

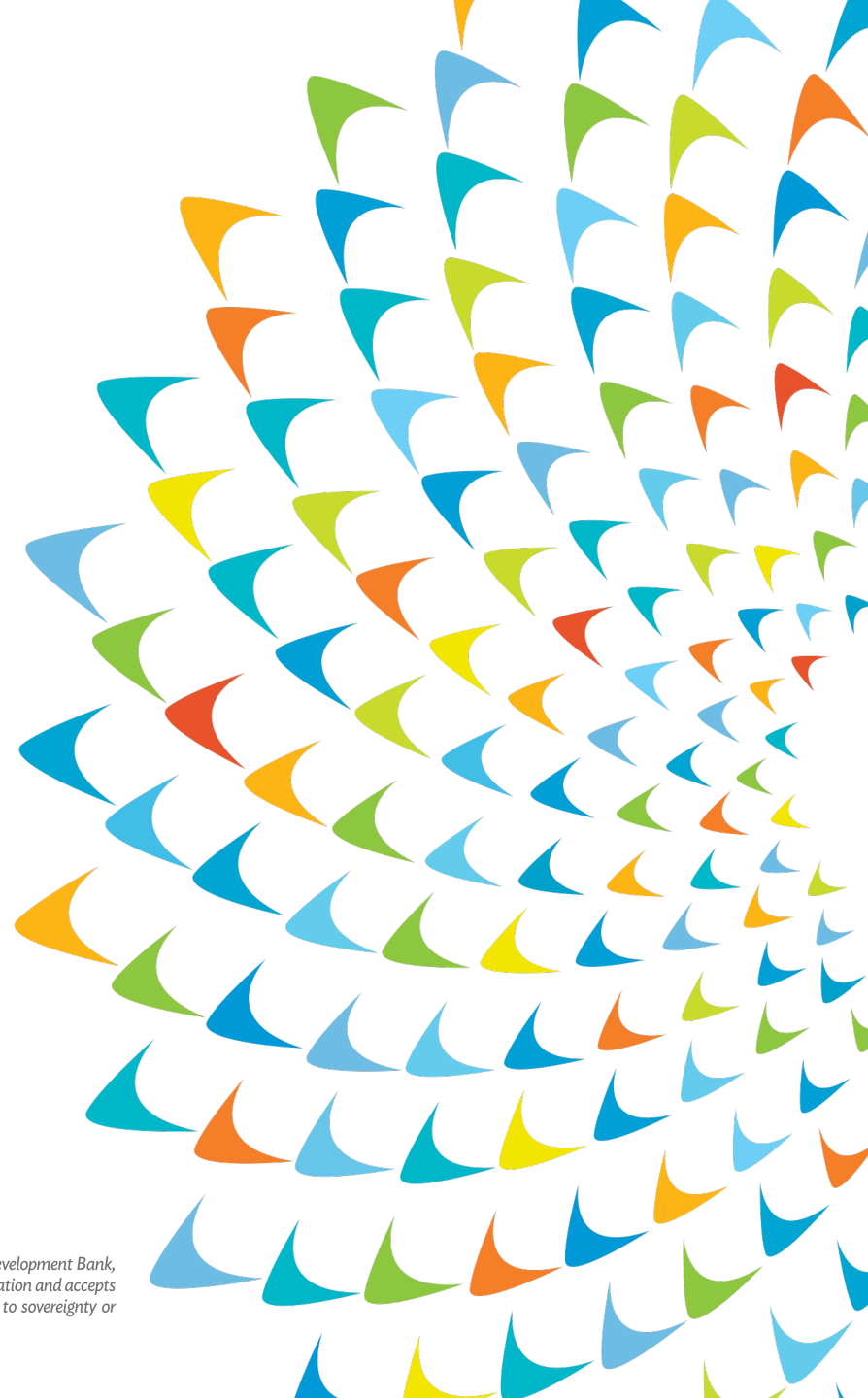


Utility creditworthiness and alternative lending instruments

The Southeast Asia Experience

Stockholm World Water Week
August 2019

The views expressed in this presentation are the views of the author/s and do not necessarily reflect the views or policies of the Asian Development Bank, or its Board of Governors, or the governments they represent. ADB does not guarantee the accuracy of the data included in this presentation and accepts no responsibility for any consequence of their use. The countries listed in this presentation do not imply any view on ADB's part as to sovereignty or independent status or necessarily conform to ADB's terminology.



