgrading of existing systems in physical and managerial terms, (c) development of contracting modalities for potential investor participation, (d) promotion of tariff reforms, (e) adoption of cost recovery principles, (f) phased elimination of direct subsidies to the poor, (g) promotion of participation in the management of water resources, (h) promotion in the participation of civil society, (i) development of gender strategy and (j) development of sustainable capacity building plans
2. 1820-NEP - The project supports the following ADB policy action initiatives: optimization of agency functions and development of neutral sector apex body, review and revision of water legislation, development of modalities for public-private partnerships, strengthening of community level participation, autonomy of service providers, development of contracting modalities for potential investors participation, promotion of tariff reforms, adoption of cost recovery principles, phased elimination of direct subsidies to the poor, establishment of regulatory systems, participation in the management of water resources, participation of civil society, gender approach strategy, and development of sustainable capacity building plans.
3. 1636-PRC, 1632-SRI, 1704-IND, 1710-LAO, 1742-KGZ, 1812-PNG - These water supply and sanitation projects have supported most of the following ADB policy initiatives: development of public-private partnerships modalities, strengthening community level participation, upgrading of existing systems in physical and managerial terms, development of potential investors contracting modalities, promotion of tariff reforms, adoption of cost recovery principles, phased elimination of direct subsidies to the poor, and establishment of regulatory systems.
4. 1757-SRI & 1788-LAO - These projects have included in their design almost all the common water policy actions of ADB like: development of comprehensive water policies, undertaking water sector assessments, optimization of agency functions and creation of a neutral sector apex body, review and revision of water legislation, fostering participation in the management of water resources and of civil society, development of gender strategy, and development of sustainable plans for capacity building.
5. 1770-INO - This project supports the following ADB policy initiatives on wetlands and coastal resources management: involvement of local communities and NGOs in the protection and rehabilitation of watersheds, promotion of wetland conservation and improvement in a river basin context and adoption of cost recovery principles.

