

Singapore International Water Week
22-26 June 2009

WATER FINANCING IN THE PEOPLE'S REPUBLIC OF CHINA

Ma. Theresa Villareal

Senior Urban Development Specialist

East Asia Urban and Social Sectors Division

Asian Development Bank

Infrastructure Needs In Asia

- **\$3.7 trillion** needed in the next 10 years for ADB's developing member countries alone
- Most governments only spend 3-4% (sometimes even lower!) **instead of 6 to 7%** of annual GDP on infrastructure
- Typical infrastructure spending- private sector (20%), public sector (70%), and 10% (ODA) – **THIS IS NOT SUSTAINABLE!**
- **BUSINESS AS USUAL-** financing capital and O&M mostly through insufficient taxation, heavy government borrowing, and very low user fees.

PRC Demand and Investment Needs

- **CNY 1.37 trillion** - total investment needed for environment protection
 - CNY 666 billion was invested for urban environment infrastructure
- Population in urban areas: **565 million**
 - Urbanization rate to go up from 43% to 47% in 2010
 - 108 cities have water problems, 60 cities are critically short of water
 - Only 40% of urban waste is treated

Financing PRC's Urban Infrastructure

Sources of Financing	(%)
Domestic loan	32.52
Government budget	31.97
Funds from land sales	21.83
Bonds	0.30
Foreign funds	2.98
Other funds	10.40
Total	100.00

Source: PRC National Statistics Bureau, 2006

ADB Support Strategy

 **Information**

 **Investments**

 **Regulation**

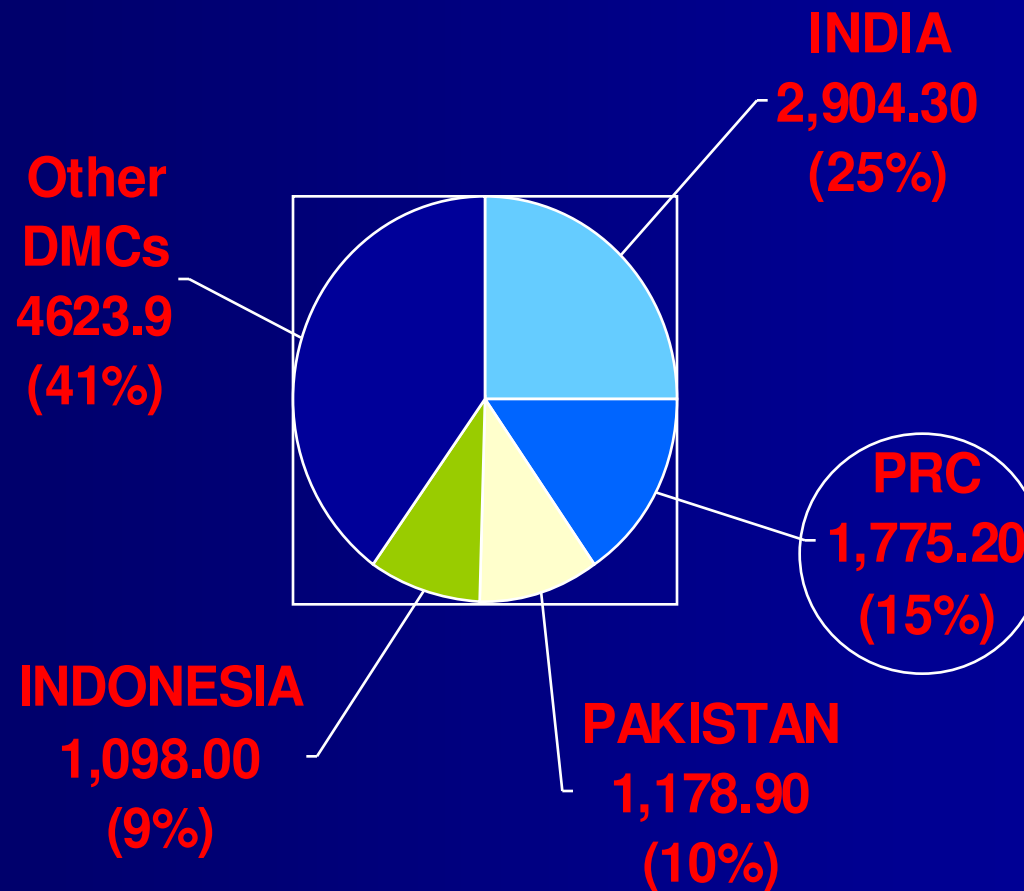
Top Recipients by Approval 2008 (\$million)

Country	Loans		Technical Assistance	Grants	Total
	Sovereign	Nonsovereign			
1.India	1,808	1,067	27.4	-	2,904.3
2. PRC	1,426	224	19.0	5.7	1,775.2
3. Pakistan	1,171	-	7.9	-	1,178.9
4.Indonesia	1,010	75	13	-	1,098.0
5.Philippines	620	320	9.4	1.0	950.4
6.Viet Nam	765	25	26.9	5.2	821.8
7.Bangladesh	592	-	4.5	18.5	615.0