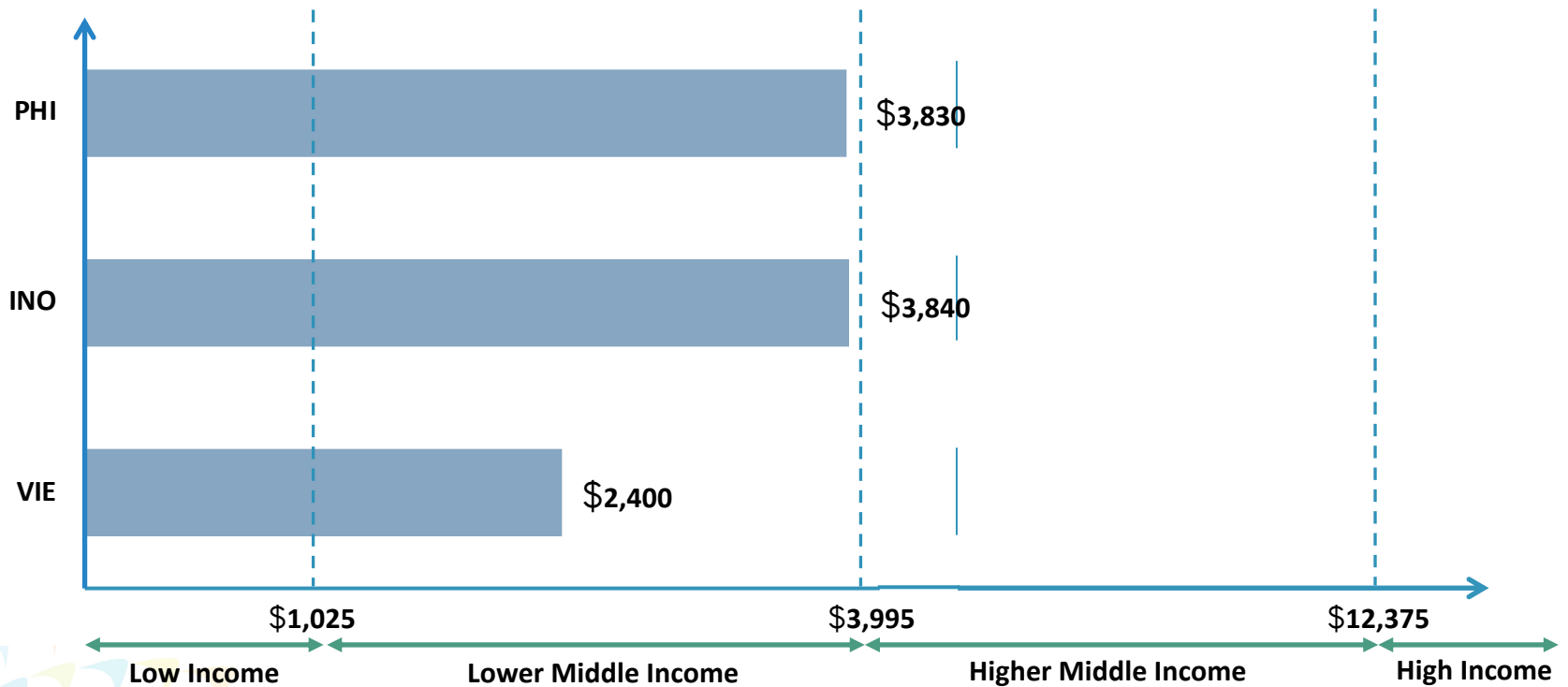
A. ADB's Lending by Modality (FY 2018)

