



# An Agenda for Change

## Setting the Rules and Finding the Money



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## **Setting the Rules and Finding the Money**

Highlights of ADB Water Week 2004

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# Contents

1	OVERVIEW OF ADB WATER WEEK 2004
5	WATER FOR THE POOR: SETTING THE RULES AND FINDING THE MONEY
8	KEYNOTE SPEECHES
18	ADB WATER WEEK 2004 HIGHLIGHTS IN PICTURES
21	DEBATE ON WATER FINANCING
24	DIALOGUE BETWEEN ADB AND NGOs
25	SETTING AN AGENDA FOR CHANGE
36	PARTICIPANTS' COMMITMENT TO ACTION
40	PARTICIPANTS' REFLECTIONS
43	APPENDIXES

# Overview of ADB Water Week 2004

Is there a conspiracy against the poor? Why is it that after concerted efforts spanning decades, many still do not have access to safe drinking water? Have conventional mindsets or vested interests stymied progress in this direction?

These were some of the questions discussed by participants during the Asian Development Bank's (ADB) Water Week 2004 held in Manila on 26–30 January 2004 which carried the theme “Water for the Poor: Setting the Rules and Finding the Money.” Over 350 delegates from government, water providers, nongovernment organizations (NGOs), financiers, and the media participated and benefited from 12 technical presentations, four keynote speeches, discussions, and networking.

ADB Water Week 2004 aimed to stimulate knowledge development in the water sector, particularly on the issue of water for the poor. The theme for 2004 was “Water for the Poor: Setting the Rules and Finding the Money.”

The first ADB Water Week, held in December 2002, had the theme “Water for All—Getting ADB's Water Policy to Work.” ADB Water Week is organized by ADB's Water Sector Committee.

## Highlights

### Working Sessions

Two working sessions focused on the themes “Understanding Why the Poor Don't Get What They Want” and “Making Watershed Changes in Governance and Financing for the Poor”. Each began with a keynote speech that set the session's theme, followed by presentations that responded to related issues, then by a moderated plenary discussion. The third and concluding session summed up the issues and recommendations generated during the previous days' discussions.

**Understanding Why the Poor Don't Get What They Want.** The session uncovered and discussed in detail the myths and underlying issues surrounding the poor's lack of access to water services. It addressed questions such as

- Is there conspiracy against the poor?
- Have the poor suffered because of lack of water rights?
- Have low irrigation charges disadvantaged the poor?
- Have water supply subsidies disadvantaged the poor?
- How can regulation help to make water accessible to the poor?
- Can community empowerment help the poor get what they want?



**Making Watershed Changes in Governance and Financing for the Poor.** The session encouraged a departure from traditional mindsets and explored innovative, even radical governance and financing practices. It covered the following topics:

- Changing Selection Criteria: Working with the right information, organizations and leaders
- Changing Incentives and Advocacy: Empowering civil society to catalyze reforms
- Changing Regulation: From “independent” to “credible” regulators
- Changing Rules to Reward Efficiency: Linking formal and informal providers
- Changing the Focus of Lending: Catalyzing water investments to the rural poor and in small towns
- Changing the Nature of Water Projects: Investing more in nonstructural interventions
- Changing Water Financing Partners: From national to subsovereign (this change was added later in response to the findings of ADB Water Week).

**Deciding on Water for the Poor: Conclusions on Better Practices.** After summing up the past days’ discussions, the session steered the participants toward future directions and actions.

## **Presentations**

Twelve presentations covered a diagnosis of key water issues and highlighted six action areas: (i) empowering communities; (ii) linking informal providers with formal ones in a coherent system; (iii) building credible regulators; (iv) getting the right information, supporting the right organization, and leadership; (v) ensuring balance between improvements through capacity building and capital/infrastructure development; and (vi) refocusing lending from urban to rural projects.

A major issue raised was getting the price of water services right, through better targeted subsidies and commercial tariffs.

## **NGO-ADB Dialogue**

At Kyoto in March 2003, ADB and NGOs committed to maintaining a dialogue. During Water Week, NGOs exchanged views with ADB and discussed how they could contribute to ADB’s activities at three levels: policy, strategy, and project. At each level, NGO-ADB dialogue will benefit from protocols on (i) representation, (ii) processes for setting agenda and receiving feedback, (iii) timetable, (iv) disseminating agreements, and (v) resolving differences of opinion. A group is being formed to develop such protocols and its output will feed into ADB’s comprehensive review of its Water Policy in 2005.

## **Field Visits**

The visits showcased projects employing innovative water governance and financing practices. Sites visited were the (i) Pasig River where efforts to rehabilitate the river, once declared biologically dead, is ongoing; (ii) Laguna Lake, Metro Manila’s largest source of freshwater fish; and (iii) facilities of a successful small private piped water provider and the poor communities that it serves.

## Recognitions

The 2004 ADB Water Prize went to Phnom Penh Water Supply Authority. Its director general, Mr Ek Sonn Chan, received the award from ADB President Tadao Chino. Leadership, vision, hard work, and accomplishment all figured in making the agency this year's winner over four other candidates. The agency was cited for dramatically improving Phnom Penh's water supply system. Today, it distributes water to 80% of households in the city compared to only 40% in 1993. It has also drastically reduced losses in terms of nonrevenue water from 72% to 22%. The agency's experiences and successes are featured in the 'Water Voices' documentary, *The Connections*.

Good practices of ADB staff in implementing ADB's Water Policy did not go unnoticed. ADB Vice President Liqun Jin presented Individual ADB Water Achievement Awards to: Pieter Smidt for his work in water and poverty reduction and NGO collaboration in Viet Nam; Eva Mayerhofer for helping implement rural water supply delivery improvements and NGO collaboration in Nepal; and Jacques Jeugmans for his contribution to water supply delivery improvements in Indonesia, as well as linking the health and water sectors. The Best Project Team Award went to the Samoa Sanitation and Drainage Project Team of Nancy Convard, Helen Baxter, and Lyailya Nazarbekova.

## 'Water Voices' Films

The 'Water Voices' documentary series, an excellent collection of seven 22-minute films about people who found local solutions to the worsening water crisis in the region, was launched. The documentaries recognize the power of good examples and lessons learned to inspire 'home grown' solutions to water problems. From the sandy shores of the Pacific to the desert areas of India, these films provide great insights into what is possible through leadership and partnership. DVD copies were distributed to all the delegates. Those interested in acquiring copies of the films may email [adbpub@adb.org](mailto:adbpub@adb.org).

## Networking

The participatory nature of ADB Water Week 2004 encouraged networking among the participants. Likewise the broad representation from civil society, government, water providers, media, NGOs, and financiers ensured the articulation of a variety of sectoral views and interests, particularly during the plenary sessions. Stakeholder displays and meeting areas were set up and visual 'mind maps'—to which the delegates were invited to add their ideas—were used to illustrate how water issues were interrelated.

## Participants' Commitment to Action

The participants submitted and voted on over 125 priority actions for pursuing after the conference. These proposals are broadly categorized and ranked as follows:

- Providing finance directly to the poor;
- Improving finance to the private sector;
- Giving greater focus on integrated water resource management;
- Decentralizing finance;
- Investing in research and development for affordable technology;

- Improving credit for rural water;
- Taking more action, on the part of ADB; and
- Getting all stakeholders working more effectively together.

ADB will be considering these in framing its programs and projects and in shaping water initiatives for 2004 and beyond.

## Call for Leadership and Partnership

Water Week sessions ended on a high note with ADB's Vice President Liqun Jin calling for better leadership and partnerships built on the complementary strengths of partners.

Key messages of the 3-day discussions were summed up as follows: (i) effectively target the poor to ensure that development efforts reach them; (ii) improve the poor's access to financing, not just from external sources but also from their own resources; and (iii) decentralize financing to a level more easily accessible to the poor. The participants agreed that the main message from the Water Week should be: simplify the rules, decentralize the money.



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# Water for the Poor: Setting the Rules and Finding the Money

## Setting the Rules

**Key Issue:** What role can improved water management play in poverty reduction?

The links between poverty and water security are widely understood and are enshrined in goals agreed in the Millennium Declaration and the Plan of Implementation from the World Summit on Sustainable Development. Achieving these goals will bring immediate and lasting benefits in poverty reduction through improved health, productivity, local economy, social status, and dignity for poor people.

Improved water management and sanitation can also make the livelihoods of poor people more productive and sustainable. Water is a key input in many livelihood activities such as agriculture and home-based enterprises and is critical to large-scale economic development. Water management plays a critical role in conserving and sustaining the natural resource base and is pivotal in reducing vulnerability to hazards such as floods and droughts that impoverish many. Improved water management can play a key role in promoting gender and social equity.

**Actions:** What can be done to improve the water security of the poor?

- Deliver improved water services (including both the quantity and quality of water), sanitation and hygiene and the management of water resources, guided by good policies and governance that improve equity and target the most vulnerable in society.
- Identify and target specific needs and opportunities of poor people as a priority in water management, even where this may affect other development objectives.
- Empower poor people, and especially women, children and other vulnerable groups, to be meaningfully involved in decisions over services and the management of water resources.
- Include pro-poor water management as a key element in national poverty reduction strategies and associated programs with external support agencies.
- Improve the access of poor people to water resources by better governance to secure the rights and entitlements of the poor, especially for women, through reforms to laws, policies, institutional mandates, and participatory processes for decision-making.

- Encourage higher investments in water infrastructure and services that meet poor people's water needs, supported by capacity building in poor communities and service providers.
- Improve advocacy for, awareness of and knowledge on pro-poor water policies and management by active campaigns that involve all stakeholders (to include health and hygiene).
- Define and put in place strategies to achieve and monitoring systems to assess progress toward clear targets and indicators, based on international commitments for poverty reduction and water security.

**Recommendations: Pro-Poor Partnerships for Water Security**

Meeting these challenges will require all stakeholders to be active participants, through partnerships that are based on common but differentiated responsibilities to improve the water security of poor communities. Such partnership arrangements will create a basis for water and poverty action initiatives that bring early and tangible benefits at local levels to achieve major improvements to water security for poor people.

These water and poverty action initiatives should support effective national policies and strategies for poverty reduction and water investments: water management alone will not solve poverty problems and poverty will not be reduced without improved water security for the poor.

## Finding the Money

The World Panel on Water Infrastructure Financing was created with one central responsibility—to answer the question: How do we find the financial resources needed to meet the Millennium Development Goals (MDGs) for water and sanitation? Constituted in late 2001, the Panel was chaired by Mr. Michel Camdessus, Honorary Governor of the Bank of France and former head of the International Monetary Fund, and consisted of highly experienced and reputable financiers and experts. ADB was invited to be a member of this Panel.

ADB participated actively in the Panel meetings, and generally supports the Panel's recommendations presented to the 3rd World Water Forum in Kyoto in March 2003. These are broadly consistent with ADB's water policy and other related policies and strategies. Together with its development partners, ADB is committed to help implement the Panel's recommendations, and help finance water investments to improve and expand the delivery of water services, and to foster the integrated management of water resources.

Among ADB's broad comments to the Panel report are:

- The Report correctly emphasizes the centrality of water in reducing poverty and in stimulating economic growth. Although water is essential to human existence, one in three people in the Asia and Pacific region do not have access to safe drinking water, and one in two lack basic sanitation. Water security of the poor encompasses water for production and income generation; water, sanitation, and hygiene for health; sustainable environmental management, and reduced vulnerability to water-related disasters.

- The Report focused almost exclusively on financing water services in urban areas. Since the majority of Asia's poor live in rural areas, financing their access to safe water and sanitation is a critical task and must merit the attention of governments, donors, and financiers alike.
- The Report gives insufficient attention to the problems of wastewater management. Expanded water supplies will mean increased wastewater. Investing in wastewater management facilities, and getting them to work efficiently, will be a crucial sector challenge.
- The Report is overly optimistic on the volume of financial flows. Overseas development assistance (ODA) flows have to be considered in country contexts including country strategies and priorities to support water as well as other sectors. Nonetheless, a doubling of ODA for water would help in achieving the water- and sanitation-related MDGs. Private flows are likely be restrained unless local capital markets develop, or risk mitigation instruments are used on a large scale.
- A stronger poverty focus is required in line with the outcome of the 3rd World Water Forum and the Stavanger conference on Water for the Poor. It is a myth that the poor are not bankable. Bankable projects should be specifically prepared for them.

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# Keynote Speeches



## THE FOLLOW-UP ACTIONS ON THE RECOMMENDATIONS OF THE WORLD PANEL ON WATER INFRASTRUCTURE FINANCING

**Michel Camdessus**, chair of the World Panel on Water Infrastructure Financing, provided insights into the report of the Panel. He emphasized the commitment of G8 countries to substantially increase aid and exhorted all stakeholders to work together, otherwise the 2015 Millennium Development Goals (MDGs) will not be met.



## WHERE DOES THE ASIA AND PACIFIC REGION STAND IN ACHIEVING WATER-RELATED MILLENNIUM DEVELOPMENT GOALS?

**Erna Witoelar**, UN Special Ambassador on MDGs, made the telling point that 'business as usual' cannot continue if water is to be available to the one in three persons in the world who lacks adequate water quality and access, and the MDGs achieved by 2015. Getting there is not just a matter of external finance. Developing countries must improve their governance practices to justify supporting them with funds and also commit significant internally generated budget flows toward the achievement of the water MDGs.



## MAKING WATERSHED CHANGES—IT BOILS DOWN TO LEADERSHIP

**Geert van der Linden**, ADB Vice-President, discussed the governance issue of leadership—political, managerial, civil—and how it is the central driver of change. ADB is in the business of fostering and backing leadership. In doing so, ADB will do its utmost to build and share knowledge about good practices in, innovation and opportunities for leadership throughout the region.



## DRAWING INSIGHTS FROM THE NGO DIALOGUE AND THE WORKING SESSIONS

**Ravi Narayanan**, director of WaterAid, emphasized that there is no magic solution to water issues and we must aim, instead, for incremental changes. Four issues had been prominent in the conference: partnership, participation, governance and finance, all of which were keys to effective progress.









- One person in three in the world—including in the Asia and Pacific region—suffers hardship and indignity from lack of safe water
- Water is one of the world's worst injustices because it is above all an injustice to women
- Pure water for all can be achieved if not by 2015, then by 2025
- Financial flows need to double to reach the goal. All parties, consequently, must work together
- Member countries must demonstrate their commitment to taking the necessary steps to achieve the MDGs
- G8 countries have committed to increase ODA funds
- MDBs need to cooperate more in developing innovative ways to get funds to the sub-sovereign level

MICHEL CAMDESSUS started by quoting the President of the ADB: "I believe that poverty in a world as knowledgeable and as resourceful as ours is simply unacceptable. It is not an immutable condition: public policy and action can rid us of this scourge. This is what development is all about."

### World Panel Findings

Referring to the World Panel on Water Infrastructure Financing which he chaired, Mr. Camdessus stated the basic message: *At the start of this Third Millennium, more than one person in three in the world—including in the Asia and Pacific region—suffers hardship and indignity from the problem of water.*

The root cause of the problem is the negligence of mankind and our resignation in the face of inequality. Water is one of the world's worst injustices, because it is above all an injustice to women, which is why it remains hidden and one of the most difficult to correct.

The Panel's report indicates that pure water for all can be realised. It can be done by prolonging the action we are committed to until 2015 for a further 10 years.

The effort requires all parties to act together and not to continue shifting responsibilities from one to another. It can only be done if all parties at every level of society accept the need to change their approach, in some cases radically.

The financial requirements to meet the goal are simply stated. Financial flows need at least to double. They must be sourced from financial markets, from water authorities through tariffs, from donors, from governments and from public development aid, preferably in the form of grants. What is also needed is reform in the way in which the entire world deals with the issue of water. This concerns all levels of responsibility from the village community to the United Nations. The Panel addressed its first set of proposals at the following four preconditions – responsibility, participation of civil society, decentralisation and transparency.

These proposals are about governance and governance is intrinsically linked to finance. Sustainable cost recovery is central to achieving MDGs relating to water. So also are water supply, sanitation and local government reform.

### The G8 Action Plan

The more than 80 proposals made by the Panel have slowly permeated into world consciousness and on 1 June 2003, in Evian, a G8 Action Plan was adopted which closely follows the Panel's recommendations.

The Action Plan defines five key priorities to which G8 members are committed to playing a more active role towards achieving MDGs:

- > Promoting good governance;
- > Utilising all financial resources;
- > Building infrastructure by empowering local authorities and communities;
- > Strengthening monitoring, assessment and research; and
- > Reinforcing the engagement of international organizations.

Two of these priorities deserve further elucidation. The first, utilising all financial resources, includes a commitment by G8 countries to:

- > Give high priority in Official Development Aid (ODA) to finance sound water and sanitation proposals which should act as a catalyst to mobilize other financial flows;

- > Help mobilize domestic financial resources for water infrastructure through the development and strengthening of local capital markets and financial institutions through: (i) establishing at national and local levels, revolving funds that offer local currency; (ii) appropriate risk mitigation measures; (iii) providing technical assistance for the development of local financial markets and building municipal government capacity to design and implement financially viable projects; and (iv) providing targeted subsidies to the poorest communities which are unable to service market debt fully;



> Encourage international financial institutions to give the necessary priority to water;

> Promote cost recovery with "output based aid" approaches to ensure access to services on the part of those least able to afford them;

> Promote public/private partnerships particularly by inducing private sector investments and encouraging the use of local currencies.

The second priority worth commenting on is the reinforcing of the engagement of international organizations and is relevant to ADB. The G8 specified that:

> The UN should play a key role in the water sector. It is important to reinforce coordination within the UN system, and between the UN system and the Bretton Woods institutions, the regional development banks and various stakeholders;

> The World Bank, in consultation with other international financial institutions (IFIs) should recommend necessary measures to implement the following proposals of the Panel:

- using their financial instruments in a more flexible way to direct loans to sub-sovereign bodies;
- developing guarantee and insurance schemes for risk mitigation;

- addressing the issue of sovereign and foreign exchange risk coverage.

There are dangers that Panel recommendations and G8 Action Plan are confined to some drawer to be forgotten. So far this has not been the case with ADB being very active in the follow through of the proposals. Many others have also taken similar steps.

## Implementing the Recommendations

The first implementing step was taken by the G8 Development Committee, in its meeting in Dubai, inviting the World Bank Group to cooperate with member countries to ensure that the Action Plan was implemented as expeditiously as possible.

