



IV EURO-MEDITERRANEAN MINISTERIAL CONFERENCE ON WATER Technical Workshop

**Enabling and optimizing water financing in the region:
How to make projects financeable (criteria)**

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Supply side of money - the check list:

- ❖ Sound financial strategy
- ❖ Sustainable financing, make the best use of the 3Ts
 - ❖ National subsidies and international grants constrained by budgets -> Improve their effectiveness
 - ❖ Tariffs constrained by affordability & politics -> Increase efficiency and address affordability for the low-income users
- ❖ Sustainable cost recovery: sufficient and reliable cash-flow from the “3 T’s” (tariffs, taxes, transfers) is key in attracting loans, equity
- ❖ Optimize the use of financial instruments (loans, bonds, equity) = “bridge” the financing gap with repayable finance
- ❖ Create the enabling environment, lower “country sector” risk perceived by financing institutions (public or private)
- ❖ Build appropriate project “pipelines” based on clear sector strategy
- ❖ Make projects “financeable”



Project level:



Ensure financeability, strengthen capacities

- ❖ **Avoid defining projects in isolation (planners, stakeholders):**
 - ❖ Link to national and local policy dialogue (ownership and coordination)
 - ❖ Systematic consideration of wider sustainability issues
 - ❖ Careful phasing of improved sector conditions and projects
- ❖ **Improve implementing and O&M capacity (promoters):**
 - ❖ Strengthen planning and implementation capacity of all relevant parties
 - ❖ Support project preparation
 - ❖ Increase operational efficiency
- ❖ **Improve providers' creditworthiness (promoters & borrowers):**
 - ❖ Ensure reliable revenue streams
 - ❖ Strengthen commercial management / financial discipline
- ❖ **Ensure affordable cost of capital (promoters & users)**
 - ❖ Need to target subsidies as funds are scarce
 - ❖ Financial intermediation and use of guarantees can mitigate risk



What makes a “financeable” project?

What is the criteria?



“Intangibles” : Is this the right project?



Financing => Investment/Project => Objective/Service

A project that supports sector development:

- ❖ Real and well-understood objective: **The justification**
- ❖ Consistency with a strategic approach, project should support sector improvement & development: **The Master Plan**
- ❖ Systematic project selection: **The Options Assessment**
- ❖ Fast-track solutions, phasing to achieve quick results: **The Commitment**
- ❖ Replicability and demonstration effects: **The Feed-back, show the way**

An appropriate process:

- ❖ Rational and transparent process of establishing and assessing priorities and comparing options
- ❖ Participation of stakeholders, local and national ownership
- ❖ Consistency with policies in other sector (eg energy, agriculture, industry)



“Tangibles” : Is this project sustainable?

Quality of project planning and design:

- **Technical, financial and economic viability**
- **Environmental and social soundness**
 - ❖ Technical: Demand forecast, design, technology, planning and phasing to cope with uncertainty & cost
 - ❖ Financial: Cost recovery, debt service, robust IRR
 - ❖ Economic: Cost-effectiveness of selected solution, least cost solution, acceptable ERR
 - ❖ Environmental & social: Options assessed, E&SIA, EMP, affordability for low-income populations
 - ❖ Common issues: *Over-designed, low cost recovery, high env. or social impact, not affordable to all users*



“Tangibles” : Is this project sustainable?

Quality of the entities that plan, regulate, implement and operate:

➤ **Institutional & Organisational Performance**

- ❖ Governance, planning, regulation of sector and providers
- ❖ Regulated and viable service providers
- ❖ Adequate technical and human resources to execute projects
- ❖ Operational sustainability – financial (revenues) and human resources to operate the system as well as the means to maintain the assets



Thank you for your attention!



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