A. Sovereign Financing	\$17.0 billion	88%
▪ Project Loan	\$ 13.9 billion	72%
▪ Policy-based Loan	\$ 2.5 billion	13%
▪ Result-based Loan	\$ 0.6 billion	3%
B. Non-Sovereign Financing	\$2.4 billion	12%
Total	\$19.4 billion	100%

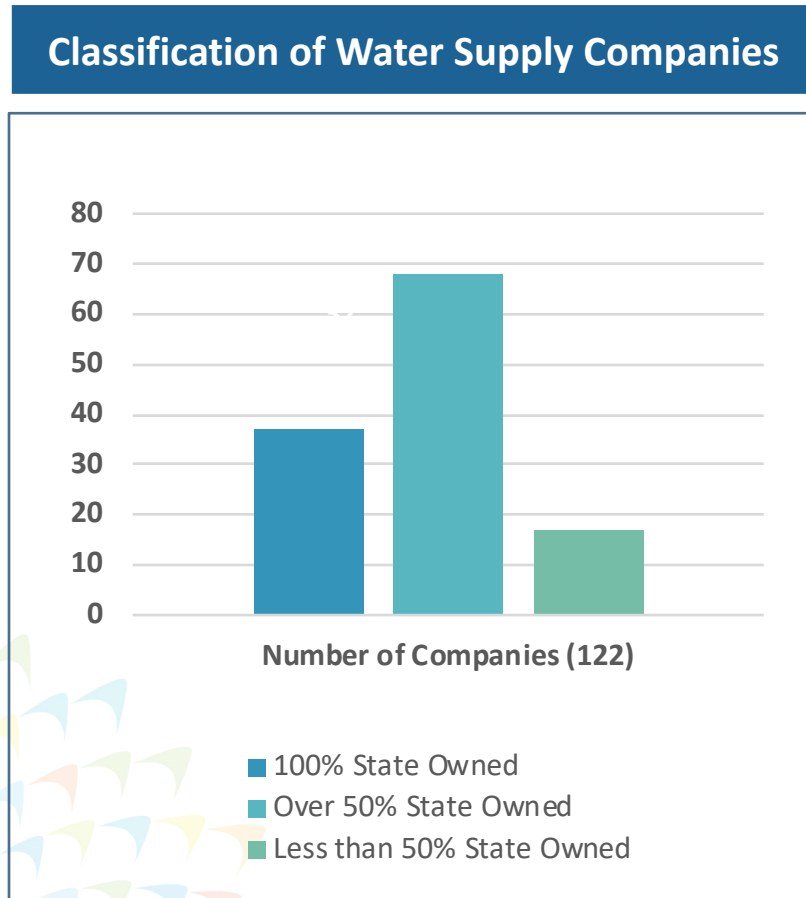
Source: ADB Annual Report, Philippines (2018)

