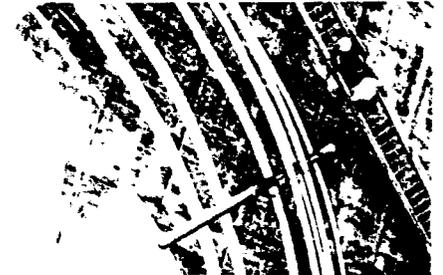


Global Project Finance and Infrastructure **UPDATE**



The New Wave

Private Sector Participation in International Water Projects

by Richard J. Cooper and Chantal E. Kordula

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Highlights of Current
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By every conceivable measure, private sector participation in the global water and wastewater industry is increasing, and it is doing so at an accelerated pace. The reasons for this are numerous. In developed economies, new and stricter environmental legislation and water quality standards have required substantial new investments in water and sewerage systems at a time when many governments are seeking to reduce, if not eliminate, their role in operating and maintaining such systems. Governments are increasingly looking to the private sector to fund these expenditures and perform these activities. In the developing world, more than 1.9 billion people are estimated not to have access to safe drinking water and an even greater number do not have access to adequate sanitation facilities. This situation, combined with the shortage of public funds, the

weak operational performance of existing water systems, the success of public/private partnerships in other sectors of the economy (e.g., power and telecommunications) and pressures from multilateral agencies, has prompted many governments and municipalities in the developing world to open their water systems to private sector participation. Between 1984 and 1990, there were only 8 contracts for private sector participation in the water and wastewater sector involving \$297 million. From 1990 to 1997, the number increased more than tenfold to 97 projects worth approximately \$25 billion. According to industry sources, as of October 1998, there were approximately 380 planned, funded or completed water and wastewater projects with private sector participation worldwide, with a total estimated cost of \$74 billion.

This article addresses issues raised by private sector participation in the water and wastewater industry, focusing first on the different options for private sector investment and then on the different considerations relevant to investments in existing facilities and greenfield projects, with particular emphasis on water projects in emerging market economies.

Options for Private Sector Participation

As is the case in other industries, private sector participation in the water industry takes various forms. Private sector participation can be in the form of service or management contracts, lease or concession contracts and sale or joint ownership contracts. In the emerging markets context, it is frequently the case that the ultimate structure employed to attract private sector participation will combine elements of each of these forms of participation.

Service and Management Contracts

Service or management contracts involve the least amount of risk to the private sector participant. Typically, the private sector participant provides specific services in respect of the water system (e.g., maintenance, meter read-

ing, billing, collection or connection services) or agrees to manage the system for a limited period (e.g., 5 to 10 years) on a fixed fee basis with an incentive fee for improvements in service (e.g., decreases in non-revenue water, increases in the number of connections, etc.). The system remains the property of the government or the municipality and the private sector participant is not responsible for the funding of capital investments.

Lease and Concession Agreements

Lease agreements involve a higher degree of risk assumption by the private sector participant than service and management contracts. In a lease agreement, the private sector participant leases the facilities from the government or municipality and is responsible for the operation and maintenance of the facility over a lease term that generally ranges from 10 to 20 years. The government maintains ownership of the facilities and is responsible for capital improvements and debt service. The private sector participant is paid a tariff for its services by the government and its return depends on the extent to which the tariff exceeds rent and

operating costs, thereby providing the investor with an incentive to reduce operating costs.

Concession agreements differ from lease agreements in that the private sector participant is responsible, in addition to the operation and maintenance of the facilities, for capital improvements. The private sector participant is either contractually required to make certain capital improvements (e.g., increase connectivity or provide certain additional services) or has an incentive to do so because the capital improvements will allow the facilities to operate more efficiently, thereby increasing the private sector participant's return. The government realizes the benefit of the technological expertise and access to lower cost funding of the private sector participant. In the concession context, the private sector participant generally invoices the consumer directly (although the government may remain responsible for tariff payments to the private sector participant) and the payment received is meant to cover operation and maintenance expenses, as well as debt service. At the end of the term of the concession, which generally ranges from 20 to 30 years (although such terms are often sub-

Cleary Gottlieb is representing the Mexican Ministry of Communications and Transportation and the selling shareholder in the initial public offering of approximately \$300 million of ADSs and shares of the Southeast Group. The Southeast Group of Airports, known as Azur, consists of nine airports, including the Cancun International Airport, and is the first of four airport groups to be privatized in Mexico in connection with the opening of the Mexican airport sector to private ownership.

ject to extensions), the government has the contractual right and the obligation to take over the responsibility for the operation and maintenance of the facility.

