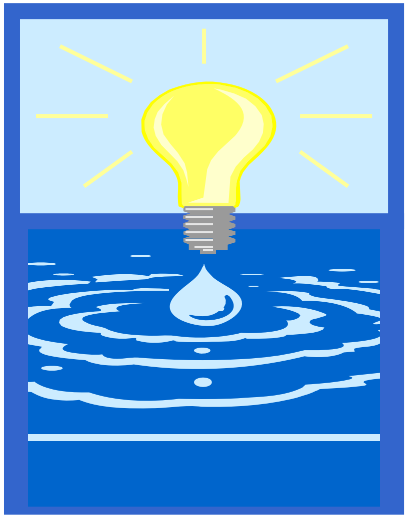


Funding Water Resource Management: A World Bank Perspective

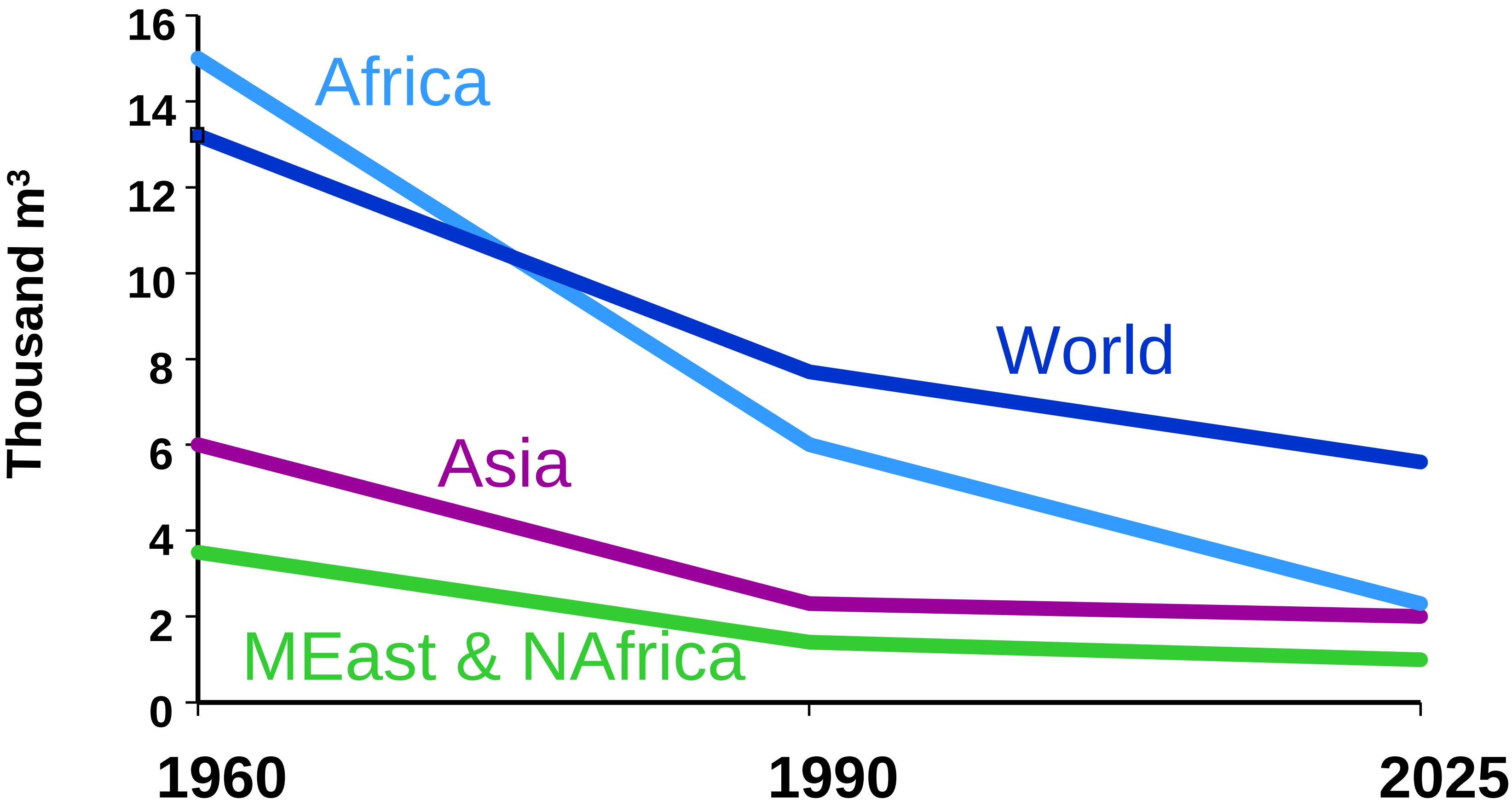
Joseph K. Ingram
Special Representative to the UN and the WTO
The World Bank - Geneva

Graz
September 14, 2005

Key Message 1:
The Development Challenge

Water resource management is a major **development challenge**, as the world's water resources are under rapidly growing pressure

Per capita water availability



Access to water and energy services – sectors face similar challenges

Energy

- ~2 billion without modern energy services
- 2.4 billion rely on biomass for cooking and heating
- Frequent blackouts

- US$ 120 billion per year for developing country power sector investments to 2010

- Climate Change
- Local (urban) and indoor air pollution

Access to Services

Governance

- Increasing effectiveness
- Building local capacities
- Cost recovery

Financing

- Limited fiscal resources for public investment
- Declining flows of private sector investments