B. Economic growth and graduation

- Gross National Income Per Capita of 3 Developing Member Countries



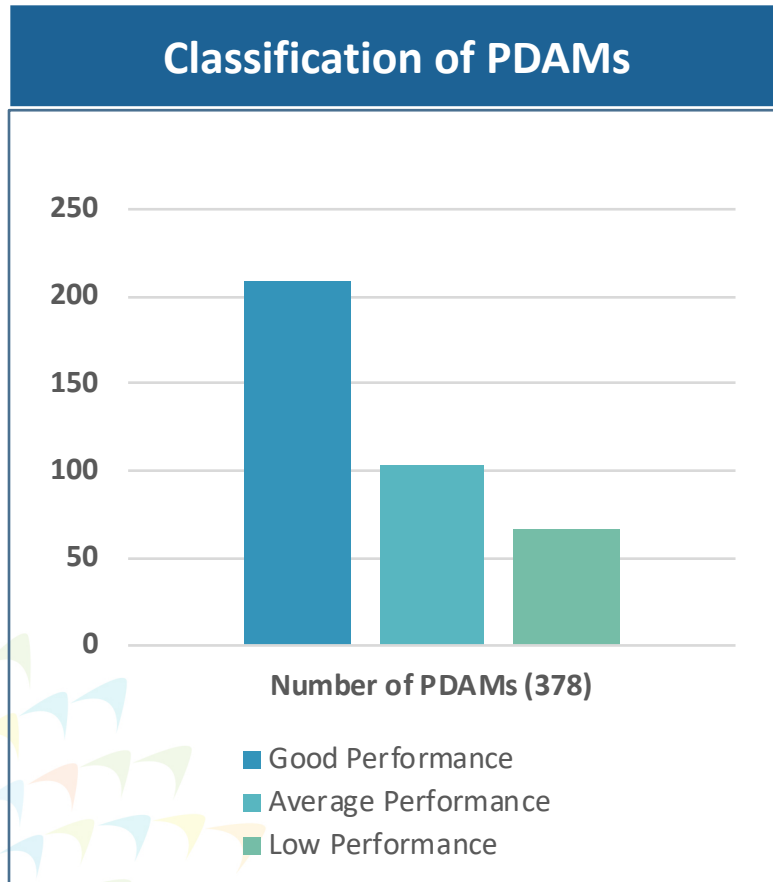
C. Ownership based classification of Water Companies: Vietnam



Source: MOC Consulting Report, Vietnam (2017)

Sectors	Min. State Share	Max. Public Share	Max. FI Share
A. Urban with population of less than 5 million			
▪ Water supply company	51%	49%	49%
▪ Water production plant	0%	100%	49%
B. Urban with population of more than 5 million			
▪ Water supply company	0%	100%	49%
▪ Water production plant	0%	49%	49%

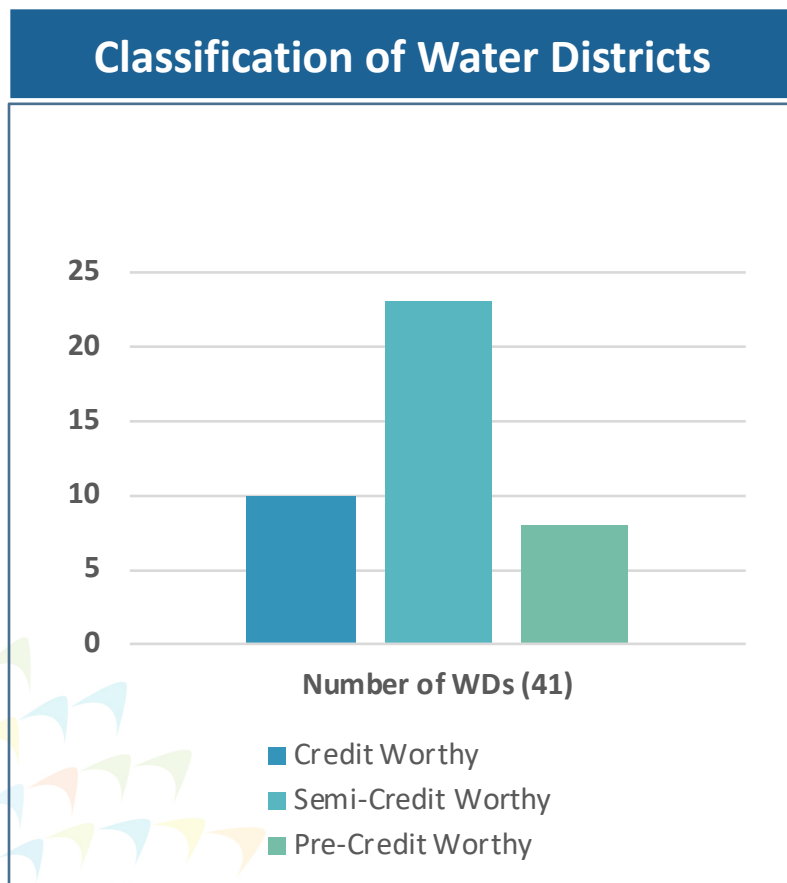
D. Performance-based classification of PDAMs: Indonesia



