

## Asia Pacific Water Forum

### Outline of Recommendations for Priority Theme A: Water Financing and Capacity Development

#### I. Background

1. The Asia-Pacific Water Forum (APWF) is an independent, not-for-profit, non-partisan, non-political network. Launched in September 2006, APWF has a matrix structure with lead institutions for five key result areas (KRAs) and three priority themes.<sup>1</sup> APWF is focused on the Asia-Pacific region; APWF's objectives/ goals complement ADB's recently announced Water Financing Program 2006-2010; and APWF will provide a common platform for Developing Member Countries (DMCs) to discuss water issues. Such a platform is crucial for policy dialogue between donor communities and the DMCs.

2. The Japan Water Forum (JWF) hosts the secretariat for APWF. The 1st Asia-Pacific Water Summit (first Summit) will be held in Beppu City, Japan, on December 3-4 2007. ADB is designated as the lead institution for the priority theme on water financing and capacity development in cooperation with JBIC, and the Key Result Area (KRA) on increasing public outreach.

3. This outline of recommendations is prepared as part of the initial activities under the Priority Theme A for the first Asia-Pacific Water Summit. The recommendations provide a clear picture on how to meet the objectives of the priority theme on water financing and capacity development in an efficient and sustainable manner. The priority theme on water financing and capacity development aims to increase targeted investments for water and sanitation infrastructure and for human resources development in the Asia Pacific region.

4. ADB has commissioned a report on the Asian Water and Development Outlook. This report is being prepared by leading water experts in the region, and will be completed in coming months.

5. The report will enable the leaders and policy-makers to articulate concrete results of their commitment to address water sector challenges in their countries and the region. It will showcase champions who have successfully overcome challenges and delivered results. Business as usual is no longer an option.

#### II. Issues

6. The Asia - Pacific region generally has performed well in improving access to and management of water. However, rapid population growth, urbanization, and the underperformance of existing water assets mean there is still a significant shortfall in meeting the region's needs.

7. In 2002, based on "Asia Water Watch 2015 – Are Countries in Asia on Track to meet Target 10 of the Millennium Development Goals?" (AWW 2015), despite the substantial improvement in access to improved drinking water supplies in the Asia - Pacific Region (around 3.16 billion people - 82% of the population - in the Asia - Pacific region had access to improved water supplies, up from 74% in 1990), formidable challenges remain. Approximately 669 million people in the region were still without access to safe drinking water. Aggregate figures also

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<sup>1</sup> [www.apwf.org](http://www.apwf.org)

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mask dramatic disparities between the subregions, between nations within subregions, and even between different parts of individual countries.

8. With the availability of 2004 data, ADB made another assessment, but this time limited to ADB's Developing Member Countries (DMCs). Good progress has been made in many countries in the Asia - Pacific but much still remains to be done if the MDG target is to be met. From 2002 to 2004, an additional 117 million people were served with drinking water supply, increasing the coverage from 80.9% in 2002 to 81.1% in 2004. However, alarming challenges remain in DMCs. In 2004, approximately 635 million people in the region were still without access to safe drinking water. 545 of these live in the rural area.

9. The story for sanitation is less satisfactory. Based on AWW 2015, coverage for improved sanitation in the region lags behind the rate needed to attain the MDG target. As of 2002, less than half of the population of the region had access to improved sanitation facilities. Of the 2.6 billion people in the world without access to improved sanitation facilities, 2 billion are in the Asia - Pacific region.

10. ADB also made assessment on DMCs' progress in sanitation with 2004 data. Good progress has been made in many DMCs but much still remains to be done if the MDG target is to be met. From 2002 to 2004, an additional 117 million people were served with sanitation services/facilities, increasing the coverage from 42.8% in 2002 to 44.7% in 2004. However, alarming challenges still remain in DMCs. In 2004, approximately 1,862 million people in the region remain unserved. 1,498 of these live in the rural area.

11. Moreover, the region's fresh water resources – our river basins, watersheds, wetlands and ecosystems – are in peril from pollution, inadequate management and climate change. It is anticipated that climate change will make water shortages more serious. Adaptation to the effects of climate change should be considered in order to secure limited water resources. In short, Asia's water challenges are of massive proportions.

12. Rapid population growth in the Asia - Pacific region over the past decade has led to ever-increasing demands for water and sanitation services, which require greater investments in water projects. Investments to provide people with improved access to safe drinking water and decent sanitation facilities, allocate and preserve water resources, manage wastewater properly, and construct flood control and irrigation facilities, have fallen seriously behind demands.

