



Workshop

Implementation of the Urban Waste Water Treatment Directive in Rural Areas

Implementation strategies against the background of
the Water Framework Directive

14-16 November 2001

Staatliches Amt für Umweltschutz
Otto-von-Guericke-Str. 5, 39104 Magdeburg, Sachsen-Anhalt

PROJECT FINANCE

Financing of Projects in the Water Sector

Doris Boyd, Kreditanstalt für Wiederaufbau, Germany

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Magdeburg, November 2001

*Doris Boyd
Dept. Project Finance
Energy and Environmental Technology*



KfW

Overview

**Established
Legal Status**

by law in 1948

**Corporation Under Public
Law**

Shareholders

**80% Federal Republic
20% Federal States**

Seat

Frankfurt am Main

Branch Office

Berlin

Liable Equity

€5.9 billion

Balance-Sheet Total

€223 billion

Rating

AAA / Aaa

Employees

2,032

Functions

**Promotion of
the German
Economy**

**Investment
Finance**

**Export
and Project
Finance**

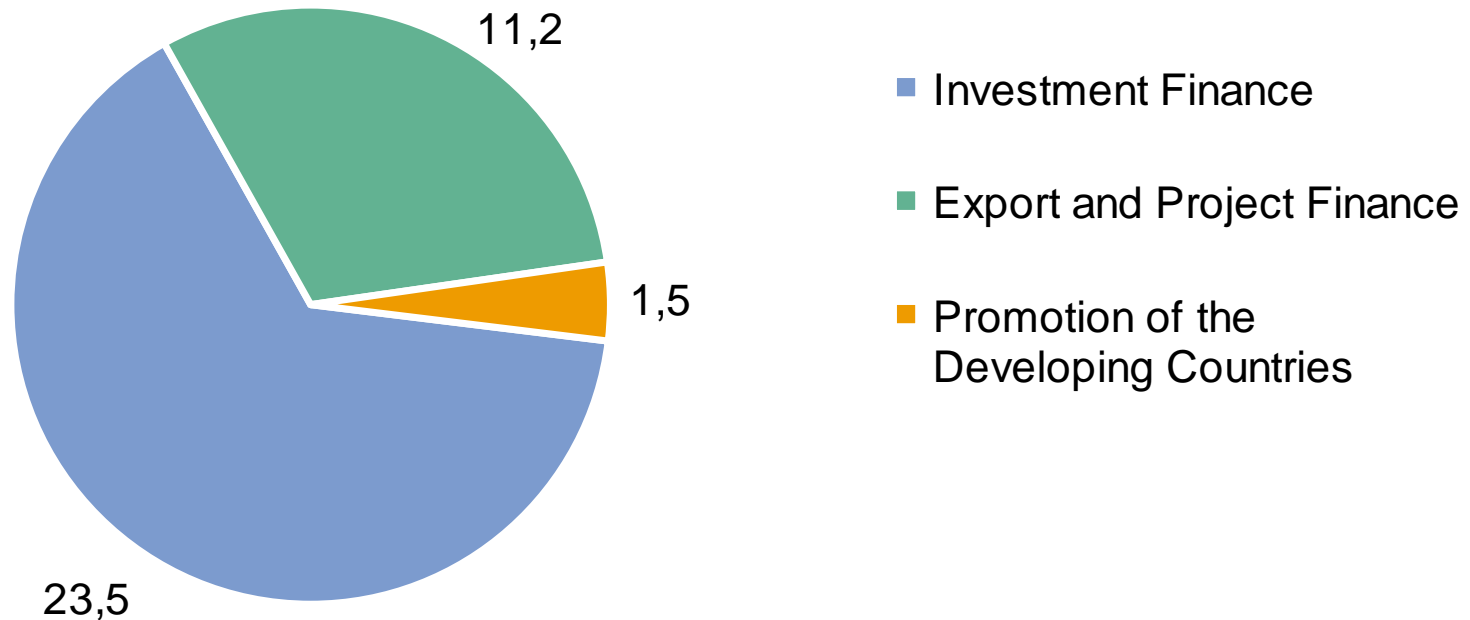
**Promotion of
the Developing
Countries**

**Advisory and
other Services**



KfW's Commitments in 2000 (in €billion)

In total €36.2 billion in loans, guarantees and grants



Export and Project Finance

Areas:

General Export and Project Finance:

- Industry
 - *Energy and Environmental Technology*
- Telecommunications
- Raw Materials Extraction

