

**Opening Remarks for Forum Plenary Session
for
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**“Understanding Water Services in Growing Asian Cities”
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I. Introduction

1. Distinguished members of the panel, honored guests, ladies and gentlemen.
 2. It is a privilege to be here this morning. I would like to thank the Indonesian government and the Global Water Partnership- Southeast Asia for organizing the 2nd Southeast Asia Water Forum, and for allowing ADB to organize this very important session.
 3. In the past half century, the population growth in most Asian cities has grown at an alarming rate, far outstripping the capacity of many local governments to provide adequate infrastructure and services to the city communities. Asia today is home to 10 of the world's 19 mega cities, with populations of 10 million or more. And two more mega cities are expected within the next five years.
 4. Already, one in 3 Asians is an urbanite. By 2020, we expect half of the estimated 4 billion population in the region to be city dwellers. So how do we develop and manage city infrastructure to ensure cities are comfortable, prosperous and healthy environments for all?
 5. The objective of this plenary session relates to **Theme No 3 of this Water Forum: Managing Water Resources in Growing Cities.**
- Distinguished guests we are gathered here to:

- learn from leaders of utilities servicing selected growing cities; how are they solving their water supply and sanitation challenges;

AND

- we are charged with conducting a dialogue with key stakeholders on finding new and better solutions to water supply and sanitation challenges in growing cities.

6. I will provide an overview of the general problems faced by growing cities vis-à-vis water and sanitation, and discuss the region's progress in terms of meeting MDGs

II. Asian Cities and the MDG Challenge

7. Inadequate water supply and sanitation services are the most critical problems of unchecked city growth.

8. The Millennium Development Goals call for halving by 2015, the number of people without access to safe and adequate water supply and sanitation. Cities present concentrated areas where populations, targeted through the Millennium Development Goals can be more quickly reached. Where are we now and how much more do we need to do in the next 10 years?

9. Overall, we have made good progress towards achieving the water supply target. Between 1990 and 2002, roughly 1 billion people have gained access to improved water supplies. In Southeast Asia, this equates to 91 percent of the urban population enjoying better water.

10. But “improved access” and “safe and adequate water” do not necessarily mean the same thing. For instance, there are still many places where water quality is a concern, or where

24-hour water supply is still a dream. There are also glaring differences in the level of coverage across cities in our region--- Singapore and Kuala Lumpur have 100% coverage; Ho Chi Minh and Phnom Penh have over 80%, Vientiane has over 60% and Jakarta and Manila have just over 50% coverage. Especially among the poor there is a high dependency on water vendors with low availability, high cost and dubious water quality.

The bottomline is that 700 M people in Asia—115 M people in Southeast Asia including, - still have no access to water supply, improved or otherwise.

11. Sanitation, as many of us are aware, paints an even gloomier picture. Of the 2.6 billion people without access to adequate sanitation, 2 billion live in Asia. Access to piped sewerage system ranges from 11.7% in Ho Chi Minh, 7% in Manila and only 1.9% in Jakarta. Individual or communal septic tanks are the main alternative to piped sewerage, serving 37% of Phnom Penh's population and 30% of Jakarta's.

The low sanitation coverage in SE Asian cities is particularly daunting since disposal of contaminated wastewaters in densely populated areas is both expensive and technically challenging

III. Asian Cities: Water Supply and Sanitation Sector Issues

12. Ladies and gentlemen.

What are the major constraints to providing safe and adequate water supply and sanitation services to cities in SE Asia?

Hardware is one important consideration, coverage is inadequate and water utilities suffer non-revenue water levels that are significantly higher than the internationally accepted norms. The urban population continues to increase so rapidly that water utilities are unable to keep up with the demand for new connections. Clearly, we need to have new pipes, new connections and new meters, and these should extend to a wider number of the cities.

13. But is fixing the hardware the real issue? Given the rapid urbanization throughout SE Asia, water supply and sanitation infrastructure needs have developed so fast, and on a scale so massive, that the social, political, legal and regulatory frameworks needed to meet the new challenges have not kept pace.

The root causes to inadequate services can be traced to poor governance, inadequate tariffs and low knowledge, awareness and communications on the subject among stakeholders.

14. Government policies must proactively address serving the urban poor: empowering communities, improving governance, eliminating irregular low quality water supplies and ensuring access to sanitation. Water operators require an independent regulator, autonomy and incentives to perform efficiently. Adequate tariffs are necessary: allowing operators to invest in good management practices, service expansion and improved performance. Civil society groups such as NGOs, academe and journalists all have a key role in ensuring the public are made aware of the complex issues related to appropriate tariff levels, good governance, and sanitation linkages to environmental conditions. Communities need empowering, community awareness needs developing and their participation in WSS sector development increased.

15. The ADB has been actively supporting stakeholders across the region in a variety of ways by providing investment funds, and supporting capacity building activities, reform efforts, local participation and partnerships. As an example, in ADB's home city of Manila the Bank has provided some \$460million dollars for infrastructure development and some 15 technical assistant grants, of value of over \$9 million dollars, covering a wide range of activities:

- from macro-level environmental river basin planning to city solid waste management;
- from city water supply infrastructure master plans to public water utility operational support; and

- from assistance in partial privatization of the public utility to capacity building support establishing a water supply regulatory body

16. This Forum has gathered a distinguished group of practitioners here today and I look forward to the presentations and discussions on the experiences of service providers in SE Asia.

