

**Consultancy to Support the Preparation of the 2004 Work program for the IDB-
Netherlands Water Partnership Program (INWAP)¹**

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1. Introduction

This consultancy is to support the preparation of the 2004 work program of the IDB-Netherlands Water Partnership Program (INWAP) to be presented at the Asian Development Bank's Water Week at the end of January 2004. INWAP is a joint effort between the IDB and the government of the Netherlands to promote the principles of Integrated Water Resources Management (IWRM) and support implementation of these principles in projects throughout Latin America and the Caribbean. INWAP was signed in August 2002 and a work program for the period 2002-2003 has already been implemented. The current work program will extend that program for the period 2004-2005. The work program under INWAP is expected to be an increment to the ongoing work of the IADB and not as a substitute for normal operations of the Bank. The goal is to utilize the INWAP funds to leverage the substantial funding for water sector activities from other sources in LAC. They should also be applied to enhance the IADB's Sustainable Development Department's strategic goals.

The current work program has organized the activities under two windows; a *policy and operational support* window and a *capacity building* window. Under the 2002-2003 work program nine activities were scheduled under the *policy and operational support window* and eleven under the *capacity building* program amounting to a total program of US\$ 700,000. Annex 1 gives a listing of the activities. The proposed 2003-2005 programs of activities are arranged according the four priority areas of *social development, modernization of the state, competitiveness, and regional integration*.

In order to expand the range of activities proposed for the next work period, we have examined the Netherlands Water Partnership programs undertaken by the World Bank, the Asian Development Bank, and the African Development Bank (Annex 4). We have also examined the IWRM activities in the region by UN agencies UNDP, UNEP, and ECLAC, and the NGOs such as the GWP, SAMTAC, and CATAC (Annex 3). These explorations have proved useful in expanding the menu of IADB's activities under INWAP.

2. Main Challenges Faced in Latin America and the Caribbean Water Resources Management.

In looking at the INWAP program it is important to make the distinction between the widely differing availability of the water resources themselves in the LAC countries, and the generic management issues involved in IWRM which are not being addressed directly through the Bank's programs. The focus has to be on IWRM issues. The main drawbacks to implementing IWRM in Latin America and the Caribbean identified by the IADB itself are:

- The delivery of water services is typically centralized in government organizations and agencies, which are often overextended, under-funded, and ill organized to provide quality services, resulting, for example, in deteriorated infrastructure and low efficiency.
- Regulatory approaches have been traditionally favored over marketing or other incentive-based approaches. Changes in management have occurred mostly through centralized government and without the participation of the stakeholders.
- In many instances, water resources management legislation includes provisions, which may no longer be relevant and may actually constrain new management initiatives. A more significant concern is the general lack of rules and regulations for monitoring and enforcing existing legislation.
- Water resources management often is hindered by a lack of adequate and reliable hydrologic, meteorological, and water quality data, as well as information on socioeconomic characteristics and indicators of water use efficiency and, in general, reliable indicators to be used as a basis in conflict resolution.
- High rates of urbanization pose unique problems and challenges to water resource managers.
- Water resources management activities are diffused and fragmented and, more often than not, divorced from environmental management. Ignoring the many ecosystem functions and services often hinders water resources management.
- Water resources management often is hindered by shortage of adequately trained human resources at all levels. (*Strategy for Integrated Water Resources Management*, 1998, p. 5)

In addition to these, based upon our review of the other programs in the region, we may add:

- Lack of concern for preventative disaster planning and management. Obvious issues here are flooding in general, but the consequences of urban flooding exacerbated by poor drainage works has not been high on the agenda of the water agencies. In addition, droughts, hurricanes, and other natural disasters can impact the availability and use of water and lead to major contamination of the supplies and outbreaks of infectious diseases.

- Associated with climate change are issues which may be hard to describe, predict and assess, but which nevertheless do require attention. Given the difficulty and cost of mitigating climate itself, attention should be given to devising adaptable water development strategies.
- The impact of international trade regimes on the choice of crops and their effects upon national water and other agricultural resources is also now becoming of major concern to developers and managers of irrigated agriculture and livestock systems.
- Data based assessment of the Millennium Development Goals (MDGs) is becoming a pressing issue in many countries in LAC which do not have adequate information to prepare reliable estimates of their needs in the face of the MDGs.
- The role of creative financing for the water sector in all of its various aspects needs to be developed. In particular, more attention should be paid to the needs for such creative financing for municipal water and wastewater systems.

3. Bank's Instruments Available to Respond to IWRM Challenges

There are a whole host of instruments that the Bank could use to respond to the IWRM challenges listed above. Many of these instruments overlap, some are blunt instruments loosely connected to the desired outcomes, and some are the tried and true instruments used for many other aspects of the Bank's business. The IADB's approach to IWRM is based upon the principles articulated in its strategy paper and suggests a set of instruments for its implementation. The instruments can be described generically as:

1. Cost Recovery,
2. Capacity Building
3. Stakeholder Participation
4. Developing legal frameworks
5. Decentralization
6. Private Sector participation
7. Role of the Public Sector
8. Water pricing
9. Tradable Water Rights.
10. River Basin Organizations
11. Transboundary River Basins
12. Trade regimes.

