

Towards financial sustainability of water management in Asian cities

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Urban water management involves more than drinking water supply and sanitation

- Sourcing water
- Drinking water supply: treatment, distribution
- Wastewater management (collection, treatment)
- Stormwater management
- Flood management

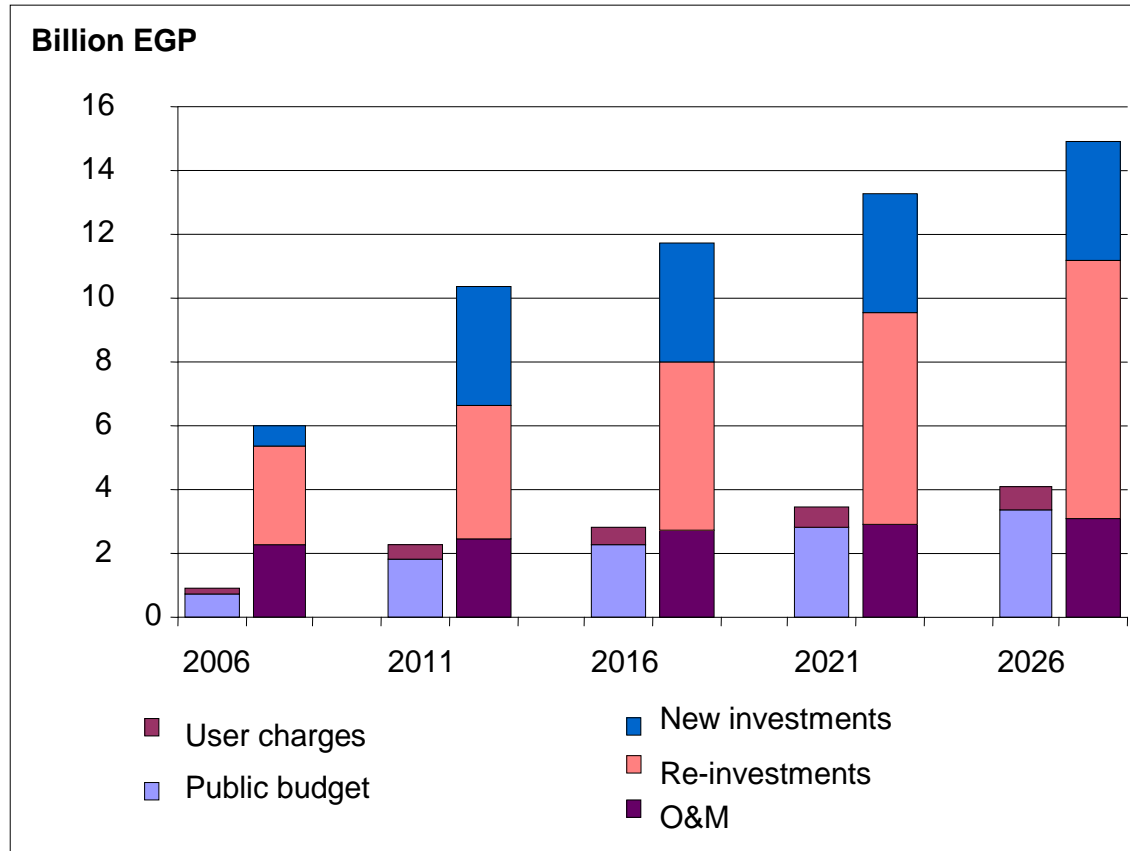
UWM requires substantial financial resources

- Funding infrastructure
 - New investments
 - Rehabilitation
 - Operation and maintenance
- Funding “governance”
 - Information systems, planning
 - Co-ordination, stakeholder engagement
 - Administration, enforcement and compliance

