



Review of the World Bank progress report for the water resources sector strategy

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A DEW Point Review by Alison Barrett

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¹ Consortium comprises Harewelle International Limited, NR International, Practical Action Consulting, Cranfield University and AEA Energy and Environment

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Reflections on World Bank Group Mid-Cycle Implementation Progress Report for the Water Resources Sector Strategy

In Summary, key points are:

- DFID congratulates the Water Sector for the strong improvement of recent years.
- The Mid-Cycle Review includes a very useful Results Framework.
- DFID would like to see further disaggregation of findings and consequently more specific guidance on future priorities for work in water-poor and economically poor countries.
- DFID would encourage more deliberation on World Bank's role and anticipated outputs on low cost sanitation, one of the most difficult and challenging areas of water sector work.
- DFID welcomes the World Bank's proposal to scale up engagement in climate change adaptation and mitigation with water at the centre of the agenda.
- The Results Framework indicators could more clearly encompass the wider environmental concerns of agricultural and hydropower projects (eg. water use efficiency, river basin planning).
- The World Bank could consider preparing a secondary 'process monitoring' framework thereby facilitating future assessment of institutional and procedural innovations.

We are very glad to see this Review of World Bank Group progress over the last seven years in pursuit of the Water Resources Sector Strategy. It is especially encouraging to note that **the water sector showed the strongest performance improvement of any sector during the most recent five-year period** as reported by the IEG Evaluation (1997 – 2007) which feeds into this Mid-Cycle Review.

It is also valuable that the whole World Bank Group is included in the Progress Report. This permits a more coherent understanding of the progress and remaining challenges in the Water Resources Sector – a sector which will only become more challenging in the coming years as growth in demand continues to outstrip supply.

In this overall positive context, DFID would like to offer the following comments:

Results Framework

The lack of a Results Framework for the Strategy has clearly complicated the analysis of outputs and outcomes. It is appreciated that an appropriate Framework has now been established to monitor progress (Annex C). If the core indicators for water supply, sanitation, irrigation and drainage are still to be finalised, it might be useful to consider an indicator of sustainability of water supplies, and an indicator that includes efficiency of water use in irrigation.

Analysis by Income Group

The Management Response to the IEG recommendations emerging from the Evaluation agreed to highlight how the World Bank has addressed client needs by income group (IEG Evaluation page xviii). There are numerous occasions where this could usefully have been highlighted but is missing. For example, it would have been valuable to see:

- a) a clearer breakdown between IDA and IBRD lending (Fig 1 and 2 and para 13);
- b) an analysis of the PSP successes (see note on PSP below) by the countries' poverty level;

c) the take up of CWRAS or major Water ESW (para 72) by poverty level.

Distribution of Lending by Water Poverty

With reference to the data provided on page 6 of the Mid-Cycle Review, it is encouraging to learn that nearly two-thirds of the IBRD/IDA's active water portfolio is directed towards the most water-poor countries. The Review also notes that *"the bulk of the assistance for water has been directed towards those countries that rank highest on the water poverty index"*, and that *"nearly three-fifths of the Bank's economic and sector work, and non-lending technical assistance, was directed towards the water-poor countries"* (para 17).

However, this is in apparent contradiction to the statements in the IEG Evaluation of the previous year which noted that *"Bank lending for water is not correlated with the Water Poverty Index"*; and *"the comparison shows no clear relationship between Bank water lending and water stress: the correlation coefficient is about 0.2. Similarly, when each country's allocation for water within its overall borrowing is compared with its water poverty ranking, no relationship is found."* (IEG Evaluation: page 16)

This discrepancy is perhaps a matter of statistics, but DFID reflects that the recommendations arising from the Mid Cycle Review do not include an enhanced focus on water-poor countries, or indeed poor countries (ref. the previous item on Analysis by Income Group), and the proposed Results Framework for the Strategy does not have indicators which would provide incentive to prioritise these countries. This could usefully be revisited.

Sanitation

With forty per cent of the world's population still lacking access to improved sanitation, the IEG Evaluation findings fuel further concern. In discussion of basic low cost sanitation they conclude that despite the subsidies provided by the Bank, poor households still struggled to meet the requirements. They note that often the sanitation schemes were not affordable to the poorest beneficiaries, and that subsidies were of little help with the uptake of sanitation (IEG Evaluation: page 56).

In the Mid-Cycle Review, paragraph 47 perhaps presents the clearest analysis of the situation and the insufficient global progress against the sanitation MDG is clearly noted (para 88). However the analysis and conclusions are not presented with a clarity that is normally expected.²

The recommendation that the *"WBG will contribute by funding or co-funding critical software to promote the basic access agenda"* is appreciated (para 98), as is the WBG Indicator in the Results Framework for non-lending technical assistance for sanitation to increase. However, with sanitation clearly identified as needing attention³, the Mid-Cycle Review is urged to develop a more strategic agenda for the anticipated software input and technical assistance⁴, and also to ensure that the core indicators for sanitation include a significant output target. Only in this way will the World Bank fulfil its expected role as the sector tries to address this hugely important and challenging shortfall.

² Paragraph 88 lists the large amounts of finance allocated to sanitation, when the subsequent paragraph 98 notes that large amounts of borrowing are not necessarily the answer. If large amounts of borrowing are not required, it is curious to cite IDA ceilings as a constraints on World Bank involvement (para 98).

³ In a number of places such as the original Strategy, the IEG Evaluation and the Management Response (IEG Evaluation page xvii and page 80).

⁴ An example of what appears to be a more strategic engagement in community-driven rural water supply is given in para 58.