The activities eligible for INWAP funding should utilize these tools and at the same time:

1. avoid using the funds for project design, but to identify flexible eligible projects.
2. do the early work on project identification, but not the project feasibility
3. expand capacity building beyond its current scope (for example, workshops held on IWRM).

4. be realistic (for example, spending money to find out realistic actions for MDGs in Bolivia and Brazil).

The INWAP activities should also reflect the priority areas for the 2+4+1 package approved by the Directors of the Bank at the time of the Eighth Capital Replenishment. The two overarching goals are *sustainable economic growth*, and *poverty reduction and the promotion of social equity*. The four priority areas that will help the Bank reach these goals are; *social development, modernization of the state, competitiveness, and regional integration*. The final priority area is that of *environment* which is a cross-cutting theme that runs through each of the other four priority areas. In Section 4 we have organized the strategic actions and activities to be taken up by INWAP under each of these four priority areas as the pillars of the program.

4. Strategic Actions and Activities for Financing with INWAP Resources: The Four Pillars of the Program

For the reasons given in Sections 1 and 2, there is a need to identify actions, which are currently not being taken due to lack of incremental funding which may improve the performance of the Bank's traditional activities in the water sector. Activities sought should meet the following criteria:

- Support Integrated and Innovative Approaches to Water Management
- Foster Institutional Strengthening
- Contribute to Sustainable Economic Growth and Poverty Reduction
- Strengthen Policy and Sector Work in Water Resources Management
- Strengthen the Capacity of the Borrowing Countries for Policy and Sector Work
- Explore Possibilities for Partnerships and Inter-Institutional Cooperation
- Support Reform and Modernization Processes now underway.

As can be seen from Annex 1, there are already seven activities from last year's program that will continue into the next year's activities. New activities to be considered could focus in the following four IADB priority areas.

I. Social Development

Social development has been identified as a key element of the Bank's commitment to fight poverty and inequality, promote growth and improve well-being in the region. The

Social Development Strategy heeds these calls as well as the recent pledge countries have made to fulfill the Millennium Development Goals (MDGs). The objective of the strategy is to help countries accelerate social progress by fostering human and social environments conducive to the well-being of the population, with special emphasis in the reduction of poverty and inequities in opportunities, especially inequities based on gender, ethnicity, race and disability, among others. It seeks advancements in the well-being of all and greater proportional advancements in the well being of the poor and excluded. The challenge here is to be able to assess and then implement the direct linkages between IWRM and social development. An essential part is the development of criteria and procedures for assessing the impacts, and then developing the data base upon which poverty strategies can be based. INWAP's funds could be used to support the following activities.

1. **Criteria and procedures for evaluation** are needed for economic, environmental, and social impacts of water policies, programs, and projects. Without clearly spelled out criteria and principles it is very difficult for national water agencies to be consistent in their allocation of resources (both water and financial). For example, Chile has managed to develop an appraisal system for subsidies and public projects. This applies to subsidies in water and sanitation and agriculture. The system works well and the development of marketable irrigated produce verifies this. Because of these practices Chile has been able to optimize the financial returns of water and also reduce poverty and environmental harm. If national water plans are to be more than shopping lists, these procedures should be part of the planning process required by CSD at Johannesburg,. Some countries argue that in order to improve their planning strategies they may need legal reforms incorporating planning principles and criteria in the water legislation. This is addressed in the section on the Modernization of the State discussed below.

Products/Processes: A small research team in each country will assess, and develop if necessary, a set of technical and financial assistance guidelines for implementation.

Clients: The water ministries of the individual countries.

2. **Supporting the Bank and borrowing member countries in complying with the MDG's in potable water and sanitation.** Many of the countries lack capacity to develop the systems to actually implement the UN's MGDs. In conjunction with its operational departments, the Bank will assist the countries with staff support for planning and in the preparation of national action plans to comply with the MDGs.

Products/Processes: These activities will also include capacity building, training activities, and seminars to raise awareness at the local and national levels.

Clients: The water ministries of the individual countries and the suppliers of urban water and sanitation services..

3. **Data-based assessment of the Millennium Development Goals (MDGs).** Many countries in LAC which have the capacity to plan and implement the MGDs, do not have adequate information to prepare reliable estimates of their needs in the face of the MDGs. They need help with acquiring and processing data.

Products/Processes: Limited technical and financial assistance will be provided to governments that do not have reliable data for assessing the MDGs.

Clients: The water ministries of the individual countries.

4. **Requiring country water resource strategies in the Poverty Reduction Strategy Papers.** One good idea might be to require the water resource strategies be included in the PRSP documents that are required in most developing countries. Help will be needed to decide on how best to incorporate these into the government papers. The advantage of this approach is that the water/poverty issues will have to be dealt with head on.

