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# **THE CHANGING ROLE OF ADB IN PRIVATE SECTOR WATER FINANCING**



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# Water and Sanitation

- ❖ Oldest and most fundamental ecological challenges of urbanization
- ❖ \$8 billion needed every year to meet Millennium Development Goal targets for safe drinking water and sanitation in the region

# ADB Water Financing Program

- ❖ Doubling of investment from \$1.2 Billion per year in 1999 (before adoption of the water policy) to well over \$ 2 Billion per year in 2010.
- ❖ 25% of overall ADB lending on a 3 years moving average
- ❖ Water Financing Program – 3 Main Areas of Investment
  1. Rural Water Services
  2. Urban Water Services
  3. Basin Water Management

# 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

# ADB Private Sector Operations

- **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 **\$2.2 billion in 2008**.
- 44% of ADB's total private sector operations went to infrastructure projects, 36% for the financial sector, and 17% for funds and capital markets.

# Conventional Water Financing

## Chengdu Water Project (1999)

ADB Assistance: Direct Loan - \$ 26.5 million

Sponsors: Veolia and Marubeni

Project: BOT Urban Water Supply in Chengdu, Sichuan Province, PRC with take-or-pay agreement

Project Benefits:

- To provide a reliable supply of water to Chengdu
- To expand the water coverage and provide the city with primary transmission pipeline to expand distribution network and increase reliability of supply to the City
- Immediate positive impact to 3 million Chengdu residents

# Demand

**Market Needs** : High Demand for investment in the water supply, sanitation and wastewater in Asia Pacific Region

**Advisory Needs** : Increase awareness of the importance to develop infrastructure facilities and more efficient management.

**Bankable project needs** : Lack of accessibility to financial institution for local investors

**AIPD**

# Innovative Water Financing

## Asian Infrastructure Project Development (2008)

- ❖ The AIPD is a joint venture formed by Asian Development Bank, and three Singaporean private companies, with direct intervention and strong support from the Government of Singapore.
- ❖ The missions are to (i) partner with other DMCs to develop commercially viable urban infrastructure projects in water supply, sanitation and wastewater treatment, (ii) catalyze private sector investment to these projects, and (iii) promote PPP.
- ❖ The consulting company is created to fill in the gaps among (i) huge demand for investment in the water sector in Asia Pacific region, (ii) lack of organizational, technical and financial capacity in DMCs to develop bankable infrastructure projects, and (iii) difficulty for international investors to identify bankable projects due to insufficient, unsatisfactory project information.

# Innovative Water Financing

## Asian Infrastructure Project Development (2008)

- ❖ AIPD offers a single-window to support municipalities by providing advisory services to develop PPP projects from the time they are being drawn up until they are tendered for bids and successfully awarded.
- ❖ AIPD will add value to a project with (i) ADB's experience and potential financing, (ii) Singapore's experience in urban master planning, integrated water resource management, and know-how in operation & maintenance of public utilities, and (iii) private sector's technology, experience and potential investment

## Role in Private Sector Water Financing

- ❖ ADB will remain active in conventional water financing due to the funding gap in the market.
- ❖ ADB is becoming more and more active in creating bankable water projects, for private sector investors, lenders and governments.

# Water Partnerships Make a Big Difference.



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