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Sustainability Operations and Maintenance

A FM Perspective

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O&M is a CORPORATE financial issue

ADB projects cannot be standalone sustainable, when network or operator is unsustainable

LEADING INDICATORS

Lack of financial and institutional capacity to ensure O&M

Lack of clarity on responsible entity for O&M

No concrete action plan to fund O&M if tariff or user charge below need

Inadequate budget allocation or cost recovery mechanism

Portfolio performance Snapshot FY2020

Financial covenants include improved collection efficiency, lower accounts receivable, positive operating ratio, a prudent debt to equity ratio, debt service coverage ratio, etc.

54% complied with financial covenants

38% did not comply

8% complied partially

More indicators of weak sustainability

High dependence on annual government budget / subsidy

Lack of cost recovery mechanism to fund at least O&M

Political economy factors that impede timely tariff increases

Weak financial health (e.g., negative cash operating ratio, high accounts receivable and payable, inability to service debt)

Limited autonomy from government

Lack of commercial orientation (e.g., supply of services at no cost or below cost, no metering, non-collection of bills on time, poor management of non-revenue water issues)

Weak regulator (or no regulator)

ADB's Strategy

Consider better products such as policy-based loans or results-based loans to improve sector fiscal position

Sound diagnostics of financial position of each executing agency

Policy dialogue with the government, regulators, and the agencies

Design financial restructuring plans for strengthening utilities

Incorporate financial covenants and financial management action plans

Thank you