Removing financing obstacles through project structuring

Access to Finance for Local Governments
IV World Water Forum
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Outline of the presentation

- Project preparation
- Project structuring
Project finance cycle

- NEEDS
- Preparation
- Structuring
- Financing
Project preparation

- One of the major obstacles to water and sanitation finance is project preparation
- Low institutional capacity
- A local affair, sometimes removed from decision making centers
- Difficult political and economic conditions
- Scarcity of financial resources: users, taxpayers, markets
- Project preparation not given the key role
Project preparation

- Donors and multilaterals financial institutions must emphasize support for the early stage.
- We at the IDB hope to approve on Monday a Project Preparation Fund with grants for capacity building and project preparation.
- Donors should consider “debt for water swaps” as part of their official assistance.
- Both would leverage other funds: “teach them how to fish instead of giving them fish”
Project structuring

- Financial structures adapted to local realities
- Exploit all possibilities to maximize synergies between scarce resources: own labor, tariffs, donors, multilaterals, public and private resources
- At one extreme, cooperatives, water microenterprises, municipal utilities
- In the middle, management contracts, for operation, maintenance, collections, etc.
- At the other extreme, full-fledged concessions
Project structuring: local conditions

- Willingness to pay/local views
- Tariff sustainability
- Site and location
- Institutional capacity
- Fiscal space
- Legal framework
- Political risk
- Macroeconomic conditions
### Project Feasibility Map

#### Local conditions

<table>
<thead>
<tr>
<th>Variables with low Rating</th>
<th>Fully public</th>
<th>Fully public - Corporatize</th>
<th>Cooperatives</th>
<th>Outsourcing</th>
<th>Management Contracts</th>
<th>Franchise</th>
<th>Leasing</th>
<th>Concession</th>
<th>BOT-BOO-BOOT</th>
<th>Fully private - sale</th>
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#### Suggested feasible structures

Note that feasible structures are only considered when a full column of circles exists.

- **Available Structures**
- **Non-Feasible Structures**
- **Tool-Enabled Structures**
Water financing model

Sesión FT3.40,
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In summary

- Project preparation and structuring may not be a source of funds, but can help bring funds and enhance the long term sustainability of water projects.

- All actors, all sources, all structures must be explored.
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