Table A7.2: Regional Groupings

| Loan/TA Number | Country | Project Title | Achievements | | Category |
|----------------|---------|--|----------------------|--------------------------|----------------------|
| | | | Common Policy Action | Sub-sector Policy Action | |
| ECRD | | | | | |
| 1742 | KGZ | Community-Based Infrastructure Services Sector Project | Significant | Substantial | Good Practice |
| 1592/3 | KAZ | Water Resources Management and Land Improvement | Minimal | Significant | Room for Improvement |
| 1633 | KGZ | Flood Emergency Rehabilitation Project | Significant | Minimal | Room for Improvement |
| 1726 | KGZ | Agriculture Area Development | Minimal | Significant | Room for Improvement |
| 1560 | MON | Provincial Towns Basic Urban Services Project | Significant | Significant | Room for Improvement |
| 1544 | PRC | Zhejiang-Shanxi Water Supply Project (Phase I) | Minimal | Significant | Room for Improvement |
| 1636 | PRC | Fuzhou Water Supply and Wastewater Treatment Project | Minimal | Substantial | Room for Improvement |
| 1692 | PRC | Suzhou Creek Rehabilitation Project | Minimal | Significant | Room for Improvement |
| 1797 | PRC | Tianjin Wastewater Treatment and Water Resources Protection Project | Minimal | Minimal | Room for Improvement |
| 1814 | PRC | West Henan Agricultural Development Project | Minimal | Significant | Room for Improvement |
| 1685/6/7 | PRC | Northeast Flood Damage Rehabilitation Project | Minimal | Significant | Room for Improvement |
| 1714 | TAJ | Emergency Flood Rehabilitation Project | Minimal | Minimal | Room for Improvement |
| MKRD | | | | | |
| 1788 | LAO | Decentralized Irrigation Development and Management Sector Project | Substantial | Significant | Good Practice |
| 1725 | CAM | Provincial Towns Improvement Project | Significant | Significant | Room for Improvement |
| 1753 | CAM | Stung Chinit Irrigation and Rural Infrastructure Project | Minimal | Minimal | Room for Improvement |
| 1824 | CAM | Emergency Flood Rehabilitation Project | Minimal | Minimal | Room for Improvement |
| 1525 | LAO | Secondary Town's Urban Development Project ^a | Minimal | Significant | Room for Improvement |
| 1710 | LAO | Water Supply and Sanitation Project | Minimal | Substantial | Room for Improvement |
| 1646/1410 | THA | Samut Prakarn Wastewater Management Project | Significant | Significant | Room for Improvement |
| 1514 | VIE | Second Provincial Towns Water Supply and Sanitation Project | Significant | Minimal | Room for Improvement |
| 1564 | VIE | Rural Infrastructure Sector Project ^a | Significant | Significant | Room for Improvement |
| 1702 | VIE | Ho Chi Minh City Environmental Improvement Project | Minimal | Significant | Room for Improvement |
| PARD | | | | | |
| 1812 | PNG | Provincial Towns Water Supply and Sanitation Project and Low-Cost Sanitation, Community Awareness and Health Education | Significant | Substantial | Good Practice |
| 1648 | KIR | Sanitation, Public Health and Environmental Improvement Project | Significant | Significant | Room for Improvement |
| SARD | | | | | |
| 1820 | NEP | Melamchi Water Supply Project | Substantial | Substantial | Exemplary Practice |
| 1575 | SRI | Third Water Supply and Sanitation Sector Project | Substantial | Substantial | Exemplary Practice |
| 1704 | IND | Karnataka Urban Development and Coastal Environmental Project ^a | Significant | Substantial | Good Practice |
| 1632 | SRI | Urban Development and Low-Income Housing (Sector) Project | Significant | Substantial | Good Practice |
| 1757 | SRI | Water Resources Management Project | Substantial | Significant | Good Practice |
| 1666 | BAN | Flood Damage Rehabilitation Project | Minimal | Minimal | Room for Improvement |
| 1825 | BAN | Southwest Flood Damage Rehabilitation Project | Minimal | Minimal | Room for Improvement |
| 1625 | BHU | Urban Infrastructure Improvement Project ^a | Minimal | Minimal | Room for Improvement |
| 1647 | IND | Rajasthan Urban Infrastructure Development Project | Minimal | Significant | Room for Improvement |
| 1804 | IND | Gujarat Power Sector Development Program | Minimal | Minimal | Room for Improvement |
| 1813 | IND | Calcutta Environmental Improvement Project ^a | Minimal | Minimal | Room for Improvement |
| 1609 | NEP | Community Groundwater Irrigation Sector Project | Significant | Minimal | Room for Improvement |
| 1755 | NEP | Small Towns Water Supply and Sanitation Project | Significant | Significant | Room for Improvement |
| 1531 | PAK | Dera Ghazi Khan Rural Development Project | Significant | Minimal | Room for Improvement |
| 1578 | PAK | Second Flood Protection Sector Project | Minimal | Significant | Room for Improvement |
| 1672 | PAK | Malakand Rural Development Project ^a | Significant | Minimal | Room for Improvement |
| 1679 | PAK | Punjab Farmer-Managed Irrigation Project | Minimal | Significant | Room for Improvement |
| 1787 | PAK | Northwest Frontier Province Barani Area Development Project (Phase II) | Significant | Significant | Room for Improvement |
| 1545 | SRI | Upper Watershed Management Project | Significant | Minimal | Room for Improvement |
| SERD | | | | | |
| 1770 | INO | Marine and Coastal Resources Management Project | Significant | Substantial | Good Practice |
| 1579 | INO | Northern Sumatra Irrigated Agriculture Sector Project | Minimal | Significant | Room for Improvement |
| 1587 | INO | Metropolitan Medan Urban Development Project ^a | Minimal | Significant | Room for Improvement |
| 1599 | PHI | Subic Bay Area Municipal Development Project | Significant | Significant | Room for Improvement |
| 1667 | PHI | Agrarian Reform Communities Project ^a | Minimal | Minimal | Room for Improvement |
| 1668 | PHI | Southern Philippines Irrigation Sector Project | Significant | Significant | Room for Improvement |
| 1745/1746 | PHI | Pasig River Environmental Management and Rehabilitation Sector Development Program | Minimal | Significant | Room for Improvement |

Note: ^a These projects are purely urban development renewal with water component.

