



Overview

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SUSTAINABLE FINANCING for URBAN TRANSPORT: Project Development by The Cities Development Initiative for Asia



Asia's urban challenge

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Another 1.1 billion people will live in Asian cities in the next 20 years

- City regions serve as magnets for people, enterprise and culture but with urbanization, poverty also urbanizes
- Urban infrastructure and services lag behind, resulting in problems of pollution, lack of potable water, slums and traffic congestion
- Estimates vary, but up to \$200B in urban infrastructure investment is needed each year – yet only a fraction is being actually financed
- Cities impact heavily on climate change, being responsible for about 75% of GHG emissions globally.

Asia's urban transport challenge

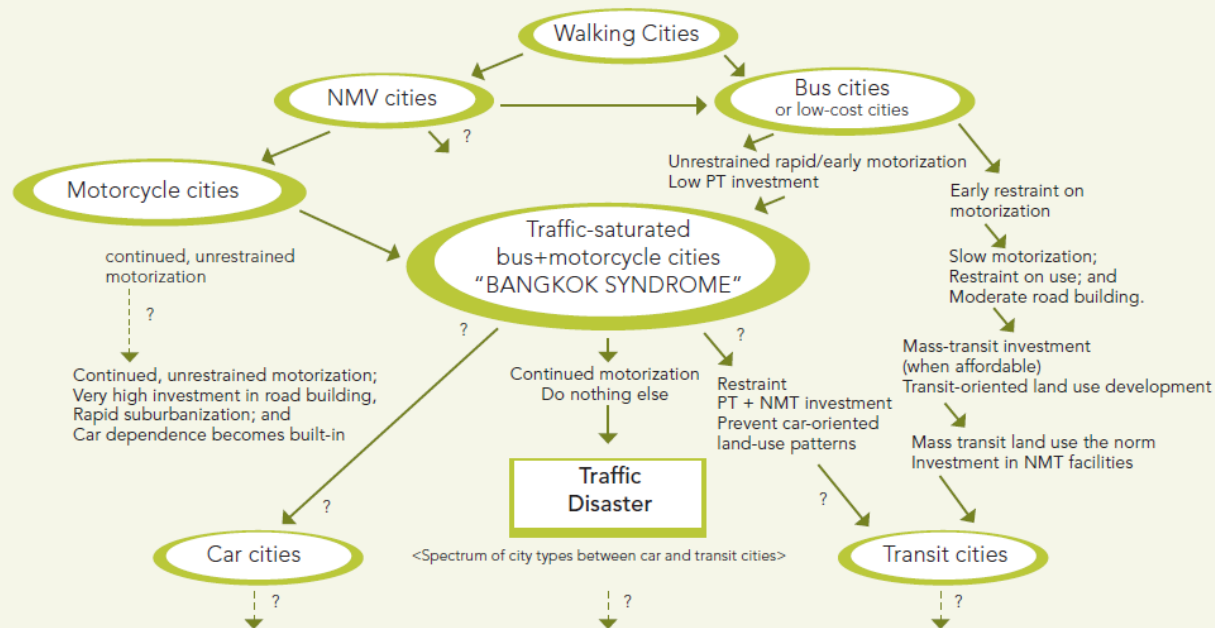
Sustainable transport depends on having a clear vision

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Transport Development Paths and City Typology



Note: Shows intended or potential transport development paths for developing cities.

NMT = nonmotorized transport, NMV = nonmotorized vehicle, PT = public transport.

Source: Barter, P.A. 1999. An International Comparative Perspective on Urban Transport and Urban Form in Pacific Asia. Institute of Sustainability and Technology Policy, Murdoch University, Perth.

Asia's urban finance challenge

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What are the underpinnings of sustainable finance?

- Cities need to be sufficiently dense along transit corridors to provide the potential ridership for transit systems
- Dense cities also provide a compact (mainly property) tax base to fund transport infrastructure
- Then the use of cars – and sometimes motorcycles – for the daily commute must be discouraged.
- Parking needs to be both limited and expensive.
- Transit systems must be quick and air-conditioned to tempt the middle class out of their cars – to achieve viable levels of ridership.

Asia's urban finance challenge

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The choice among transit systems is not simple

- High-end Bus Rapid transport costs \$10 million per km
- High end Metro costs \$100 million per km
- A factor of 10 difference but with only a doubling (at most) in capacity
- Running costs have similar differences
- But Metros are 'sexy'
- Can your city afford the capital costs?
- Can your city afford the running costs?
- Even if it can, what other investments are you forgoing?

Asia's urban mobility challenge

Remember other non-motorized modes and their infrastructure

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- Important are footpaths – they are not parking lots so enforcement costs need to be budgeted
- Pedestrianized areas increase land value for fronting properties if located well
- Bikeways can be cheap if drivers are disciplined – just a painted line and signage if enforced
- Cross-subsidy is required (no revenue)

Capital Markets and Transport Infrastructure

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Asia's capital markets are high liquid, but short term:

- Asia has high levels of savings, banks and other financial institutions have money, BUT investments tend to be short term
- With no clear regulatory structure – high transaction costs
- Limited mechanisms to encourage institutions holding long term funds, such as pension funds and life insurance companies, to invest in infrastructure
- Lack of mechanisms for public sector debt finance and for public/ private Special Purpose Vehicles
- Issues of inter-jurisdictional coordination make project formulation and structuring difficult

Developed country pension funds and life insurance companies are highly liquid and seek long term investments, BUT they are highly risk averse and have unrealistic expectations of returns

Some intense effort is needed to structure projects for capital market participation

BUT is it enough? There exists a “sustainability gap” between financial viability and project cost

The infrastructure investment finance gap

A gap often exists between levels of cost recovery which are possible and the actual cost of a sustainable transit system

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- This can be bridged by:
 - ‘viability gap’ financing
 - Clean Development Mechanism financing
 - (although it is rarely sufficient as currently structured)
 - Cross-subsidies
- Requires new forms of finance, responding to the needs of Asian cities.