Source: ADB Annual Report, 2008

ADB

2008 Total Loans, TAs and Grants Total Amount: \$11,580.1 million



ADB in PRC: 2008 Highlights

- Sovereign lending operations, 13 loans for **\$1.5 billion**
- Technical Assistance for **\$19.5 million**
- **\$500 million** in lending and technical assistance for sustainable and inclusive urban development, urban environmental improvement, and river basin pollution control

Source: ADB Annual Report, 2008

Sovereign Loan Approvals, 2008

Project Name	(\$ million)
Gansu Baiyin Urban Development	80.0
Gansu Heihe Rural Hydropower Development Investment Program	28.0
Xinjiang Municipal Infrastructure and Environmental Improvement	105.0
Guangdong Energy Efficiency and Environment Improvement Investment Program	35.0
Integrated Ecosystem and Water Resources Management in the Baiyangdian Basin	100.0
Ningxia Integrate Ecosystem and Agricultural Development	100.0
Central Yunnan Roads Development	200.0
Lanzhou-Chongqing Railway Development	300.0
Dry land Sustainable Agriculture	83.0
Chongqing-Lichuan Railway Development	150.0
Songhua River Basin Pollution Control and Management	200.0
Guangxi Wuzhou Urban Development	100.0
Qingdao Water Resources and Wetland Protection	45.0
TOTAL	1,526.0

Source: ADB Annual Report, 2008

Non-Sovereign Loan Approvals 2008

Project Name	(\$ million)
Municipal District Energy infrastructure Development	200.0
Inner Mongolia Wind Power	24.1

Source: ADB Annual Report, 2008

Total ADB Assistance for Infrastructure and Environmental Improvement Projects in the PRC

- Public sector lending
1992- 2008
US\$
3.25 B
- Advisory Technical Assistance
1988- 2008
32.3 M
- Project Preparatory Technical Assistance
1991-2008
23.7 M

ADB Water Financing Program 2006-2010

- Doubling investments in rural, urban and basin water
- Accelerating reforms
- Implementing capacity development interventions

What Has ADB Committed to Achieve Under the Program?

- Specific targeted outcomes: 340 million people benefiting from increased investments:

200 million people with access to safe water supply and improved sanitation

100 million people with reduced risk to floods

40 million people with more efficient and productive irrigation and drainage services

IWRM introduced in **25** river basins

Our Priorities

- In addition to:
 - doubling our lending (now at 38% of target)
 - benefiting 340 million people (now at 41% of target)
 - accelerating implementation of IWRM in river basins (now at 96% of target)
- We need to focus on other strategic priorities, among them:
 - sanitation and environmental protection (recent sanitation dialogue with 18 countries)
 - climate change and disaster management

Boosting PSPs

- **ADB's Strategy 2020** vows to scale up support for private sector development to 50% of its annual operations by 2020.
- To date, ADB has private sector operations in **20** of its developing member countries.
- ADB's private sector operations have grown significantly since 1983, reaching **\$1.7 billion in 2007**.
- 44% of ADB's total private sector operations went to infrastructure projects, 36% for the financial sector, and 17% for funds and capital markets.

ADB Financing Products

- Multi-tranche financing facility
- Non-sovereign public sector facility
- Sovereign, non-sovereign, private sector, and guarantee operations
- Asian Bond Market Initiative
- Local currency lending

Potential for ADB Nonsovereign Financing

- Allows specialized state-owned enterprises (SOEs) and urban development investment companies (UDICs) to finance investment needs apart from local Chinese bank loans
- Strengthens transparency and financial viability of SOEs/UDICs
- Supports financially independent operating utilities
- Brings in the established processes and procedures of ADB

Selected PRC Loans with PSP

- Songhua River Basin Water Pollution Control and Mgt
- Gansu Baiyin Urban Development
- Kunming Qingshuihai Water Supply
- Jilin Urban Environmental Improvement
- Anhui Hefei Urban Environment Improvement
- Nanjing Qinhuai River Environmental Improvement
- Wuhan Wastewater and Stormwater Management

Selected PRC TAs with PSP

- Seminar on BOT in Water Supply Sector
- Water Supply Tariff Study
- BOT Chengdu Water supply project
- Promotion of Market-Based Instruments or Environmental Management
- Water Tariff Study II
- National Guidelines for Urban Wastewater Tariffs and Management Study
- Pilot Study on Market-based instruments for Water Pollution Control

Platforms for Collaboration

- Sovereign Lending
- Non-Sovereign Lending
- Multi-tranche Financing Facility
- Local Currency Lending
- Water Financing Program
- Water Financing Partnership Facility
- Water Knowledge Hubs

Water Partnerships Make a Big Difference.

aleung@adb.org

mtvillareal@adb.org