Environment

- Health impact

Water & Sanitation

- 1.4 billion without safe water
- 2.6 billion without basic sanitation

- US$ 30 billion a year until 2015

- Safeguarding water resources
- Clean water, sanitation, hygiene

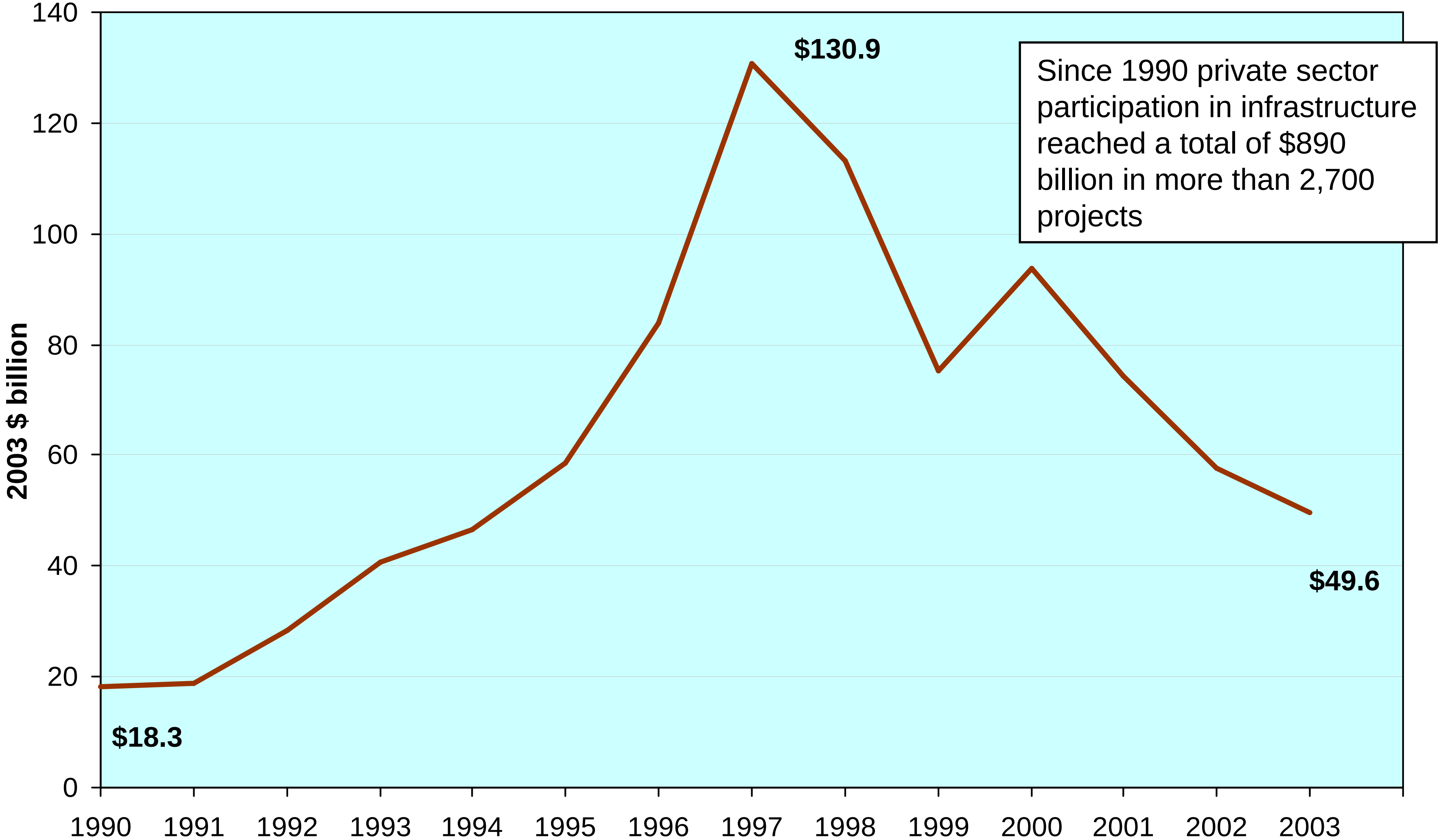
Key Message 2:
The Investment Challenge

Without significant **investments** from public and private sources in water and energy management, many poor economies cannot grow. National development strategies, based on broad-based consultations, need to reflect short-term and longer term priorities.

Risks faced by Investors in the Water and Energy Sector

- Currency risk
  - Volatile financial environment
- Regulatory risk
  - Regulatory framework not implemented
- Payment/performance risk
  - Government fails to pay amounts due
- Sub-sovereign risk
  - investments are often at the sub-sovereign level
- "Affordability risk"
  - Private operators and consumers will not do it all – role of public investments and subsidies

