



**A Decade in Retrospect:  
ADB as Lead Financier in the Water Sector of India**

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**Hun Kim  
Director, Urban Development Division  
South Asia Department**

# Accessible but not Available

- High level of access (Statistics)
  - almost 90% have access in 2001 (from 81 % in 1991)
  - slight increase to access to tap water (68% from 65%)
- Low level of availability (Reality)
  - intermittent supply (2-6 hours a day) an accepted reality
  - leakage averaging 50 % (NRW)
  - water quality ignored
- A city with inadequate water supply cannot be an engine of economic growth. There is a lot to do for improved water supply to make Indian cities competitive in the global economy.

# Household Expenditure Per Month on Water Compared to Electricity, Tobacco, Alcohol in India

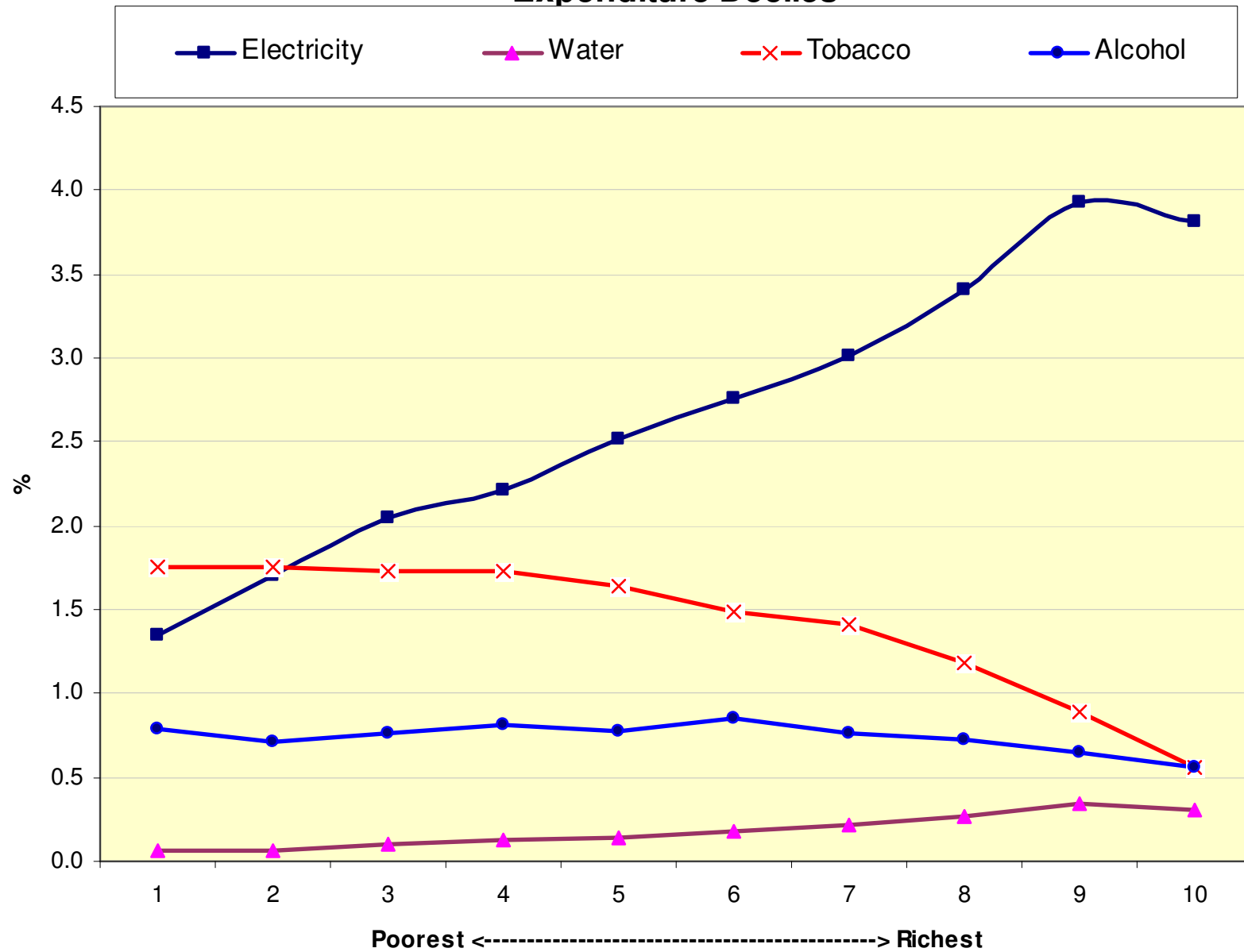
Expenditure Decile	In Indian Rs per month					% of HH monthly expenditure on various items			
	Per capita HH Expenditure	Electricity	Water Charges	Expenditure on tobacco	Expenditure on alcohol and intoxicant	Electricity	Water	Tobacco	Alcohol and other intoxicants
Poorest	1,422.7	19.2	0.9	24.9	11.2	1.35	0.06	1.75	0.79
2	1,833.4	31.2	1.2	32.1	13.2	1.70	0.07	1.75	0.72
3	2,071.0	42.4	2.2	35.9	15.8	2.05	0.11	1.73	0.76
4	2,287.9	50.7	2.9	39.7	18.7	2.22	0.13	1.74	0.82
5	2,527.4	63.5	3.5	41.5	19.5	2.51	0.14	1.64	0.77
6	2,785.8	76.9	4.9	41.5	23.6	2.76	0.18	1.49	0.85
7	3,151.9	94.8	6.9	44.5	24.2	3.01	0.22	1.41	0.77
8	3,669.8	125.2	10.0	43.4	26.6	3.41	0.27	1.18	0.72
9	4,523.9	177.6	15.6	40.5	29.1	3.93	0.35	0.89	0.64
Richest	8,133.0	310.5	24.5	45.5	46.0	3.82	0.30	0.56	0.57