So, how far have we got? The environment is not promising. Private financing of water has decreased in the past years. The small number of international private operators in water supply and sanitation are facing difficult cash flow situations and are reducing their financial exposure in the sector. This adds to the need for alternative financing using hybrid schemes, for example, public utilities operating under commercial law combined with private financing.

The IFIs, highlighted by the World Panel on Financing Water Infrastructure, have been active in addressing the three flagship measures underlying the Action Plan – guarantee and insurance products for risk mitigation, coverage for sovereign and foreign exchange risk and the provision of loans to sub-sovereign authorities.

There are also efforts to increase cooperation between IFIs, particularly at country level and on co-guarantee arrangements, joint markets of instruments and so on. This cooperation should be extended to cooperation with bilaterals to facilitate packaging sub-sovereign financing together with technical assistance and capacity building.

In the field of water for the poor, ADB is to be congratulated on its efforts to catalyze water financing for the rural poor under its Partnerships for Action launched at the 3<sup>rd</sup> World Water Forum. The initiative is being piloted in Viet Nam and replicated elsewhere. Its scope includes rural water supply and sanitation, water for livelihoods and sustainable development management and investments to reduce vulnerability to water disasters. Private sector participation will be promoted. This is a particularly promising area for investment by ADB, including use of resources from a replenished Asian Development Fund. The new grants element of the Fund should be particularly relevant for such purposes.

The African Development Bank is also moving in this field through its proposals for a Rural Water Supply and Sanitation Initiative.

The bilaterals are also active in water. In the context of the G8-Africa partnership (New Partnership for Africa's Development), water supply and sanitation are key priorities of the agreed African Action Plan endorsed in Evian. France is prominent, having doubled ODA amounts to the water sector and is preparing legislation to develop, on a broader scale, the decentralized cooperation and financing which would supplement government contributions.

Monitoring performance needs to be addressed. No single international organization has a clear and undisputed role for monitoring water. There is no systematic collection, evaluation and publishing of data on performance in the broader water sector. The Panel considers such a role is indispensable. It could preferably be formed from combining the resources of existing bodies or by forming a new body. Such a monitoring body should produce an annual report and its activities should be conducted with full public transparency.

To complement such a body, the Panel also recommended the formation of a group of independent "wise persons" to evaluate ongoing developments, appraise information collected and make suggestions for the achievement of MDGs. Following discussions with the Secretary General of the UN and his staff, action is well advanced to make this recommendation a reality.

All these actions are promising. The Panel laid out a 3-year strategy for 2003-2006. It was launched in 2003—the International Year of Water—and will

proceed to the occasion of the 4<sup>th</sup> World Water Forum. This meeting will enable measures endorsed at Kyoto, at the G8 meeting in Evian and subsequent gatherings to be reviewed. 2006 would also be a good vantage point for making any necessary corrections for targeting the key 2015 MDGs. 2006-2015 would be the main implementation phase towards fulfilling the MDGs, to be followed by a third phase, 2015-2025 when the vision of universal water and sanitation and the broader aim of water security could be realised.

A key message is beware of complacency. No one should rest on their laurels. There should be no resorts to "business as usual". What is needed is action. Financing to the sector should be doubled as rapidly as possible—a call which is particularly pressing to the IFIs and the regional development banks given the central role they must play. Even more importantly, member countries must demonstrate their own determination to deliver on these commitments. They have to do a lot—adoption of national water policies, prioritization of supply and sanitation sustainable cost recovery practices, promotion of sound governance at national and local levels, proper decentralization and effective participation of users, particularly women, to the decision making process. If they don't deliver on these, the MDGs will not be accomplished. Those that succeed will be seen as "virtuous" and should serve as an exemplar to those countries which got under way later.

## Conclusion

The task of the Panel has been to concentrate the minds of key players on the basic financial issues and on the best way of solving them. The next step is about more than global strategy and money. It is about commitment and determination. It is reassuring, then, that the world can rely on solid multilateral institutions to take the lead, to innovate, to create the proper instruments and actively to catalyze reforms.

*(See Appendix 4-A for full text of Mr. Camdessus' speech.)*

- In East Asia and the Pacific, in 2000, 67% of the rural population and 90% of the urban have access to improved water
- Women are the principal victims of lack of ready access to safe drinking water
- The probability of success in achieving MDGs is considered “unlikely”
- A major factor to disparities in water access between rich and poor nations is lack of political will
- The UN’s “Millennium Campaign” is designed to encourage and facilitate “we, the people..” to hold their governments to account for the achievement of the MDGs
- It is critical for rich nations to increase financing for water and sanitation services significantly if MDGs are to be achieved
- The bulk of additional investment in basic services and anti-poverty programs must come from domestic resources and that requires improved governance



ERNA WITOELAR commended ADB for its strong commitment to the achievement of the Millennium Development Goals (MDGs) in the region and focusing Water Week sessions on the important MDG of halving the proportion of people without sustainable access to safe drinking water and adequate sanitation. She suggested an alternative title for the Conference: “Simplifying the Rules and Decentralizing the Money.” Taking a regional perspective, despite the inherent diversity, shows a great number of common issues which connect countries in this region. A regional perspective offers ideas about how countries across the region can cooperate and learn from each other.

#### Regional Status of Water-Related MDGs

The current status of the region towards achieving the MDGs is:

- > One in three Asians lacks access to safe drinking water and half those living in the Asia Pacific region do not have adequate sanitation;
- > Growth in the region has resulted in reduction in poverty but increases in inequality and competition for water between agriculture, personal use and industry. One consequence is the greater discharge of industrial pollutants placing the environment under significant strain. Living conditions in some parts have become hazardous;
- > Increasing populations, bring more people to cities and lead to mega cities with huge demands for water. Meeting that demand has led to overuse

of groundwater and a concerning drop in water tables. Removal of vegetation means that in many places groundwater cannot recharge;

- > Climate change is producing more floods. Changed rainfall patterns impact badly on irrigation, food and income poverty. There is every possibility that water-related problems might be the most serious climate change issue in Asia;

- > In 1990, 66% of the rural population and 90% of the urban had access to improved water in South Asia, percentages which increased to 81% and 95% by 2000. In East Asia and the Pacific, there was no data for 1990, but in 2000, the percentages were 67% and 90%, respectively. Clearly, there is a significant imbalance between rural and urban areas;

- > The UNDP-ESCAP 2003 study considered that performance in the region against the target of reducing the number of people without sustainable access to safe drinking water was “modest”. The probability of success was “unlikely”. On current performance, South Asia should achieve the target before 2015, but East Asia and the Pacific won’t until 2015-2020. The numbers are still great. In the region, meeting the MDGs will require providing about 1.5 billion people with access to safe water and 2 billion with access to basic sanitation facilities by 2015;

- > The disparity between rural and urban is severe. There have, however been some success stories. For example, in India, rural coverage rose from 61% to 79% in the decade of the 1990s and in Nepal during the same period, from 64% to 87%;

- > Environmental degradation is a serious threat

to sustainable water supplies. So also is peace and security. Conflict undermines economies, destabilises governments, provokes mass movements of people and destroys infrastructure. Peaceful conflict resolution, consequently, enhances the achievement of MDGs.

## Water is Significant for Many Millennium Development Goals

There is synergy and interdependence between MDGs with progress on one goal impacting on the achievement of other goals.

Water and sanitation officially lie in Goal 7 (Environment) which relates to the sustainability of all ecosystems. Access to safe drinking water and basic sanitation should be a feature of any slum upgrading. Women are most affected by water insecurity and it is they who should play a central role in the management of water resources

Women feature disproportionately as a statistic in Goal 1 (Poverty). Clean drinking water and other water for household, agriculture and economic activities can be instrumental in alleviating poverty. Pricing of water, too, is important as the poor often pay much more for their water than the affluent.

Goal 2 (Education) and Goal 3 (Gender) also are affected by water. Teachers are reluctant to work in poor villages because of the lack of water and sanitation services. Women and girls spend significant amounts of time obtaining water, preventing them from engaging in productive work, or, in the case of girls, from attending school.

Goals 4, 5 and 6 (Reducing Infant and Maternal Mortalities and Combating Diseases) critically depend on access to clean water and proper sanitation if the leading killers of children, water-borne diseases, are to be minimized.

Goal 8 (Global Partnership for Development) brings rich and poor developing countries together. The former must improve the quality and quantity of aid, expand access to trade and provide better debt relief in return for developing countries improving their governance, institutions and policies.

## Political Will

Water starkly demonstrates the inequalities between rich and poor. In rich nations, water consumption averages 400-500 litres per capita per day while in poor countries it is 20 litres.

A major contributory factor to these disparities is lack of political will. Poverty, health, education, gender and environment are MDGs because of the lack of political and resource commitments to achieve them. In many countries, the policy

framework is not aligned with the achievement of MDGs. In these countries, poverty alleviation is regarded as a by-product of economic growth. Consequently, the concept of "pro-poor policies" is not translated into specific and practical policy measures.

To combat the constraint of political will, the UN has conceived the Millennium Campaign. The objective of the Campaign is to encourage and facilitate "**we, the people...**" to hold their governments to account for the achievement of the MDGs. Individual nations adapt the goals to a local context. Viet Nam, for example, has set its MDGs much higher than the global ones. The first sparks of national level campaigning are visible in Italy, Philippines, Kenya, Albania and Cambodia, to name but a few.

For the Millennium Campaign's credibility, first Goal 8 needs to receive its due attention in rich countries. Initial focus has been on Europe. The Campaign has tried to make Goal 8 more specific on aid, trade, debt and technology transfer. Rich countries need to report on their Goal 8 performance to their citizens while developing countries report on their governance progress.

## The Way Forward

**Participation** is important, but on its own, does not guarantee pro-poor outcomes. Consequently, the Campaign advocates a rights based approach, with inclusive decision making, involving women, the poor and the marginalized. They need access to information, to participation in planning, monitoring and evaluation, and to means of making governments accountable. **Genuine participation** is a political process of representation and negotiation.

In water, all stakeholders need to support national policies and regulatory frameworks. It is also critical to increase financing for water and sanitation services significantly. In this, Goal 8 is very important. The sooner we see a major increase in aid, the better the prospects for achieving MDGs and especially, the water goals.

But, developing countries cannot leave it up to the rich countries. The bulk of additional investment in basic services and the funding of anti-poverty programs will have to come from domestic resources. Better governance and a reallocation of budgets should enable developing nations to meet the MDGs, which some even call Minimum Development Goals. Even if financial resources are reallocated equitably, participatory mechanisms are needed for more effective implementation so that public services are managed with a sense of accountability and belonging to communities. With decentralisation and local accountable

representation, the MDG Campaign can promote good governance through locally driven processes and ownership.

## Conclusion

Water is everybody's business. Everyone can contribute. All stakeholders have programs, information policies and all kinds of resources to contribute. The key is to continue to work together, to build synergy in facing this huge challenge of achieving the MDGs, especially the accessibility to safe drinking water and basic sanitation.

The world has the resources to achieve the MDGs. What is needed is wiser government in budget spending and better governance in public management of water and sanitation services. We should all be participants in sustainable water resource management and global solidarity in restoration of degraded eco-systems.

We have no excuses.

*(See Appendix 4-B for full text of Ms. Witoelar's speech.)*

# VAN DER LINDEN / Speech Highlights

## Making Watershed Changes—It Boils Down to Leadership

- Finding and supporting leaders is the key to achieving change
- There are three leadership types – political, management and civil. All three must be in place to effect change in the public domain
- Good leadership is a necessary condition of success for water providers
- ADB and other financiers must direct funds to effective managers and institutions
- Sharing experience and knowledge is crucial to stimulating change; ADB intends to ensure it acts as a knowledge catalyst
- Multilateral financial institutions have not been doing enough to support good leadership in water providers



GEERT VAN DER LINDEN opened with the point that examination of ideas about water reform was moving in the right direction but while ideas are important, the only way of helping the poor sustainably is by finding commitment among leaders at all levels – presidents, ministers, mayors, village leaders and water providers.

A key question is: how can ADB identify and then assist committed leaders? And how does ADB help them halt and reverse the scourge of poverty?

A crucial step is the fostering of strong leadership within the sector—the type of leadership that expresses itself as a passionate will to make things better, no matter what the obstacles.

### Challenges Facing Providers

For analytical purposes, water providers might be placed on a continuum. At one end is the mature water provider and at the other, the developing provider. There are significant differences between the two. The mature has almost 100% coverage and water losses less than 10% and declining. The developing has 60–70% coverage at best and water losses over 40% and not declining. The mature possesses accountable management appointed on merit; probably has the sector governed by an independent regulator and charges a commercial tariff. With the developing provider, the situation is the opposite. Management is appointed on the basis of political preference, the sector is governed by political expediency and the tariff is set on the basis

of political timidity—a fear that an increase would have unmanageable political costs.

In our region, the mature providers have most attributes right. Seoul, Osaka and Shanghai, for example, provide broad coverage, a 24-hour service, good quality water, low water losses and a rational tariff policy. Hong Kong and Kuala Lumpur are not far behind but higher unaccounted for water losses might compromise their service performance. There are a number of utilities transitioning to mature status including Chengdu, Phnom Penh and perhaps Ho Chi Minh City. These progressive utilities are improving their performance across the board with management leading. For example, it is rare for unaccounted for water to improve in isolation of other performance aspects.

ADB has been tracking the performance of 18 water utilities operating in the region. One of the more disturbing statistics from the surveys is that from 1995 to 2001, average coverage increased only by 0.7%. At this rate it will take 101 years to bring average coverage to 90%. This statistic alone demonstrates the magnitude of the challenge to meet water related MDGs. Providers have to become mature providers or it will simply be impossible to meet these critical MDGs.

### Leadership is the Success Factor

A 2002 ADB study of water supply projects in selected countries identified leadership as a prerequisite for success. A second study of 18 Asian cities and several other case studies found that



leadership is central to achieving success in water utility performance. This finding was highlighted in Arthur McIntosh's *Asian Water Supplies: Reaching the Urban Poor* which ADB co-published in 2003. The book's main message is that good leadership is at the heart of good governance.

Three dimensions of leadership are required if we are to overcome the political, institutional and technical obstacles to efficient delivery of water:

1. **Political leadership** and commitment to the concept of water for all. Such leadership needs to be able to articulate desired outcomes and stand up to vested interests;

2. **Managerial leadership** to identify the changes required in the provider and inspire the necessary organizational reforms;

3. **Civil society leadership** to ensure broad based support for reforms.

There are examples of effective leadership at work. In 1997 in Sri Lanka, a Presidential Task Force recommended a strategy for commercializing irrigated farming. The National Development Council then set up a public limited liability company for smallholder irrigation systems which in turn led to the establishment of a joint venture between the public irrigation agency and local farmers. The partnership produced an additional annual harvest and significant improvements in productivity.

The impact of good managerial leadership is exemplified by the chief executive of the Phnom Penh Water Authority, HE Ek Sonn Chen. His own management principles include never asking a member of his staff to do something he is not prepared to do himself, for example, disconnecting habitual nonpayers of water bills. This can be a difficult task—sometimes a dangerous one. One such nonpayer was a General. On a memorable occasion, HE Ek Sonn Chen went to this General's house and with a guard pointing a rifle at him, disconnected the supply. Actions like this send powerful messages not only to the staff of the organization that the head is going to support them, but also to the public about the operational principles of the organization.

A lone woman in India, Mrs. Almitrah Patel, serves as an excellent example of what can be done by civil society. She generated so much momentum about the garbage problems in India that a committee of the Supreme Court was established to examine this public health issue. The Committee produced the groundbreaking report on solid waste management in Class 1 cities which has led to significant improvements in solid waste management in many cities, including Mrs. Patel's home city of Bangalore.

## Role of ADB in Promoting Good Leadership

This brings us to the question: have multilateral financial institutions been doing enough to support good leadership in water provision? The honest answer is a simple "no". Evaluations of our projects repeat the point that we should support only those projects where there is adequate institutional capacity and commitment and to direct efforts at strengthening that capacity. In this regard, we cannot afford to continue with "business as usual" if we are to meet our MDGs.

As a financier, we need to direct finance where good leadership exists, both political and managerial. ADB must become more creative in ensuring that our investments are linked to good performance. And everyone must help. We need collaboration of like-minded people. Civil society must keep us accountable to these commitments by helping us to identify the credible leaders and by making other suggestions.

For its part, ADB also needs to develop more innovative financing mechanisms including ensuring that continued investment support is linked to outputs and outcomes. This takes us beyond policy to policy implementation and enforcement.

Another contribution ADB can make is by promoting development and dissemination of knowledge and experience among leaders and potential leaders. This can be done by conferences such as Water Week which enable people to meet and exchange information as well as discuss good examples and innovative approaches. ADB's website is another mechanism for exchanging knowledge among leaders. We have already started developing a more comprehensive approach to knowledge development and sharing. VP van der Linden expressed a personal commitment to ensuring that this approach bears fruit.

## Conclusion

Leadership matters. ADB has not focused enough on leadership. It is, however, committed to do everything possible to support those who are committed to providing water for all.

(See Appendix 4-C for full text of Mr. van der Linden's speech.)

# NARAYANAN / Speech Highlights

## Drawing Insights from the NGO Dialogue and the Working Sessions

- There are no magic solutions to providing water for all
- Incremental change is to be expected and welcomed
- Partnerships can only be built on a shared understanding of poverty
- ADB and NGOs have an asymmetrical but complementary relationship
- Participation is about the transfer of power to make decisions
- Poor governance has been a major reason for developmental failure in DMCs
- Donors need to harmonize their lending and reach below national government levels
- Sustaining development needs vision, partnership and optimism



RAVI NARAYANAN commended Water Week, saying it has become part of a continuing dialogue that is successfully bringing stakeholders together. Water Week has become a logical part in the development of ideas and initiatives since the Second World Water Forum in 2002.

He warned that there are no magic solutions. Conferences like this produced a deepening understanding of issues which, in turn, leads to more focused action. At best we can expect incremental changes. Even with these changes, there is still much to do.

Water Week was concerned with four very important issues: Partnership, Participation, Governance and Finance.

### Partnership

The idea of partnership means different things to different people. The starting point for a partnership on water issues is a common understanding of poverty. There are many kinds of poverty, including those of the landless poor, the economic poor, as well as poverty related to ethnicity and gender, to which Water Week has not paid sufficient attention. Like everyone else, the poor should be treated with respect and should be made active participants in

any interventions targeted at alleviating their poverty.

