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**City Living or Living Cities:
Mayors' Choice**

By

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Rapid Urbanization

1. In 2003, Asia's urban population was 1.5 Billion which is 20% of the world's population. 1 in 3 Asians lives in cities. By 2030, Asia's urban population may reach 2.664 Billion which is 30% of the world's population. 1 in 2 Asians will live in cities. The urban population is growing by some 40 million a year.

The Urban Challenge

2. Effectively manage rapid urban growth ; Eliminate poverty; Protect the environment; Mobilize the necessary technical and financial resources so that cities achieve their full economic potential; and Install good governance and sustain institutional development

3. Large cities are making important contributions to their respective countries' economies. The share of city GDP to national GDP for selected cities: Karachi 15%; Jakarta 21%; Calcutta 25%; Metro Manila 32%; Bangkok 34%; and Shanghai 36%.

4. Large numbers of Asian cities lack access to basic services. Less than half of the cities population is covered by water supply. Majority of the cities in developing countries do not have sewerage system connections. A number of cities do not have efficient, systems of solid waste collection. Majority of the cities do not have sanitary landfill facilities. More than 20% of the urban population are poor. The Asia Water Watch 2015, jointly produced by ADB, and UN agencies estimated that over \$8 billion will be needed annually to meet the Millennium Development Goal (MDG)Target 10.

5. Water (i.e. water and sanitation) is key factor in poverty reduction and attainment of MDGs. Asia-Pacific likely to achieve water supply MDG though sanitation a greater challenge. Water investments generate good rates of return; and many target needs of the poor.

What is ADB doing now?

6. ADB has invested \$800 million a year between 2002 and 2004. The projected pipeline is \$2.0 billion for 2005-2006. We need to invest more.Examples of investments and capacity building initiatives are: Suzhou Creek Rehabilitation Project; Pasig River Rehabilitation Project; Provision of housing finance can be shown in the examples of Housing Finance Project in Mongolia; and Slum Upgrading and Housing Microfinance in the Philippines and Indonesia.

7. The water policy¹ of the Asian Development Bank (ADB), approved in January 2001, promotes national water sector reforms, integrated water resources management, and better water services for the poor. In addition, the policy commits ADB to regional and subregional cooperation by helping assess the water sector and exchange data, enhance awareness and understanding of water sector issues and each country's needs, and support water partnerships in ADB's developing member countries (DMCs). During 2005 the ADB Water Policy implementation was reviewed by an independent panel whose recommendations included increasing ADB and DMC capacities and promoting 'business unusual' to increase water access, affordability, efficiency and cost-effectiveness².

¹ ADB. 2001. *Water for All: The Water Policy of the Asian Development Bank*. Manila.

² 2006. Review Panel Report. ADB will finalize in May 2006 the management response to the panel's recommendations, delegating to the ADB Water Committee the preparation of an action plan.

8. The ADB approach to urban development is guided by the Urban Sector Strategy (USS) published in 1999.³ Since then, several important developments have taken place. Effectively managing urbanization now poses one of the major development challenges for ADB and its DMCs for the foreseeable future. ADB has adopted poverty reduction as its overarching development goal and is supporting DMCs to meet the MDGs, specifically on the aspect of sustainable access to safe water⁴ and improvement of lives of slum dwellers.⁵ In addition, ADB has joined the Cities Alliance (CA).⁶ Also, the rate, scale, and pace of urbanization taking place throughout the Asia and Pacific region and the impact that this is having on the economic, social, and environmental development of DMCs has come into sharper focus in recent years. In view of these developments and with over five years of operational experience using the USS, it has been considered appropriate and timely to undertake a review, analysis, and evaluation of the USS to determine how appropriate and effective it is in guiding ADB's urban development agenda. Two independent but interrelated reviews have been initiated: one by the Regional and Sustainable Development Department (RSDD) and the other by the Operations Evaluation Department (OED).