Source: ADB analysis

Data:

The 61<sup>st</sup> round of the NSS conducted from July 2004 to June 2005 is the seventh quinquennial series of consumer expenditure surveys. The NSS followed a stratified multi-stage design (National Sample Survey Organization 2006). The sample covers most of India, consisting of 124,644 households spread over 7,999 villages and 4,602 urban blocks. The sample survey used both uniform recall period (30-day reference recall for all items) and mixed recall period (30-day reference recall for all except five infrequently purchased nonfood items, namely, clothing, footwear, durable goods, education and institutional medical expenses). This study used data from the uniform recall period.

## % of HH Expenditure Spent on Various Items in Different Expenditure Deciles



## Who will finance and manage?

- Despite poor performance of the public sector, private sector participation (both expertise and capital) has been very limited
- IFIs and bilateral financing institutions have scaled back their investment support in recent years as they wait for real reforms to take place especially for large cities (ADB is an only exception)
- The burden is on Indian states and cities to demonstrate that in urban centers that today provide a few hours of service could provide 24/7 service with determined efforts to reduction leaks, demand management and better operations – challenges under JNNURM.
- PPP cell in Ministry of Finance – dearth of project in water sector



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Total estimated investment opportunity of US\$ 200 billion till 2012

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### PPP at the Centre

PPP Developments projects, initiatives in the central Govt.



### PPP Nodal Officers at the Centre

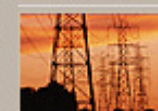
PPP Officers at central government ministry.

## STATES



### State Profiles

An overview of the economic & industrial strengths of states.



### PPP Initiatives in States

PPP Developments, projects, initiatives in various states.



### PPP Nodal Officers in States

List of PPP cells at the state level.

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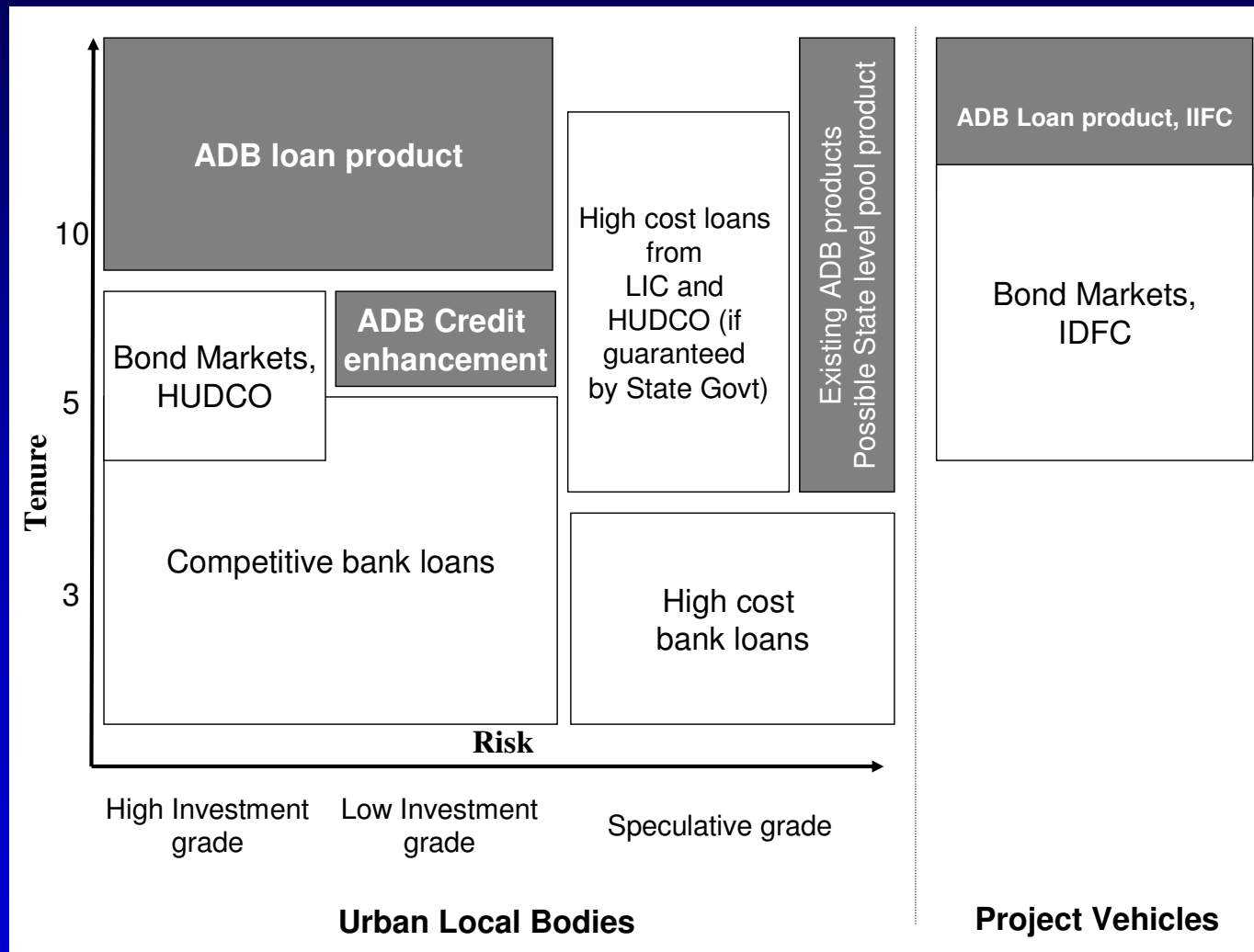
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DB