With an understanding of poverty, an effective partnership should be clear about the terms and constituents of engagement on the part of all participants, whether nongovernment organization (NGO), multilateral development bank (MDB), private sector, or government. There must also be clarity about the desired results with clear success indicators.

A major feature of any partnership between ADB and NGOs is the asymmetry in such a relationship. The ADB is large, powerful, unified, operating under a single mandate and at the macro level. NGOs, in contrast, are small, diverse, fragmented, with all sorts of mandates and operate at the micro level. The differences provide the complementarity. NGOs are able to put the "community level" flesh on the interventions that ADB makes at the macro level.

The partnership between ADB and NGOs must be based on trust. But, first, NGOs must learn to speak the language that ADB understands. ADB, on its part, must treat NGOs as equals in a real spirit of partnership. NGOs in turn, must work together as a unity. International NGOs need to help and not dominate national NGOs; big NGOs should help and not dominate small NGOs.



In terms of action, the partnership means understanding one another's strengths and weaknesses. It means sharing clear expectations of what results the partnership can deliver. Results such as equity for the poor, speed of coverage of water services and sustainability of water projects and programs need to be targeted. Partnership also means knowing the stresses, capacity and capability of each partner, having the wisdom to set realistic timetables and the patience to work with one another on an equal footing. It also means that neither party walks away from the partnership – each must stay the course.

## Participation

Participation is about the transfer of power and authority from one stakeholder to another. Power to be heard, power to contribute to decisions and power to make decisions. Communities must be engaged to address their own development needs.

Participation means the stronger party **letting go**. International NGOs should not try to control national NGOs; large NGOs should not try to control smaller NGOs. NGOs must not try to control the communities they are helping so that communities can act confidently in pursuit of their own interests. Likewise, ADB should delegate more authority to resident missions. Only then will participation take hold in a supportive environment, at the grassroots level, in a local language and with relevant information shared.

## Governance

There has been a serious failure on the part of many DMC governments. That has had a significant negative impact on development effectiveness. It is the most important reason for failure in delivering water services to the poor. It is apparent that **"ethical leadership"** is urgently needed at all levels complemented by much more transparency. Transparency can be boosted by practising "information freedom" among stakeholders. Much more effective participation will then take place. Furthermore, information underpins accountability and governments must become accountable to their stakeholders.

Governance has received less attention than it deserves in Water Week. Competition between interest groups will become increasingly evident. Governance will have to play a central role if there is to be an equitable allocation of rights.

For water policy, actions need to be sequenced in a sensible order within a coherent policy framework. If the actions are not producing the desired results, governments must be prepared to make a "U", "Y", "L" or whatever turn is necessary.

## Finance

The first point is that more ODA is needed.

Donors need to harmonize their lending practices and focus it more effectively. They should avoid duplication. They should stop tying aid to the use of their own country suppliers and consultants as that only makes projects more expensive and denies local people and firms opportunities.

**Financial decentralization** should be practiced. Governments should cease transferring responsibilities for water to local level governments without a transfer of matching financial resources. Capacity building should get down to the local government level which is the level at which most service delivery occurs. Representatives from local government are conspicuous by their absence in events like Water Week.

Attention needs to be given to the mobilization of internal resources. Political vested interests continue to bias budget allocations. Urban and rural financing needs differ and call for different financing models and flexibility on the part of financial institutions to come up with relevant, affordable financing packages. They must differentiate between water supply and sanitation, placing the latter in the context of public health.

It should be recognized that the private sector is not only big multinational firms. Small private sector firms must be included in the partnership to deliver water services and should have access to appropriate finance. Many rural and informal communities financial needs are small and better handled by organizations geared to such a transaction level.

## Technology

Water Week has ignored the importance of technology. The technology **appropriate to a particular situation** should be given careful consideration. Simple technology or sophisticated technology can be appropriate. In this regard, local knowledge and choice is a principle which should be given prominence.

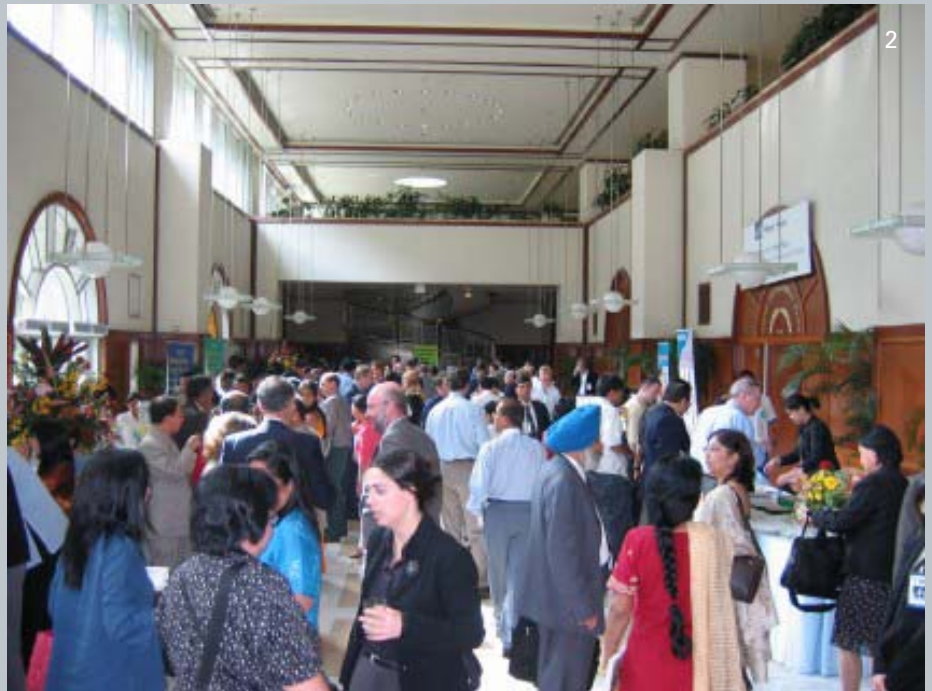
## Conclusion

Vision, sustained partnership, and optimism are the three important ingredients in sustaining optimism.

*(See Appendix 4-D for full text of Mr. Narayanan's speech.)*

## 2<sup>nd</sup> ADB WATER WEEK / Highlights in Pictures

### Sessions, Presentations, Recognitions, Field Visits



(1) ADB Director General Jan van Heeswijk welcomes the participants. (2) Some of the 350 guests from 26 countries who came to Water Week. (3) One of the 12 well-attended presentations conducted by top water specialists and development professionals. (4) A delegate leafs through Water for All books distributed to delegates. (5) Water advocates—personalities featured in the Water Voices documentary series—are warmly applauded.







(6) ADB President Tadao Chino (left) presents the 2004 ADB Water Prize to Mr. Ek Sonn Chan, director general of the Phnom Penh Water Supply Authority. (7) Water achievement and project team awardees with ADB Vice-President Liqun Jin (second from right). (8) ADB Lead Water Resources Specialist Wouter Lincklaen Arriëns (right) with delegates. (9) A trip to Laguna Lake, a major source of farmed fish, was one of Water Week's field events. (10) Water Week was an excellent opportunity to network with other water professionals. (11) Participants hopped on a bus before taking a boat down the Pasig River, now undergoing renewal.





*Mural painted for ADB Water Week 2004 by members of Tinagong Paraiso community in Bacolod, Philippines who successfully implemented a water supply project.*

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# Debate on Water Financing

One powerful theme of Water Week was “Finding the Money.” This reflected the findings of the Camdessus report that emphasized that if MDGs in water were to be achieved, annual funds going into the sector would roughly have to double.

It is not simply a matter of finding more money. It is equally important to get more value for money, to direct the money to those areas in most need, and to those who have proven that they have the capacity to make the right decisions and be accountable for its effective use.

## Increasing the Supply of Funds

It has been shown that substantial capacity for financing water and sanitation lies within communities, but that some additional upfront financing is needed to kickstart their programs.

Communities are prepared to pay for services including loan servicing. The private sector is a source of funds provided that the business risks are acceptable, and that government and international lenders can favorably influence them. Providers, through greater collection efficiency and cost based tariffs, can generate funding for expansion supplemented by borrowing from the local market. Bilateral and multilateral development banks (MDBs) must comply with their commitments to the UN.

## Shifting the Lending Focus to Rural

This point has already been made in a separate presentation by ADB. It does require though rethinking on the financing packaging so as to provide the smaller amounts at acceptable risks and affordable rates to rural towns, rural communities and irrigation authorities.

## Decentralizing the Funds

Currently MDBs and others lend on concessional terms to national governments for water and sanitation projects. These funds may in turn be on-lent to provincial or local governments, typically at commercial interest rates or higher. If they find

their way to communities or NGOs, the interest rates are higher still and repayment periods often very short. This process is a barrier to communities and local government taking the initiative. Yet it seems change is difficult since governments do not have the political will to adopt more appropriate methods. They plead the foreign exchange risk they are assuming in taking on the international loan, a risk that they then pass on to local levels. They also claim a lack of accountability and transparency on the part of local governments, NGOs and communities, but do nothing about the situation and are hardly exemplars themselves. For their part, local governments, NGOs and communities often lack broad based management expertise, adequate financial systems and well-trained staff.

Yet ADB Vice President Liqun Jin in his closing remarks to Water Week made the point “Decentralizing water financing through autonomous and accountable service providers is a key part of ADB’s water policy and we are keenly advocating this to our clients and partners.” It is fully consistent with the recommendations of the Water Panel on financing water infrastructure chaired by Michel Camdessus.

To make decentralization a reality, both governments and MDBs will need to revise their processes, working in conjunction with local governments, NGOs and other stakeholders at subnational levels.

## Reducing the Risks of Borrowing

High interest rates to end-users are often justified by government as being necessary to cover the foreign exchange rates of loans from international lenders. All the risk is then placed with the end-user, with the government protected. The financier also enjoys a risk free situation, with both sovereign guarantee and no exchange risk.

This seems a paradox since it is the international financial community that is best equipped to manage financial risk and that is familiar with managing multiple currencies.

Mechanisms need to be found to change this barrier to cost effective water investment. Solutions may include building up the domestic financial markets so there is less reliance on foreign denominated borrowings, MDBs changing some of their lending practices, governments rethinking their on-lending practices, and greater thought being given to sustaining revolving domestic credit facilities.

## Simplifying the Procedures

Project and program lending typically involves complex paperwork, many conditionalities and a lengthy process. It is one reason why transaction costs are high. As a consequence, larger loan amounts are preferred by lenders to achieve an acceptable ratio between loan and transaction costs.

But if lending is required in rural areas, if lending is needed at local government level and the borrowers are small organizations and ill equipped for complex loan processes, then something has to be done to simplify procedures.

ADB, which has recently set about revising its business practices, should extend this review into loan instruments and harmonize its efforts with other international lending agencies.



## Replicating Good Experiences

It has been said on a number of occasions that there are already many good models of successful cooperation on financing and decision-making that have resulted in beneficial water and sanitation outcomes for communities.

A difficulty is that few seem to know about them. Consequently, a very effective strategy would be for an organization like ADB to harness its resources to identify and disseminate models of good practice across the region. This challenge is being picked up by ADB through its knowledge management strategy referred to by ADB Vice President Geert van der Linden in his keynote address on “Leadership.”

However, the onus should also be on those who have initiated successful projects to ensure they inform others—among them their local media, water ministries, the media and water associations.

## Building Community and NGO Capacity

Though organizations like ADB already have or can tap into a considerable skill base, this is not the case for communities and NGOs.

Given that partnerships are being advocated, it is important that one of the partners—communities, local government or NGOs—are as well informed on what matters as are lenders such as ADB. Consequently, some assistance is required to build their knowledge and skill base.

VP Jin mentioned, “Capacity building in local government and water user organizations has to be linked to further decentralized financing in a demand-led manner.” This intention has to be converted into action through agreed country assistance strategies and project and program proposals.

In summary, achieving the water MDGs will require all stakeholders to reform their financing practices.

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# Dialogue between ADB and NGOs



**A**t the 3<sup>rd</sup> World Water Forum in Kyoto in March 2003, ADB and NGOs agreed to develop a structured dialogue process on water issues and make the ADB Water Week an occasion to advance the dialogue. A brief dialogue was thus held on the first day of ADB Water Week.

Aside from NGOs, a number of media and academic and research organizations were also represented. Participating NGOs wanted to know how dialogues could be conducted at the project, country, and regional levels.

ADB Vice-President Geert van der Linden underlined opportunities for ADB-NGO dialogue in three contexts: (i) review of water policy, (ii) translation of policy into country strategy, and (iii) design and implementation of projects.

WaterAid Director Ravi Narayanan endorsed these opportunities for dialogue. He advocated to lower expectations and aim for incremental improvement in ADB-NGO dialogue and collaboration. He suggested that ADB consider issues of participation, process, and timing, and approach active NGOs in ADB's developing member countries to join the dialogue. He also proposed that ADB make use of existing NGO networks for information dissemination and consultation. He acknowledged the wide variety of interests and views in the NGO community, and encouraged NGOs to take responsibility by committing themselves to the consultation process.

Among the issues and recommendations aired during the brief dialogue were:

- ADB should make known its intentions and proposed agenda for the dialogue process;
- NGOs should consider taking more responsibility to committing themselves to a dialogue process, including organizing preparatory meetings among themselves to agree on common positions for the dialogue;
- NGOs should consider organizing a core group among themselves to further develop the dialogue process;
- ADB and NGOs should agree on certain protocols at each dialogue level, for example, as to who will participate, the process of interaction, timetable for notifying NGOs to attend a dialogue, resolving differences, and sending feedback on the part of NGOs.

# Setting an Agenda for Change

ADB's Principal Water Specialist Charles Andrews said that if the water sector in Asia-Pacific developing countries were a football team, it would have been relegated to D Division. The supporters and financiers would demand change: new leadership, new players, and a different style of play. So why is it that after a generation and a half of bad investments, futile technical support, and endless talk there remains perilously little prospect of real change across the water sector? Why are leaders so resistant to change? At one extreme, said Andrews, it even looks like the football team is betting against itself—that it somehow finds an advantage in losing.

The 2<sup>nd</sup> ADB Water Week examined essential changes necessary to improve water governance and reverse the effects of perverse incentives responsible for sector underperformance. These are:

- **Changing selection criteria:** working with the right information, organizations, and leaders
- **Changing incentives and advocacy:** empowering civil society as catalyst for water sector reform
- **Changing regulation:** from independent to credible regulator
- **Changing the rules to reward efficiency:** linking formal and informal providers
- **Changing the focus of lending:** catalyzing water investments to the rural poor
- **Changing the nature of water project:** investing more in nonstructural interventions
- **Changing water financing partners:** from national to subsovereign

Achieving the goal of improving the water security of the poor will need changes to the ways in which water resources are managed and water services are delivered. Change is necessary to lift productivity and reduce inequality. Institutional performance is always the key. Good development assistance results in positive change: it improves institutional performance and if necessary, supplements available financial resources. The same is true for water sector institutions and financing.

“Change” is really about decisions. Decisions about whom to support or not support, decisions about resource allocations, decisions about rules, and so on. Change is *not* about activities. Activities like research and development, analysis, awareness building, training, and organizational development serve good decision making, but the crux of the change agenda should be the good decisions themselves.

## Who are Involved in the Changes?

They include essential water institutions like

- national and provincial governments (for water law and water policy, fiscal support and discipline)
- river basin organizations (for cross-boundary planning and coordination, research, regulation and enforcement, technical back-up)
- local governments (for control of water service authorities, local policy and regulations, fiscal support)
- publicly owned water service authorities and independent water enterprises
- private water and service companies, and
- small-scale private water providers

Other institutions such as civil society and farmer/consumer groups can influence the performance of those institutions that have public responsibilities.

## CHANGING SELECTION CRITERIA: Working with the right information, organizations, and leaders

*Focus investments where good leadership exists.*

### VIEWS EXPRESSED AT WATER WEEK:

*“Don’t put your resources in a leaking bucket.”* Too often in the past, water investments have been wasted by being directed to governments that promise a lot but fail to measure up with sustainable results.

### Why has this happened?

There are many reasons:

- Investment has not been linked to reform, resulting to poor investment environment.
- There has been a lack of understanding about the drivers of change and the prerequisite of good governance for sustainable outcomes.
- Perverse incentives persist favoring the better off and maintaining the status quo.
- Informal water providers have been ignored to the detriment of the poor.
- Vested interested influence investment and divert attention from setting performance criteria.
- Capacity building is either absent or ineffective, with no links to wider reform.

Change is urgently needed. For better project design to benefit the poor, it is critical to get better information about the social, physical, and institutional circumstances, including existing informal water markets, incentives, and vested interests. This can be obtained through water audits prior to designing water projects. Such analysis can reveal the factors needed to improve services for the poor. Incentives are also needed to encourage reforms to be sustained and completed, and these should be the basis for investment decisions. Investments should be focused on capable organizations with good leadership.

### What must be done differently?

- Focus upon pro-poor investment in a participatory manner.
- Create incentives for stakeholders by requiring action on reforms as a condition for providing assistance.
- Obtain all the information required to understand a situation and the drivers for change.
- Where there is effective leadership, back it.

### What should stakeholders do?

- Donors should ensure their loan proposals adequately address the underlying drivers for change - including leadership, information about the dynamics of a situation, effective organizations and governance.
- Civil society should advocate for effective management of water investments to avoid the cycle of underfunding, inadequate maintenance and rapid deterioration of assets.
- Governments must realize that sustainable results attract investment. “Business as usual” will no longer work.

### How does this change agenda fit into ADB’s Water Policy?

Three of the seven principal elements of ADB’s Water Policy are to:

*Promote a national focus on water sector reform.* Developing member countries (DMCs) will be supported to adopt effective national water policies, water laws, and sector coordination arrangements; improve institutional capacities and information management; and develop a national action agenda for the water sector.

*Facilitate the exchange of water sector information and experience.* Social inclusive development principles will be supported to promote stakeholder consultation and participation at all levels, increase access to basic water services by poor consumers, and enhance water investments in the DMCs through public-private-community-NGO partnerships.

*Improve governance.* This will be accomplished by promoting decentralization, building capacity, and strengthening monitoring, evaluation, research, and learning at all levels, particularly in public sector institutions.