High Reward/High Risk Hydraulic Infrastructure Projects, HRHR

There is a very useful description and defence of the Bank's involvement in HRHR infrastructure projects (paras 65-68). DFID is particularly interested in the move towards defining "good development" infrastructure and long term sustainability based on good social and environmental principles. We look forward to further lessons emerging from the next Strategy period.

Private Sector Participation, PSP

Given the stated prerequisite for sustainable PSP of a "*well-functioning, well-maintained regulatory system*" (IEG Evaluation, p xi and p 81) and given that only 13% of water supply and sanitation projects involved PSP⁵, it would have been useful to be presented in the Mid-Cycle Review with a clearer analysis of the countries where PSP did succeed and where it failed, for example by income group, and also perhaps by water poverty. This might allow more insight into whether, and if so, where effort to promote PSP should be focused, and what impact might be anticipated from PSP, for example on expanding basic services or addressing MDGs.

Cost Recovery

DFID appreciates the attention being paid to cost recovery and tariffs. This was an important issue raised by the IEG Evaluation. We would endorse the "*principled pragmatic*" approach being followed, while stressing the importance of protecting and promoting services for the poor. We look forward to the analysis of the findings that emerge from the Public Expenditure Reviews (40 countries) and the lessons from cost recovery and subsidies in past projects. This could be a useful output indicator in the Results Framework given the practical and strategic importance of the issue.

Country Water Resources Assistance Strategies (CWRAS)

It is good news to hear that "*overall, CWRAS have been effective instruments to support a dialogue with client countries on water issues in general*" (para 36) because a broader, more informed and more public dialogue can only be valuable in the longer term. In addition, any involvement of ministries of planning and finance in the dialogue and any increase in a country's understanding of the economic importance of water is to be applauded (IEG Evaluation p 81).

It is good to see that the proposed Results Framework includes a related target (Annex C). DFID will look with interest at the 'rapid assessment tool' that is proposed (para 107) to strengthen the link between CWRAS and CAS, especially as we are concerned to note the decline in CWRAS undertaken over recent years. (Annex B)

Climate Change

DFID welcomes the Bank's proposal to scale up engagement in climate change adaptation and mitigation, with water at the centre of the agenda. It is encouraging to hear of the development of a new screening tool for water projects, in the context of climate change (paras 93 and 94).

Assistance in Agriculture

We believe that the Review is correct to highlight the increasing importance of improvements in water management in agriculture. In particular it is good to see 'improving water use efficiency in existing schemes' as an area of focus when water shortage is a growing concern in many areas of irrigated agriculture (page 33). However it would seem more appropriate for the strategy to give this some preference over 'expanding irrigated areas' rather than the apparently equal focus, as it is currently written. This concern is strengthened by the Results Framework (Annex C) where the concomitant indicator is

⁵ Of which only around two thirds were successful (IEG Evaluation p 64).

‘volume of irrigation and drainage projects (\$ million)’. This Results Framework will not provide any incentive for water efficiency unless it is included as one of the core indicators of irrigation and drainage projects (perhaps still work in progress).

Hydropower – River Basin Planning and Water Use Management

The World Bank has had a long and complex relationship with hydropower. After a decline in lending during the 1990s, investment is now increasing and future lending prospects are good. The Bank’s own documentation stresses the risks of proceeding with hydropower projects without a detailed understanding of the hydrological conditions⁶. These risks are only accentuated by climate change. DFID are concerned that the Results Framework only anticipates that 60% of hydropower projects will include river basin planning and water use management. Minimum safeguards would suggest that this should be much higher, if not 100% of new projects.

Institutional and Corporate Issues

DFID looks with interest at the new initiatives to address staffing issues and the availability of appropriate expertise to take forward this ambitious strategy. In particular, defining ways to effectively address cross-cutting issues and promote cross-sectoral outputs will be an on-going challenge when institutional incentives are not appropriately aligned. While endorsing the three strategic priorities of the Strategy, and building the Results Framework around them, it would perhaps be advisable to supplement this with another framework that would facilitate process monitoring and evaluation of the outcomes of the Water Resources Sector Strategy at institutional level. This secondary process monitoring framework could include, for example: the capacity to provide strategic advice and expertise; the institutional incentives for cross-sectoral work; the operation of the innovative instruments (for example CWRAS, mainstreaming GAC), and working on inter-country and global issues (ref. paras 104-111).

Performance to Date

DFID is indeed encouraged to read that the Mid-Cycle Report records that:

“Since 2003, the outcome ratings of almost all types of water projects have improved, reaching 100 percent satisfactory in 2008.” (para 18)

However, the IEG Evaluation noted:

“When only dedicated water projects are considered, the aggregate IEG outcome rating over the evaluation period was 75 percent satisfactory⁷. The water portfolio as a whole is performing on par with other Bank projects.” (page 12-13)

And similarly the Mid-Cycle Report records:

“When broken down by region, project performance improved steadily against stated objectives, led by notable project performance in AFR.” (para 18)

Meanwhile the IEG Evaluation is rather more worrying:

“Africa also had the largest number of highly unsatisfactory projects (6). . . Africa was also the worst-performing Region in sustainability ratings, with only 56 percent of completed projects classed as resilient to foreseeable risks.” (page 13)

Clearly the Africa Region has improved markedly in recent years. This leads to the suggestion that the Mid-Cycle Review might usefully reflect a bit more on this improvement and the reasons behind it, and also, while endorsing the achievement, consider how best to incorporate incentives into the Results Framework to encourage this positive trend to continue in what is the most water-stressed and poorest area of the globe⁸.

⁶ Directions in Hydropower: Scaling up for Development, Water Working Notes, June 2009, page 11

⁷ Defined as ‘moderately satisfactory’ or higher.

⁸ Currently the Portfolio Quality and Outcomes are not disaggregated by region, but are Bank-wide (Annex C).