

Asia-Pacific Water Forum – 5th Governing Council Meeting on 26 June 2009 in Singapore

Progress Note on Concrete Initiatives – Priority Theme A

Water Financing and Capacity Development

Lead institutions: ADB and JICA

The Asian Development Bank and the Japan International Cooperation Agency are co-leaders to promote initiatives under Priority Theme A. Their work is a part of broader collaboration between Japan and ADB to boost and support water investments in the Asia-Pacific region. That collaboration focuses on three inter-linked levels: (i) investment projects, (ii) knowledge and capacity development services and networking, and (iii) leadership for policies and investment decisions in the region.

ADB's Water for All Policy

1 The Asian Development Bank (ADB) adopted its *Water for All* policy in January 2001. The policy promotes a national focus on water sector reform, fostering the integrated management of water resources, and improving and expanding the delivery of water services. To meet the burgeoning water needs in the region, ADB formulated the Water Financing Program (WFP), which seeks to make water a core investment area for ADB.

Water Financing Program

2 Through the Water Financing Program 2006-2010 (WFP), ADB envisages to catalyze some \$20 billion in new water investments from various development partners that would improve the quality of life and water security for more than 300 million people in Asia and the Pacific. The three areas of investment under the WFP are for rural water services, urban water services, and basin water management, with their supporting reforms, capacity development, knowledge management, and regional cooperation. Sanitation is a priority across the three areas aimed at providing 200 million people with sustainable access to safe water supply and improved sanitation and double its pipelined \$2.2 billion worth of sanitation and wastewater projects.

3 Another key priority area of the WFP is water-related disaster management, a targeted outcome is reduced vulnerability to floods for 100 million people in the Asia and Pacific region. WFP is also helping to introduce integrated water resources management (IWRM) in 25 river basins across the region. Water-related disaster management is an important element of IWRM. IWRM also offers a sensible framework for adapting to climate change. As the likely impacts, knowledge and capacity for adaptation vary significantly across countries, a differentiated approach is needed, with early priority for downscaling of models for better predictions, increasing awareness and knowledge, and climate proofing of new investments for assets with a long life.

Boosting Investments

4 By the end of 2007, water sector projects had secured a 20% share of ADB's ongoing project portfolio, and that is expected to grow to 25% by the end of the WFP in 2010. From January 2006 to March 2009, ADB approved 69 new water-related loans amounting to \$4.1 billion. An additional \$3.6 billion was leveraged from ADB's development partners. This sets the stage for much-needed further increases in the coming years. As it stays the course, the WFP

will also cover more ground in areas increasingly important to ADB as a whole, including rural development, climate change, and disaster management.

Water Financing Partnership Facility

5 The Facility provides a strategic, long-term platform for pooling grants, loans, guarantees, and knowledge from various development partners. To date, the Facility has received \$43 million in commitments from the governments of Australia, Austria, the Netherlands, Norway, and Spain. The initial target is to mobilize \$100 million.

Increased Cofinancing

6 For every dollar ADB approved for a new water sector project in 2007, ADB catalyzed an additional dollar from either a government, private sector or other cofinancing source.

Outcomes that People Experience

7 The WFP aims to accelerate the achievement of the Millennium Development Goals (MDGs) in the region as well as other targeted outcomes. Table 1 illustrates the progress to date.

Table 1. Progress of ADB-financed Water Projects contributing to WFP Outcome Targets.

Target	Units	Target	Progress (%) [*]
Sustainable access to safe drinking water and to improve sanitation	million people	200	48
More productive and efficient irrigation and drainage services affecting the livelihoods of people	million people	40	21
Reduced Risk of flooding affecting people and reducing recurring damage to vital infrastructure	million people	100	36
Introduction of IWRM in river basins	river basins	25	96

* Programmed through projects approved as of 31 March 2009.

8 By the 2nd Asia-Pacific Water Summit expected in 2010, ADB is preparing for a future beyond the WFP—a future that will continue to need the kind of financing the WFP has helped to catalyze for the sector from all development partners to increase water security for the people of the region.

KRA 1: Knowledge and capacity development.