“Rise and Fall” of Private Sector Investments in Infrastructure

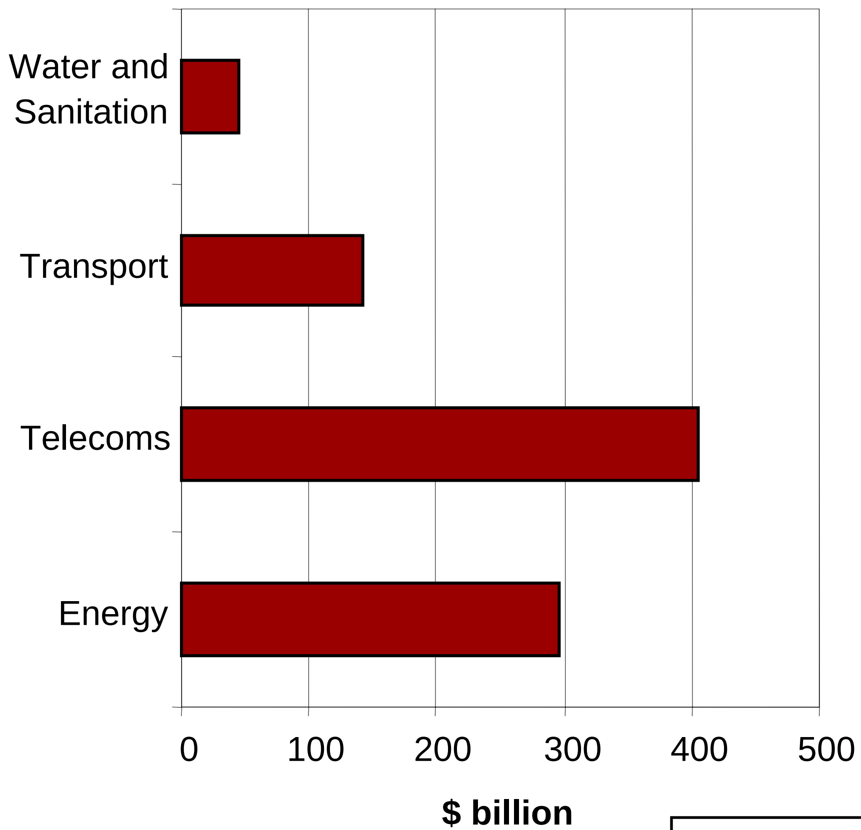


Infrastructure Projects with Private Sector Commitments, 1990-2003

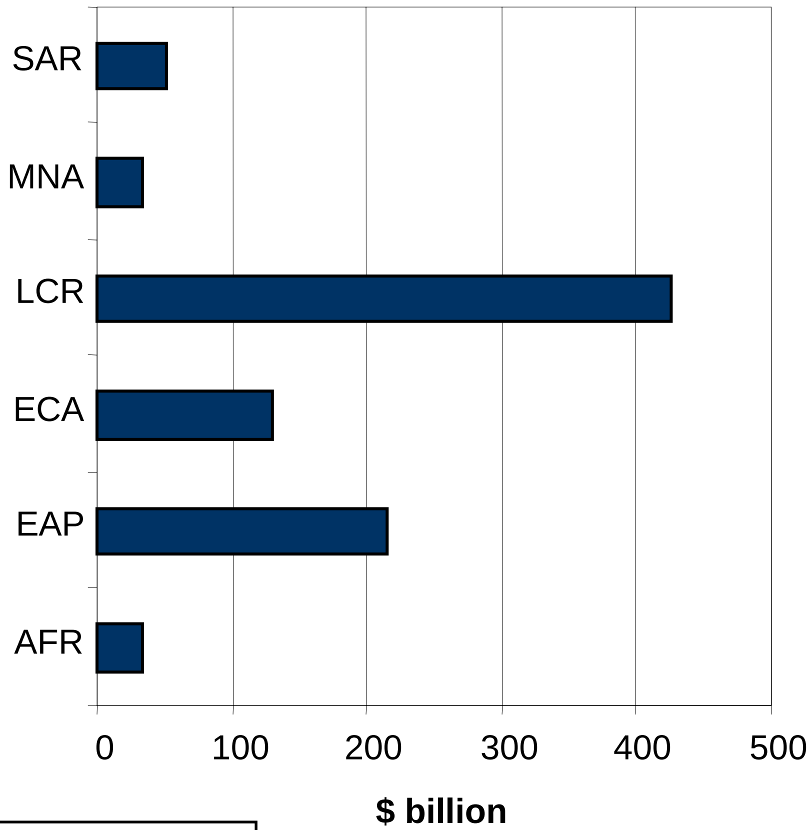
Source: PPI Database

Private Sector in Infrastructure Heavily Concentrated in Certain Sectors and Regions