One variant of the concession agreement is the "BOT" or "BOO" concession, which is frequently used in the development of greenfield water supply and/or sewerage facilities. In these contracts, the private sector participant designs and constructs the water facility, operates and maintains it for a period of time and is responsible for the requisite financing for the project. In the case of a BOT structure, as opposed to a BOO structure, the ownership, operation and maintenance of the facility is transferred to the government at the end of the term. BOT or BOO arrangements involve multiple risks for the private sector participant, including design and construction risks, operation and maintenance risks and, most often, financing risks. These contracts typically have terms of 20 to 30 years which, in light of the significant capital expenditures, are necessary to make the tariff affordable for the user and financeable for the project sponsor.

Joint Ownership and Sale Agreements

Finally, joint ownership or sale agreements involve the greatest level of risk assumption by the private sector participant and are used when a government desires to privatize or

divest its water system. Large water privatizations in emerging market economies have taken place, for example, in Argentina, Chile, Bolivia, Indonesia, the Philippines and Morocco, to name just a few. In most cases, privatizations involve the sale of shares in a public water company although occasionally they are structured as very long term concessions. The privatization of the Mendoza water system in Argentina, for example, involved a 95 year concession. Outright sales of water systems,

“ The development of a greenfield water project presents a very different commercial opportunity for a private sector developer from the acquisition of an interest in an existing system through a privatization process. ”

however, are not typical and, given the political sensitivity and the public service nature of these assets, the privatization of water facilities in emerging markets most often takes the form of joint ownership with public and private sector participation (i.e., partial privatizations) rather than outright sales of the system. In a joint ownership structure, the private sector participant is generally responsible for the day-to-day management of the facilities, but the government retains veto power over certain critical aspects of the project

The firm is currently representing a major US investment bank and a syndicate of commercial banks in connection with the project financing of a portion of the Ruta 5 Toll Road in Chile.

Existing Systems vs. New Systems:

Conceptual Differences

Whatever the form of participation, the private sector investor desiring to invest in an emerging markets water project will have to make a basic choice as to whether it wants to invest its resources in the acquisition of an existing system or in the development and operation of a new facility. Although both types of projects involve many of the same considerations, there are significant differences between the two. Set forth below is a summary of some of the more important differences.

Commercial Opportunity

The development of a greenfield water project presents a very different commercial opportunity for a private sector developer from the acquisition of an interest in an existing system through a privatization process. In the typical emerging markets greenfield water project, the commercial opportunity for the developer depends on its ability to leverage its technical knowledge and expertise in designing, constructing and operating a water supply and/or sewerage system into a bid that will be both competitive vis a vis other potential participants and sufficient to generate an adequate return for the investor. In

most greenfield water projects, however, the return generated by the tariff is just one component of the overall economic rationale for the project's private sector participants. Frequently, consortium participants will also be motivated by the returns they will receive as the EPC contractor, the O&M operator and/or equipment supplier to the project. In this respect, the private participant's motivations are much different from those in the privatization context where the construction aspects of the project are much more limited and the existing system will have a significant managerial staff to operate the facility.

For a developer, the commercial opportunity presented by the acquisition of an interest in an existing emerging market water system is quite different from that in a greenfield project. The basic commercial opportunity in the privatization context focuses on reducing the operat-

ing cost, improving the efficiency and expanding the reach (i.e., the number of connections, the volume of sewage treated, etc.) of the existing system. Water supply and wastewater systems in emerging markets are extraordinarily inefficient, frequently overstaffed and consistently underfunded. These characteristics affect all

“ The basic commercial opportunity in the privatization context focuses on reducing the operating cost, improving the efficiency and expanding the reach of the existing system. ”

operations of the business. For example, it is estimated that unaccounted-for water, water that either leaks through broken pipes or that is offtaken through illegal connections, represents 40 to 50% of the water produced by utilities in developing countries as opposed to 10 to 20% in systems in industrial countries.

Water utilities in emerging markets rarely have in place effective metering or collection procedures. Frequently, production of water is based on estimates and users are billed on the basis of lot sizes and property value no matter what their consumption rates are. Moreover, billing procedures, to the extent in effect, are inadequate, and effective systems and controls for the collection of unpaid bills are virtually nonexistent. These techni-

cal, operational and commercial problems are at the heart of what makes the privatization transaction an attractive investment opportunity for the private sector investor in that there is a potential for a significant, and not particularly costly, turnaround of the system by simply improving the physical condition of the plant (i.e., plugging up the leaks and reducing illegal connections), reducing costs and improving operating procedures.