Products/Processes: Technical and financial assistance will be provided to incorporate IWRM into the PRSP strategies.

Clients: The water ministries of the individual countries.

Activities continuing from the 2002-2003 work program:

1. Development of Guidelines for Potable Water and Sanitation Concessions: Analysis of experiences in San Pedro Sula and Guayaquil (US\$114,500; Operation: ATN/WP-8214-RS; Responsible Unit: Environment and Natural Resources Management Division of the Regional Operational Department.
2. Potable Water Utilities Characterization (US\$74,000; Operation: ATN/WP-8267-ME; Responsible Unit: Environment and Natural Resources Management Division of the Regional Operational Department 2)
3. Reaching Water and Sanitation Millennium Development Goals in Bolivia: Decentralized and Negotiated Programs (US\$140,000; Operation: ATN/WP-8342-BO; Responsible Unit: Environment and Natural Resources Management Division of the Regional Operational Department 1.

II. Modernization of the State

The expression Modernization of the State is used as a synonym for state reform for the consolidation of democratic governance. This option is justified by the growing accumulation of academic thought and wide empiric evidence that shows that sustainable and equitable development requires a democratic, modern and efficient state that promotes economic growth, providing a regulatory framework that is conducive to the functioning of markets; guarantees a stable and reliable macroeconomic environment, legal predictability and political security; is capable of adopting appropriate economic

and social policies for poverty reduction and environmental protection; and that implements these policies in an efficient, transparent and responsible manner. Water is one of the resources most entangled in legal disputes over property rights, the role of government versus the private sector, and concern for the public trust. An essential component of IWRM is the setting of water governance. We see a great opportunity to use INWAP funds effectively in this area.

1. **Development of principles of law.** All aspects of water law principles need to be continually developed in the LA region. One pressing area which needs the type of help that INWAP could provide is that of adjudicating conflicts associated with water, or water services, when conflicts are brought before international arbitration tribunals, such as the arbitration court of the World Bank. There are many cases where governments are being brought to such private arbitration courts, to argue against environmental measures such as marshland protection regulations in Peru, or economic crisis in Argentina and its impacts on water rates. Such cases are very important to governance. Still there are no uniform, public interest criteria, developed to guide the decisions of the quasi-private arbitrators, although such decisions affect environmental global assets, and the well being of billions of people.

Products/Processes. The output of this activity would be training seminars and capacity building. Research on codifying relevant legal principles and doctrines that expedite conflict resolution. The sharing of relevant LAC experiences through the use of local and regional institutions to organize the seminars. Bringing in experts from the arbitration courts to share their experience and advice.

Clients. The professional staffs of the Law Ministry and also the Water and related ministries and leaders of the national and regional NGOs.

2. **Water governance regimes** have to be carefully assessed. As a result of the ECLAC regimes project it was concluded that there is a minimum set of institutional elements: water ownership, water rights, organization, participation, communication, criteria for rational decision making, without which IWRM is not possible. Some of the current mantras, such as decentralization and privatization, are counterproductive when uncritically applied. It would, therefore, be interesting to discuss the findings of the regime project with larger audiences, and to agree on minimal sets of "resources", in a broad sense, required for IWRM.
 - a. **Products/Processes:** Funding national and regional research workshops involving academic institutions and NGOs.
 - b. **Clients:** Personnel from national government ministries and representatives of civil society including industry.
3. **Help with revising national water laws.** Many countries in LAC have recently revised their national water laws, or are in the process of doing so. The need for implementable laws that cover all of the issues of water and waste management including spelling out water rights, criteria for water marketing, trading of rights,

finances for waste violations, etc is an absolute necessary condition for IWRM to work effectively. The creation of model laws and legal implementation and enforcement strategies would be a great help for nations to avoid some of the pitfalls of over-ambitious or unenforceable laws in many cases.

Products/Processes. Seminars and capacity building for the relevant ministries and also leading NGOs to ensure participation. Sharing of experiences among LAC countries bringing in experts from countries such as Mexico who have recently been through the process of revising the national water law.

Clients. Personnel from national government ministries and representatives of civil society including industry.

4. **Promoting and facilitating the preparation of integrated water resources management strategies.** Following up the recommendations of the World Summit for Sustainable Development and the Third World Water Fora, the CSD recommended that each country develop an IWRM plan by 2005. There is little actual experience in making these plans and the IADB should collaborate with the GWP and others to assist the national planning agencies to make these plans. During 2003 the first such operation was approved by the NWAP program for Costa Rica and during 2004 it is expected that at least two others will be prepared.
 - a. **Products/Processes:** Technical and financial assistance will be provided to prepare the IWRM strategies.
 - b. **Clients:** The water ministries of the individual countries.
5. **Addition of country water resource strategies in the Country Assistance Programs.** The World Bank has had good success when the technical people in the ministries and the Bank worked together to add country water resource strategies to the Country Assistance Strategy (CAS). It is strongly urged that the NWAP do the same in the LAC region.
 - a. **Products/Processes:** Technical and financial assistance will be provided to integrate IWRM into the CAS..
 - b. **Clients:** The water ministries of the individual countries.