By Sector



By Region



Total: $890 billion

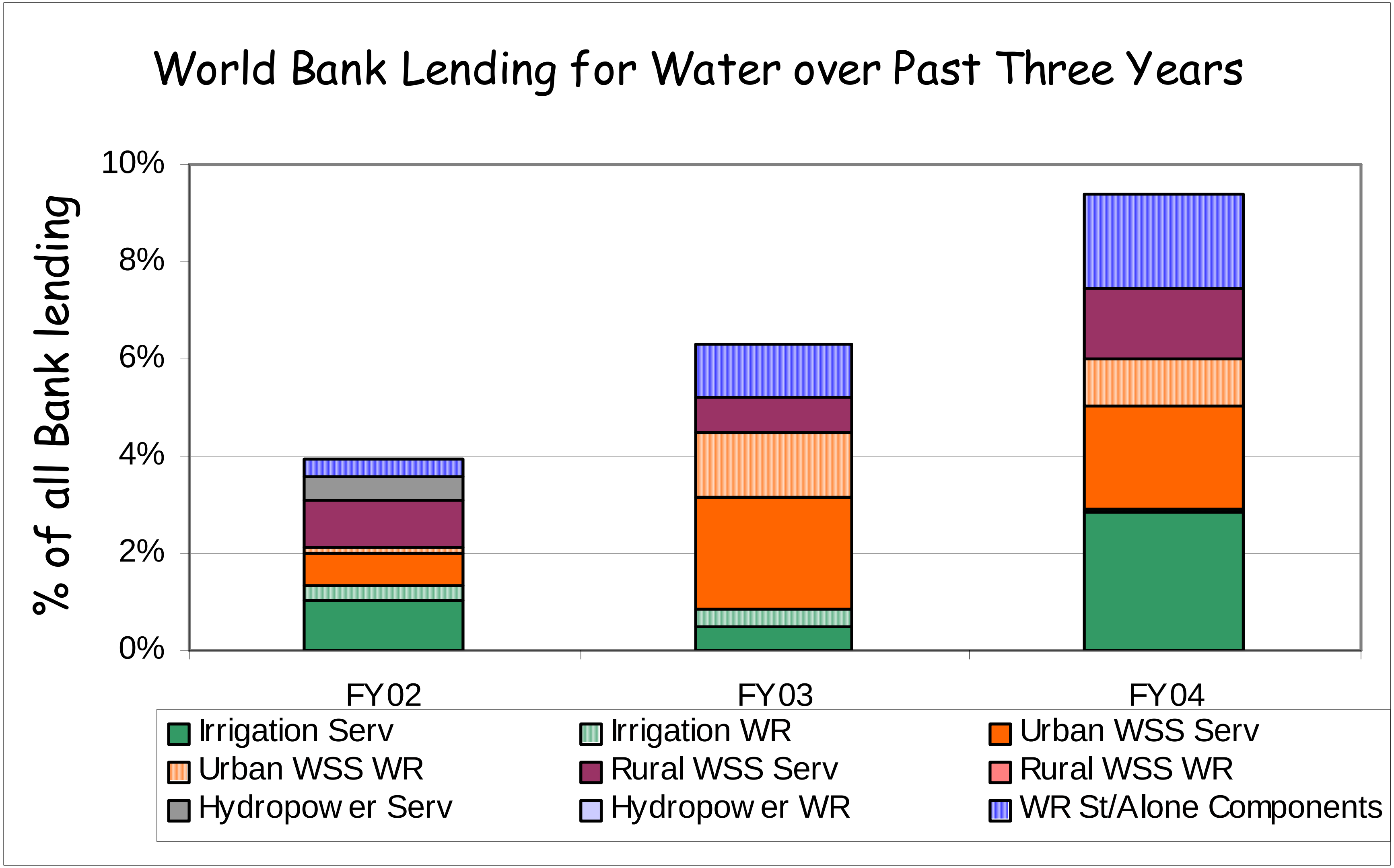
Infrastructure Projects with Private Sector Commitments: 1990-2003

Source: PPI Database

Key Message 3:
The World Bank Response

The Bank's support is aiming to bring the private sector back in through a range of sectoral assistance, financing instruments, and enabling environment.

The Water Sector Strategy & Infrastructure Action Plan: scaling up



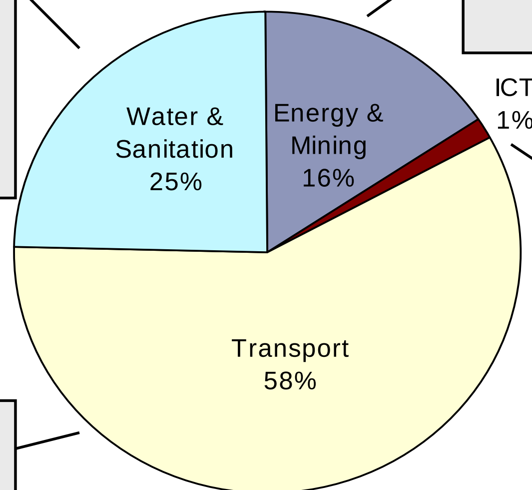
Key Trends in Bank Infrastructure Lending by Sector

Water Supply & Sanitation

- WSS experienced a decline in its lending from US$2.0 billion/year in the mid 90s to $0.5B/year in FY02.
- Strong growth in lending in recent years: from US$0.5 billion in FY02 to US $1.9 billion in FY05.
- Growth in broad multi-sectoral investments, which reflects the growing recognition of the role of WSS in achieving broad development goals.

Energy & Mining

- From FY90 to FY98, lending was at its highest level with an average of US$3.5 billion per year.
- Lending fell to an average of US $1.5 billion per year during FY99-04
- Strong recovery in FY05 reaching a volume of US$1.9 billion.



Transport

- Lending fell from an average of $3,127 million per year during FY90-98 to $2,617 million for FY99-02
- Strong growth in lending recent years: from $2,392 million in FY02 to $3,819 million in FY04
- Single largest infrastructure sub-sector since late 1990s