#### Achieving Target 10 of MDG

13. Improvements in the MDG indicators for income levels, hunger, communicable diseases, maternal and child mortality rates, and environmental sustainability rest on many factors. But all have one factor in common: Water. Water is essential to sustain life, provide food, and create the conditions for higher levels of health, education and income. Investing in the water sector embodies the intent of "Human Security," which is to create systems that give people the building blocks for survival, dignity and livelihood.

14. The Asia Water Watch 2015, a study commissioned by ADB, World Health Organization (WHO), United Nations Development Programme (UNDP), and United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), estimated that an annual investment of at least \$8 billion will be needed in the Asia and Pacific Region over the next decade if countries are to meeting the MDG targets for safe drinking water and sanitation (Target 10). The greatest proportion of these financial needs is in the South and the Southwest Area subregion, followed by the East and the Northeast Asia. In terms of numbers of unserved

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people, the largest numbers are found in India and the People's Republic of China. Because Asia bears the majority of the world's poor, achieving Target 10 in this region would make a significant contribution toward attaining the global target. The achievability and affordability of meeting Target 10 in Asia and the Pacific raises an interesting possibility: Political leaders can afford to confidently set more ambitious targets than the MDGs and advance their countries toward greater levels of social and economic development. It is not a matter of possibility, but a matter of willingness.<sup>2</sup>

### Water Resources Management

15. An investment in the water sector is an investment in all of the MDGs, not just Target 10. The impact of water sector investments directly targeted at poor consumers is anything but subtle. Safe water supplies immediately improve people's health and save them time, which they can use to study, or improve their livelihoods, so they can earn more, eat more nutritiously, and enjoy healthier lives. On the other hand, improved sanitation protects the poor from socially and physically degrading surroundings, health risks and exposure to dangerous environmental conditions.

16. Significant investments are also needed in irrigation services, river basin management, flood management and mitigation, and wastewater management. Investments in water are crucial to meet the broader MDG targets of reducing poverty, hunger, child and maternal mortality and the incidence of major diseases, and to improve environmental sustainability. Clearly, this is a major challenge, and one that is complicated by a wide range of governance, institutional, social, environmental and political issues. There is also a need to drastically reduce the vulnerability of populations to water-related disasters. The Asia - Pacific region accounted for 91% of the world's total deaths due to natural disasters and 49% of the world's total damage due to natural disasters in the last century.<sup>3</sup> With regard to climate change, the numbers of typhoons and cyclones as well as drought-affected areas have been increasing. Disaster risk management and expansion of irrigation facilities with participation of communities need to be promoted.

17. In general, it is clearly understood that the principal challenge is not in the technological aspects (hardware component) of water supplies and sanitation and other water sector developments and resources management, but more in the soft components, especially: (1) leadership and commitment; (2) the need for an appropriate policy environment, legal and regulatory framework; (3) capacity development of service providers; and (4) innovative financing mechanisms attractive to potential investors, especially the private sector, to boost investment in the water sector with active participation of stakeholders – not only from the water sector but also in the health, education and other sectors concerned.

### **III. Recommendations/Key Messages**

#### **Water Problems of DMCs are Manageable**

18. A key message emerging from our experience is that the region currently has a reasonable level of knowledge, experience and technology to solve its water problems. The solutions may differ from one country to another, and even from one part of a country to another, because of differing physical, climatic, economic, social, environmental, legal and institutional

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<sup>2</sup> ADB. 2006. Asia Water Watch 2015. Available: <http://www.adb.org/Documents/Books/Asia-Water-Watch/default.asp>

<sup>3</sup> ADB. Technical Assistance Report: Supporting the Asia-Pacific Water Forum

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conditions. However, the knowledge base to structure proper solutions is currently available from the lessons learned in the Asia - Pacific region. Still, to formulate and implement solutions in a timely, cost-effective, pragmatic and high-quality manner will require significant additional investment funds, strong political will, and appropriate capacity development at all levels. Specific recommendations are as follows:

**Give water and sanitation a higher priority on the national, regional (Asia-Pacific) and international agendas.**

19. Although the world community committed to work together to meet the MDGs, with the current trend or progress of compliance, it is unlikely to meet Target 10, generally, in the Asia - Pacific region. Attaining Target 10 will be important to improve the socio-economic and environmental conditions of the developing countries in Asia - Pacific region. However, a firm and continuing commitment of the concerned decision-makers and political leaders is necessary. Hence, it is time to put water and sanitation high up on the national, regional (Asia-Pacific) and international agendas.