From the developer's perspective, the two projects differ as well in terms of what factors are likely to influence whether the

developer will be successful in winning the bid assuming the project is awarded through a competitive process. With respect to a greenfield project, the developer's hurdle rate and ability to access lower cost capital will be most critical to its ability to successfully compete in any public tender process because, in general, the technology employed in emerging markets water supply and sewerage projects is widely available and not as complex and subject to change as in other infrastructure projects (e.g., telecommunications, power, etc.) In contrast, in the privatization context, the developer's expertise in assessing and evaluating the quality of the system and the potential efficiencies to be realized will play the dominant role.

Project Risks

Greenfield water projects and privatization projects differ as well in terms

In Asia, Cleary Gottlieb has represented Standard & Poor's in connection with a number of infrastructure projects, including the Zhuhai toll road financing, the Beijing expressway and the Suzhou toll road financing. The firm also represented Standard & Poor's in connection with corporate ratings for the New World Infrastructure toll road and bridge projects, as well as the Cheung Kong Infrastructure project.

of the project risks they present to private investors. The risk profile of a greenfield water project will be dictated largely by the location of the project and the terms of the concession agreement, the latter of which may be shaped by the developer through the bidding process. Because in a greenfield water project many of the most significant project risks (e.g., force majeure risks, offtake risks, regulatory risks, changes in law risks, currency risks, etc.) associated with an emerging markets water project often can be mitigated by the terms of the contract, the overall risk profile of a greenfield water project from the private investor's perspective, is often more manageable than in a privatization project. The potential to shift project risks to the local government sponsor of the project, however, is not without an economic consequence. Although some greenfield water projects in emerging markets are structured to offer the developer an opportunity to increase revenues through the expansion of the system, the provision of ancillary services or the participation in other revenue-generating activities (e.g., increasing the capacity of the facility, generating electric power, laying fiber optics lines, etc.), most greenfield projects involve only limited upside potential for the developer.

The risk profile of a privatization project differs significantly from that of a greenfield water project. First, unlike in a greenfield project, completion risk is generally not an issue for the developer in a privatization project although, depending on the nature of the system being privatized, significant future capital expenditures may be

required. Second, the facility in a privatization project generates cash revenues from the date of the closing of the transaction unlike in a greenfield project, which generally will require a 1½ to 3 year construction period before the facility is capable of generating positive cash flow. The fact that the facility is a revenue-producing asset from the closing of the transaction should permit the developer to obtain more flexible financing terms including with respect to debt amortization, debt service coverage ratios and, possibly, support arrangements (e.g., debt service reserves, sponsor support undertakings, etc.). It also may improve the project's economics to the private investor to the extent that the investor will benefit from, and be permitted by the lenders to receive, cash distributions sooner than would be the case with an investment in a comparable greenfield project. In addition, the required "holding period" for private investor equity in the privatization context is often shorter than in the greenfield context given the tendency of local governments to prohibit transfers of a private investor's equity interests in the project company prior to the completion of the new facility. This too can have a favorable impact on the project's economics to the private investor, possibly enabling the private investor to monetize all or a part

of its investment in the privatized water system sooner than would be the case in a greenfield project.

Use of Proceeds

From the perspective of the private sector developer, another basic difference between participating in the privatization of an existing water facility and the development of a greenfield concession involves the manner in which the funds committed by the developer and its financing sources will be used.

In Asia, Cleary Gottlieb is assisting the Government of Indonesia and PT PLN (Persero), the state owned utility, to advise on the restructuring of the country's power sector. This project involves the restructuring of 27 independent power projects, involving most of the world's leading power companies, financial institutions, export credit agencies, political risk insurers and multilateral development institutions. Our assignment involves assisting in the renegotiation of gas and coal fired power plants in varying stages of completion, as well as geothermal and other power projects that require restructuring and/or new investment. The firm's litigation group has also been involved in a number of international arbitrations arising out of the situation.