POLICY ACTIONS WITH LOW ACHIEVEMENT

Table A8.1: Per Project Type

| Recently Approved Loan Projects | Number of Projects | |
|--|-----------------------------|--------------|
| | With Required Policy Action | Not Achieved |
| Common Policy Actions | | |
| 1. The Asian Development Bank (ADB) will help develop comprehensive water policies in the developing member countries (DMCs). | 26 | 19 |
| 2. Assistance for undertaking water sector assessments will be provided to ensure that policy formulation and sector reforms are well grounded. | 26 | 17 |
| 3. Support will be provided for the review and revision of water legislation particularly in the areas of water rights and allocation among competing uses, water quality standards, groundwater use, demand management, resource conservation, private participation, and institutional responsibilities for water sector functions at national, regional or basin, local, and community levels. | 26 | 16 |
| 4. Because project planning and implementation are commonly fragmented among many institutions, ADB will support the optimization of agency functions for planning and implementation. It will also focus on the development of effective cross-sector coordination mechanisms, such as a neutral sector apex body that can oversee the policy formulation and sector reform process. | 26 | 16 |
| 5. The key elements in a gender approach to planning, implementing, and evaluating of water sector activities are (i) including a gender analysis at the design stage, (ii) incorporating explicit gender equity provisions in the objectives and scope of the activity, and (iii) disaggregating data in monitoring and management information systems along gender lines. These elements will be incorporated in ADB's water sector operations. | 26 | 7 |
| Subsector Policy Actions | | |
| 1. To implement integrated water resources management (IWRM), ADB will support the establishment of river basin organizations (both formal and informal) to facilitate stakeholder consultation and participation, and to help improve planning, information gathering, monitoring, and advisory services to local and national authorities. | 14 | 10 |
| 2. ADB will promote the establishment of regulatory systems through policy dialogue with the DMCs and by leveraging loan and technical assistance programs to this end. | 14 | 10 |
| 3. ADB will help develop contracting modalities that allow potential investors to participate in the expansion and improvement of services. In particular, contracts that address social equity concerns and improve water and sanitation services to the poor will be developed. | 16 | 10 |
| 4. ADB will develop modalities for public-private partnerships in the management of physical infrastructure. | 16 | 9 |
| 5. ADB will seek to increase its understanding of the effects of periodic El Niño and La Niña events on climatic patterns, and share its knowledge and experience with the DMCs. | 7 | 6 |
| 6. ADB will consistently advise governments of the need to adopt cost recovery principles in their water policies and strategies. | 26 | 5 |
| 7. ADB will encourage the DMCs to adopt participatory and negotiated approaches for water allocation . | 5 | 4 |

| Recently Approved TA Projects | Number of Projects | |
|--|-----------------------------|--------------|
| | With Required Policy Action | Not Achieved |
| Common Policy Actions | | |
| 1. Support will be provided for the review and revision of water legislation particularly in the areas of water rights and allocation among competing uses, water quality standards, groundwater use, demand management, resource conservation, private participation, and institutional responsibilities for water sector functions at national, regional or basin, local, and community levels. | 41 | 34 |
| 2. ADB will help develop comprehensive water policies in the DMCs. | 41 | 31 |
| 3. The key elements in a gender approach to planning, implementing, and evaluating of water sector activities are (i) including a gender analysis at the design stage, (ii) incorporating explicit gender equity provisions in the objectives and scope of the activity, and (iii) disaggregating data in monitoring and management information systems along gender lines. These elements will be incorporated in ADB's water sector operations. | 41 | 29 |
| 4. Because project planning and implementation are commonly fragmented among many institutions, ADB will support the optimization of agency functions for planning and implementation. It will also focus on the development of effective cross-sector coordination mechanisms, such as a neutral sector apex body that can oversee the policy formulation and sector reform process. | 41 | 27 |
| 5. ADB will promote participation in the management of water resources at all levels and collaborate in fashioning partnerships between governments, private agencies, NGOs, and communities. | 41 | 25 |
| Subsector Policy Action | | |
| 1. To implement IWRM, ADB will support the establishment of river basin organizations (both formal and informal) to facilitate stakeholder consultation and participation, and to help improve planning, information gathering, monitoring, and advisory services to local and national authorities. | 28 | 25 |
| 2. ADB will consistently advise governments of the need to adopt cost recovery principles in their water policies and strategies. | 41 | 24 |
| 3. ADB will help develop contracting modalities that allow potential investors to participate in the expansion and improvement of services. In particular, contracts that address social equity concerns and improve water and sanitation services to the poor will be developed. | 23 | 13 |
| 4. ADB will promote tariff reforms through water-related projects and programs to modify structures and rates so that they reward conservation and penalize waste. | 17 | 12 |
| 5. ADB will develop modalities for public-private partnerships in the management of physical infrastructure. | 23 | 10 |
| 6. ADB will promote the establishment of regulatory systems through policy dialogue with the DMCs and by leveraging loan and technical assistance programs to this end. | 18 | 9 |
| 7. ADB will continue to press for and support policies that provide for explicit participation of the poor in water-related projects; simultaneously, it will promote the phased elimination of direct subsidies to the poor for accessing basic water services in line with an increase in affordability levels. | 13 | 8 |