Activities continuing from the 2002-2003 work program:

1. Good Practices for the Creation, Improvement and Sustainable Operation of River Basin Organizations (US\$150,000; Operation: ATN/WP-8283-RS; Responsible Unit: Environment Division of the Sustainable Development Department). (Ongoing in collaboration with IBRD, ECLAC, GWP, and LANBO)
2. Supporting the Implementation of the Bank's Environment Strategy and Partnership Programs (US\$66,300; Operation: ATN/WP-8305-RS; Responsible Unit: Environment Division of the Sustainable Development Department).

III. Competitiveness

The Bank's Competitiveness Strategy establishes a framework to assist member countries to make improvements in their economic and institutional environments in order to promote the sustainable development of productive economic activities and increase productivity. Increases in productivity are key to economic growth and poverty reduction.

In addition, progress in productivity is sustainable only if it also contributes to environmental improvements and conservation. The actions proposed by the strategy focus on correcting or compensating defects in the functioning of relevant markets for the competitiveness of all firms and include specific actions for micro and small enterprises. In most developed countries of the world water played a pivotal role in the start of the industrial and agricultural revolutions. Many of the economic aspects of water have been recently been downplayed as the role of water in ecosystem sustainability as seized many governments, MFIs, banks, and bilateral donors. The pendulum has swung too far in the direction in which economic issues are ignored. We believe that INWAP funds could be used in activities aimed at redressing this balance.

1. **The enhanced role of water in economic development.** Water as an engine of economic growth is often ignored by water policies that are fragmented and contradictory. Research needs to be done to show clearly the benefits of water in its various different uses. Principles, strategies, and criteria, are required to enhance the role of water in the process of economic development. Chile has managed to devise a few simple and well-grounded principles. Yet many countries embark on water ventures without any kind of rational strategy to put water into the inter-sectoral economic system. It would be worthwhile to support research on the integrated economic assessment of water.

Products/Processes: Research on the role of water in the overall national economic development has to be carried out. Traditionally this has only been done for irrigated agriculture. We now need a broader understanding of the role of water in other sectors.

Clients: Ministries of Finance, Commerce, and Economic Development will be the recipients of this research through seminars and workshops.

2. **Follow-up the recommendations on water financing developed by the Panel on Financing chaired by Michel Camdessus** The report provides a series of recommendations on financing instruments that could be explored to fill the financing gap in the water sector. Much more attention should be paid to the needs for creative financing for municipal water and wastewater systems. The IADB should support the implementation of the report recommendations including the promotion of innovative and strategic public-private partnerships. SDS/ENV should prepare, in conjunction with SDS/IFM and the operational departments, two reports: one on financing in the irrigation sector and the other on financing in potable water and sanitation.

Products/Processes: Implementation of the report's recommendations and a further analysis for each country of the detailed financing needs in the major sectors.

Clients: Private water companies and municipal and regional water agencies. There has to be outreach to the domestic financial markets including banks and stock exchanges.

3. **The preparation of a seminar series on financing potable water and sanitation.** This series is to provide an adequate framework for discussion with key stakeholders on mechanisms, options and factors that would increase investments and coverage (in accordance with the Millennium Development Goals - MDGs) in the potable water and sanitation sector in Latin America and the Caribbean.

Products/Processes: Seminars and workshops involving wide participation by the stakeholders.

Clients: Urban public and private water and wastewater utilities and national agencies tasked to report on the MDGs.
4. **Developing research prospectuses on water and poverty.** During 2003, prior to the Third World Water Forum, SDS/ENV sponsored two workshops in the region to discuss the linkages between water and poverty. After the Forum, in May 2003, the Bank organized a technical seminar to define key research topics. During the Seminar, the following key research areas were identified: a) valuation and water use by poor households in rural and urban areas; b) political economy of water resource allocation and use and its implications for economic growth and poverty reduction; c) collective action for water resources management; and d) public vs. private water resource management.
 - a. **Products/Processes:** Detailed research prospectuses are needed to follow on from the 2003 seminar.
 - b. **Clients:** Regional agencies and NGOs will be the first recipients of the benefits of this research. The immediate clients will be the academic institutions developing these detailed prospectuses.
5. **Organize training programs for disaster management.** In several countries and settings there is a lack of appropriate concern for preventative disaster planning and management. Obvious issues here are flooding in general, but the consequences of urban flooding exacerbated by poor drainage works has not been high on the agenda of the water agencies. In addition, droughts, hurricanes, and other natural disasters can impact the availability and use of water and lead to major contamination of the supplies and outbreaks of infectious diseases.
 - a. **Products/Processes:** Technical and financial assistance will be provided to prepare introduce the concepts of modern disaster management via seminars and training.
 - b. **Clients:** The water ministries of the individual countries and the municipal planners and managers and disaster relief agencies.
6. **Associated with climate change** are issues which may be hard to describe, predict and assess, but which nevertheless do require attention. Given the difficulty and cost of mitigating climate itself attention should be given to devising adaptable water development strategies.