Source: MPWP, Indonesia (2019)

Parameters	
Operation (35%)	Costs of production
	Non-revenue water
Finance (25%)	Profit margin
	Return on investment
Service (25%)	Billing efficiency
	Total hours of service delivery
Human Resource (15%)	Amount of staff per household connection
	Investment in training

E. Creditworthiness based classification of Water Districts: Philippines



Source: DOF, Philippines (2005)

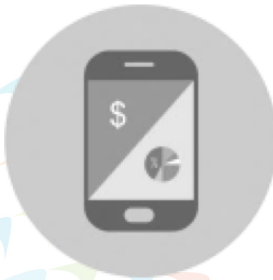
Parameters	
Operation (50%)	Collection Ratio
	Non-Revenue Water
	Staffing Ratio
Finance (50%)	Current Ratio
	Debt Service Ratio
	Debt Equity Ratio
	Net Profit Ratio

F. ADB's Strategy 2030 – Thematic focus

Tackling Climate Change and Building Disaster Resilience



Earth Observation,
Planning and Engineering



Undertaking data
collection and analytics

Enhancing Environmental Sustainability



Establishing Water-
Sanitation-Health linkages



Establishing Water-
Waste-Energy linkages

Strengthening Governance and Institutional Capacity



Addressing City and
Utility Creditworthiness

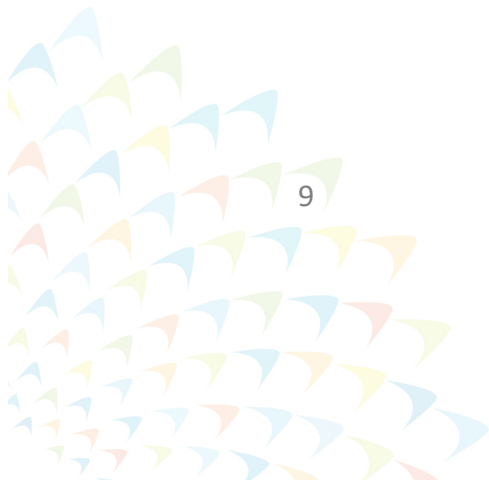


Establishing Institutional
Partnerships

G. An alternative lending instrument – BIWASE in Vietnam

(Step I) Internal Assessment				
	2015	2016	2017	2018
Operation (Current)				
▪ Service Coverage	70%	72%	74%	76%
▪ No. of connection	146,024	178,908	213,724	245,122
▪ Water Supply Capacity (m ³ /day)	375,000	390,000	420,000	450,000
▪ Capacity Utilization	50%	60%	65%	70%
▪ NRW	19%	19%	18%	8%
Finance (Current)				
▪ Assets (\$ million)	306	374	475	588
▪ Liability (\$ million)	192	252	331	413
▪ Debt to Equity	1.69	2.05	2.30	2.37
▪ Operating Ratio	0.68	0.64	0.66	0.67
▪ Net Profit Margin	0.15	0.18	0.13	0.16
▪ DSCR	0.41	0.53	0.57	0.57
(Step II) Shadow Rating				

H. Looking ahead



■ Vietnam

- Internal risk assessment
- Possible non-sovereign loan in 2020

■ Indonesia and Philippines

- Selection of PDAMs and WDs ongoing
- Discussion on supporting through Water Operators Partnership (WOP) Program

■ Long term

- Establishment of a technical assistance facility to improve utilities' institutional effectiveness



Vijay Padmanabhan

Asian Development Bank

vpadmanabhan@adb.org