9 ADB is playing a key role in collaboration with PUB Singapore, UNESCO, and UNESCO-IHE to support APWF's *KnowledgeHubs* initiative under KRA 1 for developing knowledge and lessons, for which progress is reported separately. (www.apwf-knowledgehubs.net)

KRA 3: Increasing Public Outreach

10 ADB is leading work for KRA 3 for improving public outreach in collaboration with JWF, Asian Broadcasting Union, and other interested organizations. Initial activities have included television documentaries, and the publication of the *Asian Water Development Outlook 2007* which was commissioned to inform water leaders in the region, including those attending the 1st Asia-Pacific Water Summit. Preparations for the *Asian Water Development Outlook 2010* have started. ADB's *Water for All* website (www.adb.org/water) and online water knowledge center (www.adb.org/water/knowledge-center) continue to offer updated news as well as knowledge products and stories from around the region.

JICA Expenditures on technical cooperation from 2007 to 2008¹²

11 JICA invested \$ 67 million for technical cooperation in the water sector to promote capacity development.

12 In terms of sub-sector expenditures, \$ 14.20 million (21.1%) were invested in the water supply sub-sector, \$ 14.16 million (21.0%) in the water resources development sub-sector and \$ 12.31 million (18.3%) in the water environment sub-sector.

13 As an example, the Project for Capacity Building for Water Supply System in Cambodia (Phase 2) is on-going to improve capacity on operation and maintenance of water supply facilities in eight provincial water utilities. In this project, staff of the Phnom Penh Water Supply Authority (PPWSA) are playing an important role as trainers with assistance provided by Japanese experts. The project is aimed at broadening capacity base of Cambodian waterworks utilizing resources of leading organization PPWSA.

JICA Experts Dispatched from 2007 to 2008

14 JICA dispatched 430 experts to Asia and Pacific Region as a driving force for capacity development. 116 experts (27.0%) were assigned to the water environment sub-sector. 96 experts (22.3%) were assigned to the water resources development sub-sector, 90 experts (20.9%) to the water supply sub-sector and 59 (13.7%) to the river management and Sabo sub-sector.

Participants Trained from 2007 to 2008

15 In total, 680 participants from other countries received training, 172 participants received training in the water environment sub-sector, accounting for 25.3%, 151 participants (22.2%) in the irrigation sub-sector and 119 participants (17.5%) in the river management and Sabo sub-sector.

JICA's facilitation on grand aid projects from 2007 to 2008

16 JICA facilitated the implementation of Japan's grant aid projects, whose total amount was \$ 128 million. In terms of sub-sector, a significant amount of the investment, \$ 62.53 million (48.9%), went to the water supply sub-sector, followed by the river management and Sabo sub-sector, \$ 27.79 million (21.8%), and the irrigation sub-sector, \$ 25.95 million (20.3%).

¹ As amounts and percentages are rounded off, they may not match their total.

² Expenditures in dollars are calculated by converting the yen amount at the exchange rate of US\$1=117.8 yen as designated by DAC for 2007.

JICA's pledge on yen loans from 2007 to 2008

17 JICA concluded \$ 2,712 million loan agreement for Japanese yen loans in the water sector. In terms of sub-sector, a significant amount of the investment, \$ 1,060.44 million (39.1%), went to the water supply sub-sector, followed by the sewerage system sub-sector, \$ 769.53 million (28.4%), and the water environment sub-sector, \$ 340.81 million (12.6%).

18 As an example of innovative financing, JICA, in collaboration with USAID, established the Philippines Water Revolving Fund, as a mechanism to mobilize the local private bank's resources to the local water utilities of the cities in the Philippines. The main feature of this mechanism is the combination of USAID's credit guarantee facility and Japan's concessional ODA loan with a longer maturity. The local water utilities of the cities in the Philippines are not credible borrowers from the private banks' viewpoint. Therefore, credit enhancement by USAID's credit guarantee is necessary. Although the loan maturity from a private bank can be extended up to 7 years if a credit guarantee is provided, the water project needs a longer maturity term, i.e. 20 years. The private bank's loan alone cannot fulfill the time requirement of the water project. Therefore, by being blended with Japan's ODA loan with a maturity of 30-40 years, the private bank is enabled to provide financing to the water project.

Gap, Objective and Clients

19 The water financing and capacity development initiatives supported by ADB and JICA seek to increase investments in water services and water resource management and thereby help to close the financing gap that holds countries back from meeting the MDG targets and achieving water security. Clients include national and local government agencies, water service providers, river basin organizations, and other water organizations.

End of progress note.

Updated: 24 June 2009