Living Cities

9. The traditional treatment of the term "urban" has been based on its academic meaning and tended to be abstract. To make it easier to understand as well as remember, ADB's future interventions in the urban sector may be defined by the term "Living Cities." The letters L, I, and G in "Living" promote three core attributes: committed Leadership, better Infrastructure, and good Governance.⁷

10. The letters in the word "cities" provide further directions, to wit:

- C** - **Competitiveness** is crucial for cities to be the engines of growth for the nation. **Commitment** at local political administration is crucial for cities to maintain competitiveness.
- I** - **Infrastructure** of cities (i.e., basic services) must be efficient and affordable to achieve competitiveness. It should be improved and expanded expeditiously and operated on commercial principles that ensure sustainability.
- T** - **Transport and communications** should provide mobility, and be safe and reliable for the cities to function effectively. Successful city residents spend nearly one third of their time on the road and on the phone.

³ ADB. 1999. *Urban Sector Strategy*. Manila.

⁴ Target 10 of the Millennium Development Goals.

⁵ Target 11 of the Millennium Development Goals.

⁶ ADB joined the Cities Alliance (CA) in 2002 to become a more effective development partner for reducing urban poverty in the Asia and Pacific region. CA membership makes this possible by creating opportunities for (i) access to CA's collective body of knowledge, experience, lessons learned, and good practices in urban poverty reduction; (ii) participation in and contribution to the global forum for the advocacy of urban poverty issues in the region; and (iii) leveraging of ADB's technical assistance for the urban sector with cofinancing grants from CA for city development strategies and cities-without-slums activities linked to the operations program.

⁷ <http://www.adb.org/Documents/Events/2005/Managing-Urban-Growth/presentation-seetharam.pdf>

- I** - **Information** is the key factor for good governance, which is necessary for the continued success of cities. Transparent, low transaction costs through e-government are requirements.
- E** - When the living **environment** (i.e., quality of life, open space, air quality, etc.) is good, cities will be livable and sustainable. Cities are not spaces just for making a living; they have life.
- S** - Good **shelter** (i.e., adequacy, availability, and affordability of housing space through appropriate planning, land use, and housing policy) is a salient feature of a city with a vision.

Business Unusual

11. One of the key messages emerging from the Asia Water Water 2015 and subsequent work by ADB, is that of the 18 MDG targets, target 10 on water and sanitation has strong links with others and is thus central for achieving MDGs and raising the overall levels of human development.⁸ While both water and sanitation provisions are best when they are supplied via house connections, the link between housing and sanitation are particularly strong. Water for all could be based on zonal or group approach, but, sanitation for all would call for supplies to each household. Sanitation and water thus need to be integrated with housing and urban development strategies, at least over the longer term.

12. The scope for working towards 24-hour water supply in Asian cities like in India is so huge and this is not just a question of whether there are enough resources to finance the gap but also a question if the required institutional arrangements and business processes are in place to support a more responsive approach to implementing water supply and sanitation projects.

13. Business as usual will no longer work. New ways of doing things have to be tried, thus a need for shift to “business unusual”.

14. What we mean by “business unusual”—a shift in products, business processes, and partnerships. Products, in the form of new technology and services, must be innovative. Pilot and demonstration of innovative, small scale ideas that are quickly implemented and possible for scaling up have to be supported. Other innovative ideas, such as small piped water networks and zonal approaches to service upgrades, are new approaches to fast-track implementation of water projects that must be adopted.

Products

15. Drinking water is a food or medicine. People have to buy it to sustain life. About 1 to 2 liters per capita per day (lpcd) is the average individual consumption for drinking water and 10 to 20 lpcd for other uses such as cooking, bathing, laundering and other uses. Water should be available 24 hours a day and for the service to be sustainable, the full cost of delivering it should be recovered. Water cannot be produced. It can only be harvested.

⁸ *Drinking Water and Sanitation for All in Asia: Targets, Costs and Related Perspectives* forthcoming paper (ADB, 2006)

16. Large water infrastructure projects require years to finance and implement. While the approach is not obsolete, other interim solutions must be explored. Small piped water networks is an example of an interim solution to supply water with volume, convenience and lower costs. This approach also engages local entrepreneurs in providing the service and engages community for financing, installation, maintenance and repairs. On a larger scale, as cities undertake wider service improvements, a zonal approach allows them a manageable unit to survey for demand, implement improved services and adjust tariffs according to service improvements.