ICT

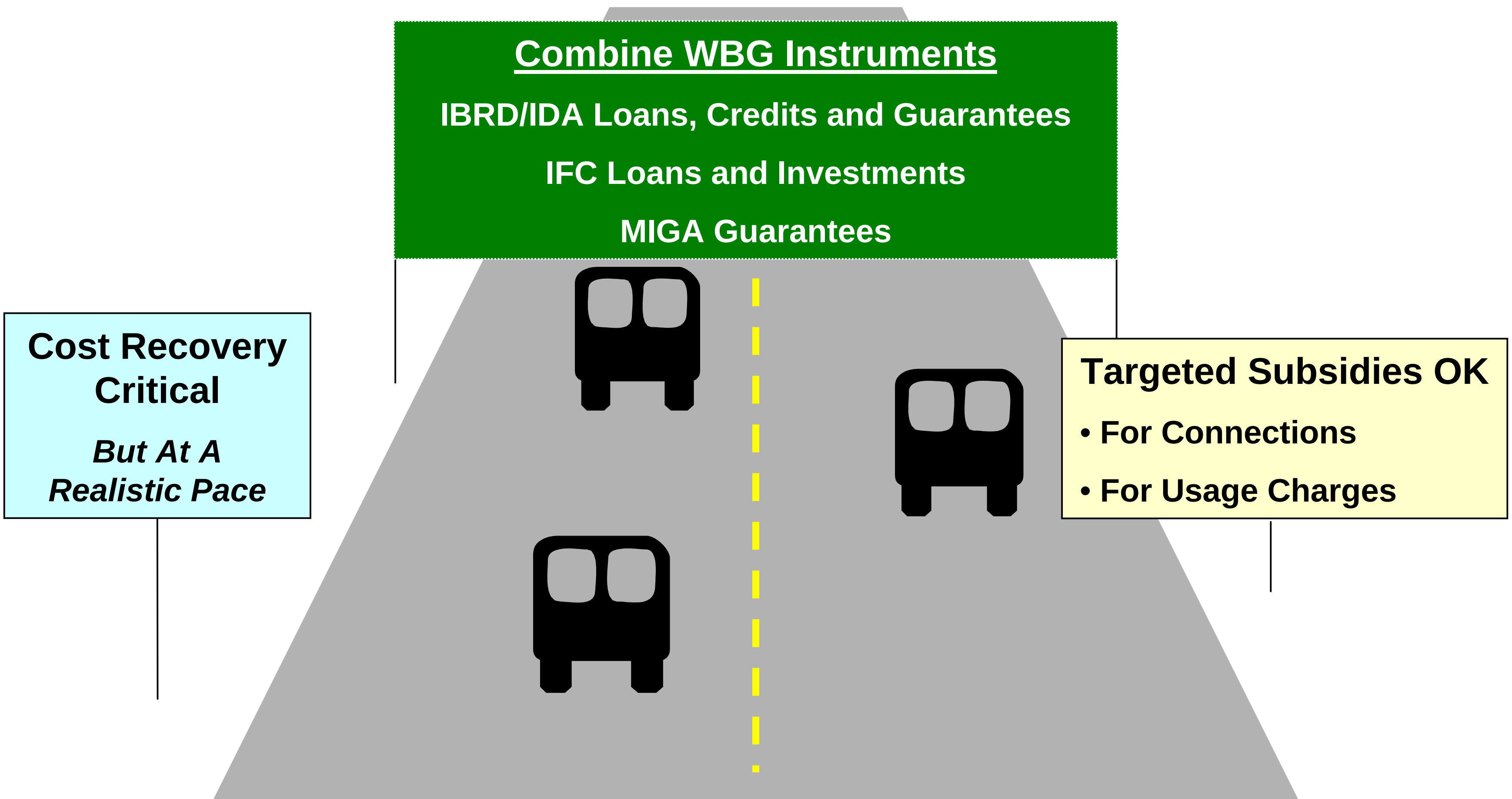
- Small share of overall INF lending: on average 3-4% since 1990
- Steady decline in lending, from an average of $346 million per year during FY90-98, to $186 million for FY99-03, to $97 million in FY04, as we moved away from public telecom investment to policy and capacity building

Sector Percentage of FY04 Lending

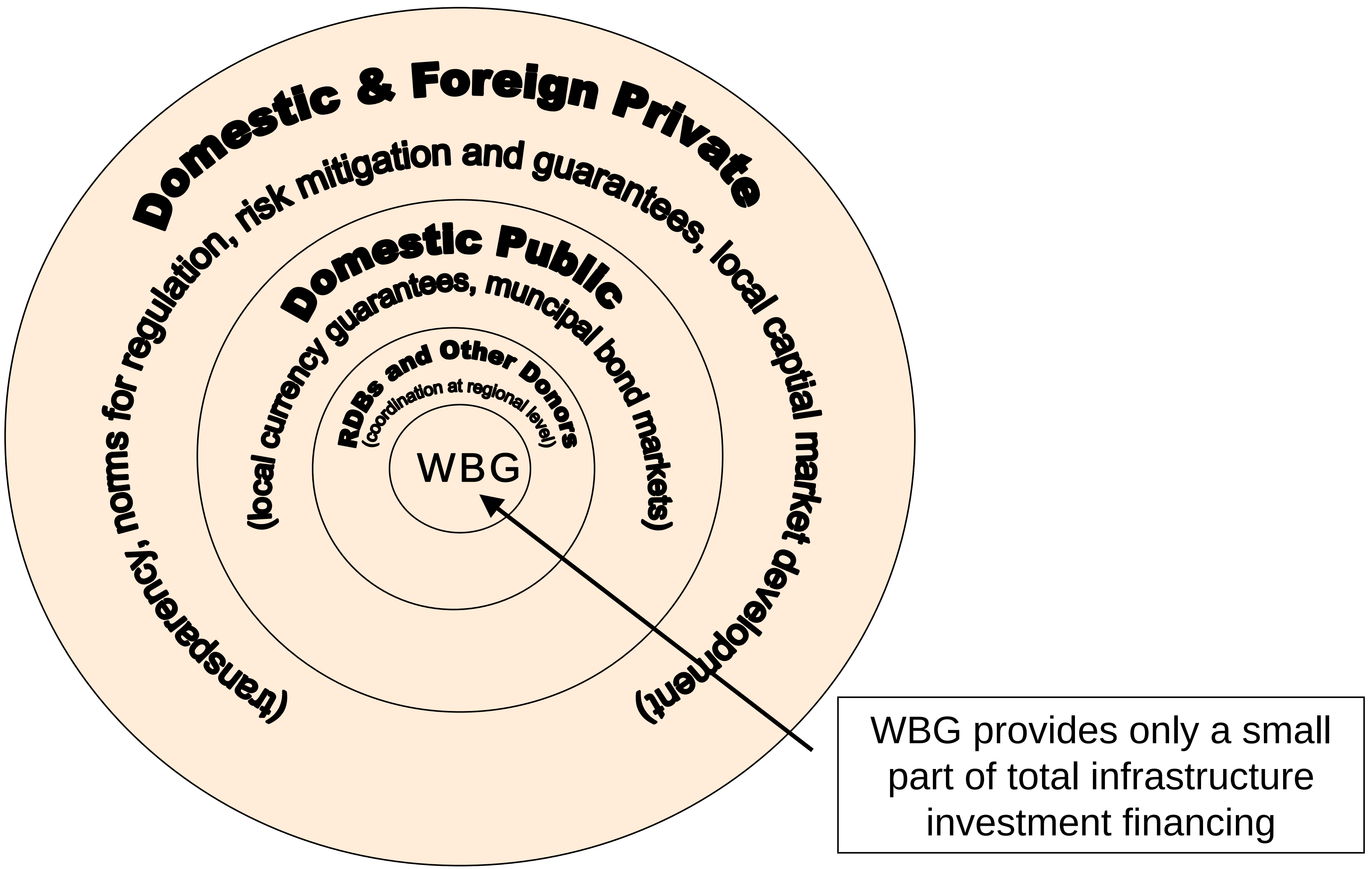
An Evolving Model for Infrastructure Service Delivery