| Loan Projects Approved before January 2001 | Number of Projects | |
|--|-----------------------------|--------------|
| | With Required Policy Action | Not Achieved |
| Common Policy Actions | | |
| 1. Assistance for undertaking water sector assessments will be provided to ensure that policy formulation and sector reforms are well grounded. | 50 | 46 |
| 2. ADB will help develop comprehensive water policies in the DMCs. | 50 | 43 |
| 3. Support will be provided for the review and revision of water legislation particularly in the areas of water rights and allocation among competing uses, water quality standards, groundwater use, demand management, resource conservation, private participation, and institutional responsibilities for water sector functions at national, regional or basin, local, and community levels. | 50 | 42 |
| 4. Because project planning and implementation are commonly fragmented among many institutions, ADB will support the optimization of agency functions for planning and implementation. It will also focus on the development of effective cross-sector coordination mechanisms, such as a neutral sector apex body that can oversee the policy formulation and sector reform process. | 50 | 31 |
| 5. ADB will promote participation in the management of water resources at all levels and collaborate in fashioning partnerships between governments, private agencies, NGOs, and communities. | 50 | 19 |
| 6. The key elements in a gender approach to planning, implementing, and evaluating of water sector activities are (i) including a gender analysis at the design stage, (ii) incorporating explicit gender equity provisions in the objectives and scope of the activity, and (iii) disaggregating data in monitoring and management information systems along gender lines. These elements will be incorporated in ADB's water sector operations. | 50 | 19 |
| Subsector Policy Actions | | |
| 1. To implement IWRM, ADB will support the establishment of river basin organizations (both formal and informal) to facilitate stakeholder consultation and participation, and to help improve planning, information gathering, monitoring, and advisory services to local and national authorities. | 35 | 31 |
| 2. ADB will help develop contracting modalities that allow potential investors to participate in the expansion and improvement of services. In particular, contracts that address social equity concerns and improve water and sanitation services to the poor will be developed. | 38 | 31 |
| 3. ADB will promote the establishment of regulatory systems through policy dialogue with the DMCs and by leveraging loan and technical assistance programs to this end. | 26 | 19 |
| 4. ADB will develop modalities for public-private partnerships in the management of physical infrastructure. | 38 | 18 |
| 5. ADB will consistently advise governments of the need to adopt cost recovery principles in their water policies and strategies. | 50 | 16 |
| 6. ADB will promote tariff reforms through water-related projects and programs to modify structures and rates so that they reward conservation and penalize waste. | 31 | 15 |
| 7. ADB will encourage the DMCs to adopt participatory and negotiated approaches for water allocation . | 15 | 13 |

