FINANCING IRRIGATION

Aigues del Segarra Guarrigues, Spain

-4th World Water Forum -

Jean-Jacques Saint Lezin
General Director
Dexia Credito Local Mexico

Mexico, 17 March 2006
I. The Dexia Group

II. Case Study:
Aigües del Segarra-Garrigues Irrigation Project
Dexia, a European Banking Group

DEXIA, a European Banking Group

XIX Cent.

2 Public Financial Entities

1996 One Private Financial Entity

Crédit Communal de Belgique

Crédit Local de France

DEXIA
### DEXIA GROUP

**2004**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rating:</strong></td>
<td>AA (S&amp;P), Aa2 (Moody’s), AA+ (Fitch)</td>
</tr>
<tr>
<td><strong>Total Balance Sheet:</strong></td>
<td>Euros 389 Billion</td>
</tr>
<tr>
<td><strong>Equity Capital (average):</strong></td>
<td>Euros 16 billions</td>
</tr>
<tr>
<td><strong>Net Result:</strong></td>
<td>Euros 1 772 Millions</td>
</tr>
<tr>
<td><strong>Capitalization:</strong></td>
<td>Euros 7.6 Billions</td>
</tr>
</tbody>
</table>
Dexia, an International Group

- **Great-Britain**
- **Ireland**
- **Canada**
- **United States**
  - FSA
  - ASTRIS
- **Mexico**
- **Portugal** *
- **Spain**
  - Dexia Sabadell Banco Local (60%)
- **France**
- **Sweden**
- **Germany**
  - Dexia Banca Slovensko/DKB (51%)
- **Slovakia**
  - Dexia Banca Slovensko/DKB (51%)
- **Poland**
  - Dexia Kommunalkredit Polska/DKB (51%)
- **Czech Republic**
  - Kommunalkredit Finance/DKB (51%)
- **Austria**
  - Dexia Kommunalkredit Bank (51%)
  - Kommunalkredit (49%)
- **Japan** *
- **Australia**
  - Dexia Crédit Local Asia Pacific
- **South Africa**
  - Inca (4.5%)
- **Italy**
  - Dexia Crediop (70%)
- **Israel**
  - OSM (66%)

*Representative office
Dexia, Sector Focus

TRANSPORT:
• TOLL / SHADOW TOLL
• MOTORWAYS
• TOLL BRIDGES / TUNNELS
• RAIL/ LIGHTRAIL /
• SUBWAY SYSTEMS
• AIRPORTS
Dexia, Sector Focus

ENERGY

- COAL / GAS-FIRED POWER PLANTS (PPA, TOLLING, MERCHANT)
- RENEWABLE ENERGY
- WASTE TO ENERGY
- OIL & GAS
ENVIRONMENT:  
- WASTE TO ENERGY  
- WATER / WASTE TREATMENT  
- WATER SUPPLY

WATER TREATMENT  
Defluent Project  
Netherlands  
- Euros 380 M  
- 2003  
- Lead Arranger  
  “European Water Deal of the Year 2003”  
Renovation of a wastewater treatment plant  
For 1.7 million inhabitants  
27 years financing  
Consortium: Veolio Water, Delta, Europoort, Rabobank

WATER SUPPLY  
EMSESA Transaction  
Spain  
- Euros 100 M  
- 2003  
- Lead Arranger  
  EMSESA: Municipal water company of Metropolitan Seville  
More than 1 million inhabitants  
Purchase of EMASESA rights to charge end-users with an “improvement fee” under a Decree of the Andalucia gvt

WATER SUPPLY  
Nuove Acque Project  
Italia  
- Euros 181 M  
- 2004  
- Lead Arranger  
  Based on Galli Law to consolidate the number of water system operators from 8000 small businesses to 91 large operators  
Sponsors/clients: Cities of the Arezzo, and Sienna regions, Ondeo, AMGA
I. The Dexia Group

II. Case Study:

Aigües del Segarra-Garrigues Irrigation Project

i. Project Background

ii. Project details

iii. Project conclusions
Project Characteristics

• **Irrigation Program in Western Catalonia, areas of Segarra and Garrigues**

• **Cover:**
  – 70,000 hectares
  – cultivated by more than 20,000 farmers
  – in over 100 municipalities

• **Two types of irrigation areas:**
  – Support irrigation (partial irrigation for dry crops, e.g. olive and almond trees)
  – Transformation irrigation (fully irrigated crops)
Project Background

- Existing farmer demand for the creation of an irrigation channel to allow rationalization of the use of water

- Collaboration Protocol signed between State and Regional government (1999) for the construction, exploitation and financing of the Canal

The protocol establishes 2 steps for the construction:

1. THE MAIN IRRIGATION CHANNEL (State)
2. THE SEGUNDARY IRRIGATION CHANNEL / Network (Generalitat)
Project Main Parties

PUBLIC PART

- Generalitat de Catalunya, the Regional government created a Special Project Vehicle

- REGSEGA (REGS del Segarra Garrigues, S.A.) is the Special Project Vehicle/Public Concession Grantor.

