

A Regional Conference On Financing Water

Manila, Philippines

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Why This is Important

- We need more money for water
- We need more money for many parts of water management
- Financial inflows are declining not growing
- An evolving international concensus
 - Camdessus Panel
 - Gurria Panel
 - Hashimoto Panel
- South East Asia – ripe for action?

We need more money for Water

	Today	2000-2025, p.a.
• Drinking water	13b U\$A	13+.
• Sanitation	1	17.
• wastewater	14	70.
• Industry	7	30.
• Agriculture	32.5	40.
• Environment	7.5	10.
• Total	75	180.

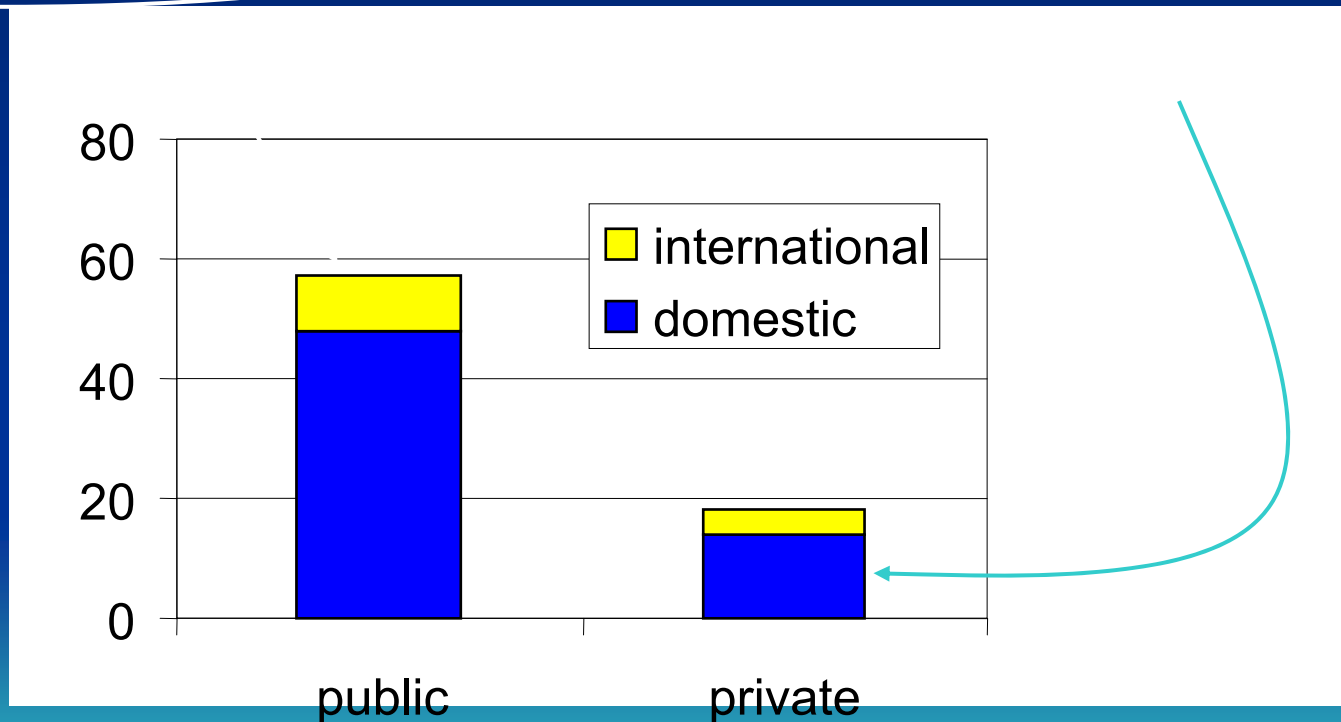
MDGs

- **Have to double from current US 15 billion to 30 b/pa.**
- **Not happening.**

Water Sector Relies on Public Financing

Public is dominant ~85%

Domestic is dominant ~ 85%



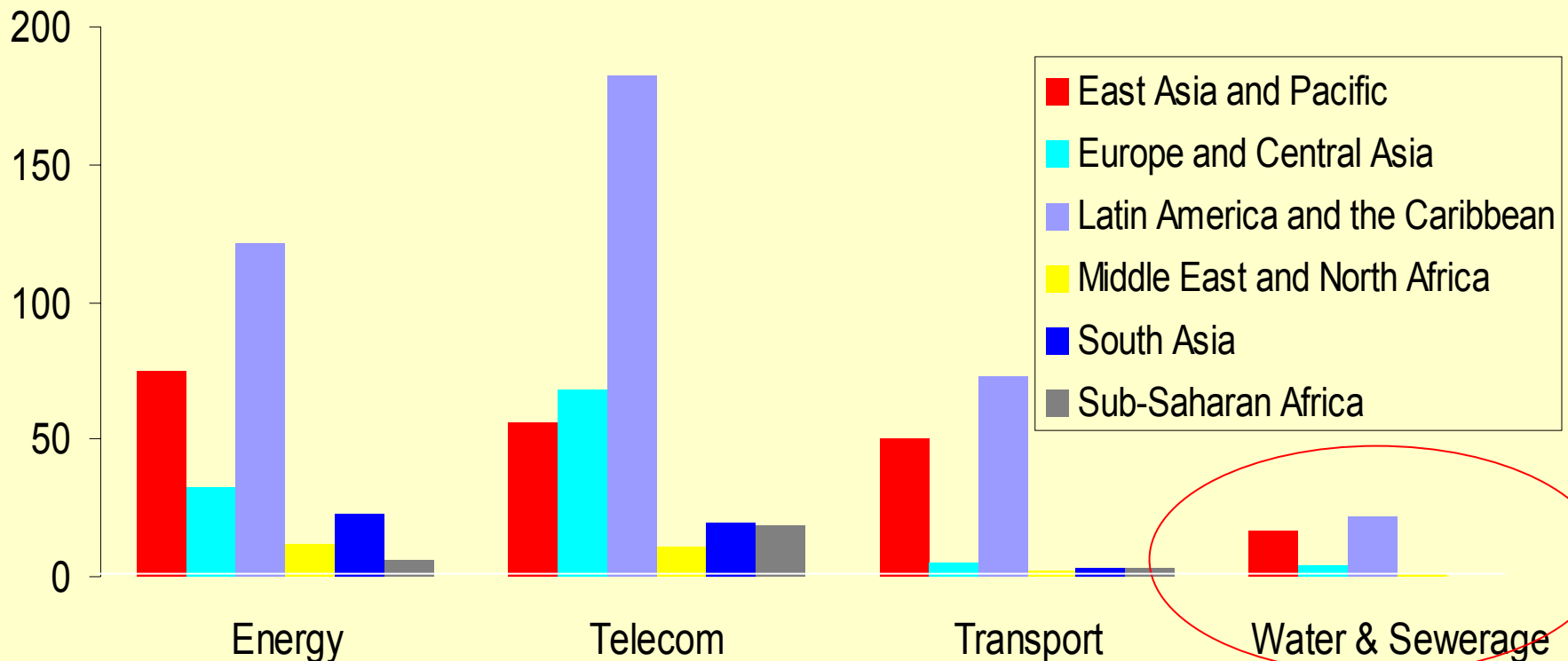
Financing flows into water in 2000 (US\$ Billions)

