



WATER for ALL

Water for All

The 2nd Five Years

ADB's Water Financing Program 2006–2010

Summary Directions

**ADB's Water Committee and the
Energy, Transport, and Water Division of the
Regional and Sustainable Development Department**

The Rationale

Water is central to human existence. It is also a key factor in reducing poverty, improving livelihoods, and promoting economic growth. Yet, investments to provide people with safe drinking water and sanitation facilities, to allocate and preserve water resources, and to properly manage wastewater have fallen seriously behind demands. The *Asia Water Watch 2015* study, commissioned by ADB, WHO, UNDP, and UNESCAP, estimates that annual investments of \$8 billion—at minimum—will be needed over the next decade to meet Millennium Development Goal (MDG) targets for safe drinking water and sanitation alone. Additional investments are needed for irrigation services, river basin management, flood management and mitigation, and wastewater management to ensure the future of this precious resource. Investments in water are also crucial to meet the broader MDG targets of reducing poverty, hunger, child and maternal mortality and the incidence of major diseases, and improving environmental sustainability. Clearly, this is a major challenge, and one that is complicated by a wide range of governance, institutional, social, environmental, and political issues.

The Asia-Pacific region has done better in improving access to and management of water than have other parts of the developing world. But this is cold comfort. Rapid population growth, urbanization, and underperformance of existing water assets leave a large shortfall in meeting the region's needs. In 2002, about 700 million people in the Asia-Pacific region were still without safe water supplies, and some 2 billion had inadequate or no toilet facilities.

In its 2003 report, the World Panel on Financing Water Infrastructure (also known as the Camdessus Panel) made specific recommendations to address these challenges. One of the most significant was the recommendation to double all official and private capital flows to the water sector.

The Water Financing Program

In response to these growing demands, ADB has developed a strong pipeline of water projects for 2006–2008. However, experience indicates that “business as usual” is not enough. We need to prioritize critically needed water investments in our overall investment program. We also need to mitigate risks and maximize opportunities to increase water investments. ADB's Management has, therefore, decided to give a higher priority to water investments in the medium term through a new Water Financing Program (WFP) that guides our institution in responding more effectively to the Asia-Pacific region's critical water investment needs.

This summary paper outlines the main thrust of the WFP for 2006–2010, which will make water a core area of ADB's operations. The initiative will prioritize and target water operations in our medium-term strategic framework. The paper draws on the recommendations of the external panel that reviewed the implementation of ADB's water policy in 2005, on the findings of the review of ADB's Cooperation Fund for the Water Sector by the Netherlands Government in 2006, on the work of the Gurria Water Financing Task Force for the 4th World Water Forum in March 2006 in Mexico, and on ADB's own recent initiatives towards strengthening management for development results, innovation and efficiency.

Objectives and Scope

WFP will ensure the delivery of a substantial investment, reform, and capacity development program in three key areas:

- (i) *Rural Water* services to improve health and livelihoods in rural communities, including investments in water supply and sanitation, and irrigation and drainage;
- (ii) *Urban Water* services to support sustained economic growth in cities, including investments in water supply, sanitation and wastewater management, and environmental improvement; and
- (iii) *Basin Water* management to promote integrated water resources management and healthy rivers, including investments in the infrastructure and management of multifunctional water regulation and hydropower facilities developed in a basin context, flood management, and the conservation and improvement of watersheds, wetlands, and ecosystems.

WFP builds on ADB's work in the first 5 years of its *Water for All* policy. It includes a large pipeline of programmed water investments, a wide array of knowledge and awareness products, and services to support regional cooperation in water. It focuses on combining increased investments in water infrastructure with capacity building, private sector participation, and improved water governance.

WFP will greatly increase ADB's investment in water operations for 2006–2010. It is expected that such investments will be well over \$2 billion annually, representing approximately 25% of overall ADB lending over a 3-year moving average period, and a doubling of ADB's investments in water compared to 1999. WFP will also mobilize cofinancing and additional investments from governments, the private sector, and multilateral and bilateral partners. An initial target of \$100 million in bilateral grant assistance has been proposed to support the implementation of WFP.

To facilitate these efforts, ADB will move towards a "single window" approach for processing investments that have both public and private financing. Using the new financing opportunities provided by our Innovation and Efficiency Initiative, ADB will offer an attractive, diversified menu of financial products and knowledge services in each of the three main areas of rural, urban, and basin water.

Outcomes and Impacts

In the long term, WFP will result in five major outcomes:

- (i) Sustainable access to safe drinking water and improved sanitation for approximately 200 million people, and a significant contribution to meeting the water MDGs through targeted project components for the unserved rural and urban poor.
- (ii) More productive and efficient irrigation and drainage services, affecting the livelihoods of 40 million people.

- (iii) Reduced risk of flooding, affecting about 100 million people in rural and urban areas and reducing recurring damage to vital infrastructure.
- (iv) Introduction of integrated water resources management (IWRM) in 25 river basins, including reduced wastewater pollution, and improved river ecosystems.
- (v) Improved water governance through national water sector reforms and capacity development.

Implementation

WFP will be implemented through ADB's regional and private sector operations departments. The program for 2006–2008 is now available in draft form at <http://www.adb.org/water/operations/loans-tas.asp#stat>. For 2006, the programmed level of water investments already exceeds \$2.4 billion. When the program is expanded to 2009–2010 on a pro-rata basis, total delivery could reach \$12 billion over 5 years, exclusive of cofinancing.

While planned water investments will continue across the region, WFP will focus in its first phase on India, Indonesia, Pakistan, PRC, and Viet Nam, which together account for about 80% of the current pipeline of water investments. ADB's regular lending programs in these countries will also offer the greatest opportunity to explore an expansion of water lending beyond current levels.

WFP will also seek to increase water investments in other countries, including those eligible for concessional funding. These efforts will necessarily be determined by the constraints of concessional fund ceilings, and weighed against the demand for resources in other sectors.

To complement higher levels of lending, ADB will pursue additional bilateral co-financing partnerships to increase technical assistance in support of water investments. Our aim is to increase assistance from the current level of approximately \$12 million to \$20 million per year for national water sector reforms, project preparation and monitoring, and capacity development.

In implementing WFP, ADB will further strengthen collaboration with civil society, including knowledge partners and the academe, development and advocacy NGOs, parliamentarians, and support for media networking.

To ensure successful implementation, the program will be monitored and coordinated by ADB's Regional and Sustainable Development Department, which will assist regional departments and the private sector operations department through funding support, innovation, knowledge sharing and the provision of special advisors, and by helping to find and implement solutions that bring faster results.