In a greenfield project, all funds invested by the developer and its financing sources will be used in the design, development and operation of the project. This is not always the case in the privatization of an existing water

Deary Gottlieb is also involved in the restructuring of a number of troubled project financings. In Thailand, for example, the firm has been engaged for more than a year in the restructuring of NSM Steel, a Thai steel maker. The firm is representing a group of secured bondholders and Thai banks who financed the construction and start-up of a Thai mini-mill before the economic situation in Asia overtook the project.

system. In Brazil, for example, until it was postponed, the proposed privatization of Cedae, the Rio de Janeiro water system, was expected to involve an up-front payment to the government of more than \$1 billion. Similar schemes have been adopted and are planned for water privatizations in Central and Eastern Europe.

The fact that a significant portion of the capital raised for these projects will not be used to fund capital improvements and expansion of the water and/or sanitation system and will be required to be paid up-front (some bid procedures have required payment within days of the award of the bid) will limit, at least initially, the potential sources of funding available to finance the acquisition of the privatized water utility. Export credit agency and bond market financings, for example, may be difficult to secure given the eligibility requirements (e.g., "domestic content" requirements, "reach back" rules, etc.) of most export credit agencies and the timing of most privatization bids. The fact that a significant amount of the

capital that will be raised will not be used to improve the system also will put a premium on the developer's ability to carefully assess the quality of the system's assets, the market for the project's products or services, its raw water sources and its management. In many instances, this will be a challenging task. State and municipal water systems in emerging markets are notoriously bad at producing adequate information and records, and this dearth of information is usually aggravated by the fact that these systems are poorly maintained and difficult to physically inspect.

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given the underground nature of the piping system. Unlike a greenfield project where most of the information necessary to analyze and value the project is readily available, the privatization context presents a more challenging valuation exercise for the private sector investor.

Labor Considerations

Another significant difference between a greenfield project and

a privatization project relates to the issue of labor. In a greenfield project, the developer has a relatively free hand in establishing the number of its employees and setting the terms of their employment. In the privatization context, the developer will inherit an existing, generally overstaffed and frequently unionized workforce, and will be constrained by legal and political factors when it seeks to rationalize that workforce. On average, publicly-owned water facilities in developing countries have a ratio of 5 to 10 employees per 1,000 water connections whereas a

similar system in the U.S. or Western Europe might have a ratio of 2 to 3 employees per 1,000 water connections.

Although the implications of overstaffing on the company's operating costs can be significant, there are other reasons why it is an issue. Public water companies in emerging market economies have a long history of being viewed as a way station for political appointees who may lack the requisite technical and managerial experience to make the facilities run efficiently.

Unless this issue is dealt with in the express terms of the privatization

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Deary Gottlieb represented Craig McCaw and Teledesic in the restructuring of ICO, the UK satellite company. McCaw and Teledesic have agreed to invest over US\$1.2 billion in the ICO satellite system in exchange for obtaining a controlling stake in ICO.

w e b l i n k s

The websites below may be useful for Project Finance, industry specific or country specific information and research.

GENERAL

International Project Finance Association
www.ipfa.org

Global Information Infrastructure Division
www.gii.org

Institute of International Project Finance
www.members.aol.com/projectfin/intro.html

BUSINESS AND NEWS RESEARCH

IPS World News Network
www.ips.org/index.htm

Enteleky Business News Report
www.enteleky.com/EReport.html

World Bank Research Home Site
www.worldbank.org

BradyNet: A World of Bonds Information Site
www.brady.net.com/InvestingSites.com
www.investingsites.com/index.htm

Emerging Economies News
www.emergingeconomies.net/frontpage.html

REGIONAL NEWS

Lanic: Libraries and Reference in Latin America
www.lanic.utexas.edu/subject/libraries.htm

Business News Americas
www.bnamericas.com

Mbendi: Information for Africa
www.mbendi.co.za/indy/oilg

African News On-line
www.africanews.org

Asia Infrastructure Database
www.sgdesign.com/aid.html

Asia Law
www.asialaw.com

RATINGS

Standard and Poor's Infrastructure Ratings
www.standardandpoors.com/ratings/infrastructurefinance/index.htm

Moody's Ratings
www.moody.com

Duff and Phelps Credit Rating Co.
www.dcrco.com

Fitch IBCA, Inc.
www.fitchibca.com

ENERGY

Alexander's Gas and Oil Connections - World Energy Site
www.gasandoil.com

Oil Online
www.oilonline.com

WATER

Interwater Gateway to Water and Sanitation Information
www.wsscc.org/interwater

Water and Sanitation Program
www.wsp.org/English/index.html

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documentation (e.g., the government agrees to redeploy employees to other public sector jobs or consents to a post-closing work rationalization plan), the investor often will face legal restrictions and significant financial costs (e.g., statutory severance payments, etc.) in trying to rationalize its workforce. Moreover, many emerging market water privatizations are structured so that the employees of the privatized utility are entitled to an equity stake in the privatized entity (with corresponding board representation), thereby further complicating the investor's ability to optimize the labor force and negatively affecting the project's economics for the investor, including by reducing its percentage of the project's equity.

