



**European
Investment
Bank**

Project Preparation and Financing

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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

Good Project

A good story with and sound basis

- 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



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www.eib.org

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