

# **DIALOGUE ON FINANCING AN EXPANSION OF WATER STORAGE – REPORT BACK**

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# POINTS MADE

- The potential dis-benefits of storage dams (environmental, social etc), (which distinguishes them from other sectors) must be avoided, mitigated or compensated.
- Sustainability (environmental, social and economic) is a core issue.
- RISK management is key to financing
- Reputational risk is an important factor with all financing institutions
- Project preparation is key to the management and assignment of RISK
- Africa has many project ideas but they must be converted to “good” or “bankable” through project preparation. Old proposals need to be revitalised
- “Good” or “bankable” depends on the evaluator and this varies with financial institution.
- In West African states sector reform had preceded the financing of storage. This was part of the enabling environment as the first step in the project cycle

# POINTS MADE (cont)

- Governments expect the private sector to carry inappropriate risk
- The financial cycle for a storage dam is complex and time consuming – it must be initiated at the earliest possible time in the project cycle.
- Storage projects have a range of benefits and the extent to which these can be converted to an income stream largely determines the potential sources of finance
  - Eg. Hydro storage can be expected to be self financing, even by the private sector, through electricity tariffs but no tariffs can be charged for flood protection. Water supply storage is in between.
  - Agriculture is important in Africa but as farmers can not pay cost recovery tariffs, special arrangements of fully concessionary finance will have to be sought.
- Financing approaches must adapt to the size of the storage project
- Governments should set up a system of guarantees to securitize projects
- Transparency and the availability of information on projects is a problem for financiers in Africa.
- Project elements can be packaged to suit different financial sources.

# THE WAY FORWARD

- Promote the use of project preparation facilities to enhance storage projects and ensure that they are financially viable and attractive to some form of financier
- Further develop the relationship between FINANCING and
  - the social, economic and environmental RISKS of storage dams
  - the outcomes of the WCD and UNEP-DDP
- Document the financing experiences of African storage dams
- Encourage transparency with project information
- Engage the emerging partners.

Thank you