Products/Processes: Technical and financial assistance will be provided to introduce the concepts of mitigation and adaptation to climate change if and when it occurs.

Clients: The water ministries, of the individual countries.

Activities continuing from the 2002-2003 work program:

Supporting Private Investments in Irrigation Infrastructure (US\$55,000; Operation: ATN/WP-8262-ME; Responsible Unit: Environment and Natural Resources Management Division of the Regional Operational Department 2) (Title in 2002-2003 Work Plan: Investments to Improve Water Use Efficiency in Irrigation Districts in Mexico).

Risk Management in the Irrigation Sub sector (US\$120,000; Operation: ATN/WP-8330-ME; Responsible Unit: Environment and Natural Resources Management Division of the Regional Operational Department 2).

IV. Regional Integration

Regional integration is a policy instrument for achieving a set of development goals and objectives. The main goal is the creation of regional public goods, specifically regional integration and regional cooperation, aiming at taking advantage of the globalization process in order to promote sustainable economic growth and poverty reduction. The actions proposed herein arise from an analysis of the achievements and shortcomings of regional integration and cooperation, and from an evaluation of Bank activities to support those processes. The role of rivers in helping, or hindering, regional integration is well known and well studied in the LAC region. What has not received attention until recently is the role of international and bilateral trade pacts have on the domestic use of water resources. Little is known of the specifics of impacts trade regimes on water use and development within specific countries. Two sets of activities that merit INWAP's attention are given below.

1. **Trade agreements** such as NAFTA, CAFTA, IEC, PPP, etc are often contradictory in their goals and consequences. They need to be carefully analyzed for their implications for water markets within the LAC countries and also the possible impacts of exported virtual water on their economies and ecosystems.

Products/Processes: A small multinational interdisciplinary research team, preferably from a university, should analyze each of the major trade agreements affecting countries in LAC. The research should be widely distributed to the economic ministries and to the regional economic institutions such as ECLA. The team should be multinational in composition.

Clients: In this case the clients are the economic ministries of the individual countries and also the multilateral banks, the bilateral financing agencies, and the UN family including the IMF.

2. **The impact of international agricultural trade regimes** on the choice of crops and their effects upon national water and other agricultural resources is also now becoming of major concern to developers and managers of irrigated agriculture and livestock systems. In most cases the agriculture and water sector managers make plans that do not acknowledge the potential impacts of the new trade regimes. Serious misallocation of investments may occur if these effects are ignored.

Products/Processes: Small national research teams should examine the implications of the trade regimes for both national agricultural policy and national water policy. The results need to be widely distributed throughout the entire society.

Clients: For this research the major clients are the policy branches of the agriculture and water ministries.

Annex 1

Review INWAP's partnership program, its 2003 work program, and the 2002-2003 progress report.

The IDB-Netherlands Water Partnership Program (INWAP) is a joint effort between the IDB and the government of the Netherlands to promote the principles of Integrated Water Resources Management (IWRM) and support implementation of these principles in projects throughout Latin America and the Caribbean.

Integrated Water Resources Management (IWRM) is an innovative and realistic approach to ensure that social, economic, environmental and technical facets are considered in the management and development of water resources. It takes into account the interaction of multiple water sub-sectors such as water supply, sanitation, irrigation and others, and aims to create incentives to using water resources more efficiently and sustainably.

INWAP, which was signed in August 2002, is financed by the Netherlands Ministry of Foreign Affairs and is administered by the Inter-American Development Bank. It supports activities related to water policy, water development and capacity building in the Bank as well as in countries in the Latin American and Caribbean Region.

The objectives of the Partnership are:

- To increase the capacity of the IDB for guiding and monitoring the implementation of the Bank's IWRM strategy;
- To improve the capacity of Latin American and Caribbean countries to: 1) managing and developing water resources, 2) designing water policies, and 3) enhancing social and productive water-related services;
- To expand the coordination of the IDB and other financing institutions and donors on water resources policy issues in Latin America and the Caribbean.

The areas under Environment and Natural Resources on the Bank's web site lists 9 areas of interest (plus INWAP), as follows:

1. Coastal and marine resources
2. Environmental management, law, and economics

3. Forestry and biodiversity conservation and management
4. Guidelines and environmental assessments
5. IDB-Netherlands Water Partnership
6. Integrated water resources management
7. Natural disaster management
8. Responding to climate change
9. Sustainable energy
10. Urban environment and pollution control.