## CHANGING INCENTIVES AND ADVOCACY: Empowering civil society as catalyst for water sector reform

*Government and civil society should work together as partners, not adversaries.*

### VIEWS EXPRESSED AT WATER WEEK:

Research shows that civil society is often poorly informed about water service provider’s performance and reform strategies, and that water legislation and policies are often experienced as confusing and nontransparent. Civil society seldom appreciates that cost recovery tariffs put consumers in control while subsidies leave

politicians in control. When civil society becomes empowered with better information, resources, and influence, they can exercise their influence to catalyze reforms, even against entrenched and powerful vested interests.

Civil society also needs to become more active in advocacy and public awareness, based on a sound understanding of sector issues and solutions, and should be given opportunities to help in designing and implementing projects, as well as in setting up “watch dogs” or other monitoring arrangements. Specific roles should be created for NGOs, academics, and journalists to help catalyze reforms and work in partnership with, rather than against government.

### **What change in attitude and approach is required?**

Empowering civil society requires a change in attitude and approach on the part of other stakeholders:

- Government has to be prepared to listen and take benefit from civil society.
- Water service providers have to be open to participatory approaches to providing their services.
- Donors should ensure that empowerment of civil society to support water reforms is built into programs they support.

### **How does ADB’s Water Policy help advance this change agenda?**

The ADB’s Water Policy provides that:

- 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.
- ADB will also promote wide-ranging public awareness and community education programs especially among women, youth and farmer groups to convey the message that water is a resource that needs prudent management.
- In its water-related programs and projects, 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.
- Clearly the mindset of people have to change. It is insufficient for policymakers to approach water resource management differently; those who consume water also need to recognize the critical nature of the resource.

## **CHANGING REGULATION: From independent to credible regulator**

*Shift focus to becoming a credible, rather than independent, regulator.*

### **VIEWS EXPRESSED AT WATER WEEK:**

Unregulated water markets typically discriminate against the poor. Effective regulation can benefit the poor by guarding against monopoly providers and by ensuring that needed services are made available to customers at affordable prices.



Regulation must be based on a transparent government policy. One of the main objectives of regulation is to ensure that utilities have the autonomy needed to comply with government policies and legislation. The principles of accountability, efficiency, equitability, and transparency should be the objectives of a regulatory body.

Why a shift from independent to credible regulator? Although independence is desirable for regulators, experience shows that there is strong resistance against establishing independent regulators from public sector agencies who are concerned about the loss of accountability and control. Independence is therefore difficult to achieve and it can be argued that pursuing credible regulators may be the next best objective. In any case, an independent regulator is not a sufficient condition for effectiveness. A regulatory office needs adequate skills, resources and authority. Neutrality, efficiency, accountability, and transparency are all needed to make regulators more credible.

A credible regulator supports improved services:

- It safeguards consumers with respect to price and levels of service (quantity and quality)
- It provides for transparent tariff setting based on established rules and procedures
- It provides certainty for public and private sector investments
- It ensures accountability of service providers (information dissemination)
- It provides mechanisms for public input

What can be done to ensure that regulators are effective and credible?

- Strengthen legislation so that sufficient authority is given to the regulator to obtain information, investigate, determine and enforce decisions.
- Establish clear operating modes for public hearings, decision making, reporting and dispute resolution.
- Confirm the mandate to safeguard the poor by making them a key factor that must be taken into account in making water regulatory decisions.
- Avoid undue influence by ensuring that organizational appointments, funding and accountability are protected from short-term political or provider interference.
- Engage support of various stakeholders: (i) Governments must formulate sector policy, develop pro-poor programs and foster public and private partnership; (ii) providers must meet service targets and provide performance information; (iii) civil society must participate in regulator-consumer forums.

### **How is regulation addressed in ADB's Water Policy?**

To serve the best interests of both consumers and the managers of water resources, the system of pricing, incentives, and penalties, regardless of its simplicity or sophistication, needs to be regulated. Regulatory systems need to be established to ensure that laws, standards, rules, and regulations are equitably and consistently applied. In most ADB DMCs, such systems are absent and it is left to the government to play the role of provider and regulator.

ADB will promote the establishment of regulatory systems through its policy dialogue with the DMCs and by leveraging its loan and technical assistance programs to this end.

## **CHANGING THE RULES TO REWARD EFFICIENCY: Linking formal and informal providers**

*Recognize the role of small-scale water providers in bringing water to the poor.*

### **VIEWS EXPRESSED AT WATER WEEK:**

Millions of people in Asia depend, and will continue to depend for a long time to come, on small-scale water providers (SSWPs) for their basic water supplies. But these providers are often overlooked by government policymakers and donors, and seen as a target for cash by corrupt officials, a nuisance by government owned water providers, and exploiters of the poor by the public at large.

Why should SSWPs be regarded in this way? Ignorance of the essential role they play, their customer base and the value of services they offer are probably at the root of the problem.

To 5 million residents of Manila, Philippines, 19% of the population of Ho Chi Minh City, Viet Nam and 6% in Kathmandu, Nepal, SSWPs provide an essential service, delivering water to their doorsteps. They have the flexibility to manage small piped networks as well as the more conventional supply from jerrycans. Though their prices are higher than large-scale providers, this reflects costs of supply which are usually the same as the piped cost to the connected consumer. Despite the higher charges, margins are low.

That they persist to offer essential water services is remarkable in view of the unfavorable business environment in which they operate. Administrative regulations hamper their operations, officials demand bribes to allow them to operate and licenses are short term. Access to credit is limited because their business is seen as risky and they are subject to political interference. In rural areas, there is no access to credit because there is no credit available. Because they lack information about water planning in their area, their future is uncertain, which in turn discourages investment.

Government should recognize the importance of the small-scale water providers in the sector, and that policy and legislation can be changed to recognize the contributions made by these providers in extending services to the poor.

### **Who should take action to better link informal providers with formal providers?**

- Government can change the business environment through policy, legislation, licensing, regulation and providing access to finance, especially in rural areas. It can also require that formal providers meet the needs of SSWPs for a quality water supply.
- Large-scale providers can accept small SSWPs as legitimate bulk supply customers who should receive a guaranteed service level and pricing and can be contracted to extend services into poor, overcrowded communities.

- Donors should provide information about best practice and assist with management training. They should also take steps to support access of SSWPs to finance.

#### **How can ADB's Water Policy help effect this change?**

One of the seven principal elements of ADB's Water Policy is the improvement and expansion of water services. Focusing on water supply and sanitation (both rural and urban), irrigation and drainage, and other subsectors, it will provide support for autonomous and accountable service providers. It will also promote private sector participation and public-private partnerships while emphasizing equity in access to water for the poor and underserved.

There are significant opportunities for increasing private participation in new investments and in the management of existing systems.

ADB will help to develop contracting modalities that will 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.

Private sector initiatives and market-oriented behavior are expected to improve performance and efficiency, particularly in service delivery.

ADB will seek to provide innovative financial packages to enable commercial lenders and promoters to manage the risks involved with investing in water-related projects.

### **CHANGING THE FOCUS OF LENDING: Catalyzing water investments to the rural poor**

*Urban water supplies should increasingly be financed from tariffs and investments, and should be shifted to rural areas where the majority of the poor live.*

#### **VIEWS EXPRESSED AT WATER WEEK:**

The vast majority of Asia's poor live in rural areas and they are short-changed with the majority of investments going to cities. The rural community is being left behind in terms of access to public services like health, education, and safe water provision. To meet the Millenium Development Goals, we have to refocus our attention on the needs of the rural poor. Investing in rural areas cannot be held up by decisions to raise tariffs in cities.

Many city water supply authorities and planners in Asia and the Pacific still hold to two serious misconceptions: (i) that they can't afford to provide all residents with house connections and 24-hour service; and (ii) that 24-hour universal coverage requires external financing and support. These misconceptions are readily debunked by examining those developing country cities that have achieved 24-hour universal coverage, and by running some simple budget models for any city over about one million population. Fact is, it should be possible for all large- and mid-sized cities in Asia and the Pacific to achieve and sustain 24-hour universal coverage, financed predominantly by service charges supplemented by modest commercial borrowings for capital expenditure and restructuring.

The rural community is being left behind in terms of access to public services like health, education, and safe water provision. If MDGs are to be met, the need is greatest in rural areas.

For development, rural areas have significant disadvantages. They are dispersed and, often, are difficult to reach as infrastructure is less developed there. Townships and villages are small in size, meaning that projects must be small in size. Infrastructure like water, consequently, often finds it difficult to generate the required economic and financial returns on an investment. Cities, on the other hand, have large critical masses which make financial proposals for loans financially attractive.

To date, the cities have principally benefited from development loans. Studies, however, demonstrate that cities, through their tariffs and commercial borrowing capacity, are able to finance all their water services and capital needs.

If this holds true, then official development assistance resources and central government support could be diverted from urban water supply development to rural and small town water supply.

#### **What change in practices are needed?**

- Government ensuring that sovereign loans are passed down to subnational levels at the same preferential rates that are extended to them.
- Donors, particularly large multilateral donors, seeking ways to lend directly to subnational levels so that lending operations harmonize with the decentralization process being encouraged of national governments.
- Civil society paying more attention to the rural community. National NGOs must place more emphasis on activities in rural areas and, in the case of water, develop capacities to organize communities on a self-help basis in order to develop and manage their own water provision.

#### **How can this change be pursued under ADB's Water Policy?**

ADB's Water Policy aims to provide a comprehensive and integrated framework through which ADB will reinforce a qualitative shift in its operations that places greater emphasis on the integrated water resources management approach. The policy notes that ADB's water strategies in its DMCs will derive from overall country strategies. Since financial and other resources needed to support development efforts in countries are limited, resources to address water-related issues will have to be carefully prioritized relative to the requirements of other critical development needs.

Increase in investments in the water sector will have to correspond with increases in capacities to manage the investments. The process is expected to be gradual and will have to be carefully synchronized.



## CHANGING THE NATURE OF WATER PROJECTS: Investing more in nonstructural interventions

*Managing water is not just about building infrastructure; it's also about building capacity.*

### VIEWS EXPRESSED AT WATER WEEK:

Most governments and many development agencies still focus their water investments on building new infrastructure. Big infrastructure projects appeal to politicians, they provide opportunity for corruption in the procurement process, and they produce tangible results that justify lending for the donor. Regrettably, well designed but poorly implemented or managed infrastructure projects often don't help the poor. More investment is needed in capacity building of sector organizations and civil society, and in nonstructural interventions that improve water security for the poor.

Water assets need to be managed efficiently by good managers with skilled personnel, sound organization, efficient systems, focused processes, good revenue streams and an enabling legal environment if the assets are to produce a desired sustainable service.

The evidence is clear that infrastructure projects alone constantly fail to deliver the expected results to the intended beneficiaries. Nonstructural interventions combined with infrastructure will do so if designed and implemented well. However, though development agencies are prepared to offer loan funds for the soft component of water reforms, governments are reluctant to borrow for them. This may be because they do not add anything tangible to the asset side of the Government balance sheet or because the Government may have doubts about the economic and financial returns or because the perception is that capacity building generally fails because of inept and overpaid expatriate consultants.

One such example is flood control in People's Republic of China. There, nearly 50% of the population and more than 600 cities are subject to the threat of floods. Most of these cities are protected by hydraulic engineering works such as dikes, reservoirs, gates and levees. However, evidence suggests that structural works without nonstructural measures are not effective. What was needed was investment in forecasting and planning methods, risk analysis, water and flood management techniques, disaster preparedness, damage recovery and disaster relief. Forecasting used with historical information enabled much more effective management of water flows to anticipate the onset of weather patterns likely to result in floods.

### What can be done to make Governments prepared to invest in nonstructural interventions?

- ADB and other donors, as part of their knowledge management strategy, must inform governments on the interdependencies between structural and nonstructural investments and the economic returns from packaging them together.
- Governments must learn from past investments that investing only in structural assets does not deliver sustainable benefits and adjust their investment policies accordingly.
- Civil society should voice more strongly their concerns about "asset only" solutions and advocate a complete package producing the performance levels designed for the system.

### What does ADB's water policy advocate?

Flood damage rehabilitation currently constitutes about 80% of ADB's lending under its emergency assistance facility.

- ADB will continue to help the DMCs reduce economic losses from floods and rapidly restore economic infrastructure and social services after such disasters.
- 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. This will help the DMCs to anticipate natural calamities, and minimize economic and social damage.
- 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.

## CHANGING WATER FINANCING PARTNERS: From national to subsovereign

*Lend to those who can help achieve more.*

### VIEWS EXPRESSED AT WATER WEEK:

It is not simply a matter of finding more money. It is equally important to get more value for money, to direct the money to those areas in most need, and to those who have proven that they have the capacity to make the right decisions and be accountable for its effective use. Put another way, the issues are:

- Increasing the supply by harnessing community funds, private sector, provider self-financing and more aid funds
- Shifting the focus of lending to the rural sector which is most in need of support
- Decentralizing the funds and making them available to local governments, NGOs and community groups which are best placed to make use of them
- Reducing the risks and transaction costs of borrowing
- Simplifying the procedures to make it easier for subsovereign entities like local governments to borrow
- Replicating good experiences and ensuring there is wide dissemination of information about successful projects and programs
- Using some funds to build the capacity of communities and NGOs to manage finance and water projects and others to enable government and providers to improve their own competencies and management systems.

### What does this change agenda mean for ADB?

ADB has to work more closely with municipal governments (subsovereigns) who are responsible for providing/facilitating water services in many DMCs. Commentators on the one hand applaud this devolved authority but on the other lament a lack of local capacity to provide the services. Subsovereigns particularly lack development finance. And while the MDBs led the push for devolution, they

rarely exercise their discretion to lend to subsovereigns. Subsovereigns find it difficult to access private capital markets, obtain private project finance, or attract private equity finance. Financing subsovereign water investments is a hot topic, including in the Camdessus report. There is a large and growing body of research and experience on innovative municipal financing for developing countries. Still, in most Asian DMCs municipal financing for water is moribund.

## Key Decisions

- ADB must decide to increase public lending to subsovereigns.
- Central governments must decide to promulgate subsovereign water financing legislation, regulations and programs.
- Subsovereigns must decide to access public and private water financing and to position themselves to qualify for financing.

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# Participants' Commitment to Action

Participants were invited to nominate what each considered was the most important priority for moving on water issues and write a proposal on a card. All the delegates were then asked to vote for one proposal. A total of 125 proposals were made and 140 votes received. Main groupings with votes are summarized below:

Finance	100
Information	35
Integrated water resource management	17
More action, less talk	14
Partnerships and coordination	13

## Financing

Finding the money was the overwhelming priority with over 39% of the votes being cast for a financing target. Most concern was directed at providing accessible finance for the poor. The following statements were supported:

- Local governments/NGOs to access fund for community water enterprises
- Provide credit to community organizations for small scale infrastructure—make water for the poor truly bankable
- ADB should have a revolving fund which can be accessed by NGOs and poor communities on cost sharing schemes and with soft lending terms

Considering the many NGOs comprising the delegates, it is also surprising that there was strong support for providing finance to the private sector. These statements were strongly supported:

- Promote local private sector as key partner for cofinancing (leasing) and operating (supply/billing)
- Change the policy of the ADB to finance NGO/private sector projects especially targeted to urban/rural poor



The next most popular grouping was for decentralized finance. Two statements proved popular:

- Decentralize local funding to local government and communities in a demand led manner
- Decentralize the funds, financing institutions!

Flexible funding, particularly for rural populations also had strong support. Two statements received good support:

- More flexible approach of funding for rural and urban poor should be adopted by ADB
- ADB should have soft approach toward rural water supply and sanitation schemes, keeping in view the financial capacity of the rural communities

## Action Priorities of the Conference

Of the Conference's action priorities, funding for rural populations struck a chord with delegates. There was only one “support urban people!!!” cry and that received no support. The other action priorities, however, did not have many rallying to their cause, suggesting there is more to be done to advocate their case.

Information was regarded as important, but not in the diagnostic sense. Research and development for affordable technology received strong support. Reflecting lessons learned, better use of knowledge management and a stronger focus on public awareness all had their supporters as did research into recycled water.

Backing organizations with good track records and putting a greater effort into capacity building received some support. Regulation generated hardly any interest, perhaps because there is so little experience of it in the region. While finance for the private sector received a lot of support, linking small-scale water providers (SSWPs) to formal suppliers to provide a better quality water supply received no support despite it also being prominent in the documentary on the ADB Water Prize Winner, the Phnom Penh Water Authority.

Most surprisingly, given the emphasis it had in the Water Week, no one advocated anything to do with empowering communities. Women too were neglected in the action cards.

## Narayanan's Four Issues

Ravi Narayanan's four issues of importance in the Conference—partnership, participation, governance and finance—also received mixed interest.

Finance, of course, dominated the action cards. Governance received some interest, but most was directed at NGOs: “NGOs should show their commitments to be justifiably transparent regarding the resources utilization and develop a kind of mechanism to be trustworthy to all stakeholders.”

Partnership received support, but mainly directed at communicating more effectively with the poor: “develop effective measures between investors and poor groups/

governments and financial sectors.” This was the preferred theme in participation, which tended to be project oriented: “community to be involved right from the beginning of the project.”

## Other Matters of Interest

Matters not formally discussed in the Conference were also raised as being in need of action. Conservation and integrated water resources management (IWRM) were both supported:

- Protect and safeguard our water resources
- Focus on IWRM to conserve/protect our water resources
- IWRM should be number 1 consideration. Basin wide water resource management and cooperation—upstream/downstream cooperation for sustainable water use
- ADB to develop more flexible and integrated water resources management/water supply projects and appropriate financing policies

There were a few who suggested that ADB should consider increasing the number of recipients of the ADB Water Prize by selecting first, second, and third runners up.

Erna Witoelar’s call for simplification of the rules received seven cards but only one of them received any support: “develop flexible/adaptable lending regimes.”

