

Session 7A

Water Infrastructure and Investment- A Bespoke Model for Water Financing





Hisaar Foundation
a foundation for water, food and livelihood security

Think Tank on the Rational Use of Water

First Report
October 2016



**Recommendations for
Pakistan's Water Policy
Framework**

**Drought Management and
Arid Zones**
Understanding Droughts, Early
Warning Signs And Drought
Resilience

The Great Betrayal
Unfulfilled Promise of the Water
Economy

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“Compelling case” For Water Investment

- The organization for economic co-operation and development 2016 report links water, growth and finance and calls for financing investments in water security and sustainable growth¹
- Scale of global economic losses related to water insecurity: USD 260 billion per year
- USD 120 billion per year from urban property flood damages
- USD 94 billion per year of water insecurity to existing irrigators

¹ OECD Economic Outlook, Volume 2016, Issue 1, OECD Publishing, Paris.

Pakistan's Water Economy

- Pakistan's economy is a 'water economy'
- 60 percent of the population directly engaged in agriculture and livestock
- 80 percent of Pakistan's exports based on these sectors

The Water Metrics of Pakistan

- Annual agriculture GDP for 55 million acres of irrigated land is under US\$500 million for every MAF of water. This makes total agriculture GDP of around US\$50 billion per year².
- There is a potential to raise this substantially and build upon and expand the water 'value chain'.
- The cost of replacing the Indus basin system is approximately US\$ 300 billion³.
- If Pakistan could generate even a billion dollar for every one MAF of Indus water, it could have had agriculture GDP of US\$ 200 billion versus the current US\$ 50 billion. The multiplier impact on the rest of the off farm urban economy is four to five times.

² This is based on calculating 20% of Pakistan's GDP from Pakistan Economic Survey 2016

³ Briscoe J and Qamar U (eds), Pakistan's Water Economy: Running Dry, The World Bank, November 2005

HF's Water Financing Vision

- Financing the vision would require innovative organizational and financing mechanisms.
- Water projects have the highest economic rate of returns in Pakistan.
- The trick would be to translate economic returns into sustainable financial flows to service the financial instruments.
- This would require establishing and organizing infrastructure as corporate entities that are able to harness and monetize some of the economic benefits for the investors. Public private partnerships and tapping the domestic and global capital markets would be an essential ingredient of the financial plans.