Table A8.2: All Projects

| All Projects | Number of Projects | |
|--|-----------------------------|--------------|
| | With Required Policy Action | Not Achieved |
| Common Policy Actions | | |
| 1. ADB will help develop comprehensive water policies in the DMCs | 117 | 93 |
| 2. Support will be provided for the review and revision of water legislation particularly in the areas of water rights and allocation among competing uses, water quality standards, groundwater use, demand management, resource conservation, private participation, and institutional responsibilities for water sector functions at national, regional or basin, local, and community levels. | 117 | 92 |
| 3. Assistance for undertaking water sector assessments will be provided to ensure that policy formulation and sector reforms are well grounded. | 117 | 78 |
| 4. Because project planning and implementation are commonly fragmented among many institutions, ADB will support the optimization of agency functions for planning and implementation. It will also focus on the development of effective cross-sector coordination mechanisms, such as a neutral sector-apex body that can oversee the policy formulation and sector reform process. | 117 | 74 |
| 5. The key elements in a gender approach to planning, implementing, and evaluating of water sector activities are (i) including a gender analysis at the design stage, (ii) incorporating explicit gender equity provisions in the objectives and scope of the activity, and (iii) disaggregating data in monitoring and management information systems along gender lines. These elements will be incorporated in ADB's water sector operations. | 117 | 55 |
| Subsector Policy Actions | | |
| 1. To implement IWRM, ADB will support the establishment of river basin organizations (both formal and informal) to facilitate stakeholder consultation and participation, and to help improve planning, information gathering, monitoring, and advisory services to local and national authorities. | 77 | 66 |
| 2. ADB will help develop contracting modalities that allow potential investors to participate in the expansion and improvement of services. In particular, contracts that address social equity concerns and improve water and sanitation services to the poor will be developed. | 77 | 54 |
| 3. ADB will consistently advise governments of the need to adopt cost recovery principles in their water policies and strategies. | 117 | 47 |
| 4. ADB will promote the establishment of regulatory systems through policy dialogue with the DMCs and by leveraging loan and technical assistance programs to this end. | 58 | 38 |
| 5. ADB will develop modalities for public-private partnerships in the management of physical infrastructure. | 77 | 38 |
| 6. ADB will promote tariff reforms through water-related projects and programs to modify structures and rates so that they reward conservation and penalize waste. | 62 | 32 |

**ASSESSMENT OF INTERNAL ASIAN DEVELOPMENT BANK POLICY ACTIONS
FOR WATER POLICY IMPLEMENTATION**

| Internal Asian Development Bank Policy Actions | Achievement | Comments |
|--|-------------|---|
| Skills | | |
| 1. ADB will maintain an adequate number of water specialists in its operational departments and supporting offices to meet the policy objectives. The specialist staff will include (i) water resources specialists to deal with resources development and management requirements, water sector assessments, and implementation of a comprehensive approach to water operations in the selected developing member countries (DMCs); and (ii) specialists in specific water services such as water supply, sanitation, wastewater treatment, irrigation, flood control, drainage, and hydropower. | Yes | In some departments the number of specialist is adequate to carry out current water supply and sanitation activities. However, occasionally, staff consultants are needed to meet particular demands. |
| | Partly | Some departments lack specialist in specific water services like sanitation, and wastewater treatment. |
| 2. The skills mix of ADB staff will be adjusted to respond to changing needs of the DMCs in sector assessments; policy, legal, and institutional reforms; and the design of integrated investment packages. | Yes | Being complied with and is ongoing as required. |
| | Partly | Might be difficult to comply with and ADB mechanism for review needs improvement |
| 3. The participation of water specialist staff in interdivisional and interdepartmental teamwork will be integrated in work plans. | Yes | Water Sector Committee (WSC) and Water Sector Network (WSN) have provided opportunities for this integration |
| | Partly | Mainly through WSC. Further integration within the Network is needed |
| 4. Senior water specialists will act as resource persons in policy support, monitoring, and capacity-building activities. | Yes | WSC provides opportunities for senior staff to assist other staff. |
| | Partly | Inadequate number of senior specialists to do this fully. |
| Focal Point | | |
| 5. Collect and disseminate information on good practices; technical, institutional, and legal innovations in water use and management; and operations of other funding agencies. | Yes | Knowledge Management Applications (KMApps) is being set up for this. Other departments participated in Water Week, 3 rd World Water Forum and other WSC and WSN activities. |