IV. Financing the Sector

17. Ladies and gentlemen,

Before handing over the floor to our utility colleagues I would like to share some thoughts relating to Session 2 of this plenary gathering on the key subject of Financing **Water Supply and Sanitation in Growing Cities**.

18. A recent ADB study estimates that the investment level required for the water supply and sanitation sectors to meet the 2015 MDG targets is some US \$8 billion annually.^{1,2} On average, this is not much more than \$2 per year per person living in the Asian region. To provide water supply and sanitation service for all, the investment required would be \$16 billion yearly, or just under \$ 5 per person in the region.³

19. Despite their magnitude, these investment needs with strong government support to the sector are considered achievable. However, as you are well aware, the issue of financing water supply and sanitation services in our cities raises many questions.

¹ Technical Background Paper on Achieving the MDGs—The Role of Water Supply and Sanitation; 2005; p. 22.

² Meeting World MDG WSS targets requires \$30billion annual investment.

- What are the city's policies on financing urban water supply and sanitation?
- Where will governments get their funds?
- With decentralization have local governments adequate capacity to support the sector?
- What proportion of investment should be funded directly out of tariffs?
- What are some of the innovative approaches for raising investments?
- What role does the private sector have to play?

20. One encouraging fact, which is now gaining wide acceptance, is that the poor are willing, and able, to pay the cost of piped water. In many cases, the poor are already paying dearly and would be significantly better off financially and service-wise by paying for metered piped water. In Manila, for instance, the poor currently pay \$15 monthly for non-connected water while connected water users only pay \$5 per month. The picture is similar in Jakarta and across Southeast Asia.

21. **The Phnom Penh⁴ public utility is a shining example**, with 84% of its residents receiving 24-hour clean water supply at US\$0.25 per m³ with 99.7% collection efficiency. This tariff rate is still ten cents below the recommended level for Asian cities, yet it has proven to generate enough revenue to fully cover O & M costs and has started to pay for expansion of the system. The message is clear:

There is a strong desire to expand services to the urban poor, the poor can afford to pay. SE Asian cities should find a way.

22. Recent evaluations on financing capacity of the government of Indonesia indicated that the private sector will need to provide some 60% to 70% of the financing capital needed for

³ Ibid, p. 23

⁴ Presenting in the session

infrastructure development. However, private sector infrastructure investments declined world wide from \$120 billion in 1997 to under \$50 billion in 2002. WSS have traditionally attracted a very small proportion of this private sector investment. We have long accepted the fact that the private sector has a key role in water supply and sanitation development, but in reality private sector investment expectations are too high.

23. Much of the recent attention has focused on large private corporations taking over the management of water supplies in major cities. The results of these examples are mixed, and we are still learning the lessons. **Manila Water Company Inc (MWCI)**⁵ concession in east Manila started in 1997 and is considered a good practice example. In the first 7 years MWCI increased 24hour city supplies from 26 to 89%, reduced non-revenue water from 63 to 44%, served an additional 1.2 million customers and gained praise for good management practices and strong creditor support.

Nobody has “A or THE solution.”

24. Engagement with public and private stakeholders and communities, in Forums such as this, sharing experiences and providing examples of successful ways forward are vital knowledge sharing opportunities. Ways forward will include:

- Good governance and encouragement of sound business practices from service providers, with tariffs providing the main source of funds for independently managed utilities.
- Innovative management contracts may provide bridging mechanisms where risks to full private sector management are prohibitive

⁵ Appear not to be presenting according to the schedule of events but may be in the audience

- Here in Indonesia there have been recent examples of debundling bulk water supply for private investment from public sector network distribution management.
- We must not forget the strategic value of small local entrepreneurs in providing a wide range of services to support and generate investments for water supply and sanitation development.

25. **The debate is not between public or private, but improving sector performance and efficient quality service delivered to the poor at lowest cost.**

I am sure you have useful opinions to share.

26. In my experience the level of optimism amongst policy makers and city planners is significantly lower during discussions on sanitation than water supply.

27. Sanitation funding worldwide is more complex and clearly is falling further behind water supply in SE Asian cities. The cost of sanitation is a real barrier⁶ and inherently more difficult to link directly financially to service provision and benefits. Community awareness is low.

- How do we increase community awareness in sanitation and the environment?
- How do we stimulate investments from as wide a range of sources as possible?
- When will our cities be free from domestic waste which so degrade the environment and cause large economic losses
- What level of government subsidizes is required for sanitation?

28. I hope this session will also focus on some of the complexities surrounding the provisions of sanitation services.

⁶ Sewerage costs \$300 per cap range, septic tanks cost \$100, latrines cost \$25 per capita

V. Specific Challenges and Issues for Session Discussions

29. In today's sessions, our distinguished guests will share with us their experiences of water supply and sanitation service provision. They bring with them their experiences on expanding services to reach the urban poor, on using public capital to finance and sustain water supply and sanitation services, and on innovative private sector-led development and management approaches.

30. Ladies and gentlemen, I have highlighted several key issues. ADB is committed to working with stakeholders to ensure the MDGs related to WSS are achieved. We will continue to support regional exchanges of experience among policy and decision-makers, practitioners, development partners and beneficiaries.

31. I look forward to a productive morning of presentations and dialogue.

32. Mr. Chairman I thank you for the opportunity to provide a few opening words and hand the floor back to you.