Manila, Financing All of Water,
Margaret Catley-Carlson

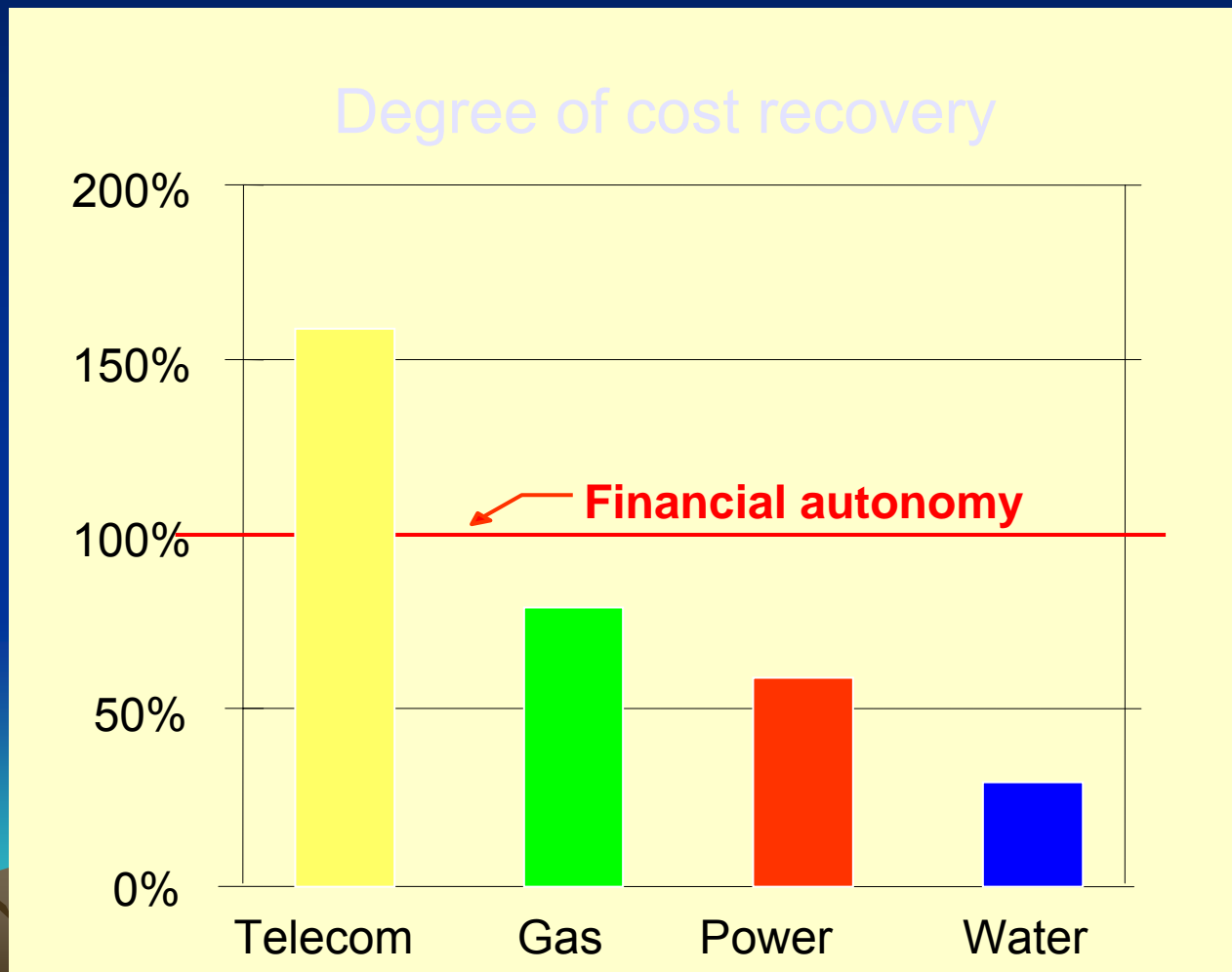
Source: GWP Framework for Action

Private Investment in Water Supply and Sanitation Is Low

Total Private Investment in Infrastructure in 1990-2002
by Sector and Region, US\$ billion



Why WSS hasn't attracted private investment like other sectors...



Recent financial trends – bad

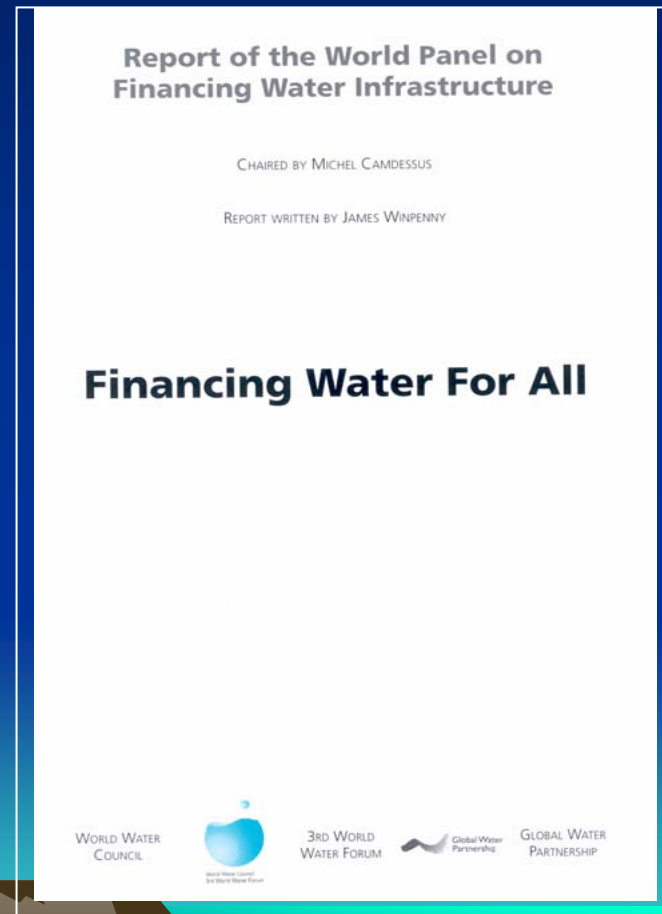
- Low level of bank lending & project finance
- Constraints on national governments
- Dwindling aid – only ever 3.5B out of 60+B
- Private sector interest – low, small scale
- Financing hydropower
 - Decline in dam construction
 - Dwindling support from agencies
- 96% private investment in thermal
- WCD Report heralds new rules of game