Cities need to ensure the financial sustainability of their water management

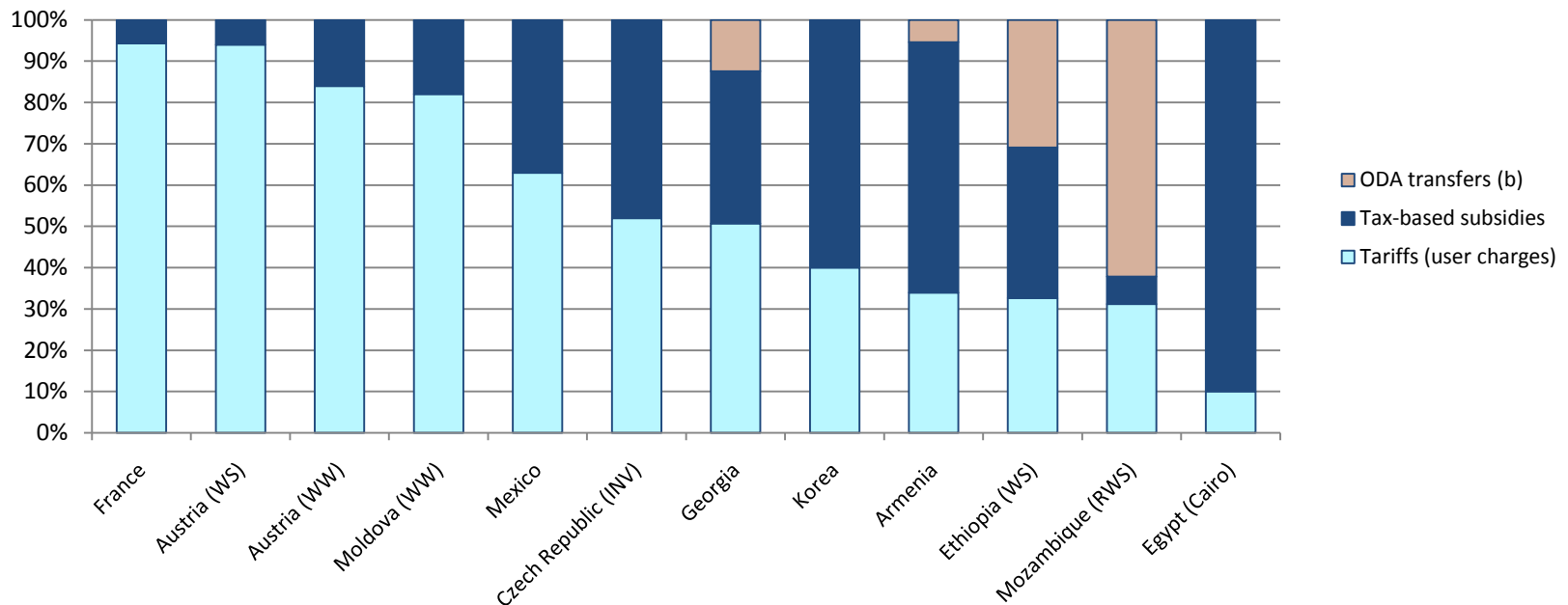
- Over time, revenues need to meet costs
- This is independent of the model for service delivery
- Utilities perspective: “sustainable cost recovery”
- There are only three sources of revenue (3Ts):
 - Tariffs and other user charges
 - Tax-based subsidies
 - External transfers (ODA)

Example: Greater Cairo faces a large and growing financing gap



Each country and city needs to define its financing model

Financing of water supply and sanitation - sources of revenue in selected countries
 Shares of tariffs (user charges), tax-based subsidies and official development assistance (ODA) transfers ^(a)



a. Data refer to different years, from 2005 to 2007.

b. Includes official development assistance (ODA) grants as well as private grants, such as through non-governmental organisations.