Engagement Anywhere Along the Spectrum

Public ⟷ Private



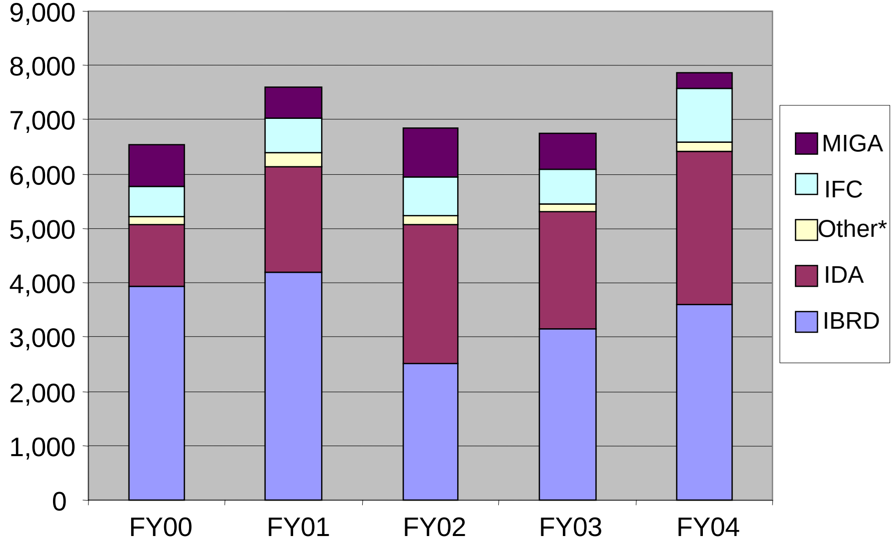
The World Bank Group is seeking to Leverage Funding From All Sources



Direct Infrastructure Lending Represents Only Part of The Bank's Support to Clients

Bank Group Support

WBG Support to Infrastructure ($ million): 2000-2004



- **IFC:** supports infrastructure through equity, debt and guarantees. FY04 commitments to infrastructure reached about $1 billion, representing ~20% of IFC's total commitments.
- **MIGA:** provides support to infrastructure through investment guarantees against non-commercial risks to investors. FY04 guarantee amounts for infrastructure totaled about $300 million, representing ~25-30% of MIGA's business.

*Other includes WB guarantees, GEF and Special Financing

Indirect/Other Bank Support

Infrastructure supports other sectors:

- About 32% of infrastructure activities are components in lending operations of other/non-infrastructure sectors.

Private sector leverage through guarantees:

- Since the early 1990s, the Bank has leveraged $10.7 billion in private capital via $2.9 billion in IBRD/IDA guarantees.

Support for reform through non-lending activities:

- The Bank supports policy dialogue and reform through Economic and Sector Work and Technical Assistance.

Infrastructre Action Plan 2003:
"Back in Business"

Key Messages:

- Reaffirm the critical **importance of infrastructure** to growth and poverty reduction
- Significantly **scale up support** for infrastructure, recognizing long-standing client demand
- Act in a flexible, balanced way with respect to **public vs. private service provision**
- Continue to manage the transition from financing "bricks and mortar" to promoting service delivery with a view to **maximizing financial leverage and development impact**