CAMDESSUS Panel: WHO?

- The presidents of the 4 regional development banks (IADB, AfDB, AsDB, EBRD) ,
- 2 former prime ministers, a former minister of finance
- The heads of two private international water companies: Head of IFC,
- Two senior bankers,
- Two senior members of the NGO community,
- The head of Transparency,

The Camdessus Report: WHAT

- Annual investment:
 - needs to increase from U\$ 75 B to U\$ 180 B (*World Commission on Water*)
- Focus on water supply and sanitation
- Improving governance and attracting new finance
- 87 recommendations: from broad propositions to specific proposals



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What did Panel say?

1. Existing sources of finance for investment must expand.
2. Reform of the water sector is urgently needed,
 - To attract and generate funds.
 - Improved cost recovery within the sector, and continuing subsidy are both essential.
3. No single ideal blueprint or model for the water sector exists.
 - If private participation be favoured, various risk sharing mechanisms will be needed.

Supply Side Recommendations

4. More direct funding available to sub sovereign levels responsible for delivery.
5. Local currency generation mechanisms needed.
6. Increased ODA should be targeted to the achievement of the MDGs, and should be leveraged other flows.
7. Improved monitoring mechanisms are needed. All should be held accountable.

The Gurria Panel

- Two former PMs, one former Minister of Finance
- 2 Mayors
- Four International Bankers (Kuroda)
- 3 NGO; 1 Private Sector; 1 Agency Head
- 2 Heads of International Centres

A focus on the Demand Side

- “under-considered yet fundamental issues from the demand side that are affecting financing levels.”
 - Tariff structures,
 - Regulation.
 - Local capacity.
 - Access to options for LOCAL Govts and Service Providers.

Major points

- Provision of water services is local
- Customers and taxpayers fund services
- Fair tariffs combined with targeted subsidy
- Building local capacity
- Need: dedicated partnerships, match Demand and Supply

Major messages

- More money; but better use of money available.
- National and local plans to increase level of investment.
 - Tie in to policy reform.
- Agriculture – more people, environment.
- Water Basin – hard to get at but essential.

Hashimoto Panel: different mix

- 1 Prime Minister, 2 current and 3 former Ministers; 1 Former EU Commissioner
- 2 Labour and small utility leaders
- 2 International Financial specialists
- 4 Civil Society leaders
- 1 private sector
- 2 academic/research

The Compendium: focus on how to get there.

- Focus on 95% of water delivered publicly
 - Strengthen Water Operators
 - Establish National Frameworks that help the local level
 - New role for Regional Banks and Regional Technical Institutions
 - Finance is available; is a function of creating well managed utilities
 - Don't forget Disasters

