

# Précis

WORLD BANK OPERATIONS EVALUATION DEPARTMENT

SPRING 2002

NUMBER 221

## Bridging Troubled Waters: A World Bank Strategy

In 1997 more than 1.1 billion people in low- and middle-income countries lacked access to safe water supplies, and far more were without adequate sanitation. Today, 166 million people in 18 countries suffer from water scarcity, while another 270 million in 11 additional countries are considered “water stressed.” By 2025 affected populations will increase from 436 million to about 3 billion people, or about 40 percent of the world’s population, most of them in the poorest countries. There is now a consensus that the severity of the problem requires a strategic approach that emphasizes equitable and sustainable management of water resources.

### A Growing Challenge

The consensus that emerged from the Second World Water Forum, held at The Hague in March 2000, was that the annual investment required by 2025 to meet the world’s needs for water for irrigation, industry, water supply and sanitation, and environmental management will increase to \$180 billion, from the current \$70–80 billion. Such a massive change can be achieved only if developing countries are able to create an investment climate conducive to the private sector and to absorb these investments. Both tasks will require political stability and attention to governance and institutions—particularly property rights, rule of law, transparency, and participation.

### The Bank’s Water Strategy

To inform development of the new World Bank Water Resources Sector Strategy, the Operations Evaluation Department (OED) undertook the evaluation of how effectively the Bank’s current strategy has been implemented. The comprehensive approach embodied in the 1993 *Water Resources*

*Management* (the *Strategy*) evolved in response to growing unease within the Bank that water operations were failing to deliver sustainable development—water and water-related projects were among the poorer performers in the Bank portfolio—and growing international concern about the mismanagement of global water resources and poor service levels, particularly for the poor.

The *Strategy* is highly relevant to sound and sustainable management of water resources. The relevance of its key principles was reaffirmed by the 1997 United Nations General Assembly Special Session, which called for urgent action to address the looming freshwater crisis. The *Strategy* recognizes that improving performance in meeting water needs requires borrowing countries to reform their water management institutions, policies, and planning systems (box 1). It also acknowledges that this would mean changes in the Bank’s internal processes, training, skill mix, and the resources assigned to water and water-related operations. The main recommen-



dation was that a new approach—recognizing that water is a scarce natural resource subject to many interdependencies in conveyance and use—should be adopted by the Bank and its member countries.

The comprehensive analytical frameworks advocated in the *Strategy* paper are designed to help guide decisions about water. There are two major thrusts: to produce an overarching water resources management framework that integrates the needs of the water service subsectors, and to present a reform agenda and innovations to improve the relevance, effectiveness, and sustainability of the main water service subsectors (figure 1).

### Implementation Is Broad—But Partial and Uneven

Implementing the 1993 *Strategy* has advanced the Bank's corporate goals and mission, contributing to an emerging global consensus on water resource management. But implementation, while broad, has been partial and uneven, with big differences across Regions, countries, and subsectors. Work remains to adapt the *Strategy* to diverse country contexts and to link water resource management to sustainable service delivery.

#### *Forging International Partnerships and Building Capacity*

The Bank has been effective in building global and regional public water policy through a growing number of international partnerships it helped to forge. Notable are the Global Water Partnership and the World Water Council, both formed in 1996. These groups led the development of a World Water Vision, which was presented at the Second World Water Forum. Another example of productive partnership is the World Commission on Dams, which was convened by the Bank and the International Union for the Conservation of Nature. More recently, the Bank facilitated formation of the African Water Resources Forum, which led to the International Consortium for Cooperation on the Nile. And over the long term, the United Nations Development Programme–World Bank water and sanitation partnership has been particularly effective in more than 30 countries, strengthening national policy reforms that favor community-based, demand-responsive approaches.

#### *Reform is Difficult*

While many *Strategy* principles have been mainstreamed in economic and sector work, and have guided Bank involvement in an increasing number of international water partnerships, awareness of water development issues at the level of country assistance strategies remains elusive. Bank actions are a modest driving force behind water management reforms, except in small countries. Even then, reform requires aligning Bank interventions with country conditions and the activities of other international actors. Other development institutions, including multilateral and bilateral development agencies, nongovernmental organizations (NGOs), and the private sector can, and do, influence the pace and direction of reform. Promoting collaboration with these participants is an impor-

### Box 1: The 1993 Strategy: Helping Governments Reform Policies, Planning, and Institutions

- *First*, build institutional and regulatory capacity in borrower countries to implement a comprehensive approach to water-sector planning and management.
- *Second*, support international cooperation on the management and use of international waterways and bodies.
- *Third*, draw on the comparative advantages of organizations outside the Bank and involve stakeholders in decisions that affect them.
- *Fourth*, adopt water rights, pricing, and incentives—to encourage rational and efficient allocation of water among competing uses, discourage waste, and ensure adequate water services.
- And *fifth*, ensure that water operations enhance human and natural environments—with special attention to safeguards, social impacts (particularly those on women), and meeting the needs of the poor.

tant element of the *Strategy*, particularly in large countries such as China, India, Mexico, and Brazil, where it is essential to improve selectivity by leveraging the Bank's relatively small amount of external assistance.

