

# Water Financing at ADB

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## Presentation Outline

- Some imperatives for water financing in ADB
- Trends in ADB water financing
- New directions of ADB water financing
- Business unusual– time is of the essence

## Some Imperatives for Water Financing at ADB



- ADB Water Policy, which positions water operations as an important part of ADB's work
- MDGs, especially targets on water supply and sanitation
- Seven-point Agenda for Change for ADB's Water Operations – ADB Water Week 2004

## MDG Goal 7, Target 10

### What does it mean for Asia and the Pacific?

- 700 million without access to improved drinking water; 115 million in Southeast Asia
- 2 billion without adequate sanitation; 208 million in Southeast Asia

## Investment Requirements for MDG Target 10

Scenario	Description	Amount
1	Meet WSS MDGs	US\$ 8 B per year (US\$ 2 for each person living in Asia and Pacific)
2	Improved WSS for all	US \$ 16 B per year (US\$ 5 per person in the region)
3	Improved WSS for all + disinfection	US \$ 17 B per year
4	Piped WSS + primary treatment	US \$ 85 B per year

## Seven Point Agenda

### Changing

- selection criteria
- incentives and advocacy
- regulation
- the rules to reward efficiency
- the focus of lending
- the nature of water project
- water financing partners

# **Trends in ADB Water Financing**

## **ADB Water Operations**

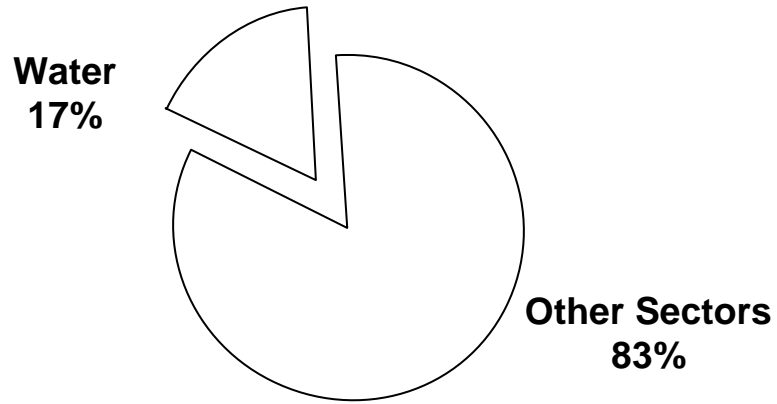
### **Water Services**

- Urban Water Supply and Sanitation
- Rural Water Supply and Sanitation
- Wastewater Management
- Irrigation and Drainage

### **Water Resources**

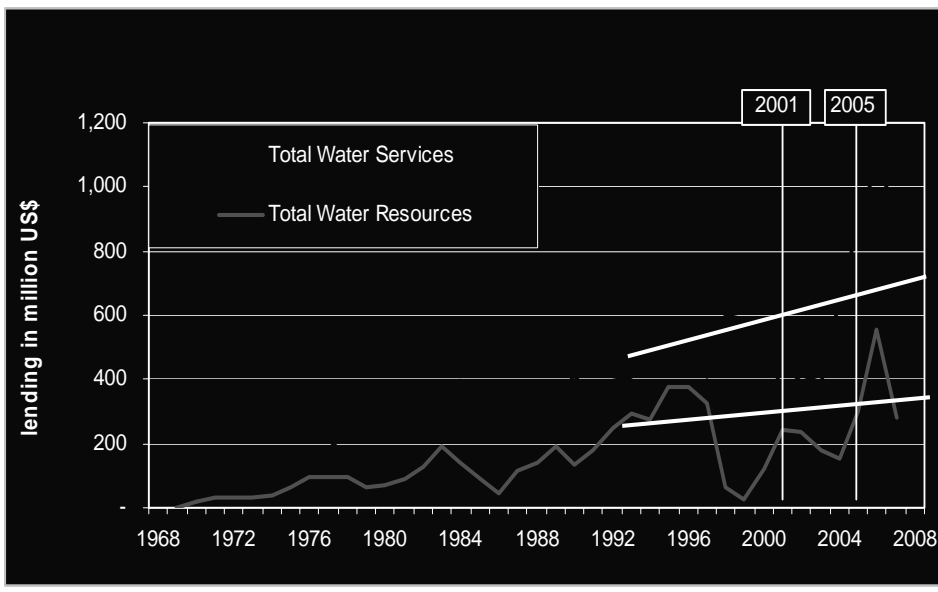
- Water Resources Management
- Watershed and Wetlands Mgt
- Flood Management
- Hydropower