Existing System vs. New Systems:

Common Investment Considerations

Although the opportunities and risks posed by privatization and greenfield water projects are somewhat different, they share many of the same investment considerations. No matter whether the project involves the construction of a new facility or the privatization of an existing system, the

private sector developer will want to consider the applicable regulatory environment and rate setting mechanism, the market for the water or sewerage service being provided and the quality and source of the project's raw water supply.

Regulatory Environment and Rate Setting Mechanism

Because of the monopolistic nature of the water business, the industry is highly regulated to protect consumers from excessive charges and to ensure adequate water quality and wastewater treatment. Regulation is often within the jurisdiction of more than one governmental authority (e.g., health, environmental and antitrust authorities) and often exists at both the national and the local level. In the emerging markets context, the difficulty of dealing with multiple regulators is compounded by the fact that many of the regulations are new and untested, the regulator is often given wide latitude to interpret contractual or statutory provisions regarding rate adjustments and the process is not always transparent. Although it may be possible to reduce the level of discretion given to the regulator when negotiating the

terms of the project documentation, it is often difficult to do so and, in any event, disputes may arise. Each of the winning consortia for the successful privatization of the two Manila water concessions, for example, has already commenced arbitration over the terms of the tariff and certain other matters, despite the fact that the concession agreement contained detailed provisions regarding these matters.

Governmental control manifests itself most prominently in the form of price regulation. In most cases, the government regulates the price at which the water must be sold - which is often set at such a level to allow the poorest users to afford water - and will allow increases in the price only to reflect changes in inflation rates and in other specific and limited circumstances. Private sector investors and their lenders on the other hand will seek assurances that price increases will be allowed in the event that the circumstances upon which their investments were made change over the term of the project. In particular, private investors and project lenders will want to pass along to the consumer cost increases due to changes in law - particularly as they relate to wastewater discharge and drinking water quality -

In Latin America, Cleary Gottlieb is providing advice to SBC International Inc. and Teléfonos de Mexico S.A. de C.V. - Telmex, project sponsors of ATL Algar Telecom Leste S.A., the B-Band Wireless telephone operator in Rio de Janeiro and Espirito Santo. The firm is also representing Telmex in connection with its joint venture with Bell Canada International to form a new facilities-based communications company to be their principal vehicle for expansion in South America.

changes in taxation, changes in the quality of the raw water or the nature of the sewage being treated and exchange rate fluctuations. In the emerging markets context, local governments increasingly recognize the need to permit the concessionaire to increase its rates to cover at least its capital costs and fixed operating costs as a result of changes in law or project conditions that result in expensive upgrade or compliance costs or material increases in operating costs. Generally speaking, a private investor in a greenfield water project is more likely to receive price protection against these and other types of risks than a private investor acquiring an interest in a privatized or divested water system, if for no other reason than the fact that the process for awarding greenfield projects and the projects themselves typically permit greater negotiation between the local government authority and the private developer and its lenders and involve fewer, and less entrenched, constituencies.

Market for Products and Services

Depending on the manner in which the private sector participation is structured, the customers of the system are either governmental agencies, which in turn sell the water to consumers, or the users themselves. From an investment perspective, both arrangements have advantages and disadvantages. Most emerging markets water projects have some form of a "take or pay" arrangement with the government off-taker, whereby the government agrees to take or pay for a minimum quantity of water or sewage treatment per month. In such cases, the investor's principal concern (aside from the nature of the specific take or pay

arrangement and the ability to adjust the price upon changes in project conditions) will be the creditworthiness of the government off-taker. When the government is a municipal or state government, however, this concern will be a significant one as most such governments in the developing world are unrated and difficult to assess from a credit perspective. If the governmental counterparty's credit quality is not satisfactory to the developer and its lenders, the investor will seek to enhance the credit through a guarantee from

another more creditworthy governmental entity, a performance bond or letter of credit, the securitization of the underlying water payments from the local users of the system and/or the establishment of a reserve account. If, however, the customers are the actual users, the investor will have to ensure that adequate protections exist in the event that the customer does not pay its bills. Because water is a basic life staple, in many emerging market jurisdictions local laws prevent the concessionaire from shutting off a user's access to water even in the case of non-payment. The investor will need to look for some other method to ensure that it can pay fixed costs and may seek assurances from the government in this regard. On the other hand, if the customers are the actual users, the Project will likely involve greater upside potential if the project company is able, for example, to

increase connectivity or provide additional services to such users.