- Generalitat de Cataylunya will guarantee, if needed, REGSEGA’s financial stability.

PRIVATE PART

- ASG (Aigües del Segarra-Garrigues) = Project Company

- PROJECT SPONSORS: 5 Spanish construction companies:
  - FCC, ACSA AGBAR, COPISA, COPCISA, & UTE LLEIDA,
  - as well as some of their subsidiaries

- Construction of the Individual projects will be attributed alternatively to one of the constructors, with overall split reflecting their respective stake in the Project Company
Project Construction

<table>
<thead>
<tr>
<th>GLOBAL PROJECT</th>
<th>INDIVIDUAL PROJECTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>One Master Construction Plan</td>
</tr>
<tr>
<td>Construction Cost</td>
<td>≥1 Billion Euros</td>
</tr>
<tr>
<td>Term</td>
<td>10 years</td>
</tr>
<tr>
<td></td>
<td>150 Individual projects</td>
</tr>
<tr>
<td></td>
<td>≥8/15 millions Euros</td>
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<tr>
<td></td>
<td>≥1.5 years per project</td>
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</tbody>
</table>

Propose projects

ASG

Chose Sponsors for Construction

Project Sponsors

Accept/Reject projects

REGSEGA
Project Operation and Maintenance

- Concession Contract with ASG for the operation and maintenance of secondary irrigation network for 30 years after completion of each individual project
- ASG pays to REGSEGA a concession fee
- Operating and maintenance costs will be covered by an operation fee payable by the farmers
  - a fixed fee of 184 €/ha
  - and a variable fee of 0.06 €/m3 (indexed)
• After completion and acceptance of each individual project, construction costs will be reimbursed by unconditional payments:
  – REGSEGA: 20 annual payments, for approximately 80% of the total
  – FARMERS: 10 annual payments, for the remainder; The fee payable by farmer amounts to
    • 2,700 €/ha for transformation irrigation and
    • 1,350 €/ha for support irrigation

<table>
<thead>
<tr>
<th>CONSTRUCTION COSTS (in millions of Euros)</th>
<th>Assumed by REGSEGA</th>
<th>Assumed by the farmers</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land consolidation</td>
<td>150</td>
<td>0</td>
<td>150</td>
</tr>
<tr>
<td>Transformation irrigation</td>
<td>593</td>
<td>152 (25%)</td>
<td>745</td>
</tr>
<tr>
<td>Support irrigation</td>
<td>141</td>
<td>36 (20%)</td>
<td>177</td>
</tr>
<tr>
<td>Total cost</td>
<td>884</td>
<td>188</td>
<td>1072</td>
</tr>
</tbody>
</table>
Project Financial Structure

- Financing Structure based on the Sale of Receivables model (very similar to “Modelo Aleman” in Spain)

- Only the receivables corresponding to the deferred payments for construction costs made by REGSEGA (and not the farmers’) are sold to the banks at completion.

- Construction finance (before acceptance of the works) is guaranteed by each corresponding constructor (and partially complemented by bank guarantees for some of them).

- Due to phasing of the individual projects, total outstanding risk on the constructors is capped approximately at €200 m, and total outstanding debt on REGSEGA peaks at €450m, for a total financing of almost €900m.

(1) During Construction
(2) At completion
(3) After Completion
Financial Institutions

FINANCIAL ADVISER
- Dexia Sabadell
- Caja Madrid

FINANCER
- Dexia Sabadell (DSBL),
- Caja Madrid,
- Caixa,
- BBVA
“No achievement without lasting commitment”

• Long term commitment of the parties allows the execution of this prestigious project:
  
  – Public:

    • Long term commitment from REGSEGA with a strong support from the State and Generalitat de Catalonia,

  – Private:

    • Long term commitment from private companies to build individual projects within the framework defined by the Master Construction Plan,

    • Long term commitment with the concession contract (operation & maintenance),

    • Long term commitment of the farmers to repay on 10 years and to pay fees,

  – Financial Sector:

    • Long term commitment from the financial sector to finance projects which will be developed within a period of 10 years,
Conclusion

- This structure has positive impacts
  - Deconsolidation of debt for the Generalitat of Catalonia
  - A gradual transformation following the evolution of, and adjustment to, the needs of the farmers,
  - The construction of a 1,700km of irrigation network serving 20,000 farmers with a total capacity of 330 million m3/year in one of the poorest agricultural area of Catalonia

  - Diversification of agriculture production
  - Limits the desertification of the region by improving the economic situation of farmers.
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