2003 and 2002-2003 Work Programs

There were nine operational and policy support activities and eight capacity building activities in the 2003 Work Program. These were subsequently expanded and revised in the Work Program entitled *End of 2003-January-August 2003* to nine and eleven activities respectively as follows:

Policy and Operational Support Window

3. Development of Guidelines for Potable Water and Sanitation Concessions: Analysis of experiences in San Pedro Sula and Guayaquil (US\$114,500; Operation: ATN/WP-8214-RS; Responsible Unit: Environment and Natural Resources Management Division of the Regional Operational Department 2). (Ongoing)
4. Supporting Investments in the Irrigation Sub sector in Mexico (US\$140,000; Operation: ATN/WP-8230-ME; Responsible Unit: Environment and Natural Resources Management Division of the Regional Operational Department 2) (Title in 2002-2003 Work Plan: Investments to Improve Water Use Efficiency in Irrigation Districts in Mexico). (Completed)
5. Supporting Private Investments in Irrigation Infrastructure (US\$55,000; Operation: ATN/WP-8262-ME; Responsible Unit: Environment and Natural Resources Management Division of the Regional Operational Department 2) (Title in 2002-2003 Work Plan: Investments to Improve Water Use Efficiency in Irrigation Districts in Mexico). (Ongoing)
6. Potable Water Utilities Characterization (US\$74,000; Operation: ATN/WP-8267-ME; Responsible Unit: Environment and Natural Resources Management Division of the Regional Operational Department 2). (Ongoing)
7. Water for the Americas in the XXI Century (US\$20,000; Operation: ATN/WP-8269-ME; Responsible Unit: Environment and Natural Resources Management Division of the Regional Operational Department 2). (Completed)

8. Good Practices for the Creation, Improvement and Sustainable Operation of River Basin Organizations (US\$150,000; Operation: ATN/WP-8283-RS; Responsible Unit: Environment Division of the Sustainable Development Department). (Ongoing in collaboration with IBRD, ECLAC, GWP, and LANBO)
9. Supporting the Implementation of the Bank's Environment Strategy and Partnership Programs (US\$66,300; Operation: ATN/WP-8305-RS; Responsible Unit: Environment Division of the Sustainable Development Department). (Ongoing)
10. Risk Management in the Irrigation Sub sector (US\$120,000; Operation: ATN/WP-8330-ME; Responsible Unit: Environment and Natural Resources Management Division of the Regional Operational Department 2). (Ongoing)
11. Reaching Water and Sanitation Millennium Development Goals in Bolivia: Decentralized and Negotiated Programs (US\$140,000; Operation: ATN/WP-8342-BO; Responsible Unit: Environment and Natural Resources Management Division of the Regional Operational Department 1). (Ongoing)

Capacity Building Window

1. Bank Participation at the Water Dome of the World Summit on Sustainable Development in Johannesburg (US\$150,000; Responsible Unit: Environment Division of the Sustainable Development Department). (Completed)
2. Water and Sanitation Workshop (US\$8,900; Responsible Unit: Environment Division of the Sustainable Development Department) (Title in 2002-2003 Work Plan: Workshop on Water and Sanitation). (Completed)
3. Technical Seminar on the Application of Economic Instruments in Water Management (US\$43,723; Responsible Unit: Environment Division of the Sustainable Development Department) (Title in 2002-2003 Work Plan: Economic Instruments in the Water Sector). (Completed)
4. Seminars on Potable Water and Sewerage Concessions: Analysis of experiences in San Pedro Sula and Guayaquil (US\$22,500; Responsible Unit: Environment Division of the Sustainable Development Department) (Title in 2002-2003 Work Plan: Guidelines for Potable Water and Sewerage Concessions: Experiences in San Pedro Sula, Honduras, and Guayaquil, Ecuador). (Completed)
5. Regional Dialogue on Watershed Management Experiences (US\$7,000; Responsible Unit: Environment Division of the Sustainable Development Department). (Completed)
6. Water and Poverty in Latin America and the Caribbean: Setting a Research Agenda (US\$48,400; Responsible Unit: Environment Division of the Sustainable Development Department). (Completed, generated research agenda)

7. Workshop on the Establishment of the Caribbean Water Partnership (US\$25,000; Responsible Unit: Environment Division of the Sustainable Development Department). (Completed, with GWP)
8. Regional Dialogues on Water, Poverty, and Governance (US\$77,000; Responsible Unit: Environment Division of the Sustainable Development Department). (Completed, with IBRD, ADB, GWP, and UNDP)
9. Technical Session on the Economics of Water Resources at the First Latin American and Caribbean Congress in Environmental and Resource Economics (US\$29,000; Responsible Unit: Environment Division of the Sustainable Development Department). (Completed)
10. Contribution to the Program of Training Activities for Journalists at the Third World Water Forum (US\$40,000; Responsible Unit: Environment Division of the Sustainable Development Department). (Completed, with IBRD)
11. Bank Participation at the World Water Forum (US\$45,585; Responsible Unit: Environment Division of the Sustainable Development Department). (Complete)

Financial Summary

The Bank has received, as of September 2003, two disbursements totaling US\$ 2.7 million. The first disbursement was for a total of US\$ 1.1 million and the second was for US\$ 1.65 million (this second disbursement was for 75% of the expected amount). As of August 2003, expenditures and commitments (approved operations to begin disbursing shortly) total US\$ 1.4 million. There are US\$ 1.3 million of uncommitted resources.