### Water Sector Distribution of ADB Lending (1998-2004)



Total Lending = US\$27.68 billion

### Water Services and Water Resources Lending (1968-2008, 3-year moving average)



## **New Directions in ADB Water Financing**

### **Water Financing Objectives**

- advocate and promote sound water financing policies and practices through ADB's water operations
- expand ADB's financing of water projects where opportunities exist
- disseminate lessons learned and, thereby, help catalyze water financing in the region

## **New Areas of Water Investment**

### **Rural Water**

- Rural Water Supply and Sanitation Services
- Irrigation and Drainage Services

### **Urban Water**

- Urban Water Services
- Wastewater Management
- Environmental Improvement

### **Basin Water**

- Management of water resources in river basins
- Hydropower
- Flood management and disaster mitigation
- Environmental conservation and improvement of watersheds, wetlands, and ecosystems

## **Examples of New Water Investments**

### **Rural Water**

- Small piped water networks

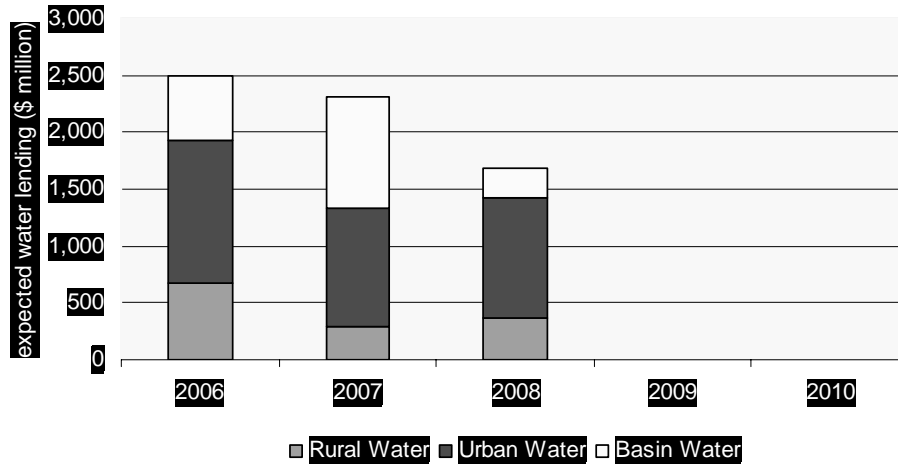
### **Urban Water**

- Water in Asian Metros
- Southeast Asia Water Utilities Network

### **Basin Water**

- Network of Asian River Basin Organizations
- Network of national water sector apex bodies

## Expected Water Lending



People needed water yesterday.  
Business as usual will not work.

**Let's do business unusual.**

## **BUSINESS UNUSUAL?**

**What is it?**

**A shift in Products,  
business Processes, and  
Partnerships**

## **Products**

### **Informed**

Services based on comprehensive and related data, e.g. water audit

### **Innovative**

Zonal approach to water supply upgrading, small piped water networks for peri-urban/remote areas

### **Capacity building**

Before project begins, e.g. Manila Water success

## **New Products for ADB Financing**

Competitive financing products to be introduced:

- local currency bonds
- lending to subsovereign (municipal) governments
- multi-tranche financing facility
- flexibility in commitment charges
- refinancing facility

## **Processes**

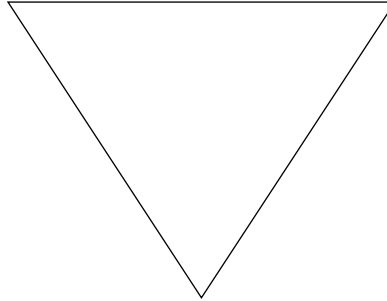
- ADB project implementation has to be expeditious
- Government has to streamline bureaucratic processes
- Private sector knows the cost of doing business as well as the cost of not doing it (efficiency; risk sharing)

**It costs service providers and potential users more when processes get stalled**

# Partners

**GOVERNMENT  
PUBLIC** (regulation,  
monitoring)

**MDBs/BILATERALS**  
(policy advice)



**PRIVATE AND CIVIL  
SOCIETY** (service delivery,  
capacity building, advocacy)

## **Partners for products**

Public-private partnership

## **Partners in capacity building**

NGOs

## **Partners in the process**

MDBs/ Bilaterals

## **Conclusion**

- Substantial capital is required to improve access to water and sanitation
- Need to encourage more investments into the sector
- All finance parties should be welcome including private sector
- Implementation of reforms reduce risks; reduction of risks can translate to increased investments

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