One matter, sanitation, only occasionally mentioned in the Conference received some interest and support:

- More emphasis on sanitation and health/hygiene
- Sanitation and environmental protection (water resources) should go side by side with improving water supply
- Sanitation component for the poor (forgotten) should go hand in hand with water provision

## Voting Results

The following table shows where the greatest interest lay; number of votes received is shown on the right:

Finance direct to poor	29
Finance to private sector	24
Decentralized finance	17
IWRM	17
R&D for affordable technology	16
Credit for rural water	15
Fewer conferences/more action	14
Greater partnership of stakeholders	11
Sanitation	9
Expanding ADB Water Prize	8
Simplifying lending rules	8
Devolving authority	7
Conservation of water resources	7
Reflect lessons learned	6
Greater community participation	6
Research into recycled water	5
Rewarding efficiency	5
Using knowledge management	4
Public awareness programs	4
Capacity building for local governments	4
Governance for NGOs	4
Low interest rates for rural water and sanitation	3
Finance small projects	3
Reform governance	3
Improved regulatory framework	3
Improved monitoring and evaluation	3

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# Participants' Reflections

Three participants were invited to share their personal impressions and messages gleaned from participating in Water Week. The key points made were:

- Water is more than just a matter of providing drinking water. What is needed is a comprehensive approach—“from mountain to sea”—which aims to develop and apply an integrated water resources management approach throughout a basin or country.
- Greater emphasis should be placed on knowledge sharing and fostering information-sharing networks. In particular, by communicating success stories, others are given the insights and confidence to drive change in water resources and water services.
- ADB should capitalize on the experiences of others in the water sector and consider setting up a high-powered board to assist it in framing roadmaps (or waterways) to guide efforts toward attaining the water MDGs.
- Attention should be given to the Camdessus Report which has acknowledged the need to substantially increase funds, possibly even double them. They should then be focused on both high-risk areas, which suffer water problems due to climate change, and on poor communities
- Poverty mapping could be an effective tool to assist in targeting and monitoring progress.
- Women can play a decisive role in improving water management and services. Every effort should be made to encourage gender leadership and ensure that women hold decision-making powers, particularly where managing a water resource or supply is concerned.
- There are many stories of inefficient and ineffective providers. This situation should not be tolerated. Media and NGOs should be enlisted in the task of putting pressure on providers through the monitoring of their performance, making public their shortcomings, and doing something about it when performance falls short of acceptable standards.



- In India and elsewhere, a lot of scarce funds are directed to subsidies that benefit the rich. This practice should cease. The saved funds can be better used helping the poor directly. If there are to be subsidies, they should be targeted effectively.
- Life should be made difficult for bureaucrats, politicians, and financiers when water service standards fall short of the desirable. Continuous pressure does get results. This has been clearly demonstrated in Bangalore where a political change to support substantial improvements was achieved through advocacy and publicity.
- Financiers have to start taking risks—currently there is safety in lending under sovereign guarantees and concessional funds do not get to the poor and providers who need them. This presents a leadership opportunity for ADB.
- There is a continuing need for effective targeting of the poor. This should be backed up by public affairs campaigns to ensure that all stakeholders, especially politicians, understand that meeting water needs is linked to greater income security, better health and education, and gender equity.
- Achieve a balance between long-term and immediate needs. In seeking to be comprehensive, we may encounter unwanted complexity. In solving structural issues, we need to consider nonstructural factors.
- Pursue decentralization but recognize that this means assisting local governments and NGOs to gain the capacity to address water services and irrigation issues. Again, this requires nonstructural interventions to support structural ones.
- Simplify and streamline processes—bring procedure into line with policy—to make it easier to move ahead with the Water for All agenda.

## APPENDIX 1

### Welcome Remarks

By Jan van Heeswijk

*Director General, Regional and Sustainable Development Department, Asian Development Bank*

EXCELLENCIES, colleagues, ladies and gentlemen,

I would like to warmly welcome you all to the Asian Development Bank for ADB's Water Week. Thank you for taking the time to participate in this activity and to contribute your knowledge, experience, and views. For those of you who have come from overseas, I wish you a pleasant and rewarding stay in the Philippines.

This is the second time Water Week has been organized by ADB's Water Sector Committee to offer our staff and colleagues from development partners and stakeholders an opportunity to meet and share information and experience on very critical issues: the governance of, and financing for water. Our objectives are clear yet challenging: setting the rules, and finding the money that will allow the poor to enjoy access to adequate water and sanitation services and more generally to improve their water security.

The stark realities are that one in three Asians does not have safe drinking water, and one in two does not have adequate sanitation facilities. The poor are hardest hit by water scarcity, pollution and floods. Ineffective water governance, and inadequate financing are keeping the poor from having access to safe water.

At ADB, we regard water as a resource and as a service. The sustainable management of water resources needs to go hand in hand with the efficient delivery of water services, including drinking water supply and sanitation, and irrigation and drainage.

In the next three days, you will have the opportunity to explore the inadequacies in water governance and financing that have contributed to the current water crisis, and think beyond conventional causes and solutions with a view to increasing the poor's access to water.

There are two main parts to the program. The first part will explore why adequate water services continue to elude the poor. Have the poor actually been disadvantaged by well-intentioned measures meant to help them? And, can regulation help to make safe water accessible to the poor? We look to regulation as a means of eradicating biases against the poor, as well as increasing overall water market efficiency. But how can we make regulation fulfill these aspirations, more so, be specifically pro-poor?

The second half of our discussions will examine in detail various innovative governance and financing practices. We will discuss, among other things, about the need to work with the right information and partners, the roles civil society can assume to catalyze reforms, the pursuit of credible regulation, and the need for greater water investments. In the process, we will tackle some of the myths and misconceptions that have burdened the water sector for too long.

The discussions in the next days will be enriched by the diverse group of participants gathered here for Water Week.

We appreciate the presence of our keynote speakers who have generously agreed to share their experiences and insights with us—Mr. Michel Camdessus, Ms. Erna Witoelar, and Mr. Ravi Narayanan—their efforts at carving a brighter future for the water sector are well known in the region.

I also want to thank the twelve session presenters for sharing their expertise in development work with us this week to improve water security for the poor.

A special welcome to the representatives from national and local governments in our developing member countries. They bring a wealth of real life experience in tackling the problems that we will deliberate on. We expect to learn many valuable lessons from your experience.

We welcome ambassadors and colleagues representing development financing agencies, the academe, as well as representatives of the private sector.

I also welcome our many long-time development partners who are here with us once again at the Water Week. We look forward to continuing to work in partnership with you to achieve our shared goals and aspirations in the region.

We are pleased that many NGO representatives are participating in Water Week, including those who participated yesterday in the ADB-NGO Dialogue on Water. We hope that your participation will further strengthen our collaboration.

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We are also pleased to have in our midst several organizations that feature in our Water Voices documentary series, I am sure your work will be an inspiration to all who watch the documentary series.

I would like to acknowledge our colleagues from the Netherlands Government. The generous support provided by the Government of the Netherlands and the Government of Norway to ADB through the Cooperation Fund for the Water Sector, and through extensive cofinancing of water projects and technical assistance, has made it possible for us to further our agenda for safe water for the poor.

And last but not least, we are happy to welcome our journalist friends. We are specially pleased to have you with us because all of us who work in the challenging, but often intimidating, task of addressing the needs of the poor need all the help we can get to spread the word and garner support through greater visibility.

In conclusion, let me say that all of us here today—whether we are from the government, private sector, academe, community, civil society, or development financing institutions—are in the business of change for more effective development. That is what the ADB Water Week is about. Discussing the necessary changes in our region and in our work will take center stage these days in connection with water management.

I encourage you all to take a hard look at your current paradigms and practices, and be open to consider new ideas and solutions, leadership challenges, and other changes. Just as stagnant water breeds disease, stagnant attitudes breed complacency and inefficiency. Continuous adaptation is needed to meet changing needs. Water Week is an opportunity to experience flow and changing direction to move towards our goals more effectively and efficiently.

We are confident that the deliberations in the next few days will lead to a better understanding of the factors that keep the poor from the water benefits they need, and useful discussions on effecting changes in the way we work to improve the water security of the poor in this region.

Once again, a warm welcome to all of you, and I wish you all success in having frank and useful discussions.

## APPENDIX 2

### Opening Address and Remarks on the Awarding of the ADB Water Prize 2004

By Tadao Chino

*President, Asian Development Bank*

EXCELLENCIES, ladies and gentlemen,

I warmly welcome you to Manila and to ADB for the opening today of our main program for this year's ADB Water Week. I hope that your participation in this program will be productive and enriching.

Our 1<sup>st</sup> ADB Water Week in December 2002 took the theme: "Water for All—Getting ADB's Water Policy to Work." It aimed to give participants a better understanding of how ADB's water policy, "Water for All," seeks to make water accessible to all, particularly the poor.

This year's theme: "Water for the Poor—Setting the Rules and Finding the Money" is a logical sequel for the following reasons. First, it emphasizes our focus on the poor. Our vision and policy is "Water for All," but the poor often don't get the water they need so desperately. This lack of access to water has much to do with governance and the way water is managed. The water crisis in our region is essentially a crisis of governance. Water Week will highlight the importance of water governance, and how it can translate into better rules and procedures that work to the benefit of the poor.

Second, making water accessible to all, particularly to the poor, also requires a careful review how water resource management and water service delivery is financed. This will be another focus of our discussions. There is room for innovation on this issue among all partners involved, including local communities, city governments, national governments, banks, and international financiers.

Third, this year's theme reinforces our commitment to the Millennium Development Goals, including the target of halving the number of people without safe drinking water and sanitation by the year 2015.

Financing and governance were also major concerns of the Report of the World Panel on Financing Water Infrastructure chaired by Mr. Michel Camdessus, our keynote speaker this morning. ADB actively participated in the Panel and supports the Panel's recommendations, which are broadly consistent with ADB's water policy, as well as other related policies and strategies.

In October last year, ADB established a working group to follow up on the Panel's recommendations. The working group's report is being circulated to you during this Water Week. At ADB, we look forward to improving and expanding water financing in collaboration with our developing member countries, development partners, and stakeholders.

Our follow-up actions to the Panel's recommendations will have a strong focus on poverty reduction. This is consistent with ADB's overarching goal of poverty reduction, and in line with the outcome of the 3<sup>rd</sup> World Water Forum and the Stavanger Conference on Water for the Poor. We will work closely with our developing member countries to strengthen their policies on water resource management and water service delivery to ensure a clear focus on improving the water security of the poor. We advocate that pro-poor water management be a key element in national poverty reduction strategies and associated programs with external support agencies.

ADB will continue to improve the water security of the poor. We will work for better governance to secure their rights and entitlements, especially for women. We will push for reforms in lawmaking, policies, and institutional mandates. And we will promote participatory processes for decision-making.

We will also advocate innovation, synergies, and partnerships to enhance the flow of financing for water infrastructure and management. In all this, we will work closely with our developing member countries to boost efficiency in the sector, and to adopt more effective water policies. My colleagues with ADB's Water Financing Working Group will share and discuss the details of their recommendations with you in the days to come.

Ladies and gentlemen, Water Week is a great opportunity not only to discuss the need for change and the need for leadership, and to clarify our goals and future direction, but also to recognize and showcase good examples of water management. To highlight good examples, we created the ADB Water Prize, the first of which, in 2002, recognized good practices in rural water supply and sanitation in Pakistan.

This year, ADB's Water Sector Committee has recommended that the ADB Water Prize be presented to the Phnom Penh Water Supply Authority in Cambodia. The Committee's assessment is that the Authority



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has clearly demonstrated leadership and innovation in the areas of project financing and good governance, consistent with and supportive of ADB's water policy, "Water for All."

In particular, the Committee found that the Authority has demonstrated how financial and operational autonomy, and enforcement of full cost recovery have transformed it into an outstanding public utility in the region. It has also shown how awareness campaigns can help generate broad public support for the Authority's tariff reform.

The autonomy granted to the Authority has made it fully accountable for performance. The achievement of full cost recovery has put the Authority in a strong financial position to be able to repay its loans. More significantly, the Authority's financial strength has enabled it to expand services to poor areas where piped water supplies were previously just a dream.

The Committee reported that the Authority now delivers water 24 hours a day, compared to 10 hours in 1993. The number of connections has more than tripled in the past 10 years. And water wastage and illegal water use have been lowered drastically during this period, as exemplified by the reduction in non-revenue water, from 72 percent to 22 percent. These performance indicators clearly illustrate the Authority's outstanding improvements in the delivery of water supply services to Phnom Penh's population.

Ladies and gentlemen, I have accepted the Water Sector Committee's recommendation, and I am pleased to present the 2004 ADB Water Prize to the Phnom Penh Water Supply Authority, in recognition of its achievements in support of ADB's water policy. The Authority is represented here today by its General Director, Ek Sonn Chan. I invite all of you to join me in congratulating the Phnom Penh Water Supply Authority under the leadership of Mr. Chan.

Ladies and Gentlemen, as we proceed with the presentation of the ADB Water Prize, I wish all of you success in your discussions this week, and that they do indeed put us further along the path toward "Water for All."

Thank you.

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**APPENDIX 3****ADB Water Prize 2004 Acceptance Speech**

By Ek Sonn Chan

*Director General, Phnom Penh Water Supply Authority*

TEN YEARS AGO, I was entrusted by my government with the task of managing the water supply in the city of Phnom Penh. At that time, the Authority was in a sad state of chaos and disarray with the water supply in a severe state of deterioration. "This is not a nice job, actually," I said to myself. Nevertheless, I took it up as the duty of a government servant. After ten years of hard work, today I am being awarded the ADB Water Prize. I feel greatly honored by this award, this token of appreciation and recognition for what we have done in the water supply of the city of Phnom Penh, and what we have achieved in our goals and commitments set ten years ago.

Please allow me to thank the President of ADB and his many specialists for this kind gesture of appreciation and recognition. Actually, all I have done is simply to perform my duty, as a modest government servant. It would be enough to do my duty to the best of my abilities in the service of my country and its people.

I feel already very happy when I am able to provide water connections to poor families. Only last Friday before I came here, we had a meeting with 300 slum families who used to live in the garbage disposal area. The government has just relocated them. We had a meeting to explain how the government wanted to provide water to them and the benefits they can get from a secure water supply. These people are now really very happy. But, myself, I also feel very happy, because of the work that I have done, which is the duty of a government servant. That is why I am pleasantly surprised when I was informed of this award.

In the meantime I feel that I do not deserve full credit for this recognition and instead I want to share this with my colleagues. I can say that I have a special group of people working for me. Some people call our groups the Musketeer team because we have the rule: one for all and all for one. We are working very hard together, we share all of the difficulties and also participate in all the opportunities that our people are given. Our workforce has made a big contribution to our achievements.

In the meantime I would also like to share this with the government of Cambodia, which has supported me all the way, especially the governor of the city of Phnom Penh and the Prime Minister. Without the support of the lawmakers and decision makers, we would not have chalked up these achievements at this stage.

But, I would also like to thank and share this award with many ADB specialists, particularly Mr. Xiaoyan Ye, a very hard worker, a very good expert who has worked very hard since the beginning of the project ten years ago. He has given me much encouragement; shared with me priceless lessons and experiences that have helped me manage the water system in Phnom Penh successfully.

Finally, I must say that ADB is much more than a bank. It is really much more than a bank. Thank you.

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## APPENDIX 4 - A

### The Follow-up Actions on the Recommendations of the World Panel on Water Infrastructure Financing

By Michel Camdessus

*Former Managing Director of the International Monetary Fund and Chairman of the Water Panel*

MR. PRESIDENT, I am tempted to open my remarks, not by the traditional opening joke, but by quoting you. You said, in a memorable occasion: "I believe that poverty in a world as knowledgeable and as resourceful as ours is simply unacceptable. It is not an immutable condition; public policy and action can rid us of this scourge. This is what development is all about."

I share so deeply these views that, sometime after leaving the IMF, I couldn't but accept the offer to come back to the development field to chair the World Panel on Water Infrastructure Financing. This has been for me—due chiefly to the remarkable group of persons we were able to assemble for this purpose—a most stimulating and, at times, moving experience.

Before turning to the Panel's conclusion and the good start in its implementation, let me pay tribute, Mr Chairman, to the remarkable contribution ADB, through yourself, Mr. Alfredo Pascual and his team, brought to our work. As the work of the Panel was advancing toward its conclusions, it was my pleasure to observe the distinct convergence of our views with the ongoing work of the ADB to develop its Water Policy. Needless to say also that the seminal meeting we held in your headquarters, here in Manila on April 2002, was quite a turning point in our work and brought us to several of our most important conclusions. That meeting was quite an illustration of something I see as a unique feature of the work of the Panel and of its report. It is not by far only a precise, highly professional work of a group of eminent experts. Of course—except for their chairperson—they were very eminent people! The fact is that confronted with the tragic situation of the world as far as water is concerned and its extremely gloomy prospects for the next decades, these people truly reacted as human beings with their hearts and brains and didn't refrain to offer—in full independence—very radical suggestions, whose real extent was not by far immediately perceived. What was in a nutshell our message? At the start of this Third Millennium, more than one person in three in the world—including in the Asia and Pacific region—suffers hardship and indignity from the problem of water.

The root cause of this problem is the negligence of mankind and our resignation in the face of inequality. Water is one of the world's worst injustices, perhaps because it is above all an injustice to women, which is why it is largely unspoken, and one of the most difficult to correct.

Over the next fifty years, more than half of humanity is threatened by "water stress"; nevertheless, the dream of pure water for all still unites us.

For all its evident weaknesses, the report carries a basic good piece of news. The dream of pure water for all can be realised. It can be done by prolonging for a further ten years the effort to which we are committed from now to 2015 to achieve the MDGs to reducing by half the proportion of the world's population without access to water and sanitation. This is the challenging task for the current generation of world leaders!

This effort must involve all parties acting together, while in the past they have too often tended to shift responsibilities to each other. The problem needs tackling at a global level, and can only be solved if all the various parties accept the need to change their approach, in some cases radically. This applies not just to governments in the North and South but also to towns, regions, non-governmental organisations, communities and civil society, public services, companies, banks, multilateral organisations and others. Each must redouble its efforts.

The financial needs can be simply stated. Financial flows need to at least double, and need to come from financial markets, from water authorities themselves through tariffs, from multilateral financial institutions, from governments, and from public development aid, preferably in the form of grants. This doubling, or more, of the volume of finance didn't daunt the group. The world is capable of it. But it will make no sense, and the finance will not be forthcoming, unless there is a corresponding effort to reform the way in which the entire world deals with its water problem. This concerns those at all levels of responsibility, from village communities up to the United Nations. The first set of our proposals has been addressed to these preconditions, which are essentially about responsibility, the participation of civil society, decentralisation and transparency.