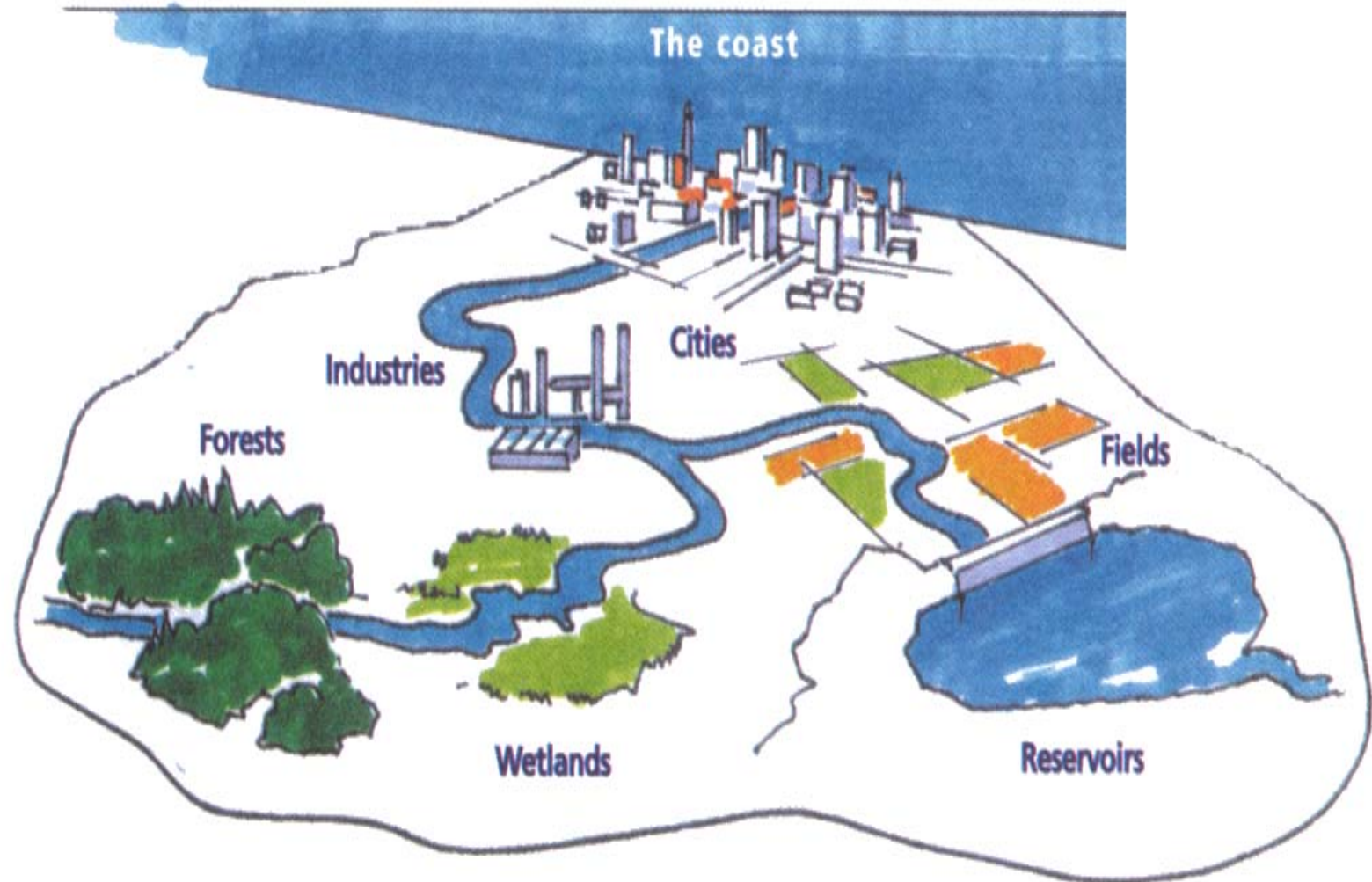
Financial Recommendations

- Accept that additional funding will come from water users and taxpayers.
- National Governments have to set goals and financial targets.
- Regional institutions need to help with sustained targeted programmes.

IWRM

.....a process which promotes **PROBLEM SOLVING** via the coordinated development and management of water, land and related resources in order to maximize the resultant economic and social welfare in an equitable manner without comprising sustainability of vital ecosystems.

GWP TAC 4



Advantages of an Integrated Approach to Financial Management

- Supports sustainable infrastructure development and service provision.
- Facilitates better decision making.
- Levers additional investment through better governance and capacity (Camdessus).
- Ensures better returns to investment.
- Avoids poor investments and expensive mistakes –
 - Reduces risk and negative or unintended consequences.
- Helps society as a whole to solve problems (not just government).
- Helps to allocate water strategically.

What do we do about it

TALK – what is at issue is the priority of water access. This does not require financial expertise.

- Don't be pulled into trap – discussing financing is NOT discussing private company participation – whether public or private, water sector needs capital.
- Don't be afraid of the topic – put people together – suppliers of finance, those who need it.
- There are good allies – regional banks especially.

What to do,

- Links with mayors, municipalities.
 - Foresters, ecologists – may be allies.
- Support those tapping new sources -.
- Talk to regional banks.= IDB, AsDB.
- Canvass interest.

The imperative

- Linkages with those who can help people realize that they should have water.
- With those who are willing to work to improve access.
- With those who are willing to work in all sectors.
- Making sure that somebody is trying to fix the problems.