If the customers are the users, another relevant consideration is the diversity of the customer base and the demo-

In Brazil, Cleary Gottlieb is working on a number of project financings for Petr oleos Brasileiros S.A. - PETROBRAS, the Brazilian state oil company for projects involving aggregate funding in excess of US\$4 billion. Such projects include the financing of an expansion of production facilities in the Albacora field, as well as the development of the Roncador and Marlim Sul fields, all of which are petroleum and natural gas fields in the Campos Basin offshore Brazil.

graphics of the local market. If the market includes a mix of residential, commercial and industrial users, changes in general economic conditions are less likely to affect the project's cash flows. If, however, the project's customers are primarily industrial users concentrated in a particular industry, the project's cashflows will be much more vulnerable to a downturn in that particular industry and the general economy. Related to this issue is the concern that one particular user plays a dominant role. In rating water projects, for example, Standard & Poor's will review the credit quality of any one user if such user consumes more than 5% of a system's water or is responsible for 5% of system's treatable wastewater.

Similarly, the demographics of the project's markets are important to assess. Because water is a particularly capital-intensive business with significant front-

end costs, the developer will want to make certain that the population size and its projected rate of growth is sufficient to sustain the system and justify capital improvements and expansion at a tariff that is affordable to the population's users. In municipal water systems in many emerging markets this is often diffi-

“ One issue that affects both greenfield and existing water projects in emerging markets is the strength of the commitments the project has with respect to its access to, and the quality of, its raw water supply.”

cult to achieve and developers will frequently seek to merge or combine different systems in order to justify the project's economics.

Finally, private investors and their lenders will consider the market's experience and history in terms of paying for water. If the market previously has not been billed directly for water or sewerage, the risk of nonpayment or of political difficulty is obviously much higher. If the market has been billed for its water in the past, the issue of how consumers are transitioned from public ownership and/or operation of the local water utility to private ownership and/or operation becomes important. Many emerging markets governments try to address this issue by increasing water rates prior to the actual privatization or divestiture of the water system to mitigate the possible adverse political consequences resulting from a substantial increase in rates immediately following the takeover of the system.

Access to Raw Water

One issue that affects both greenfield and existing water projects in emerging markets is the strength of the commit-

ments the project has with respect to its access to, and the quality of, its raw water supply. This issue is particularly important in regions which are susceptible to significant changes in weather patterns or where aquifer depletion or salt-water intrusion could affect the project's operations. A project's access to its raw

water supply should encompass not only the right to draw water from such sources but also governmental commitments that will protect the project against the risk of depletion or contamination of such sources by third parties. In certain cases, private sector participants have been able to obtain regulatory prohibitions against unregulated groundwater abstraction or disposal of untested sewage within a certain radius of the project's area of abstraction. Lenders and rating agencies will insist that the project's raw water commitments are capable not only of supplying the project's operations at its peak yield but that such supply is sustainable over the term of the project and that the quality of the raw water supply will not

be susceptible to degradation. Lenders and rating agencies will further insist that the project's obligation to supply drinking water or treat sewage should be excused if the project's access to, or the supply of, its raw water or sewage is adversely affected.

Conclusion

With the investment requirements of the water and wastewater industry ever increasing and the health and environmental consequences of the failure to make such investments all the more apparent, governments will continue to readily seek and support private sector participation in the industry. As the projects of the past few years have demonstrated, the investment considerations of the private sector in respect of a project, whether an existing facility or a greenfield project, can be satisfactorily addressed and the risks that once made water an unattractive utility for investment can be mitigated. In light of these factors, the accelerated pace of private sector participation in the water and wastewater industry is bound to continue in the coming years and decades.

Richard Cooper and Chantal Kordula are members of the Firm's Global Project Finance and Infrastructure Practice in the New York Office. ♦

Cleary Gottlieb is currently representing Centrias Gereadoras do Sul do Brazil, an affiliate of Tractebel, S.A., in connection with the project financing of a 450 MW hydroelectric power plant in the State of Goias in Brazil. The firm is also assisting Tractebel in connection with its involvement in the Itaiu hydroelectric project.