The infrastructure investment structuring gap

The gap between city needs for investment finance and its capacity to structure finance for such projects – the PPP option

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- Cities often have transport investment strategies and – plans to address their issues, but investments are generally running far behind.
- Bridging the gap requires using city resources to leverage other investment

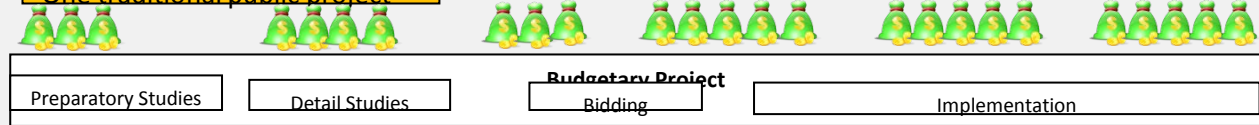
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The infrastructure investment structuring gap

The PPP option

One traditional public project



Equals

=

Two PPP projects



+



Plus one social projects



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To scale up assistance in these areas the gap' needs to be addressed

- ADB has a new Long Term Strategic Framework – Strategy 2020 – emphasizing promotion of sustainable and livable cities
- To scale up assistance in these areas ‘the gap’ needs to be addressed
- BMZ, Sida and Spain support these objectives and provide resources to a partnership with ADB: CDIA
- Focus of CDIA is on bridging the investment gap with pre-Feasibility (pre-PPTA) Technical Assistance linking to ADB finance
- Link to other sources of financing for environmental improvement and poverty reduction such as the Climate investment funds, Output-based Aid Funds, and other cofinanciers such as KfW and JBIC.
- Link to private finance/local sources of finance.

Inputs & Investment Value

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CDIA technical assistance inputs represent a fraction of potential infrastructure investment

- In 2008, CDIA approved direct consultancy support to 12 partner cities in an amount of \$ 4.2 million
- The estimated infrastructure investment value resulting from this CDIA support in these 12 cities is \$ 1.7 billion
- CDIA technical assistance inputs thus amounts to about 0.25% of the overall potential infrastructure investment

CDIA at work

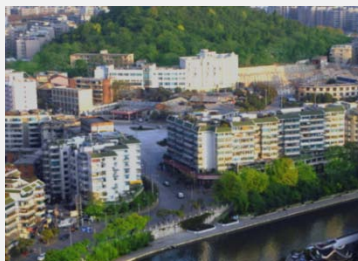
Guiyang, China

Focus areas	Rehabilitate water supply & urban public transport	
CDIA support	USD 400,000 for PFS & Capacity Building	
Estimated investment value	USD 550 million	
Potential source of financing	Potential synergy with GTZ national urban program, for ADB pipe-line lending	

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CDIA at work

Cochin, India

Focus areas	Urban Transport
CDIA support	USD 387,000 for PFS & Capacity Building
Estimated investment value	USD 100 million
Potential source of financing	ADB, KfW and/or various domestic sources



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Contact Info.



CDIA at work

Banda Aceh, Indonesia

Focus areas	Urban transport, wastewater, solid waste management, drainage & environmental protection	
CDIA support	USD 300,000 for PFS & Capacity Building	
Estimated investment value	USD 27 million	
Potential source of financing	IREF and ADB/KfW	

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CDIA at work

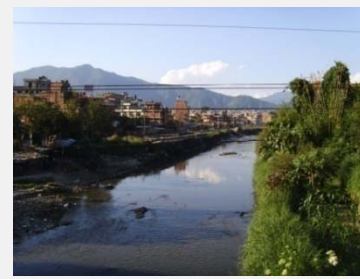
Kathmandu, Nepal

Focus areas	Bishnumati road corridor & solid waste management	
CDIA support	USD 450,000 for PFS & Capacity Building	
Estimated investment value	USD 50 million	
Potential source of financing	ADB and others	

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CDIA at work

Faisalabad, Pakistan

Focus areas	Urban transport & Industrial waste management	
CDIA support	USD 550,000 for PFS & Capacity Building	
Estimated investment value	USD 50 million	
Potential source of financing	World Bank and others	

Overview

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Contact Info.



CDIA at work

Cebu, Philippines

Focus areas	Urban development program on selected infrastructure	
CDIA support	USD 300,000 for PFS & Capacity Building	
Estimated investment value	USD 500 million	
Potential source of financing	ADB, Filinvest, SM Properties, Ayala Properties, Bigfoot Properties Inc.	

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CDIA at work

Iloilo, Philippines

Focus areas	Ferry terminals redevelopment & Downtown revitalization	
CDIA support	2 phases: USD 200,000 for PFS, Capacity Building and PPP bidding process	
Estimated investment value	USD 20 million	
Potential source of financing	ADB/Philippines Land Bank	

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CDIA at work

DaNang, Vietnam

Focus areas	Urban Transport	
CDIA support	USD 410,000 for FS	
Estimated investment value	USD 50 million	
Potential source of financing	KfW	

Overview

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CDIA CONTACTS

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THANK YOU