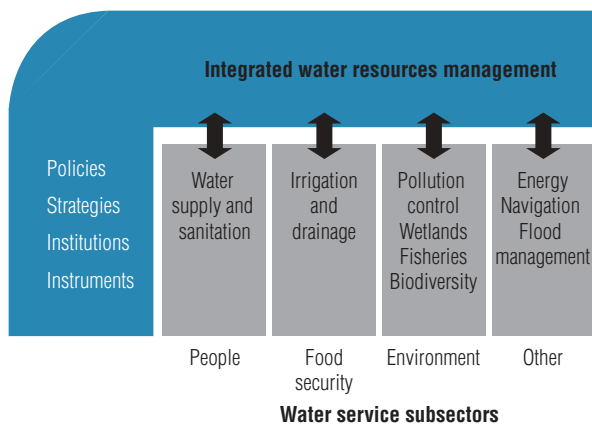
The Bank has not widely adopted the comprehensive principles at the heart of the *Strategy*. This is less a failure, however, than an indication of the complexity of water sector reform. OECD countries show how difficult this is. Even with sound governance, participation, institutions and skills—all largely missing in Bank client countries—such reform takes 10–20 years. Only two of the six Bank Regions (Africa and the Middle East and North Africa) have produced Regional water strategies in line with the Bank *Strategy*, and only one (Middle East and North Africa) has developed country and sector strategies driven by a Regional sequencing of priorities for action. By contrast, some Regions (Latin America and the Caribbean) are bundling subsector strategies to derive national and Regional strategies. Few borrowers take the long-term holistic view that water is a vital resource that needs careful stewardship to ensure sustainability and equitable access and use.

Reform also takes time. All too often the Bank has expected reform to quickly follow investment. But in water supply and sanitation, making investment conditional on reform frequently leads to more successful outcomes.

#### *Leadership and Ownership*

Where there are champions for reform, the results can be remarkable. In Brazil the Bank's water programs are successful in the state of Ceara because of the personal interest of the governor and grassroots operations and management. In India the chief minister of Andhra Pradesh pushed through an extensive reform of the irrigation sector.

**Figure 1: A Comprehensive Framework for Water Management**



Source: After Global Water Partnership, *Towards Water Security: A Framework for Action* (Stockholm, 2000).

### *Cross-Sectoral Operations, Subsectoral Differences*

The number of cross-sectoral water resources management operations is increasing, but slowly. Most Bank operations remain project-focused because that is seen as the most effective way of building capacity, introducing reforms, and enabling economic and sector work in a time of declining budgets. Indeed, tailoring project design to the *Strategy's* service-delivery—rather than comprehensive—initiatives appears to result in fewer problem projects and catalyzes reform. In consequence, Bank efforts to nurture policy reform and build domestic capacities have not matched the challenge in most countries.

A major problem is that the main water subsectors (water supply, irrigation and drainage, hydropower, flood control, and environment) function independently, with little cross-sectoral planning and cooperation, and there has been only modest progress toward integrating water resources management activities within river basins. Greater attention is being devoted to making existing infrastructure and institutions work more effectively, but there is a long way to go.

There are also marked subsectoral differences—reform in public sector irrigation and drainage is now significantly behind that in water supply and sanitation, which is increasingly accepting commercialization and privatization. Other important elements of the *Strategy*—legal and policy aspects, institutional development, participation of stakeholders in decisionmaking and decentralization, a focus on the most needy—remain partially implemented. While there was increased attention to cost recovery, water quality concerns, and the environment, the broader issues of the economic value of water, water and property rights, and mechanisms to equitably allocate an increasingly scarce resource have been neglected, even when Bank attention to the management of trans-boundary and international waters increased.

### *Stakeholder Voices*

Country stakeholders (in Brazil and India) observed that the Bank seems unwilling to keep learning from unfolding implementation lessons—that process seemed more important than substance once a project was approved. Thereafter, the focus was on meeting disbursement targets and responding to directives and mandates from headquarters that the stakeholders saw as having little relevance to local issues or concerns. Lack of continuity of Bank staff was also seen as a problem. There was frustration that Bank staff, because of these pressures, could not take more time for nonlending work and for facilitating public policy debate on water issues.