# Modality of ADB Financing

- Retail – project loans at the state level
- Wholesale – on-lending facility to AIFIs
- Policy lending to State and central govts
- Sub-sovereign lending to municipalities, state-owned enterprises, SPVs
- Technical assistance (TA) for advisory services
- Regional TA (RETAs) for best practices

# ADB is filling the gap – Long term financing and Credit enhancement



Potential borrowers	Need in Rs Crores over next six years <sup>1</sup>	Options that are available for the entities now	Opportunity for ADB products	Benefits of ADB intervention
Shortlisted entities	12927	Short tenure floating rate bank loans Tax free bonds Loans from HUDCO	Longer tenure fixed rate loans	Access to long tenure loans
Other high investment grade entities	10543			
Low investment grade entities	1455	Short tenure floating rate bank loans Tax-free bonds with attractive pricing Loans from HUDCO	Credit enhancement (partial guarantee) to elevate the credit rating to AA or above, so that a larger investor base could be attracted. Longer tenure fixed rate loans.	Access to the bond market. Access to long tenure funds.
Speculative grade entities without Government guarantees	1261	None. Rely on grants and donor funded projects.	Credit enhancement to elevate the credit rating to investment grade. Partnership with the respective State Governments to elevate the rating to investment grade by securitising intercepts.	Access to competitive finance
Speculative grade entities with Government guarantees		High cost loans from HUDCO and the Life Insurance Corporation		Access to finance
State Governments	5069	Own budget	Long-term loans to meet the own contribution requirements of the Governments towards JNNURM.	Meeting JNNURM commitments

# Ongoing and Completed Projects

## Ongoing

- J&K I and II
- Uttarakhand
- Rajasthan I and II
- Madhya Pradesh
- Kolkata O/S
- Karnataka II/III
- Tsunami
- Kerala

## Completed

- Karnataka I
- Gujarat Earthquake Rehabilitation and Reconstruction Project



# New Projects

- North East Region Capital Cities (5 states)
- Bihar
- North East Region - Assam
- Kolkata –II
- National Tourism Development
- National Capital Region Planning Board
- MP II



## **ADB Role – Financing or Capacity Building ?**

- It is not just about money, it is also about dearth of projects and execution of projects
- Weak infrastructure execution capacities in the urban/water supply sector at the state and city level — engineering is not the core competence
- ADB projects have to establish institutional structures and build capacities to execute sub-projects, which takes time
- Once the structures and capacities are in place, the momentum picks up, and benefits the second phase projects too

# Bulk Lending-Lessons

- Hardly any money went into urban sector through national level infrastructure financial intermediaries in generic infrastructure on-lending facilities
- In one specific urban infrastructure project:
  - the disbursements were only 35%
  - selective to industrial waste management, not municipal infrastructure

# Why Bulk Financing Has Limited Success?

- It is not just about money, it is about creating demand and developing markets
  - Ability to develop projects from concepts
  - Procurement is done right
  - Contracts and disbursements take place in time
  - And ensuring the loans get repaid
- In pure commercial terms, the risks are too high compared to other infrastructure sectors
- Urban financial intermediation needs close coordination with project development and reducing sector risks

# **Accept It!**

## **Urban/Water Infrastructure is Different**

- Financial intermediation without project development and execution support will not work
- Rational tariffs are important to improve bankability of urban projects
- Sound municipal finances and creditworthy municipal corporations are necessary for financing nonbankable projects – concessions
- Sustainable operations and maintenance

Thank you.  
[hunkim@adb.org](mailto:hunkim@adb.org)