Notes: The internal ADB policy actions to be reviewed are quoted directly from the policy paper. Achievement is indicated by a Yes or Partly, or no action by a No. Responses were received from Operations Evaluation Department (OED); Southeast Asia Social Sectors Division (SESS), Pacific Operations Division (PAHQ), and South Asia Social Sectors Division (SASS). Pacific Department (PARD), Mekong Agriculture, Environment, and Natural Resources Division (MAKE), East and Central Asia Social Sectors Division (ECSS), Mekong Social Sectors Division (MKSS), South Asia Agriculture, Environment, and Natural Resources Division (SAAE) and Agriculture, Natural Resources, and Social Sectors Division (RSAN).

| Internal Asian Development Bank Policy Actions | Achievement | Comments |
|---|-------------|---|
| | Partly | While information may have been collected, there appears to be less direct evidence of its effective dissemination. |
| 6. Develop and maintain a database and a monitoring system for ADB's water sector operations | Yes | Subcommittee has been established and database is being developed with Office of Information Systems and Technology assistance. |
| | Partly | Most operations staff (not members of WSC) are not aware of KMApps. |
| 7. Prepare progress reports on ADB's water operations | Yes | WSC 2002 Annual report was prepared. |
| | Partly | Some operations staff are not aware of the reports. |
| 8. Help identify and prepare appropriate skill development programs for water sector staff | Yes | An assessment on training needs was done. |
| | Partly | Almost zero opportunity for the staff in operational departments. |
| 9. Promote networking with international, regional, and national water sector institutions, and coordination among funding agencies | Yes | This was achieved significantly, but participation of operation staff is limited because of heavy work loads. |
| Resources | | |
| 10. Since financial and other resources needed to support DMC development efforts are limited, resources to address water-related issues will have to be carefully prioritized relative to the requirements of other critical development needs. It is expected that most additional DMC needs for the water sector will be managed through a reordering of development priorities . | Yes | Country strategy and program (update) will ensure proper prioritization. |
| | Partly | Water sector road maps are being introduced to facilitate project prioritization. |
| 11. Increases in investments in the water sector will have to correspond with increases in capacities to manage the investments. | Yes | On projects, proposed water sector investments are complemented by adequate capacity building measures. |
| | Partly | Not clear if DMC or ADB will need to increase its investment management capacity. |
| 12. ADB will need to adopt a flexible and dynamic approach to guide its investible resources in the water sector. Lending programs for the water sector will be driven by country strategies and sector priorities . | Yes | Country strategy and program (update) will ensure proper prioritization. |
| | Partly | ADB's use of its resources is rather rigid. |
| 13. Staff resources and skill mixes within ADB will be adjusted as required. | Yes | Complied with through staff training and recruitment. |
| | Partly | Recruitment constraints and ADB review mechanism needs improvement. |

| Internal Asian Development Bank Policy Actions | Achievement | Comments |
|--|-------------|--|
| 14. In addition to the core specialist staff, water sector projects will require greater inputs from social scientists, resource economists, and private sector specialists. | Yes | Provided through staff consultants and TA consultants. |
| | Partly | Project team approach should help, but there are limited resources in each regional departments. |
| 15. Staff requirements will be continuously reviewed in the context of the evolving country water action agenda and the extent of ADB support for the implementation of the agenda. | Yes | Continuously undertaken as part of review of resource support based on work program. |
| | Partly | ADB review mechanism needs improvement. |