Annex 2

Review the Bank's IWRM Strategy

The goals of IWRM espoused by the IADB given in their *Strategy for Integrated Water Resources Management* (1998) are to make *a shift from development to management and from a sectoral to an integrated approach* (op cit, p7). The five guiding principles to achieve these goals are:

1. Promote Comprehensive Subregional and/ or National Water Resources Policies and Strategies
2. Emphasis on Institutional Innovation and Capacity Building
3. Application of the Strategy: Attention to Short- and Long-Term Efforts for Bank Action
4. Incentives for Involvement and Coordination
5. Coordination and Cooperation with International Organizations.

The IADB IWRM strategy follows with a set of strategic instruments based upon the five principles to achieve their stated goals as:

13. Cost Recovery, Capacity Building and Stakeholder Participation
14. Decentralization
15. Private Sector participation and the Role of the Public Sector
16. Tradeable Water Rights
17. River Basin Organizations
18. Transboundary River Basins.

The IADB then formulated operational guidelines for the use of these instruments.

Annex 3
Review the work programs of programs and activities of key institutions such as ECLAC, GWP, World Bank, UNDP, UNEP, and CAF.

ECLAC

In ECLAC the following initiatives are being undertaken:

(a) There is a program on flood management that takes into account urban drainage (quantitative and qualitative aspects that has a strong relationship with sanitation). It has been developed since 2001 with 10 workshops for decision makers and a transboundary basin integrated project (on the border of Brazil and Uruguay), which is under development. A capacity building program is under development since one of the major aspects identified is the lack of understanding the process urbanization and the flood impacts.

(b) Usually “water and sanitation” is designed only to consider water supply and domestic sewer systems. It does not take into account urban drainage, total solids and environment issues. A better understand of IWRM in urban environment is important in South America since more than 77% of its population are in cities. Looking to this issue there are two main initiatives have been started:

- (1) Training program on IWRM at county level: in Brazil it was started with funds from Brazilian Government. This type of course is to be taught nearby with concepts on Water supply, sewer systems urban drainage, total solids, environment, legislation and administration (there are some other subjects such as public participation). It was taught in 3 different cities during weekends. From this experience were planning to use contents, improve it and start the process through in teach to teachers bases. A program such as that could be in three steps:
 - (i) taught for teachers; (ii) internet-type of teaching; (iii) transferring to each country and each sub-region. This is a lengthy process, but since most of the decisions are at county levels on water and environment and that people does not have the basic knowledge for decisions, this type of program is important;
- (2) the program on water and sanitation is under discussion but goes in the directions to recollect good and bad experiences, develop better institutional

frameworks for the countries and develop a index of evaluation for regions and countries in order to comply with millennium goals.

(c) there are other activities under way such as:

- updating the country and region Water Vision;
- a groundwater program for semiarid regions;
- an economical evaluation of water;
- a journal on Water Management;
- an event on Public policies on water;
- sharing experiences on regimes and governance in the region

Activities suggested by ECLAC:

1. Development of principles of law to be applied when adjudicating conflicts associated to water, or to water services, when conflicts are brought before international arbitration tribunals, such as the arbitration court of the World Bank.

There are many cases where governments are being brought to such private arbitration courts, to argue against environmental measures such as marshland protection regulations in Peru, or economic crisis in Argentina and its impacts on water rates. Such cases are very important to governance. Still there are no uniform, public interest criteria, developed to guide the decisions of the quasi-private arbitrators, although such decisions affect environmental global assets, and the well being of billions.

2. Strategies, criteria, and activities are required to enhance the role of water in the process of economic development. Chile has managed to devise a few simple and well-grounded principles. Yet many countries embark on water ventures without any kind of rational strategy to put water into value. It would be worthwhile to approach the subject in a more coherent and integrated manner.

3. Criteria and procedures are needed for the evaluation of the economic, environmental, and social impacts of water policies, programs, and projects. Again, Chile has managed to develop an appraisal system for subsidies and public projects. This applies to subsidies in water and sanitation and agriculture. The system works well and the development of marketable irrigated produce verifies this. It would be interesting to discuss this topic to develop coherent regional strategies. While Chile maximizes the financial returns of water, reduced poverty,

and environmental harm, other countries waste money through water development, without alleviating poverty or protecting the environment. This point is part of the planning process required by Jo'burg, if national water plans are to be more than shopping lists. Some countries argue that in order to improve their planning strategies they need legal reforms incepting planning principles and criteria in water legislation.

5. As a result of the regimes project the conclusion reached was that there is a minimum set of institutional elements: water ownership, water rights, organization, participation, communication, criteria for rational decision making, without which IWRM is not possible. Some of the current mantras, such as decentralization and privatization, are counterproductive when uncritically applied. It would, therefore, be interesting to discuss the findings of the regime project with larger audiences, and to agree on minimal sets of "resources", in a broad sense, required for IWRM.
6. The Region has not yet managed to design, least not to implement, preventive measures to minimize the impacts of water related disasters. A program in this regard would be a great help to the already going work done by Tucci, Pochat and Pena.
7. Most of topics above will be discussed at a water conference planned for Brazil next year. It will be useful to have funding to bring experts and contract reports for the conference. In addition it is suggested that a regional seminar take place in April to discuss strategies and criteria to value water and to strategically organize its sustainable development. Also a set of national seminars to discuss national experiences in planning, including criteria and strategies to move forward regarding the MDG would be desirable.

