Project Preparation and Financing

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Stephen Hart
Projects Directorate – Water Division
The EIB mission

Support projects within the framework of EU policies that are economically, technically, environmentally sound

Provide long-term support for sustained development
• continued support
• repeat operations typical

Provide attractive financial conditions
• AAA rated, raises funds on financial markets, non-profit
• Long maturities linked to useful lifetime of the assets
• Grace period to cover construction period
• No commitment fees, no appraisal fees, no penalties

Cooperation and cofinancing with other financial institutions and development agencies: EU Commission, EBRD, World Bank, KfW, bilaterals, commercial banks etc.
The Road Ahead for the Promoter

1. Be prepared: sort out your priorities
2. Identify possible co-financing sources
3. Define project(s)
4. Planning Authorities, Public Participation
5. Push from the bottom and at the top
6. Establish responsibilities and capacity for implementation
7. Agreements

All projects require a large up front investment of time, money and the right expertise
(the good news: there is generally more money than there are well designed projects)
Project definition

• Self-contained project, i.e. encompassing all elements pertaining to it, and achieving a **clearly defined objective**
• Project implemented over a reasonable time (e.g. 5 years)
• Project costs composed of:
  – Project preparation and implementation (feasibility studies, design, supervision, technical assistance)
  – Physical investments (buildings, equipment)
  – Technical and price contingencies
  – Interest during construction
• The basics:
  – Sector priorities, especially in the case of programmes
  – Technical and financial feasibility
  – Economically justified
  – Sustainability
  – Institutional setting/project organisation
  – Environment / Social Issues

• The finer points:
  – Consider and describe real alternatives
  – Phase / don’t commit to details too early in environments with a poor level of information or with and uncertain future (problem: “fossilization” of projects in rigid/top-heavy administrative environments)
  – Intelligent procurement, think in terms of what the market will be able to deliver
Water Sector

• Balanced development of services and environment (water - sanitation)
  - One pays for the other
  - Avoid excessive operation and maintenance burden

• Realistic Demand Scenarios
  - Balance between supply side and demand side interventions
  - Sizing of facilities (project costs)
  - Cash flow (operation, maintenance, loan repayments, profit element…)

• Transparency
  - Cross subsidies may acceptable, as long as they are justifiable and clear
  - Tariff justification
  - Potential Private Sector Participation
IWRM/WFD

• Opportunities
  - Transparent and widely accepted priorities
  - Rational project selection and design
  - Reconciliation of local and national priorities

• Pitfalls
  - Environment heavy, can drain “business as usual”
  - Supply driven solutions
  - Huge investment requirements, conflicts with other priorities
2015 – Big Challenges

- Water Framework Directive
- Millenium Development Goals
- Climate Change?

DONOR/IFI cooperation/coordination
Financing plan

- Financing plan to be established prior to contract signature
- Sources of Financing:
  - EIB loan: 50% of project costs
  - Municipalities own funds
  - Government support
  - Other International Finance Organisations: EBRD, Worldbank
  - Bilateral organisations: KfW, USAID, …
  - EU grants