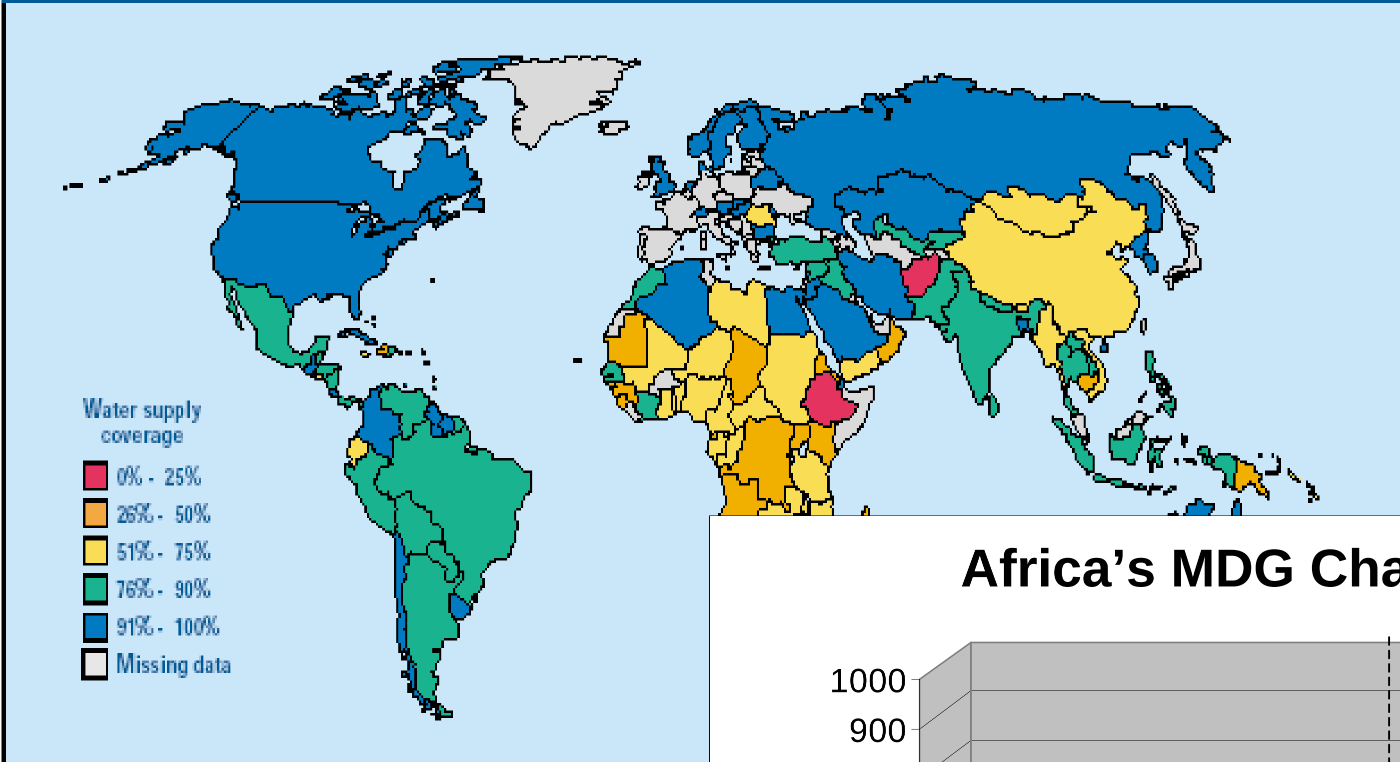
Highlights of Progress Made:

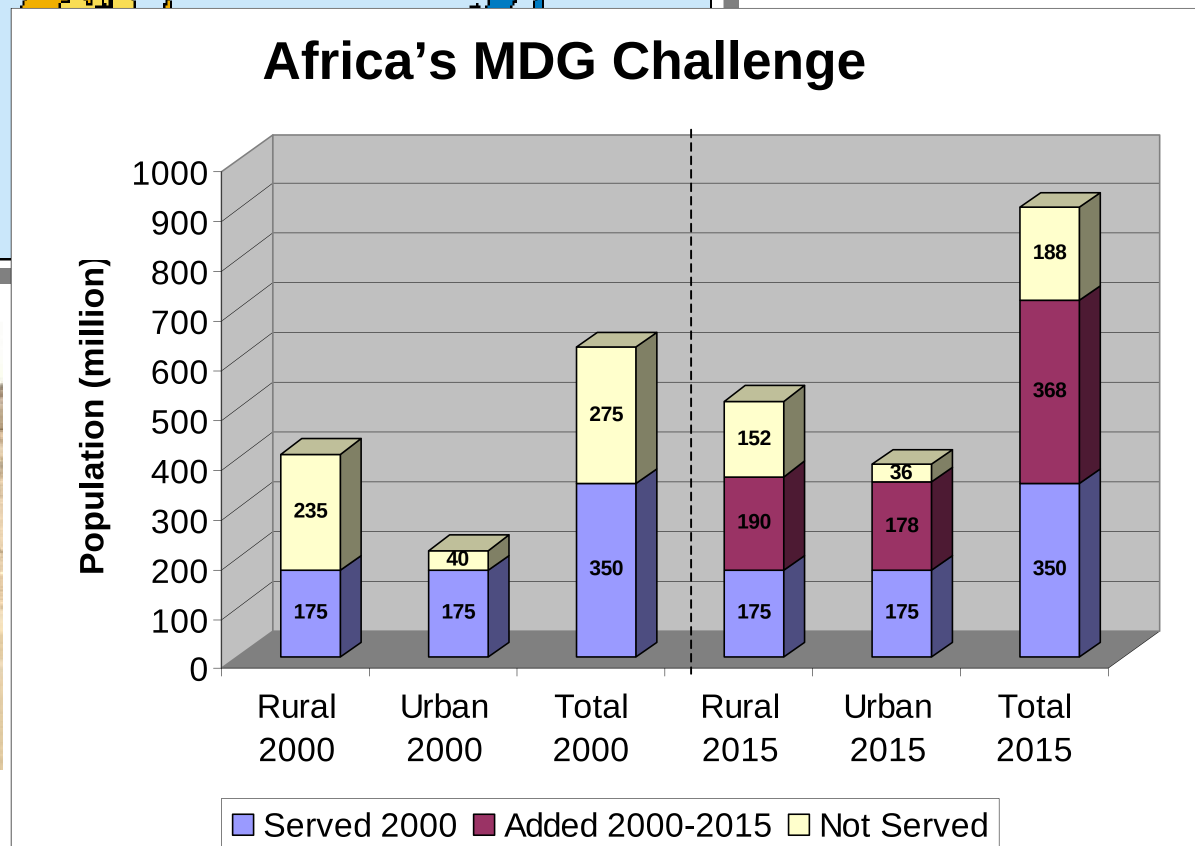
- Increased lending in the last two years from $5.5 in FY03 to **$7.4 billion in FY05**
- Increased infrastructure's share of new annual lending in the Bank from 26% in FY02 to **33% in FY05**
- Continued to develop and increased the **use of new instruments** (e.g. guarantees, output-based aid, and proposed sub-sovereign instruments)
- Expanded beyond country-level to **regional (multi-country) and local level support**
- Took more **proactive approach to governance**, especially on high risk, high reward projects (Chad-Cam. Pipeline; Nam Theun 2; Extractive Industries Transparency Initiative)