This was the message. The more we go now the better we perceive how intrinsically governance and finance are connected. Water supply and sanitation and local government reform are strongly interlinked;

similarly, one of the key concepts of the Panel report, the sustainable cost recovery is central for achieving millennium development goals in this field. Of course, all these views and the more than 80 proposals of the report were probably too recent—and too blunt—too unexpected also, for having been perceived in depth when the Water World Forum met in Kyoto last March. But the conference took note of it and its proposals started permeating in major world fora during the following months: in the Development Committee in Washington, in the OECD and the European Union. All of that culminated in Evian, the 1<sup>st</sup> of June, by the adoption of a G8 Action Plan which closely follows the Panel recommendations. This is, then, the first and possibly most important follow-up contribution so far to its work. It is worth to sum up the gist of this Action Plan. It defines five key priorities by the promotion of which the G8 are committed to playing a more active role in the international efforts towards achieving the Millennium Development Goals (MDGs); these priorities are the following:

- promoting good governance,
- utilising all financial resources,
- building infrastructures by empowering local authorities and communities,
- strengthening monitoring, assessment and research
- reinforcing engagement of international organisation.

Speaking here, at the ADB, it is perhaps important to give more details on what the G8 meant when referring to utilising all financial resources and reinforcing engagement of international organisations.

To utilise all financial resources, the G8 declared to be committed to:

- give high priority in Official Development Aid allocation to sound water and sanitation proposals of developing country partners. This can be a catalyst to mobilise other financial flows;
- help mobilise domestic resources for water infrastructure financing through the development and strengthening of local capital markets and financial institutions, particularly by:
  - (i) establishing, where appropriate, at the national and local levels, revolving funds that offer local currency,
  - (ii) appropriate risk mitigation mechanisms,
  - (iii) providing technical assistance for the development of efficient local financial markets and building municipal government capacity to design and implement financially viable projects,
  - (iv) providing, as appropriate, targeted subsidies for the poorest communities that cannot fully service market rate debt;
- encourage international financial institutions (IFIs) to give the necessary priority to water ;
- promote cost recovery with “output based aid” approaches to ensure access to services for those least able to afford them ;
- promote public-private partnerships (PPPs), where appropriate and suitable, particularly by inducing private-sector investments and encouraging use of local currency.

Even more directly relevant to ADB, under “reinforcing engagement of international organisations,” the G8 specified the following:

- “We underline the need for the United Nations to take a key role in the water sector. We stress the importance of reinforcing co-ordination within the UN system, and between the UN system and the Bretton Woods institutions, the regional development banks and various stakeholders.
- We request the World Bank, in consultation with other IFIs, to study and recommend necessary measures to implement the following proposals made by the World Panel on Financing water Infrastructure:
  - (i) using their financing instruments in a more flexible manner to allow loans directly to sub-sovereign bodies, where appropriate,
  - (ii) developing guarantee and insurance schemes for risk mitigation,
  - (iii) addressing the issue of sovereign and foreign exchange risk coverage.”

As you could imagine, this language hardly caught the eyes of the reporters in Evian more fascinated by the way a few violent demonstrators were performing in the elegant streets of Lausanne ; the risk was then high that both the Panel report and the G8 Action Plan end up on the shelves, joining then many of their predecessors. So far, I am happy to say, it has not been the case. Many here know pretty well how active

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the ADB has been in working in the follow-up business, under the leadership of its President. Many others took similar steps. Let's see what already has been made. This, then, will allow us to make a few suggestions for the future.

The first implementing step was taken of course by the Development Committee in the occasion of its meeting in Dubai. The Committee's communiqué had a particularly strong language inviting the World Bank's Group to develop its cooperation with member countries to make sure that its action plan is implemented as expeditiously as possible in the framework of their national development strategies.

After such encouraging endorsements, where are we a few months later?

Let's start by you, the family of the multilateral financial institutions.<sup>1</sup>

One can fairly say that the World Bank and the Regional Development Banks (RDB) have been active in seeing how to respond to the three flagship measures underlined by the G8 Action Plan: guarantee and insurance products for risk mitigation, including coverage for sovereign and foreign exchange risk and, of course, efforts to provide loans to sub-sovereign entities where appropriate. These efforts to enable the institutions to be effectively responsive are particularly noteworthy at a moment when, for various reasons, the atmosphere for active involvement in this field is less than buoyant. Suffice to say that private financing has decreased in the past years. Particularly worrying is the fact that the already small number of international private operators in water supply and sanitation is facing difficult cash flow situations and reducing their financial exposure in the sector. This adds to the need of alternative financing approaches utilising hybrid schemes, for instance public utilities operating under commercial law combined with private financing.

According to the reports I have received, I can say that all IFIs are working in these areas highlighted by the World Panel on Financing Water Infrastructure. All institutions are stepping up the deployment of their instruments. IFIs recognize that they are uniquely positioned to provide risk mitigation for water supply and sanitation projects. Similarly they recognize the importance of support to sub-sovereigns in the water supply and sanitation sector, including technical assistance for reform, capacity building and financing. Most IFIs are presently considering how to increase financial and technical support to sub-sovereigns.

One can observe also efforts toward increased cooperation between them, particularly at country level and on co-guarantee arrangements, joint marketing of instruments, etc. This increased cooperation should normally be extended to cooperation with bilaterals to facilitate packaging sub-sovereign financing together with TA and capacity building.

Particularly noteworthy among these collective efforts of the RDBs are the initiatives in the field of water for the poor. Among these initiatives, I would like to underline the efforts of ADB to catalyze water financing for the rural poor under its Partnerships for Action launched at the 3rd World Water Forum by ADB and its collaborating partners. I understand that the initiative is being piloted in Viet Nam and will be replicated elsewhere. Its scope includes rural water supply and sanitation, water for livelihoods and sustainable environmental management, and investments to reduce vulnerability to water disasters. Private sector participation will be promoted through innovative approaches in rural water supply, sanitation, and groundwater irrigation. As far as I am concerned, I would see there a particularly promising and exemplary domain where your resources including those resulting from the replenished Asian Development Fund should be invested. The new grants element of the Fund should be particularly relevant for such purposes.

Your sister, the African Development Bank, is also adopting valuable steps in this field through its proposals for a Rural Water Supply and Sanitation Initiative.

I would like to be equally precise in talking about what bilateral are doing. Short of a proper device to monitor ongoing progress I cannot but tell you that in the context of the G8-Africa partnership (NEPAD), water supply and sanitation is part of the key priorities of the agreed African Action Plan endorsed in Evian. I can mention also that my own country—France—has decided to double the ODA amounts she devotes to the water sector and is preparing the needed legislation to develop on a broader scale the decentralized cooperation and financing which could supplement the government contributions.

This problem of the need of putting in place an effective device to track national and world-wide developments for the implementation of the Millennium Development Goals brings me back to the multilateral ground and particularly to the Panel recommendations related to a major gap in the global institutional system that would have to be filled. No single international organization has a clear and undisputed role for monitoring water. A number of international bodies fulfil valuable functions in this respect. But none has the key mandate of being a global "control tower" systematically collecting, evaluating and publishing data on

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<sup>1</sup> I refer here particularly to the African Development Bank (AfDB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Inter-American Development Bank (IADB), Islamic Development Bank (IsDB), World Bank (WB), International Finance Corporation (IFC), and Multilateral Investment Guarantee Agency (MIGA).



the performance of the various parties. The Panel thought that a "global control tower" with the above mentioned function would be indispensable. It could be formed from the resources of existing units, reformed, coordinated and supplemented, as necessary, or it could be a new body. My personal preference being of course for the first approach. The "control tower" would produce an annual report and its activities should be conducted in full public transparency.

To complement this work and to ensure the right conclusions are drawn and that any necessary action is taken, the Panel recommended that a group of independent "wise persons" of acknowledged calibre and standing be formed with the task of evaluating ongoing developments, appraising the information collected" and making any suggestions judged appropriate to achieve the water MDGs.

It is my pleasure to tell you, following my conversations with the Secretary General of the UN and his staff, that the follow-up work on these recommendations is pretty well advanced and that the appointment of the "wise persons" group could now intervene pretty soon.

As you can see, time has not been lost so far, and one can identify in many relevant fora a good momentum toward the implementation of the Panel recommendations. This is, nevertheless, only a good beginning and a lot more needs to be accomplished before we could be reassured about the needed steps for the implementation of the three-phase strategy the Panel has laid out. As you remember, launched in 2003—the International Year of Water—the strategy should go through an initial stage ending in 2006 on the occasion of the 4<sup>th</sup> World Water Forum. This meeting would provide an opportunity to review the measures endorsed at Kyoto, at the G8 meeting at Evian in June 2003, and at the subsequent gatherings and the actions taken to implement them. By 2006 most of the necessary measures proposed in the report should have been taken, or should be on the way of yielding results. 2006 would also be a good vantage point for making any necessary corrections of trajectory for targeting the key 2015 MDGs. The period 2003-06 would constitute the first phase.

The period 2006-15 would then be the crucial second phase, containing the main push towards fulfilling the MDGs.

The third phase would be the period 2015-25, when the world community could realise the vision of universal water and sanitation, and the broader aim of water security, if the same intense effort and focus were maintained.

All of this tells us very simple things about the next indispensable steps. All actors must continue being mobilized. No one could rest on too fresh laurels. This is indeed the temptation, together with the never-ending call of "business as usual". Of course we would find plenty of justifications for it. Not only the slow progress of some actors, the limited demand for such investments, the risks and costs or time-consuming aspects of such projects, the need to have a very incremental approach, etc. Sure! But nobody should take refuge in such considerations for leaving aside the powerful invitation all actors received to double as rapidly as possible their level of financing of the sector: a call particularly pressing to the IFIs and the RDBs in view of the central role they are invited to play to realize the water MDGs, to catalyze by their own action the reform efforts of the others and be central in promoting the public private partnership crucial to respond to the extremely quick urbanisation of developing countries. But let me be clear. Even if a lot remains to be done by multilateral institutions, more than ever the member countries must demonstrate their own determination to deliver on their commitments. This is true particularly when talking about bilateral partners contributions to the overall financing. Nevertheless, developing countries have—if at all possible—an even more pressing responsibility. Without their determination to fully realize all what is expected from them, starting from the adoption of national water policies, the prioritization of supply and sanitation sustainable cost recovery practices, promotion of sound governance, at national and local level, proper decentralization and effective participation of the users, particularly women, to the decision-making process, it is crystal clear that the MDGs will not be reached. Those at the contrary which could be exemplary in their progress in all these fields would have in their hands the keys of the virtuous circle which could lead to outstanding success, providing furthermore a convincing example to countries which could have been prevented to take an early start.

Mr. President, it is more than time to conclude. It has been the task of the Panel to concentrate the minds of the key players on the basic financial issues and on the best way of solving them. The next step is about more than global strategy and money. It is about commitment and determination ; but when so much is at stake, and when the world can rely on solid multilateral institutions to take the lead, to innovate, to create the proper instruments and to actively catalyze reforms, one can keep the hope that these major undertakings of the world community have reasonable chances to be fulfilled. Thank you very much.

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## APPENDIX 4 - B

### Where Does the Asia and Pacific Region Stand in Achieving Water-Related Millennium Development Goals?

By Erna Witoelar

*UN Special Ambassador for MDGs in Asia and the Pacific*

I'M VERY PLEASED to be back here again today, and I do commend ADB for its strong commitment to the achievements of the MDGs in the region. Just two weeks ago I was here to support a joint study of ADB, the World Bank and JBIC on infrastructure for poverty reduction, and the fact is, my very first visit abroad as the MDGs Ambassador last September was to meet the ADB working group on MDGs here. It is most encouraging that these working sessions of the Water Week put the sense of urgency to an important MDG target: to halve the proportion of people without sustainable access to safe drinking water and adequate sanitation.

We all know that the MDGs emerged from the 2000 Millennium Summit Declaration calling for a fully inclusive, people-centred and rights-based approach to development, which was adopted by 189 UN Member States. My role as UN Ambassador is to help bring the MDGs at the centre of the regional and national development agenda and to galvanise action from all stakeholders to realize them. It is valuable to take a regional perspective, because despite the inherent diversity, there is a great number of common issues which connect countries in this region. A regional perspective also offers suggestions on how countries across the region can cooperate and learn from each other.

It is common knowledge that water is essential to all life. Yet, one in three Asians lacks access to safe drinking water, and half the people living in Asia and the Pacific do not have access to adequate sanitation. Among the existing regional characteristics that impact on this situation is the dynamic growth that is partially driven by industry. Therefore, besides the fact that there is growth in industrial water use, there is also more competition between sectors for water, as well as growth of industry-based pollutants. Consequently, pollutants are increasingly likely to be more toxic. Although rapid industrial development in the region has brought many benefits, it has also put the environment under increasing strain. As a result, living conditions in some parts of the region are becoming increasingly hazardous.

Another regional characteristic is the expanding economies: Asia and the Pacific has the highest economic growth of any region and therefore all the above industrialisation impacts are intensified here. Economic growth, while achieving significant reductions in poverty, has been accompanied by an increase in inequality within and among nations in the region. Population is growing (3 out of the 4 most populous countries are in Asia Pacific) and migrating to where the work is: urban cities, resulting in urbanisation and increasing the affluent middle-class. Again, this causes an increase in consumption of water. Then there is the phenomenon of the multiplying mega cities. The water table gets lower because of the overuse of ground water. Urbanisation and increasing concreting of cities means that ground water in many places cannot recharge.

The general trend of climate change in Asia and the Pacific is more frequent El Niños, more floods, and changing monsoons patterns. The changes of rainfall patterns continue to affect irrigation, food and income poverty amongst other things. The more direct impacts of climate change on fresh water sources are still poorly understood. Fundamental altering of the water cycle's ecology would have a devastating impact on freshwater sources. Water-related problems could be the most serious climate change issue in Asia. Water as an MDG Target.

The Millennium Development Goals stand apart from other international targets because of their synergy and interdependence. Progress on one of the Goals brings us closer to progress on others. The water and sanitation targets are so inextricably linked with other facets of human development that prioritising them automatically induces progress on a range of other fronts. As an illustration of this fact it would be useful to consider these linkages:

The target on water and sanitation officially resides in Goal 7 (Environment) for ensuring environmental sustainability. Water is also essential for sustaining the biodiversity of all the world's ecosystems. The key to the sustainable provision of water for life is the maintenance and protection of the ecological integrity of all ecosystems, and rehabilitation of degraded ecosystems. As women are most affected by water insecurity, they should play a central role in the management of water resources. Further, sustainable access to safe drinking water and basic sanitation for the urban poor should always be integrated to all urban slums upgrading programs, besides ensuring secure tenure for slum dwellers.

One-fifth of the world's population live in extreme poverty while 800 million people are chronically hungry, which is the primary concern of the MDG Goal 1 (Poverty). Again, women disproportionately suffer the burden of poverty. Sufficient clean drinking water and adequate water for other household, agriculture

and economic activities can be instrumental in eradicating poverty and hunger. Urban and rural poor are buying more expensive water than the affluent people. Provision and pricing of water, therefore, need to give greater weight to increasing access instead of fiscal gain. Water is a basic human right, not a commercial commodity.

Lack of water and sanitation services discourages qualified teachers from working in poor villages. Queues for water almost always consist of women or girls. These time-taking activities prevent women from engaging in productive work and keep girls from attending schools. Expanding access to water and sanitation is fundamental to female empowerment and parity in education. Two goals, Goal 2 (Education), and Goal 3 (Gender) express the MDGs determination and interlinked efforts in overcoming them. Goal 3 also aim to measure progress towards ensuring that more women become literate, have more voice and representation in public policy and decision making, and have improved job prospects.

More than 3 million deaths are caused each year by water-borne diseases and inadequate sanitation. Diseases such as diarrhoea and dengue fever are among the leading killers of children under five. Carrying heavy loads of water and improper sanitation also hurts poor women's health: they become less fit to bear children and face greater risk of pregnancy complications. Realising Goals 4, 5 and 6 (reduce infant & maternal mortalities, and combat diseases) critically depends on increased access to clean water and proper sanitation.

If poor countries are to have any chance of realising these first seven Goals, rich countries must deliver—well in advance of 2015—on their commitments as expressed in Goal 8 (Global Partnership for Development). In this goal, developed countries commit to increase the quantity of and improve quality of aid, deliver more meaningful debt relief and expand access to trade and technology for developing countries, who pledged to strengthen governance, institutions and policies, as their shared role to eradicate poverty worldwide.

### **Where Does the Asia and Pacific Region Stand in Achieving Water-Related MDGs?**

UNDP-ESCAP collaborated last year to prepare the first ever Regional MDG Report in Asia and the Pacific. It provides a valuable Asia Pacific regional perspective on MDGs and basis for further action, especially to assist the countries to cooperate and learn from each other. It shares the region's "success story" on swiftly reducing mass poverty: 244 million people out of poverty during the 1990s. It also shows disturbingly slow progress in others.

Looking at the region as a whole reveals considerable differences in achievements among different countries. This is not surprising across such a diverse region. Each of these countries is following its own distinctive human development path, and each has its own opportunities and challenges. Nations in Asia Pacific range from highly developed, to middle-income or approaching middle income, as well as 13 LDCs. A few nations in this region will meet goals and surpass them. A few will not. However, the majority are in between: they will meet some goals and not others.

The target by 2015, which is to halve the proportion of people without sustainable access to safe drinking water from the year 2000, is described by the UNDP-ESCAP Report so far as "Modest", and the likelihood of achieving the target as "Unlikely", basing on current projections. If progress does not accelerate or decelerate, when will the AP region reach the Water target? According the Report, to current estimates, the World as a whole will achieve it between 2000-15, South Asia between 2000-15, and in East Asia and the Pacific between 2015-20.

In 1990, the percentage of population in South Asia with sustainable access to improved water source was 66% in rural areas and 90% in urban areas. In 2000, this was improved to 81% in rural areas and 95% in urban areas. It can be said that there is a significant improvement in both access and reducing inequality between rural and urban areas. For East Asia and the Pacific, there is no data available as to the situation in 1990, but in 2000, the percentage of population with sustainable access to improved water source was 67% in rural areas and 90% in urban areas. Obviously there remains a significant inequality between rural and urban areas.

Irrigation uses vast quantities of water: the great majority of water use is for irrigation, rather than industrial or domestic consumption. This is even more so in Asia and the Pacific because of the dependence on rice, which has a very water-intensive cultivation process. The technology used for irrigation is a major issue in Asia: dams and mega-dams continuously raise social and environmental issues. More sustainable irrigation technologies and more integrated water resources management, are still not gaining the sufficient political and financial support needed to address these problems.

Between 1990 and 2000 about 900 million people worldwide had obtained access to improved water sources. These gains were just sufficient to keep pace with the population growth. More people have access

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to safe water compared to 10 years ago, but in 2000 1.2 billion people still lack access to an improved water source. 40 percent of these people are in East Asia and Pacific. Meeting the MDGs will require providing about 1.5 billion people with access to safe water and 2 billion with access to basic sanitation facilities between 2000 and 2015.