CATAC

Has decided to concentrate their efforts during 2004, on the issues started last year:

1. Governance:
2. Water Policy,
3. Water Law

4. IWRM Plans

These are very important in the region because the Ministers and Parliamentarians of each country are now becoming aware of the importance of IWRM to development. The professionals in each country need to support this process. Other issues of concern are:

1. Building Capacity for IWRM,
2. Tool Box,
3. Water and Climate
4. River Basin Management

5.

Annex 4

Review the Netherlands partnership programs established at the World Bank, and the Asian Development Bank,

The World Bank

World Bank has received two awards from the Dutch Trust Funds. One of \$15 million for IWRM is just about finished and has recently been reviewed by the Dutch government, but the review not yet available. It has focused upon fire-fighting, teams on big topics, and the GW work of Stephen Foster (GWMATE). In essence it is considered a success since it kept close to actual Bank operations. No money was spent for project preparation, but extra incentives were given to project managers leading to valued being added to the operations. There were too many workshops and not well organized. Technical people in the ministries and the Bank worked together to add country water resource strategies to the CAS. A good idea might be to require the water resource strategies to the PRSP documents.

The second program is the Water Supply fund for \$9 million over one and one half years. Also up for renewal next year. This was quite distinct from the other program more conventional, but pro-poor strategies. It worked closely with the Bank's operations departments, adding time or consultants to expand the projects.

Broadly speaking, the BNWPP works on two principles. First, BNWPP assistance is demand driven. That is, the BNWPP assists undertakings already associated with existing World Bank projects where staff connected with the project request BNWPP support. By reacting to such concrete requests and focusing assistance on reform issues, the BNWPP produces tangible results.

Secondly, in addressing concrete challenges in specific projects, the BNWPP concentrates on innovative strategies that can be generalized and applied worldwide. Lessons learned in South American irrigation systems might find applicability in Southeast Asian ones, for example. By assisting operations that have such potential, a project sponsored by the BNWPP has benefits that transcend the locality in question,

helping to increase global knowledge about how to improve water resources management.

Though a relatively small instrument (approximately US\$5 million per year over 3 years), BNWPP impact is amplified by the fact that it focuses on

- improving operations already under preparation and implementation;
- preparing and disseminating best practices, lessons learned, and benchmarking;
- using expertise from outside the World Bank; and
- promoting cooperation with other partners in the water sector.

The BNWPP currently operates through a framework of 13 sub-programs or windows. Each window is a sub-component of a broad framework that embraces comprehensive, cross-sectoral water management; water-user participation; transparent and efficient institutions; the treatment of water as a social and economic resource; the importance of water to the natural environment; and the link between water management and poverty alleviation.

Many of the problems addressed under the BNWPP are cross-cutting and may have implications for several windows. As a central part of program development, the program builds upon the synergy among windows - reflecting the most pressing reform issues - and allows the windows freedom to evolve.

The issues addressed under the BNWPP windows cover a wide set of concerns and together represent a comprehensive approach to Integrated Water Resources Management (IWRM). Therefore, some of the windows have common themes, limits, or constituencies, while others such as River Basin Management and Livelihoods of the Poor transcend spatial, administrative, and institutional boundaries.

Together, the windows emphasize systemic reform within an IWRM approach. Developing capacity at all levels of society to carry out lasting reform is at the core of all the windows' activities. Ensuring that clients will be able to maintain their water resources systems well beyond the termination of a World Bank project is a central concern. Such improved capacity takes root both within the institutions of the World

Bank's client countries as well as through enhancing World Bank operations in the water sector.

1. Capacity building
2. Dams planning and management
3. Environmental flows
4. Flood management
5. Groundwater management
6. International waters
7. Livelihoods of the poor
8. River basin management
9. Wastewater management
10. Water resources legislation and national strategies
- 11. Water rights systems**
- 12. Watershed management**

The Asian Development Bank

The Cooperation Fund for the Water Sector is a 5-year multi-donor facility established to help catalyze the implementation of ADB's Water Policy in its developing member countries (DMCs). ADB's Board of Directors established the Fund in December 2001. \$18 million pledged with \$16 from The Netherlands, with \$8 million already programmed.

The Fund finances a coherent program of activities designed to promote effective water management policies and practices in the Asia and the Pacific region. The objectives of the program are:

- To add value to the water projects carried out by ADB's Regional Departments
- To increase synergy in ADB's water sector operations
- To strengthen regional cooperation

The activities are grouped in the following categories:

- Promotion and public awareness
- Knowledge base and capacity building
- Pilot and demonstration activities
- Water partnerships
- Regional events and initiatives
- Program coordination, monitoring and evaluation