**The principal challenges will not be technological – the hardware of water sector development – but rather the soft issues<sup>4</sup>.**

20. Decision makers need to address a range of issues in the following four core areas that reflect the key constraints identified in the UN MDG Task Force report:

- **Policy, legal, and regulatory reform.** Reform is an essential pre-condition for sustainable and effective change. Governments should ensure that a supportive environment exists for sustained efforts in the sector and should clearly define the roles, rights, and responsibilities of all actors. Special attention should be given to defining policies that target the specific needs and opportunities of the poor for enhancing human security through improved access to water supply and sanitation.
- **Planning and technology choices.** The range of technology and management choices must be broadened to include developing innovative, low-cost technical choices that can be implemented by poor communities. How technology can be used by communities and the participation of those communities in the planning process should always be taken into consideration. For water supply, this should include approaches such as small pipe water networks<sup>5</sup> for urban fringes and densely settled rural areas, as well as innovative technologies to ensure adequate water supply. **In addition to those approaches, performance of existing water supply system should also be improved through the rehabilitation of the facilities to ensure sustainable water supply. For instance, lessening non revenue water through the application of the best practice models or strengthening water security by introducing WHO's water safety plan might help promote sustainability of water services.** For rural sanitation, scaling-up of ideas for approaches that accomplish both safe use of wastewater and excreta and ecologically sustainable sanitation needs to be considered, where these approaches make a real impact at a national level. For urban sanitation, promotion of appropriate community based

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<sup>4</sup> ADB. 2006. Asia Water Watch 2015. Available: <http://www.adb.org/Documents/Books/Asia-Water-Watch/default.asp>

<sup>5</sup> <http://www.adb.org/media/printer.asp?articleID=10235>

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solutions<sup>6</sup> in the slums should be considered, in addition to the prevailing ordinary sewerage systems.

- **Financing mechanisms.** Investment environments (especially those that encourage small private sector investments) and effective cost recovery mechanisms should be made accessible. Two aspects of this issue are particularly important: (1) the establishment of more effective and diverse credit and financial management systems that are accessible and affordable by the poor; and (2) the development of a regulatory regime that encourages investments by the private sector, and especially by local small-scale entrepreneurs. The introduction of Public-Private-Partnership (PPP) schemes and financial mechanisms for local water operators should also be considered.
- **Institutional reform and capacity development.** Reform should include capacity building, introduction of more appropriate management systems, and more effective institutional coordination between all players. This is particularly the case among government agencies, but there is also a need to build better links between government, the private sector, civil society, and community-level organizations. While the issue covers a wide range of different aspects of institutional processes, three critical gaps need to be addressed: (1) strengthening decentralization processes and building the capacity of local government agencies; (2) supporting the development of local private sector providers by developing effective market systems; and (3) reducing fragmentation and clarifying uncertainties over mandates that often characterize the water supply and sanitation sector, as well as the management of the water resource.

**More investment in the water resources sector is necessary to achieve MDG Targets in Asia and the Pacific. It is not a matter of possibility but a matter of willingness.**

21. As explained above, a regional, recurrent investment of just \$8 billion a year would ensure that Asia and the Pacific meets Target 10 and continues to expand coverage beyond 2015. Since urban and rural areas have different development needs and issues related to water, we should take account of the differences when formulating our cooperation strategies. For instance, urban areas, particularly slums, need water supply and sewage water treatment, poverty reduction, and flood control, while rural areas need water supply, sanitation, irrigation and water resource development.

22. While internal funds may not be available in some of developing countries, financial support is available through several external support agencies or institutions, as well as through the private sector. At the same time, appropriate finance mechanisms such as proper cost-sharing between governments and users and utilization of the additional resources accrued from recent rapid economic growth for much needed works such as sewerage and sanitation should also be created.

23. To address these concerns, ADB in 2006 announced a significant Water Financing Program (WFP) intended to double its investments in water to over \$2 billion annually, and to increase its technical assistance for preparing feasibility studies and long-term capacity building programs across the sector. ADB has also established a Water Financing Partnership Facility to

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<sup>6</sup> These include community toilets, and condominium sewerage connection systems

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support WFP. Currently targeted at \$100 million, the facility will provide resources that augment knowledge development and capacity building.

24. Japan is also expected to play an important role. Japan has been the most active donor in water sector in this region, allocating 20% of ODA loan and 7% of grant aid for solving water issues, and is committed to continue to play an active role. In addition, new JICA, which will be established in October 2008 through merging JICA and JBIC, and consolidation of technical cooperation, grant and loan aid of Japan's ODA, will bestow aid modalities for both investment and capacity development. It is, therefore, expected that the new JICA will be able to address issues related to water with more flexibility and mobility.

25. The money is available. What is needed now is firm political will and commitment to invest in water and sanitation, to preserve and upgrade the environmental condition of our scarce water resource, and to show leadership toward proper reforms and real capacity development in the region.

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