Many people in Asia and the Pacific suffer immediate health hazards from unclean water, which is polluted by industry, agriculture or human waste. The most severe problems are in the rural areas, where millions of people lack water from protected sources. For Asia as a whole, the urban water supply coverage is 93 per cent but rural coverage is only 75 per cent. Some of the worst problems are in the rural areas of Afghanistan, Mongolia, Cambodia, the Laos People's Democratic Republic and in some Pacific islands. It should be noted that there has been some progress: in India rural coverage went up between 1990 and 2000 from 61 to 79 per cent, and in Nepal over the same period it went from 64 to 87 per cent. But overall it seems likely, based on present trends, that the region will miss the target.

In achieving the water target in the Pacific, in addition to pollution problems, many parts of the region also lack adequate water supplies. Coverage of clean water is only 25 per cent in the rural areas of Kiribati and 43 per cent in urban areas of Fiji. There are also many environmental problems. Most countries have problems of urban waste disposal. Papua New Guinea and the Solomon Islands face widespread deforestation. Extensive cultivation has led to soil erosion in Fiji. Virtually all of Nauru has been excavated for phosphate mining. One of the greatest environmental threats comes from outside the region in the form of global warming, with rising sea levels in a number of these States including the Cook Islands, Kiribati, Samoa and Tuvalu. In North and Central Asia, environmental degradation is also an issue of great concern in these countries: the shrinking of the Aral Sea is one of the most dramatic examples, but industrial development generally has taken a heavy environmental toll.

As a final note in the context of achieving the MDGs, the peace and security aspect cannot be overlooked: relationship between conflict & water scarcity can be cyclical. Hardships, especially when accompanied by sharp inequalities, can breed violence and the distribution of scarce water resources is itself regarded as a potential cause of war. Conflicts often directly and indirectly weaken achievement of the water target, as well as the whole MDGs in general. Conflict undermines economies, destabilises governments, provokes mass movements of people, and destroys infrastructure. Many countries in the Asia Pacific region are experiencing or recovering from violent conflict. Those determined to achieve the MDGs for water and sanitation should align our efforts with those working for peaceful conflict resolution throughout the world.

### **Constraints Faced in Promoting the MDGs**

The *Millennium Declaration's* promise to ensure that "globalization becomes a positive force for all the world's people" remains unfulfilled. Take the stark disparity of water use. People in rich nations on average consume 400 to 500 litres a day compared to 20 liters in poor countries. Over the years global demand for water will grow, more lives will be lost, more diseases will spread and the development of poor countries will continue to stagger. Inequalities and powerlessness result when water is controlled by a few to the exclusion of many.

The water and sanitation targets are indeed a critical entry point for the development community to accelerate progress on the all MDGs, but ironically domestic and international funding for water and sanitation has fallen in recent years. At current trajectory, if we carry on in a "business as usual" mode, the goals will not be achieved even by 2015, which many of us even thought was still too far away.

The mere fact that poverty, health, education, gender and environment became the millennium goals are usually caused by lack of political and resource commitments to achieve them as a whole. In many countries the policy framework is not yet aligned with the MDGs and the fundamental objective of reducing human poverty. Poverty reduction is still seen as an automatic by-product of economic growth and macroeconomic stability. Governments and their partners still find it difficult to translate the concept of 'pro-poor policies' into specific and practical policy measures. Equity continues to be the big absentee in most anti-poverty strategies.

While macroeconomic stability improved and many economic distortions were removed, no strong evidence emerged as to whether the poor saw their income increase and their job opportunities improve. It proved difficult to come up with practical policies to achieve not just growth, but equitable growth. Concrete measures were usually missing to transmit the benefits of policy reforms to the poor. Yet, pro-poor growth is quite possible, as has been shown by the case of the Republic of Korea. Initial conditions of equity – through successful land reform and a deliberate education policy – do matter a great deal for reducing poverty in a sustainable manner.

### **“No Excuses”—the Millennium Campaign**

What is keeping the world from achieving the Goals is not the lack of finances or technical capability, it is the political obstacles or the lack of political will. This is not news. What is news is that there is now an explicit recognition of this fact in the UN System at the highest levels and this is symbolised in the conception of the Millennium Campaign. The explicit object of the Campaign is to encourage and facilitate “we, the people..” at the national and international level to hold their governments and other key actors to account for their promises in the Millennium Declaration and the Millennium Goals.

So national level campaigning on the Millennium Goals is starting to form the backbone of the international campaigning. The nationalised approach also allows for the Goals’ targets—and the strategies to be used to achieve the Goals—to be defined and adapted to the local context. Many countries like Vietnam have decided to set their national Millennium Goals’ targets much higher than the global ones. Latin American countries have set themselves the Goal of universal secondary education, rather than the global Goal 2 of universal primary education. The first sparks of national-level Campaigning are visible in Italy, El Salvador, Philippines, Kenya, Albania and Cambodia, to name a few countries.

In developing countries, the focus is on the rights of poor people to realize the Goals: are the appropriate policies in place; are institutions responsive to the legitimate aspirations of women, the poor and marginalized people; is there adequate public accountability and transparency in budgeting processes? But for the Millennium Campaign it was clear from the outset that the credibility of the global Campaign hinges on creating pressure on the achievement of Goal 8 in rich countries, in the first instance. Initial focus has been on Europe. The Campaign has tried to make Goal 8, which had been left delightfully vague, much more specific on aid, trade, debt and technology transfer. National MDG performance monitoring reports need to be published not only in the South, but also in rich countries, albeit currently on a voluntary basis. What is interesting is that in all cases, it’s existing Campaigns and Campaigners who are using the Millennium Goals to power their own advocacy and campaigning work on different yet very relevant causes.

### **The Way Forward**

Reducing income poverty is not just dependent on a better investment climate and more vibrant markets, it also depends on the availability of a healthy and well-educated workforce, and open information flows supporting creativity and entrepreneurship. Improvements to health are as dependent on better housing and environmental conditions and a better-educated population as they are on improved medical and clinical services. Countries have to ensure that women as well as men are empowered to take advantage of the opportunities offered by development.

Alignment of PRSP and MDGs in many countries are on the right track. But by itself, participation does not guarantee pro-poor outcomes. Even though MDGs do not expressly refer to civic participation in decision-making or the role of civil and political freedoms, but these are important elements of the Millennium Declaration. The Campaign advocates a rights-based approach, with inclusive decision-making, involving women, the poor and the marginalized. The path to achieve the goals has to be paved: by access to information; access to participation in planning, monitoring and evaluating; and access to means of making governments accountable. That is to say, participation is more than voicing hardships. Genuine participation is a political process of representation and negotiation.

All stakeholders need to support national policy and regulatory frameworks for integrated water resource management to improve water service delivery mechanisms through a more participatory approach at all levels of society. And though sustainable water governance that encourages capacity development, sound policy frameworks and a strong focus on community-based activities is essential, it is also critical to significantly increase financing to water and sanitation services. Spending on water infrastructure in developing countries will definitely have to increase from current levels. This is where Goal 8 on global partnership for development, which commits rich countries to deliver additional and more effective aid is very important. The sooner we see a major increase in aid, the better chance there is for all countries to achieve the MDGs, especially in aiming to reach the water target.

Having said that, I also need to share my own believe, that foreign aid should not be the only or even the main source for developing countries in achieving our own Development Goals. The bulk of extra investments in basic services, and the funding of anti-poverty programs will have to come from domestic resources. Better governance and reallocation of our budgets should enable us to meet the MDGs, which some even called the Minimum Development Goals. Even if financial resources are reallocated equitably, participatory mechanisms are needed for more effective implementation so that public services are managed with a sense of accountability and belonging to communities. Decentralisation and locally elected representation can be made more accountable, and implementing the subsidiarity principle will make the



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local achievements of MDGs more effective. The MDGs campaign can promote good governance through locally driven processes and ownerships.

### **Conclusion**

Water is everybody's business. All of us, participants of this conference have an important role to play. All stakeholders have programs, information policies and all kinds of resources to contribute. The key is to continue to work together, to build synergy in facing this huge challenge of achieving the MDGs targets, especially the accessibility of safe drinking water and basic sanitation. But it's not impossible to meet this challenge.

Today's world has the resources, technology and knowledge to provide more equitable access to safe water and sanitation. It's about wiser government budget spending and better governance in public management of water and sanitation services. It's also about everybody's participation in sustainable water resource management and global solidarity in restoration of degraded eco-systems.

We have no excuses.

## APPENDIX 4 - C

**Making Watershed Changes—It Boils Down to Leadership**

By Geert van der Linden  
*Vice-President, Asian Development Bank*

**Introduction**

GOOD MORNING, ladies and gentlemen. We've looked at some hard issues this morning and yesterday and I hope you agree with me that we are moving in the right direction, looking at some ideas that are counter-intuitive, for instance that the poor are being hurt by water subsidies instead of helped.

These are all good and important ideas. But those of us who work in development have seen over and over again, that the only truly effective and sustainable way to help the poor is by finding commitment among leaders at all levels, presidents, ministers, mayors, or village leaders.

The problem is, how do we at ADB identify and assist committed leaders? And how do we help them halt and reverse the scourge of poverty? I was so pleased to hear Mr. Ek Sonn Chan, say yesterday that he had been encouraged and assisted by ADB. We need to learn how we can encourage more leaders of water providers like him.

This morning I am going to talk to you about the role of leadership in development as it concerns water. I will focus on the leadership required by water service providers to get water to the poor. This includes supply of all types of water whether for irrigation or potable water for drinking, and at all levels from river basin management to the community level.

The ADB region, Asia and the Pacific, as everyone in this room knows, has a mixed record of governance among its water service providers. Without an adequate legal and policy framework how can this be overcome? Our experience tells us that a crucial step is to foster strong leadership from within the sector—the type of leadership that expresses itself as a passionate will to make things better, no matter what the obstacles.

**Challenges Facing Water Providers in Asia and the Pacific**

There are two basic kinds of water providers. In a sense, they are the ends of a continuum: the mature water provider and the developing provider. Both source water from one place and deliver it to another, the end user, the consumer. As you can see from the screen, one of these providers performs this function much better than the other. This is for many reasons, most of them not technical.

Mature	Developing
• 97-100% coverage	• 60-70% coverage
• Accountable management appointed on merit	• Politically appointed management
• Water losses less than 10% and declining	• Water losses over 40% and not declining
• Sector governed by independent regulator	• Sector governed by political expediency
• Commercial tariff	• Politically fearful tariff

Studies show that “mature” water providers get most aspects of their business right. For instance, Seoul, Osaka, and Shanghai, which sustain high service coverage, 24-hour service, and good quality water, also have rational tariff policies and low unaccounted for water. Hong Kong and Kuala Lumpur get most aspects right—universal coverage and 24-hour service, but higher unaccounted for water (UFW) might compromise service performance in the longer term. “Developing” water utilities whose performance ADB has tracked include Colombo, Delhi, Dhaka, Jakarta, Karachi, Kathmandu, Manila, Tashkent, Ulaanbaatar, and Vientiane. Utilities transitioning to mature status—to universal coverage and 24-hour supply—include Chengdu, Phnom Penh, and perhaps Ho Chi Minh City. Transitioning utilities make progress across all aspects of their business. They seem to experience an across-the-board management renaissance. It is rare, for instance, that UFW improves in isolation of other performance aspects.

One of the more disturbing statistics from the surveys is that from 1995 to 2001, average coverage increased by only 0.7%. At this rate, it will take 101 years to bring average coverage up to 90%. This statistic alone demonstrates the magnitude of challenge in meeting the water-related MDGs. Without a radical transformation of developing into mature water providers, it will simply be impossible to meet these critical MDGs.

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## Leadership Required

In 2002, ADB conducted an evaluation study of water supply projects in selected countries. That study identified leadership as a prerequisite for success.

A second ADB study in 2002, *Water in Asian Cities*, which covered 18 Asian cities and several case studies found consistently that leadership is not only important, but central to achieving success in water utility performance. This finding was highlighted in the book *Asian Water Supplies: Reaching the Urban Poor*, which ADB co-published in 2003, which Charles Andrews mentioned yesterday. In fact the book's main message is that good leadership is at the heart of good governance.

Overcoming political, institutional, and technical obstacles to the efficient delivery of water is a daunting task indeed. A task that requires several dimensions of leadership. First, it requires political leadership and commitment to the concept of water for all, a leadership that can articulate desired outcomes and stand up to vested interests. Second, strong managerial leadership to identify the changes required and inspire the organizational reforms to implement them. And third, leadership from civil society, to ensure broad-based support for reforms.

Let me give you some examples. In 1997 in Sri Lanka, a presidential task force suggested a strategy for commercializing small-holder irrigated farming. The national development council followed up by setting up a public limited liability company for small-holder irrigation systems, which in turn led to creation of a joint venture between the public irrigation agency and the farmers. The result was an additional harvest each year and significant improvements in productivity.

And once again, I should mention the extraordinary case of the Phnom Penh water supply authority. We are all convinced of the value of strong leadership as exemplified by the remarkable determination of Mr. Ek Sonn Chan. The Phnom Penh water authority's chief executive is a compelling and inspiring example. He is someone who would never ask a member of his staff to do something that he is not prepared to do himself. To give you a dramatic example, enforcing disconnection of habitual non-payers of bills is a difficult and, in Cambodia often dangerous task. On one memorable occasion I'm told, the chief executive went himself to the gates of a general's house where, with one of the general's guards pointing a gun at him, he disconnected the water supply to the general's home. Bold actions like this, especially if they can be recorded and brought to the attention of the public through television or other means, send powerful messages. The message is equally effective in winning the support of the utility's staff and that of all their consumers—rich, poor, corporate, private, well-connected, and outcast.

A good example of leadership within civil society is the work of Mrs. Almitrah Patel of Bangalore. Ms. Patel generated so much public annoyance about the garbage problems in India that a committee of the supreme court was established to examine the question. This led to the groundbreaking 1999 report on solid waste management in class 1 cities and significant changes in waste management in many cities, including her hometown of Bangalore. Empowering civil society to force changes in water policies is an important topic addressed in this session.

## The Role of ADB in Promoting Good Leadership

So where does that leave multilateral financing institutions like the ADB? Have we done enough to support good leadership in water provision? The honest answer is no. We have not. Many evaluations of our projects over the last 10 years repeat this message again and again pointing to the need to support only those projects where adequate institutional capacity and commitment exist and to help strengthen that capacity. As I mentioned earlier, we face a serious risk of not meeting the water-related MDGs, and we simply cannot afford to continue with business as usual.

As a financier, one of our challenges is to direct the finance where good leadership exists, both at political and managerial levels. ADB must become more creative in ensuring that our investments are linked to good performance. Let me repeat that, just in case you are tired and not paying attention at this time of the afternoon. ADB must become more creative in ensuring that our investments are linked to good performance. And you must help us in this area. This is a collaboration of like-minded people. You must keep us accountable to these commitments by helping us identify credible leaders, and by giving us suggestions.

For ADB to make these performance-based investments, we need to develop more innovative financing mechanisms. For example continued investment support must be more clearly linked to outputs. I'm talking about moving beyond policy changes, to policy implementation and enforcement. We will learn more about this approach from the first presentation in this session in which Alastair Wray discusses DFID's experience in incentive-based funding and more effective targeting.

Another major contribution i believe ADB can make is through promoting development and dissemination of knowledge and experience among leaders and potential leaders. This can be done through events such as this where people meet and exchange information, where good examples are disseminated and innovative approaches discussed. ADB's website can also be an effective vehicle for exchanging knowledge among leaders. We have already started developing a more comprehensive approach to knowledge development and sharing, and i have a personal commitment to ensuring that this approach bears fruit.

**Conclusion**

Ladies and gentlemen, this is the message: leadership matters. We at ADB have not focused enough on leadership, but we intend to do everything we can to support those who are committed to providing water for all.

Good afternoon.

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## APPENDIX 4 - D

### Drawing Insights from the NGO Dialogue and the Working Sessions

By Ravi Narayanan  
*Director, Water Aid*

GOOD MORNING, ladies and gentlemen.

I have been asked to draw some insights from the NGO dialogue with ADB and from the working sessions. This is quite a challenge because a very large range of issues have been discussed. Some very wide-ranging comments have been made and they are all woven into a tapestry, overlapping, interlocking. It is a little difficult to try and disentangle them and present as single issues as you would in a standard type of presentation. So, I hope you will excuse me if I go back and forth among the different issues as this presentation proceeds.

First, it is important to recognize that the ADB Water Week is part of a continuing dialogue with a wide stakeholder group made up of governments, donors, IFIs, private sector, civil society and it is essentially a progression since the 2<sup>nd</sup> World Water Forum at the Hague in the year 2000. What is quite remarkable and encouraging about this is that traditionally groups that sack together with their own kind. Governments with governments, donors with donors, private sector, civil society in their own groups are gradually being pulled together, not necessarily for agreeing with each other, but becoming less self-conscious and more confident of interaction. I think that that in itself is a huge step forward as part of a process of a wide-ranging dialogue on issues that are of overriding interest to all of us. So, I think the important thing to take from this conference, first, is that it has happened, and second, is to not to expect any magic solutions. People have talked about silver bullets from any particular event, but regarded as a deepening of understanding, developing of a convergence of use, sharpening of our analysis that leads towards more focused action. Action itself is not going to take place at a gathering such as this, but it can help in action that takes place in other interactions and other gatherings. I think this is a huge positive step forward and as I said, it is part of continuing process.

Throughout this week, there have been 4 key words that I have been able to pick up. I am sure there are others, but these 4 words seem to be popping up again and again and they are: **partnership; participation; governance; and financing.** Those were the 4 key words that have been picked up. They have been discussed with all their nuances, all their ramifications, and I am sure that all of us have our own understanding of what these words mean.