Export and Projekt Finance

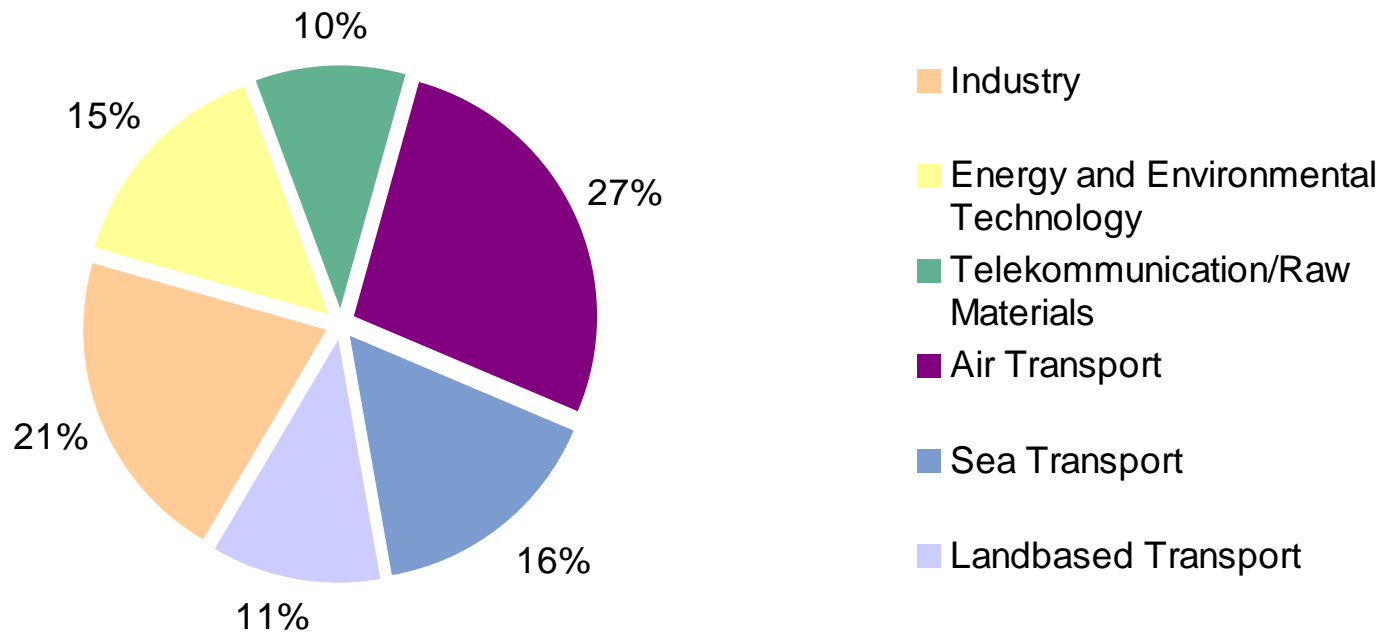
Transport Sector:

- Shipping
- Aviation
- Landbased transport
- Air and Seaports

Export and Project Finance

Our Experience

Total loan portfolio by sector end of 2000: EUR 72 billion



Project Finance

KfWs Commitments - Water Sector

EUR 300 million
app. 200 Projects

Project Finance

KfW's Approach of Financing Projects in the Accession Countries

Project Finance

KfW's Portfolio in the Accession Countries

<u>Country</u>	<u>Mio EUR</u>
Bulgaria	26
Poland	204
Romania	231
Hungary	552
Estonia	6
Lithuania	43
Slowenia	267
Czech. Rep.	423
Slovak. Rep	218

Projekt Finance

Wastewater Projects

- **Situation in Accession Countries**
 - Investment side: High need for investments in environmental and infrastructure on local level (water supply, waste water treatment, solid waste disposal)
- **Sources of Finance**
 - Concessionary finance (EU-ISPA funds, National and or Regional environmental protection funds)
 - Funds from municipal budgets - limited availability
 - Private-equity in the framework of PPP-structures
 - Loan financing at commercial conditions - complementary role

Project Finance

Wastewater Projects

KfW's project Approach

- Affordability for population as important precondition
- Cooperation with national, regional, municipal funds/
institutions e.g.
 - preparation of ISPA documentation
 - preparation of tender

Project Finance

Wastewater Projects

KfW's project Approach

- Various loan instruments depending on project and preference of borrower, e.g.:
 - Project finance schemes (cash-flow oriented)
 - Investment loans to Municipalities or Municipal Utility Companies
 - Lease finance schemes
- Develop patterns for cost-efficient financing of smaller investment volumes

Project Finance

Wastewater Projects

KfW's Lending Approach

- Borrowers
 - Public Sector (sub-sovereign level)
 - Private Sector (PPP)
- Intensive Project Preparation
 - Legal Aspects
 - Technical Aspects
 - Economic Aspects
- Careful Project Monitoring

Project Finance

Wastewater Projects

Advantages of KfW's lending

- Attractive Interest Rates based on favourable Refinancing Possibilities of the International Capital Markets
- Long-Term Financing Tenors of 15 years or longer
- Adequate Grace Periods

Project Finance

Typical Project Finance Structure (Example: Wastewater Treatment Plant)