17. Another upcoming publication emphasizes the “holistic” nature of water, sanitation and wastewater. If the mission is to reduce poverty, a major strategy is to reduce disease and reducing disease means taking the holistic view of creating and maintaining clean environments. This means implementing approaches that include hygiene as a first line of defense against disease combined with water supply, sanitation, wastewater and even solid waste. The new sanitation projects will be guided by the acronym, **APANA**: **A**ccessible and **C**onvenient; **P**rivate and **G**ender Sensitive; **A**ffordable and **P**ro-Poor; **N**ature and **E**nvironment Safe; and **A**chievable. While water could be mass produced and distributed through piped networks with 24-hour supply, sanitation should be addressed at the household level. At the end of the day, sanitation is an individual (or household) decision.

18. To meet the water supply and sanitation MDG target, business processes of all stakeholders—ADB, governments, civil society and the private sector—must be streamlined for time efficiency. People needed water *yesterday*.

Partnerships

19. Partnerships with civil society and the private sector must also be explored to maximize resources and demand. A variety of new public-private schemes are being tested. Business unusual means thinking outside the box. Demand has never been higher and supply more limited. This is the time for new ideas, new attempts, new success stories.

20. Government/public sector. Governments need to modify their role from one of service provider to regulator and should delegate service provision to autonomous and accountable service providers. Government should not invest its scarce resource in developing in-house capacity for direct provision of a service that could best be delivered by the private sector or an autonomous government entity vested with such mandate, e.g. Phnom Penh Water Supply Authority, an autonomous and accountable public utility in Cambodia that has been heralded as a success story of a public utility enjoying operational and financial autonomy and has put customer accountability on top of its mission.

21. Private sector involvement. ADB’s water policy notes that private sector initiatives and market-oriented behavior are expected to improve performance and efficiency, particularly in service delivery. The capacity of private sector not only to invest in water but also to share its expertise in managing utilities in a more efficient and commercial manner should be maximized.

22. Civil society involvement. NGOs in India are being credited for implementing water supply projects in less than 1 year. Their passion for both the urban and rural poor, their knowledge of local communities and will to implement makes them invaluable resources for both public and private suppliers. In addition, the strength of civil society as partners in advocacy work and capacity building should be utilized. They should be empowered as government’s partner in catalyzing reform.

23. Other multilateral development banks and bilateral donors. Partnership with other multilaterals and bilaterals should be strengthened as they have the capacity to provide policy advice and facilitate reforms. In a comparative analysis of sector reforms recently commissioned by ADB, one of the factors identified as influencing reforms in countries are activities of external support agencies which are serving to disseminate to many countries a substantially common approach to analysis of issues and have had a substantial influence on the water sector in many countries.

Water Financing Program

24. ADB announced the Water Financing Program (WFP) at the 4th World Water Forum in Mexico, that 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 three-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.

25. 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.

26. 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; and (v) improved water governance through national water sector reforms and capacity development.

27. 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.

Conclusion

28. In order to achieve the MDG for water by 2015, water must reach about 98 million additionally per annum. The Asian economies, which are now spending an average of around \$6 billion per annum on water supply, will have to increase the spending annually by \$2.5 billion reaching a final increase of \$18 billion by 2015.

29. Similarly, to reach the target on sanitation, each year an additional 153 million have to be covered. From an average expense of \$1 billion, the expenditure by 2015 has to go up by \$ 3.8 billion.

30. The projected expenditures are insignificant in comparison to developing Asia's annual spending on health (\$50 billion in 2005) and defense (\$100 billion). As for ODA, if 10 per cent of the total (likely to be close to \$90 billion in 2006) is earmarked for water and sanitation, it can go a long way in triggering the investments needed to achieve Target 10 of the MDG, including delivering, free of cost, the critical minimum drinking water of a few litres per person per day. The longer term goal of Living Cities should be governed by the slogan 'A home for each family'. A room with bath and kitchen in mid-rise housing is advocated as the real answer for sustained and good water supply and sanitation to the poor and other low income families. *Each Mayor could commit to providing 'Drinking water for all and sanitation for each household'.*