

PROJECT ABSTRACT

Project number	CO-0231
Project name	Tibitoc Water Treatment Facility
Country	Colombia
Total project cost	US\$64.14 million
IDB participation	IDB A-Loan: US\$9 million IDB B-Loan: US\$9 million
Department	Private Sector Department
Status	Approved by the Board of Executive Directors
Date	August 12, 1998

I. DESCRIPTION OF THE PROJECT

The City of Bogota's water supply network relies on only two primary sources of potable water. The network is vulnerable to a sudden breakdown in either of these two, which could lead to severe rationing, and in addition needs to be expanded to cope with normal growth. A breakdown did occur in 1997, and resulted in city-wide rationing for a 10-month period. The Tibitoc source was brought into service in 1959 and expanded in 1969 to its current capacity. Both the Tibitoc treatment plant and the primary pipeline connecting it to the city are old and deteriorated; a number of important system components are now well beyond their design life. Consequently, the system can be depended upon to produce and deliver only about 40% of its rated capacity on a sustained basis. This is barely adequate at current demand levels, and means it cannot serve as a reliable backup in the event of further problems elsewhere in the system. Consequently, rehabilitation of the plant and 31.3 km of the pipeline has been designated as a high priority project both by the Empresa de Acueducto y Alcantarillado de Bogota, ESP ("EAAB"), the municipal water authority in the city of Bogota, and the World Bank which has been EAAB's primary source of debt finance over the years, EAAB chose to accomplish the rehabilitation of the Tibitoc plant and pipeline through the concession modality, and awarded a twenty-year concession to an international group. The concession company will perform the rehabilitation of the plant and pipeline, and will operate and maintain the plant for the life of the concession.

II. THE SPONSORS

The project sponsors are Compagnie Generale des Eaux, Corporacion Financiera del Valle, and Fanalca S.A. Compagnie General des Eaux, recently renamed Vivendi, is one of France's largest diversified companies, traditionally focussed on services to local authorities related to water and wastewater treatment. Corporacion Financiera del Valle (CFV) is one of Colombia's largest financial institutions, providing a diverse range of financial services including corporate banking, investment banking, leasing, and direct portfolio investments, primarily in infrastructure projects. Fanalca, also a Colombian corporation, is a highly diversified company with manufacturing, service, and trading activities.

III. FINANCING PLAN

The project financing plan is as follows:

COSTS

Design, Works, and Equipment 55.4

Financial Costs 7.8

Other .9

Total 64.1

SOURCES

Internal Generation 19.1

Direct Equity 13.5

Dollar Debt 16.4

Peso Debt 15.1

Total 64.1

Given the uncertainties due to future movements in exchange rates, The Bank has agreed to make a loan amount of \$18 million available for the project, divided equally between an "A" and a "B" tranche.

IV. TIMETABLE

In accordance with the schedule established in the concession agreement, the concession company took over the facilities on March 23, 1998. A period of three years is allowed from that date to complete the rehabilitation work. The balance of the concession period will be devoted to operation and maintenance of the facility.

V. PROCUREMENT

All major equipment purchases and major civil works activities will be carried out by contractors which have been selected by the concession company, and in some cases are affiliated with a member of the sponsor group. Certain rehabilitation and minor civil works activities will be contracted with local firms under a competitive bidding process.

VI. ENVIRONMENTAL FACTORS

The project involves primarily the rehabilitation of existing facilities, and as such the environmental impacts will be minimal and local in character. Environmental impacts were identified through the original EIA carried out under contract with EAAB and through the environmental review and due diligence carried out by the Bank's environmental consultant. Proper and adequate measures will be put in place to mitigate all the identified impacts. The project Environmental and Social Impact report was approved by the relevant Bank committee on May 28, 1998.

VII. ROLE OF THE IDB

The project has an vital development role because of its importance for maintaining the capability to reliably deliver necessary municipal services in the face of increasing demand, and because it is a crucial step in the movement toward privatization of water supply service and other municipal services in Bogota and Colombia as a whole. The participation of the Bank in the project brings additionality in the form of longer loan tenors, which are especially appropriate for supporting private sector-based development of the water sector which is highly capital-intensive. The Bank's participation is also consistent with, and continues, its policies and programs for the Colombian water/wastewater sector, and will show concrete support for reforms in the sector which have recently been introduced.