### *Managing Complexity*

Determining the right level of complexity and phasing is one of the unresolved dilemmas of a more comprehensive and integrated approach. Not everything can be done at once. The Turkey Izmir Water Supply and Sewerage Project demonstrates the inadvisability of committing funds for large-scale expansion of facilities before addressing critical institutional issues. A gradual program aimed first at building management capacity and encouraging efficient use of existing facilities would have been a better approach. The Lesotho Highland Water Project, in contrast, largely complied with the *Strategy* but the sheer size and complexity of this project to facilitate interregional and interbasin water transfer has created an influential national implementation agency that government will have trouble controlling—and dam building crowded-out attention to water supply and sanitation. While it is essential to plan comprehensively, greater success could be achieved through discrete, manageable, and sequenced development.

### *Impediments Remain*

There is tension between the demands of the Bank's water strategy, country priorities for water development, and what the Bank can deliver within the constraints imposed by internal organization, budgets, and staffing and incentive structures. In water supply and sanitation, and more recently in environment, the Bank has exercised its strategic advantage. But in other areas, particularly irrigation, the Bank needs internal reform to become more effective.

Links across the Bank—particularly in sharpening the development focus on poverty alleviation and institution building—need to be strengthened and mainstreamed. Comprehensive treatment of water resource management has high transaction costs, particularly because many safeguard policies—and certainly the most controversial ones—apply to water-related development. Country management thus sees many water interventions as risky ventures in a time of dwindling Bank resources. In addition, water development often transcends borders, and the international dimension adds to the complexity.

Until 2000, no one group had been charged with overseeing and developing the Bank-wide institutional retool-

## Management Response

Management stated that their approach to water resource management focused on two main challenges: increasing the effectiveness of water resources management in borrower countries and building an adequate stock of infrastructure. Management stressed that the objective of this stage of the Sector Strategy Paper was not to produce a detailed business plan, but to reach broad agreement how the Bank can be positioned to be an effective partner for its client countries.

ing needed to ensure a consistent approach to water resource management. But there are some good models, notably in the Africa and the Middle East and North Africa Regions. And it is expected that the new Bank Water Resources Management Group created in early 2000 within the Environmentally and Socially Sustainable Development Vice-Presidency (ESSD) will address these issues in the forthcoming Water Resources Sector Strategy Paper.

## Better Guidelines Are Needed

OED's staff survey found that overall satisfaction with the *Strategy* document is high: about 75 percent considered it thorough, consistent with Bank objectives, and relevant to current Bank work and borrower needs. But among informed staff, almost 60 percent thought that the recommendations are difficult to monitor. Independent reviews commissioned by OED also found that the Operations Policy is difficult to use as a guidance document: "It is too brief and abstract for most practitioners and Bank staff," noted one respondent. Compounding this, the reviews found that the *Strategy* needs to be revised, based on lessons and international best practices. In this, the Bank needs to develop sensitive, flexible guidelines that permit staff to set assistance priorities and to determine acceptable tradeoffs in cases where the water *Strategy* imposes competing demands or where elements of the *Strategy* are not likely to be successful.

## Rededicating the Bank to a Truly Comprehensive Strategy

Perceptions of an impending global water crisis, as highlighted by the Spring 2000 Second World Water Conference in The Hague, make it important for the Bank to reposition itself to meet the challenge. This is creating opportunities for the Bank to rededicate itself to implementing a comprehensive water management strategy along the following lines:

- Aim country dialogue and institutional development at making water development more responsive to social and environmental concerns and give more attention to allocation issues.

- Nurture commitment to the strategy through shared objectives, realistic diagnostics, and partnerships aimed at policy reform and capacity-building.
- Create and sustain comprehensive water management alliances with like-minded partners in the private sector, civil society, and the development community.
- Strengthen internal Bank management and monitoring and evaluation of water resources management activities through a more streamlined organization. Foster more cohesive country and water sector strategies, enhanced core competencies, additional operational guidance and training, and more rigorous quality assurance arrangements.

## Executive Directors' Perspective

The Committee on Development Effectiveness (CODE) welcomed the report, as well as the close collaboration between OED and the ESSD management and staff, noting that management had taken the OED review and its recommendations and findings into account in the groundwork for the sector strategy. CODE voiced broad support for the OED recommendations, as well as for continuing Bank engagement in water resource management.



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► This *Précis* is based on *Bridging Troubled Waters: Assessing the World Bank Water Resources Strategy*, by George Keith Pitman, Senior Evaluation Officer, Sector and Thematic Evaluation Group, OED.

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