BACK-UP

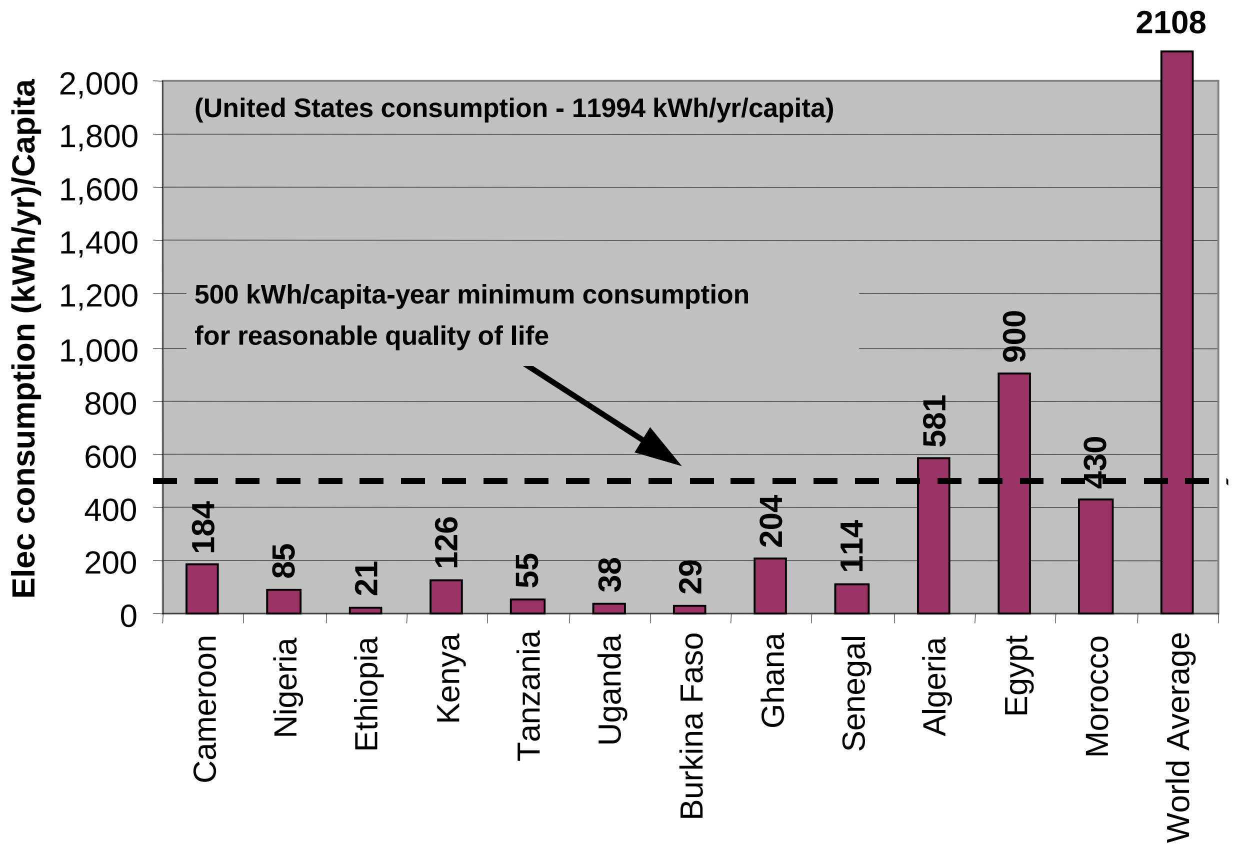
The Water Supply & Sanitation Gap

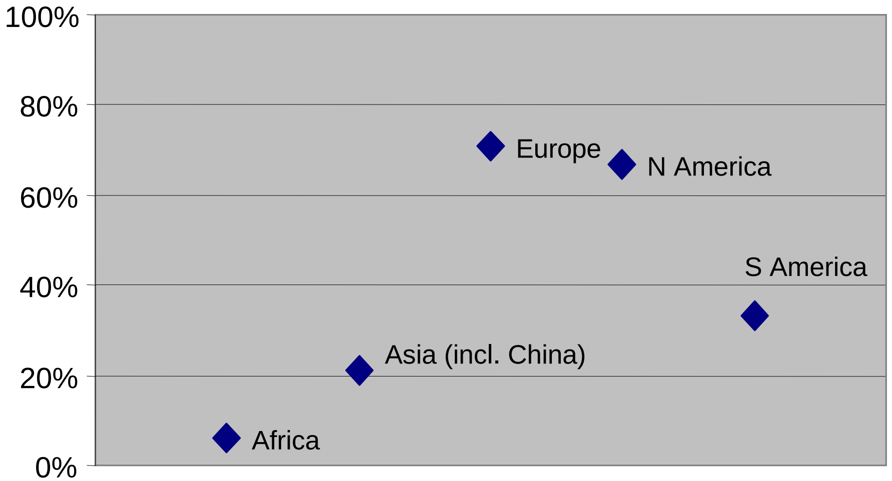
MAP 2.1 WATER SUPPLY, GLOBAL COVERAGE, 2000





The Electricity Gap





Hydropower potential tapped