

# Removing financing obstacles through project structuring


**Access to Finance for Local Governments  
IV World Water Forum  
March 17, 2006**



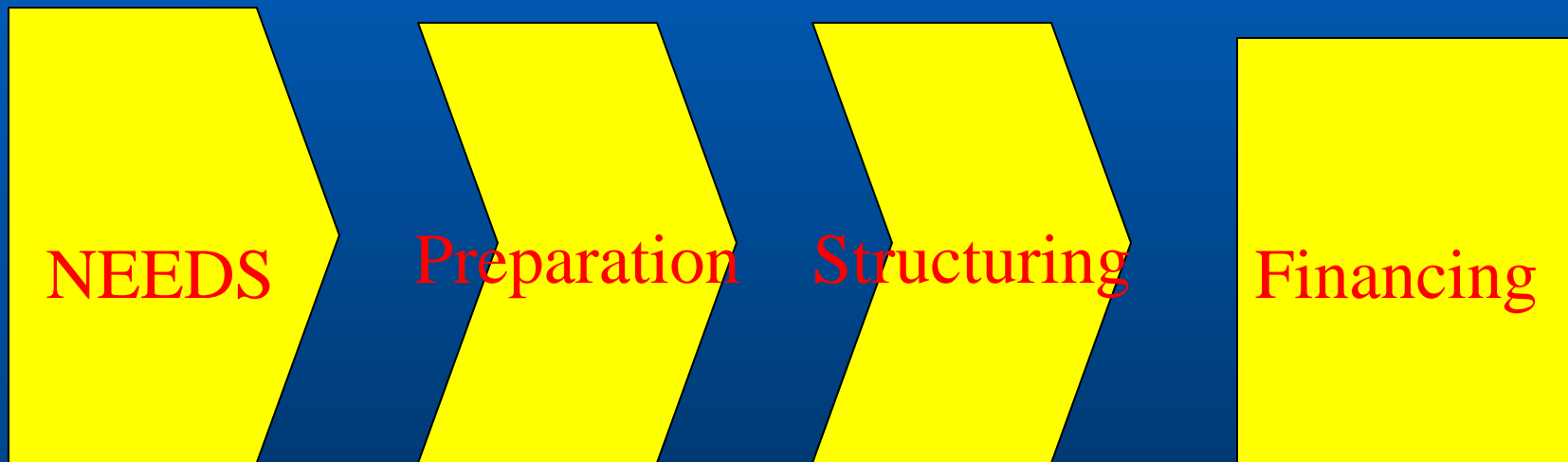
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# Outline of the presentation



- Project preparation
  - Project structuring
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# Project finance cycle



# 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

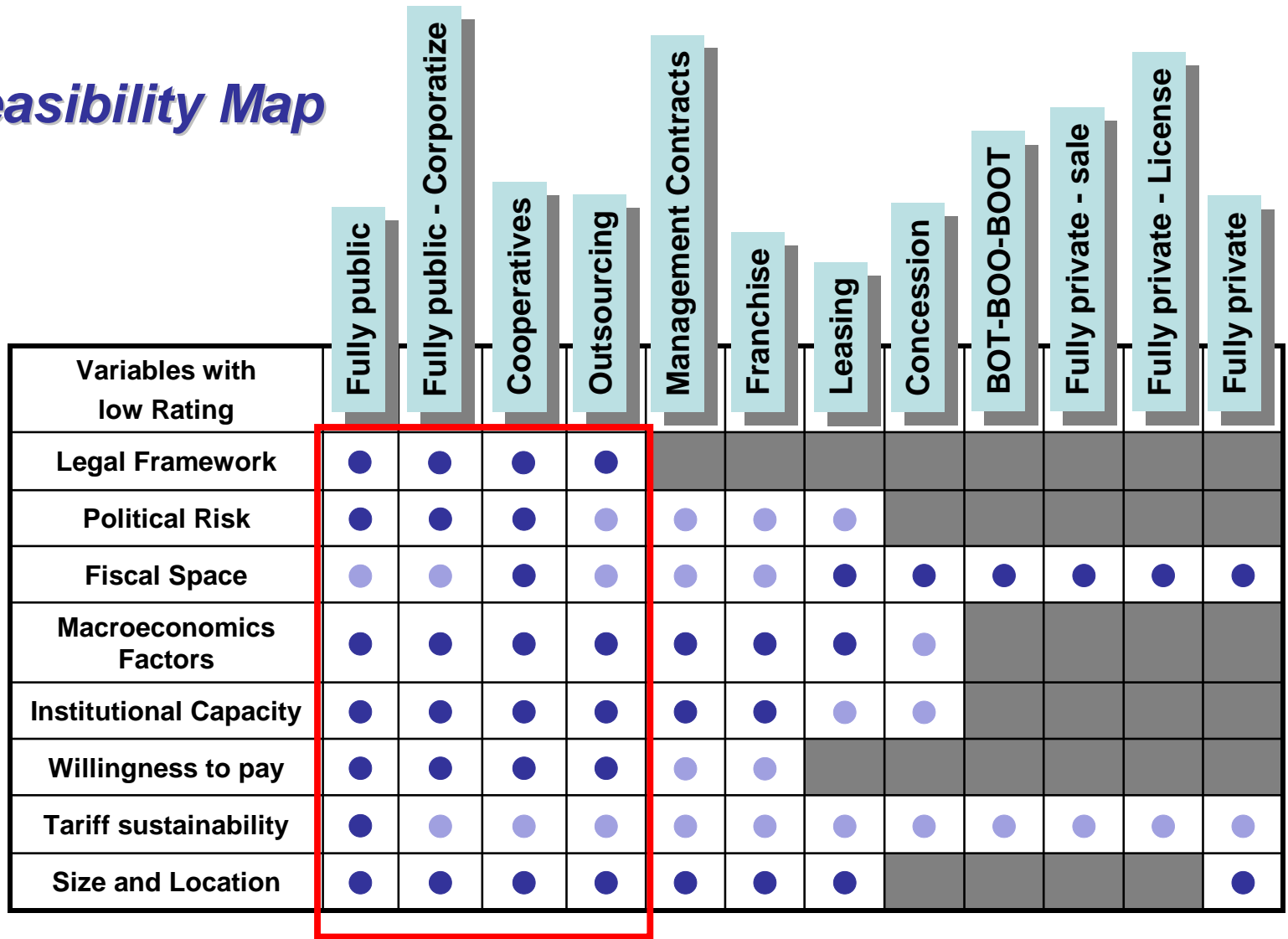
- Financial structures adapted to local realities
- Exploit all possibilities to maximize synergies between scarce resources: own labor, tariffs, donors, multilaterals, public and private resources
- At one extreme, cooperatives, water microenterprises, municipal utilities
- In the middle, management 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



Suggested feasible structures

- Available Structures
- Non-Feasible Structures
- Tool-Enabled Structures

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

# Water financing model

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**Sesión FT3.40,**

**Domingo 19 marzo, 11:00 am**

**Diezmo 4**

# 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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