(WS) = Water Supply

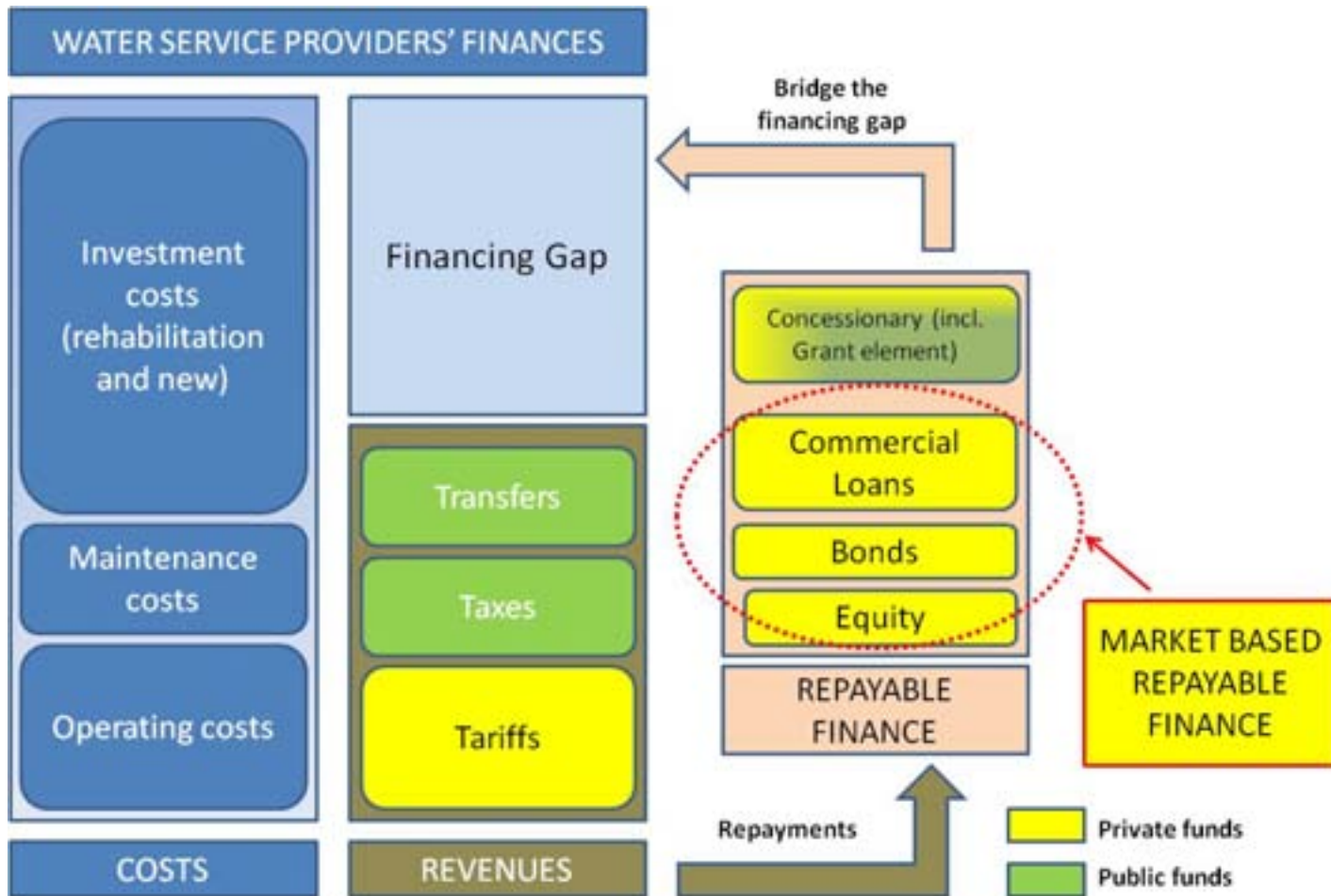
(WW) = Waste Water

(INV) = Investment only

(RWS) = Rural water supply

Source: OECD.

Commercial finance can bridge the financing gap, but does not close it



Financing mechanisms are important, but they should follow from a strategy

- Agences de l'eau in France
- Municipal bonds and water revolving funds in the US
- Water funds in China
- Tamil Nadu Water and Sanitation Pooled Fund in India
- Revolving funds in Vietnam
- Manila Water bond in the Philippines

Cities need to contribute to the financial sustainability of the whole water system

- Most value of water management is created in cities
- Cities rely on water management activities carried out elsewhere
- Cities will have to pay for out-of-city water management costs

Cities need to adopt long-term financial planning for water

- Upfront costs to be balanced with long-term benefits and revenues
- Costs will likely grow over time
- Alternative solutions have different costs structures
- Certain targets may not be financially sustainable over the long term

To close the financing gap, cities need to look at the cost and revenue sides

- Reducing costs
 - Increasing operational efficiencies
 - Demand management
 - More modest targets (timelines, technologies)
- Increasing revenues
 - Tariffs and other user charges
 - Tax-based subsidies
 - Transfers

Launch urban water policy dialogues to develop strategic financing plans

- Strategic financial plans are roadmaps to close the financing gap
- Should be based on robust analysis, but they are not a technical exercise
- Need to involve many stakeholders to develop a consensus about key variables:
 - Acceptable financial contributions from users, local government, other levels of government
 - Acceptable targets (timelines, technologies)

Thanks for the invitation

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