IMPACTS OF ASIAN DEVELOPMENT BANK REORGANIZATION ON WATER POLICY IMPLEMENTATION

1. The Water Policy called for the creation of a water focal point (WFP), which is currently housed in the Agricultural, Natural Resources and Social Sectors Division within the Regional Sustainable Development Department, to help implement the Water Policy's provisions and improve the quality of water sector operations. In addition to the WFP, ADB's recent reorganization and new business processes have created thematic and sector committees, including the Water Sector Committee (WSC). The WSC has a key role in leading water sector activities in the operation departments. To determine the impact of the reorganization on water policy implementation, a questionnaire survey was sent to the WSC members and divisional directors. The following were their responses:
2. The reorganization has created the Water Sector Committee (WSC) to better monitor and coordinate the implementation of Asian Development Bank (ADB) policy.
3. Positive impacts through (i) establishment of Regional and Sustainable Development Department, WSC, Water Sector Network, and (ii) distinguishing operational responsibility, peer review, technical support, knowledge management, and coordination.
4. Reorganization has strengthened the knowledge management functions substantially, by establishing Agriculture, Natural Resources, and Social Sectors Division (RSAN) water unit and WSC which provides peer review functions during the project preparatory technical assistance (TA) fact-finding stage (mandatory) and its implementation and loan processing stage (as necessary). Individual TAs and loans have substantially benefited in ensuring the project quality, including the consistency to ADB's Water Policy. WSC has also developed the format of sector roadmap. Quality review prior to the management review meeting (MRM) is also providing water-sector specific review to ensure compliance to ADB's Water Policy. Operationally speaking however, peer review function is not yet fully operational, as WSC members are generally under severe time constraints.
5. As a result of the reorganization, the skills mix within the operational departments has been strengthened through the country and project teams, and consequently, newly prepared projects are more compliant with the Water Policy.
6. The review of project documents by water specialists in the WSC has further ensured the incorporation of Water Policy actions items in newly prepared projects.
7. With fewer countries assigned to project staff in the regions, there is a greater focus on water projects by operational staff with respect to water policy implementation.

IMPACTS OF COOPERATION FUND FOR THE WATER SECTOR ON WATER POLICY IMPLEMENTATION

1. The Cooperation Fund for the Water Sector (Fund) was established in 2000 to support water sector activities at ADB. It helps to catalyze the implementation of ADB's Water Policy and to promote regional cooperation and integrated management of water resources. The following were the responses of the WSC members and divisional directors on the questionnaire survey of the impact of the Fund to the implementation of the Water Policy:
2. The Cooperation Fund for the Water Sector has provided the much needed financial resources and the supported activities directly impact on various aspects of the water policy implementation, which is a daunting task. Through these activities, supported by the Fund, we see things happening (although country specific details would need to be compiled) in the areas of national water sector reform and the Asian Development Bank's (ADB's) design of its water sector operations more focused on integrated water resources management. The water sector assessments financed through the Fund will pave the way to the much needed water sector roadmaps, and this is an area where the Fund could make a difference. The new concept of water partnership has also been introduced through Fund assisted water activities. There is scope for deeper impact on ADB's operations if more resources will be made available to pilot demonstration and other projects (e.g., preparation of water assessments and water sector roadmaps) including water education/awareness projects at the community level.
3. The Fund's objective is to catalyze the implementation of the policy, and its six categories are geared to do it. Without the Fund we would have to rely entirely on the scarce TA resources that are allocated to project preparation, and there would be very little resources available for promotion and awareness, knowledge management and capacity building, pilot demonstration, and support for networking and regional initiatives.
4. The impact is limited to date. Water related projects were somewhat moving separately from the policy. It is expected that the fund will be used to support implementing the policy through the water sector committee's activities.
5. Since implementing water sector reforms in line with ADB's Water Policy should start with creation of awareness and support from general public and key decision makers including politicians that is generally weak in most developing member countries (DMCs), the support provided from the Fund to this end is quite useful. The same is true for the pilot demonstration support, as a means of promoting awareness of the good practices for wider replication. Many policy instruments also needs to be pilot tested and its effectiveness verified before wider application as well, for which the Fund is also useful.
6. In general, however, implementing Water Policy on a country basis would require larger TA resources, for which mobilization of grant resources are quite useful but has to be pursued by individual ADB country water sector officers with the Netherlands country representative offices in each concerned country. It would be useful if HQ staff of organizations concerned with Cooperation Fund for the Water Sector (i.e., ADB, World Bank, Netherlands Government) have some functions to discuss regional and country level water sector cooperation framework to facilitate the field level discussions among ADB project officers and concerned staff in the World Bank and Netherlands Government.

7. In 2002, the Fund provided significant support for the various regional and international consultations held under the auspices of the World Water Forum, which have increased awareness among water specialists, and other stakeholders in ADB's Water Policy.

8. Without the support provided by the Fund (i.e., mostly the consultant work force at the Water Sector Committee Secretariat), I think it would be very difficult for the Water Sector Committee to operate efficiently. In that sense, I think the Fund contributed to the water policy implementation significantly.