**Partnership.** Of course, there are certain gender principles we have discussed. And perhaps the most important in the context of this particular conference and the title that we see here is "Water for the Poor", is any kind of partnership must be based on a common understanding of what poverty is. There is no point in talking about the poor and poverty. These are all conceptual ideas and in order to take it forward to the level of action, there has to be a common understanding. We have seen that poverty itself is a multi-faceted dimension. We have the land poor, we have the income poor, we have poverty by exclusion on the basis of ethnicity or cause or religion and there are many other kinds of poverty. But my great disappointment with this conference has been is the relatively little attention that has been paid to the poverty that is exercised through exclusion by gender and women in every category of the above whether they are land poor, income poor, ethnicity, cause, gender, goes through all of them and there needs to be a real understanding of the hierarchy of vulnerability particularly of women if we are to take any kind of program forward. It is staggering that people expect real movement forward when the real strengths and human potential of so many people are either marginalized or ignored or given secondary importance. Now this is not a statement of political correctness, but I think it is something we all need to ponder about in all our different actions. I will say no more about that and proceed with the other points. I think on the question of the poor, the point has been made that the poor people are not in a sense to be made as victims, although indeed they might be victims, but they need to be regarded as a source of knowledge, of capability and of real determination. They are not passive objects to be regarded as beneficiaries, but as active participants and more on that later on. I think therefore, the first point for a practical engagement as far as partnership is concerned is this common understanding of poverty. The second is clarity about expectations of engagement by all parties. What is that we are seeking to do? Why enter into a partnership? We have to understand that there has to be an appreciation of the value addition by each member of the partnership; what do NGOs bring to the partnership, what does private sector bring to the partnership, and so on, unless there is a clarity on the role on the part of every member of the partnership about the other members' expectations. Then you have a recipe for disappointment. The third feature, I would say, is clarity about desirable results. What are the indicators of success? Some people would talk about equity who benefit from programs, when and by whom. Other



people would talk about speed of coverage—"Ok, water supply and sanitation and 50% of the people covered. Done. Great." Others would talk about sustainability and say "yes, done", but you come next year, half of it is undone so sustainability is important. All these things are not immediately compatible. It is ideal to think that a program designed will automatically take care of equity, speed of coverage, and sustainability. There are real tensions here and this is a potential source of friction in any partnership. There needs to be thought, there needs to be clarity about modes of operation of each party. There is a lot of disappointment about the fact that perhaps the government might take a year, 2 years, 3 years to come to any decision about the engagement of any particular program. IFIs might take long; the whole process of consultation with communities might take long. Each party needs to understand what are the ways of working of the other party, what are the hurdles they have to overcome. Otherwise, you will get impatient and impatience then leads to frustration, and ultimately, cynicism. Underlying all these is, of course, the question of trust and trust is not a commodity that cannot be bought or purchased. It is built through process and it is built equally through success and failure. Unless, all the parties are willing to stake the cause, there is no point about talking of partnership which brings me to the ADB-NGO dialogue.

I think before we go into the generalities of it, there needs to be a recognition that when we talk about an ADB-NGO dialogue, there needs to be a recognition of the asymmetry in the size and institutional design between these 2 parties. I would call ADB one party, but I certainly would not call NGO as another party because of the nature of NGOs. Let us just go down the list of some of the things that are the cause of this asymmetry. One is, of course, size and resources. ADB is a large institution; NGOs are by and large small. ADB is a unified organization with a single mandate and a single policy; NGOs are quite the opposite because they are fragmented and have different levels of sector interests, different levels of policy understanding, different areas of geographical concentration, and quite frankly, different levels of competence and capacity. One has to understand all these. So, you could say how do these animals come together? They are so completely different, but there is an underlying compatibility. This is the fact the ADB operates essentially at a macro level, determining policy at a major use of resource where NGOs should understand intimately the impact of these policies on real people on the ground. Therefore, there should, you would think, be a basis for a partnership. Now the ADB has in its policy quite clearly determined that it would like to enter into partnerships and dialogues with NGOs on a whole range of issues, i.e. on policy development, on program design, on implementation, and eventually evaluation. In order to that, there has to be a narrowing of the gap that I have just described. And while there is an open door as far as intention is concerned or state of intention is concerned on the part of NGOs, we need to enter into the partnership on a basis of confidence and without any feeling, without a victim complex, we must not think we are the smaller party because we are not. We might be smaller in terms of resources, but if you take the total resource as going beyond money we are not the smaller party. Any partnership has to be entered on basis of confidence. We have to develop our own understanding the political, develop our understanding of financial analysis in order to be able to talk the language and to deal with the ADB on a basis of equality. For this, we need to work together and the larger NGOs need to support the smaller NGOs and above all, we need to have a cooperative spirit which means giving up some of our flags working together, etc. Hard, I know, but it is important that we do so. Now for the ADB, it is important to align the policy that has been stated with practice — practice on the ground at country program level with a real commitment to dialogue. Now dialogue can be long, it can be messy, but unless we have the patience to stake the course it is not going to work. Let us not expect any dramatic results. At best, we can expect incremental change, but incremental change is a very good thing because there is no such thing as a perfect solution. A step forward is a step forward, not necessarily elite forward, but it is still a movement in the right direction. I think we have taken the step forward, but a lot more needs to be done.

**Participation.** Participation goes beyond mere consultation and I think it is important to understand that. It takes real courage and conviction because it means restoring equilibrium, particularly when we are talking about poverty and groups that are vulnerable for a variety of reasons beyond their control. It involves a transfer of power and authority and it is indeed, relevant to what I have just said about ADB-NGO dialogue. It is important that the engagement of communities that has been talked about takes place in their context so that they are not disadvantaged by language, by location, by style of discourse. Real engagement happens therefore at a place where communities feel they can work in their own milieu, their own environment. Participation means that international NGOs must not seek to control their local NGO partners. It means that local NGO must not seek to control their smaller NGOs or what are called their communities so it really means a letting go. This is the basis of decentralization of government structures, of organizations, of any other entity, but it needs a real change of confidence. It needs a real change of attitude of humility borne of confidence; otherwise, it is not going to work.

**Governance.** This is being recognized as the single most important reason for failure. Those of us who come from developing countries and at the time of our independence, or at the time of liberation, whatever,

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we had all very, very high hope and many of us have been disappointed. Some of these have been because of external factors, but some very many reasons are because of a failure of governance and probably it is the single most important reason for disappointment. Conversely, it is the strongest factor for success and progress and it permeates all levels of policy-making and program implementation. What does that involve? It involves, above all, ethical leadership and many speakers have talked about this. Leadership is not just leadership at the top levels of government, but at all levels and all the parties I have mentioned, i.e. in governments, in IFIs, NGOs, civil society and everywhere. In order for this leadership to be practiced, transparency and access to information are extremely important. Many governments have introduced freedom of information on statute books, but it is one thing introducing a statute; it is another thing actually practicing it. It takes a change in attitude to let go of information and it takes practice and actual using the information to be able to develop it as a natural way of working forward. For NGOs it is extremely important that we try and work with the communities that we work with in trying to develop their capacity to be able to use this information. Governance involves openness to independent scrutiny or advice or instruction; we talked about regulation, but also social audit and public hearings. It requires a commitment to accountability from governance to people, from donors to recipients at the moment because the relationship is one of financial resources. It seems to be one way, but it needs to be both ways. What happens when donor advice leads to sub-optimal results? Let me put it in a very mild manner. What happens, who is accountable, and how is that accountability exercised. How do governments account to their communities and to their citizens for failures of policies and performance? How do NGOs account to their communities? And so on.

In the field of water, of course, there needs to be a clear determination and this comes in the governance, of water usage by sector and by community and that is at local level, or regional/national level, and international level. In this conference, so far, we have discussed a lot about water and sanitation perhaps not enough about integrated water resource management. There are complexities there, I understand, but if we are to talk about governance unless there is recognition that there are many users, many competitors for the use of water both by community and by usage, it is going to be difficult to go forward in a sustainable manner. Governance means that there has to be some recognition and actions and priorities has to be sequenced. Joseph Stiglitz often talks about sequencing as being extremely important and that means flexibility and application of policy to program implementation. It is often the case that you have one particular program design that works in context X. It rapidly goes up the ladder becomes policy and from policy becomes received wisdom and that sought has to be applied everywhere. We need to be flexible. Is it an exaggeration if I say a mark of governance is the ability to do U-turns, wide turns and L-turns at the right time?

**Financing.** Mr. Camdessus started this conference with an address on the World Panel on Water Infrastructure. Of course, financing has many facets. There are, of course, external inputs through increased ODA, extremely desirable and all of us want that to increase, but what is the likelihood? I think it is extremely important even if, of course, it is a good thing if ODA increases, but even if it does not a lot can be gained through harmonization of aid; through avoidance of duplication; through the untying of aid to one's preferred suppliers, "I give you aid so use my country's contractors", that raises costs; and the focused application of aid to countries and to regions within those countries and to people within those regions at the local level. If I can digress here to talk a little bit of decentralization. When we talk about the local level, we need to understand the implications of decentralization. What seems to have happened so far is many countries are going down the decentralization route. There is a transfer of responsibility without real authority particularly fiscal authority. In order to be able to do that, to get the benefits of decentralization, we have to (a) be brave enough to transfer that authority and (b) commit ourselves to resources for training and building up the confidence of local government level. One of the things that are striking in many, many international conference is the relative absence of people from the lowest level of government. They are the people who are actually expected to deliver. They are the cutting edge and yet you find that they are the ones who sit in offices and take instructions and they do not participate in this. How can we expect any progress unless they are part of an exchange? It is difficult, I know, but we are brave enough to take that step forward and engage them in discussions of this kind. It is going to be difficult to make real change.

Going back then, too, to misuse of financing. There is, of course, the mobilization of internal resources, proper internal budgetary allocation of governments. Often, budgetary allocations take place for political reasons, one of the perils of democracy, depending on which minister happens to be on which constituency. You might find that the railway minister and brand new stations that have come up in that person's constituencies are often his. There are issues of sustainable cost recovery. We have seen the effects of perverse subsidies and how they deplete the national budget and only benefit the chosen few. I think, above all, relative little attention has been paid to people's own contributions. It might not seem a lot in dollar terms, but actually the value of each dollar contributed by communities from their own resources can be multiplied several times in the application to any project. I think it is extremely important when we look at

program design to see how the impact of community's own resources and contributions and how can that be maximized. There are some qualifying remarks with regard to the discussions that have taken place here. I think it is important to recognize there are 2 differences in models. What works in an urban context may not necessarily work in a rural context and the weight of discussion in this conference is on the urban side. It is important to recognize that the rural and small town and there are differences between small towns and rural areas that they require different approaches to financing, different approaches to governance, and different approaches to program design and implementation, particularly in water supply and sanitation. Water supply is quite different from sanitation and I think it is quite important to recognize that. Water supply is, by and large, follows the public utility route. Sanitation is intimately related into hygiene practice which is a private matter and in formulating programs and patterns of development, it is to recognize that this requires new honest approaches. One, big advance that I have seen in this conference is when we talk about the private sector; we do not mean just the big international corporations. We are increasingly talking about local private sector, both large and small, and I think this is a huge step forward in an even and balance discourse. Hopefully, some of the passions that have been raised in the past will recede or die down and we can have a recent dialogue on this basis so that is a real advance.

In my view, one thing that has been mentioned, but is extremely important, is technology. It was mentioned in the Phnom Penh case by people talking about applications in Pakistan. It is extremely important that it is relevant the choice and the application of technology in the achievement of quick results, gathering the low hanging route, sustainability, and real community involvement. These are often governed technology choices. We can have big savings and big results. The underlying principle can really work there. You can have an 80% advance in benefit for a 20% resource application. I mean it is extremely important to do that. I would like to say that a local knowledge and choice in determining these is a real step forward. And since we are talking about Millennium Development Goals, and since we talking about speed, it is extremely important that we try and generate this real momentum. Appropriate does not necessarily mean low tech. It can mean low tech, but it can also mean the use of satellite imagery. It can mean the use of ICT in terms of communication. It can mean the use of membranes for instance or filtration or other kinds of things. The cost of all these are going down. Communities know how to handle these. These are not—well they are rocket science—but they are not in a sense the type of rocket science that communities can deal with, and it is important to recognize that appropriate technology has to be a mix of cutting edge technology and traditional knowledge.

Finally, I just would like to conclude by saying that development is essentially not a question of execution and completion of projects. It is based on ethical principles and it requires several things. It requires vision, it requires sustained commitment, and above all, it demands optimism. Given all these things, it is blinding in its simplicity.

Thank you.

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## APPENDIX 5

### Closing Remarks

By Liqun Jin

*Vice-President (Operations 1), Asian Development Bank*

GOOD AFTERNOON, ladies and gentlemen.

It is a pleasure for me to join you at the closing of ADB Water Week. I appreciate your hard work over the past few days to move the water agenda forward in the interests of the poor who do not have access to water, the most essential constituent of all living matter. I understand that you have focused especially on addressing the challenge of improving water governance and of financing. Water Week has reminded us all that this remains a fundamental development challenge in our region. All of us are stakeholders in the regional cooperation in this area.

ADB feels honored and privileged to have the presence of all the stakeholders under our roof, government officials, water providers, civil society, research, and the media. Thank you for sharing with us, in a constructive and candid manner, your views and proposed solutions from your special perspective for our common goal, that of Water for All.

Talking about water, we would be reminded of a saying that the rising tide lifts all boats. This is indeed the general experience with economic growth as an essential engine for poverty reduction. Without economic growth, people cannot lift themselves out of poverty.

However, for a rising tide to lift all the boats, we have to make sure that these boats are not leaking. For economic growth to bring benefits to all the poor people, we have to make sure that they have access to the basic services and the means to take advantage of the potential opportunities.

In fact, in terms of improving water security, the poor are often caught in a vicious circle of lack of water and lack of economic opportunity. To break this circle, we need to focus more attention on meeting the basic needs of the poor people. Water security is one of the top priorities. Water is not only the basic need of human life; it is also an essential input in production. We need to target and tailor investments and capacity building to the needs of the poor. This requires specific interventions to make sure that the poor can benefit from economic growth and the overall development process.

Ladies and gentlemen, poverty reduction is our overarching objective at ADB. We promote and support pro-poor economic growth projects, as well as projects with specifically designed poverty interventions, supported by specific water governance and financing arrangements to ensure that the needs of the poor are met.

Fixing the leaking boats has many dimensions that have been discussed this week. To mention just a few, they included issues of empowering poor communities to solve their water problems by involving them more in project preparation, issues of better project selection and preparation, to work with capable organizations under inspired leadership, issues of combining structural with non-structural interventions, issues of appropriate and cost-effective technology, and issues of working better in partnerships for action.

The Water Week theme this year is Water for the Poor—Setting the Rules and Finding the Money. On Tuesday, keynote speaker Erna Witoelar advocated that Water Week should result in a commitment to “Simplify the Rules and Decentralize the Money.” The validity of this statement has been confirmed through your discussions, and I am pleased to support it. ADB and its partners should work together to streamline and simplify project procedures, wherever possible, without compromising quality to facilitate more rapid and sustained benefits to the poor.

Decentralizing water financing through autonomous and accountable service providers is a key part of ADB’s Water Policy, and one that we are keenly advocating to our clients and partners. It is fully consistent with the recommendations of the World Panel on Financing Water Infrastructure, chaired by Mr. Camdessus. Capacity building in local government and water user organizations will help to further decentralize financing to the poor in a demand-led manner.

Ladies and Gentlemen, two important recommendations have come out of Water Week, they are about the need for better leadership and partnerships. Both are critical in improving water governance and financing in our region, and to achieve the Millennium Development Goals relating to water. Better leadership is needed in adopting effective policies, in the autonomous and accountable provision of water services, in strengthening water regulation, and in mobilizing civil society to catalyze water reforms through better information and awareness.

Water Week recommended that partnerships in the water sector should build on the complementary strengths of the stakeholders, to ensure better development impact from projects. At ADB, we commit

ourselves to further strengthen our partnerships for action to catalyze effective pro-poor water projects throughout the region. This will involve working more closely with local governments, with bilateral funding agencies, the private sector, nongovernment organizations, research institutions, and the media. We have already started this in Viet Nam and will build similar partnerships in other countries.

Ladies and gentlemen, ADB remains fully committed to provide high-quality technical assistance and loans to pro-poor water projects, and to support the enabling framework of policies and institutions. The results of Water Week are a source of inspiration and knowledge to us to help sharpen our focus on reducing poverty through water projects. We will report and distribute the results of this Water Week widely through our website and our knowledge and awareness activities, and put them to good use in our country and regional operations.

We in ADB would like to express our sincere gratitude to the Governments of the Netherlands and Norway for their generous contributions to our Cooperation Fund for the Water Sector and their support to ADB Water Week and its follow-up actions.

I thank you all for your active participation in ADB Water Week 2004. I am sure that the productive interactions among all the participants have facilitated exchange of ideas and networking, and enhanced your understanding towards each other. I believe that your stay in Manila and in ADB has been pleasant and productive. I wish you all a safe journey home.

Thank you.



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## APPENDIX 6

### ADB Water Sector Committee

**Chair: Wouter Lincklaen Arriëns**

Lead Water Resources Specialist

**Alternate: Charles Andrews**

Principal Water Supply and Sanitation Specialist

**Members:**

East and Central Asia Department –

**Ashraf Malik**, Head - Project Administration Unit; **In-Ho Keum**, Sr. Project Specialist - Engineer;

**KyeongAe Choe**, Sr. Project Specialist

Mekong Subregion Department –

**Ian Fox**, Principal Project Specialist (Natural Resources); **Alain Goffeau**, Rural Infrastructure Engineer;

**Xiaoyan Ye**, Principal Project Specialist; **Graham Jackson**, Sr. Project Engineer; **Woochong Um**,

Principal Operations Specialist

Pacific Regional Department –

**Nancy Convard**, Sr. Project Specialist (Water Sector and Urban Development); **Edy Brotoisworo**, Sr. Environment Specialist

South Asia Regional Department –

**Kenichi Yokoyama**, Project Specialist (Water Resources); **Keiichi Tamaki**, Sr. Urban Development Specialist

Southeast Asia Regional Department –

**Christopher Wensley**, Sr. Water Resources Specialist; **Tetsuro Miyazato**, Sr. Water Resources Specialist; **Rudolf Frauendorfer**, Urban Development Specialist; **Shigehiko Muramoto**, Project Engineer

Private Sector Operations Department –

**Stephen Wermert**, Sr. Structured Finance Specialist; **Ute Zimmerman**, Structured Finance Specialist

# An Agenda for Change

## Setting the Rules and Finding the Money

Is there a conspiracy against the poor? Why is it that after concerted efforts spanning decades, many still do not have access to safe drinking water? Have conventional mindsets and vested interests stymied progress in this direction? Achieving water security for the poor will need changes in water resource management and water services delivery to lift productivity and reduce inequality. This publication highlights the change agenda proposed during the ADB Water Week 2004.

### ADB “Water for All” Series

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