



MF Case 23: Wanzhou District of Chongqing, China Yangliu Water Supply project

Project Introduction:

In Wanzhou Yangliu water supply project is part of ADB's Chongqing Urban-Rural Infrastructure Development II Project. The project will have the following outputs: a new water treatment plant with 200,000 cubic meters/day capacity, a sludge treatment facility, water-quality monitoring equipment, and other plant ancillary equipment. As an outcome, from 2012 to 2018, urban population in Wanzhou with safe potable water will increase to 99% from 96%. The project will strengthen the development potential of Wanzhou to become Chongqing's second regional center by improving water supply service and drinking water quality. The district governments will be the implementing agency and take overall responsibility for implementing project. Total project cost is approximately \$59.4 million.

The government has requested a loan of \$21.5 million (36% of the total cost) from ADB's ordinary capital resources to help finance the project. The loan will have a 25-year term including a grace period of 6 years, an annual interest rate determined in accordance with ADB's London interbank offered rate-based lending facility, a commitment charge of 0.15% per year, and such other terms and conditions set forth in the draft loan and project agreements. The Wanzhou district government will finance the remaining \$37.97 (64% of the total cost) million.

Funding Sources:

According to ADB's report, the financial viability analysis of the revenue-generating Wanzhou Yangliu water supply project indicates that the cost of capital of 3.7%. Water tariffs are expected to increase by 10.0% every 5 years, which is considered conservatively compared with historical tariff revisions in Wanzhou. The analysis concluded that low-income urban households will be able to afford the projected tariff increases—the share of income expended on water and wastewater will be about 2.6% of a poor household's monthly income.

Relevance of the cases:

For this project, all the repayments of funds come from the sewage treatment fees paid by residents. This case shows that in China, municipal projects in some cities are already completely user-payable and do not require public financial support. In this case, a variety of green financial instruments are available to use, we only need to choose the lowest cost and most convenient green financing tools.



Source: Chongqing Local News, August 6th, 2017 <http://cq.bendibao.com/wei/201786/208680.shtml>

References

Source: Asian Development Bank.

<https://de.search.yahoo.com/search?p=Chongqing+Urban%E2%80%93Rural+Infrastructure+Development+Demonstration+II+Project&fr=ush-mailn>

Credentials

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