

## PROJECT ABSTRACT

Project number	AR-0211
Project name	Aguas Provinciales de Santa Fe
Country/location:	Argentina, Province de Santa Fe
Sponsors	Aguas Provinciales de Santa Fe
Total project cost	US\$219 million
IDB participation	IDB A-Loan: US\$30 million IDB B-Loan: US\$55 million
Department	Private Sector Department
Status	Approved by the Board of Executive Directors
Date	December 18, 1996

### I. PROJECT STRENGTHS

- |  |                                       |
|--|---------------------------------------|
| ? Very experienced sponsors/operator   | ? Environmentally beneficial          |
| ? Revenue generating operation         | ? Non-cyclical business               |
| ? Successfully tested concession model | ? Significant socio-economic benefits |

### II. COMPANY DESCRIPTION

Aguas Provinciales de Santa Fe (the "Company") is 90 percent owned by a Consortium comprising Lyonnaise des Eaux of France, Sociedad General de Aguas de Barcelona of Spain and 3 Argentine companies: Sociedad Comercial del Plata, Banco de Galicia y Buenos Aires and Meller S.A. The Company's employees own 10 percent of the stock. The Consortium was awarded through competitive bidding a 30-year concession to provide water and sewage services to 15 districts in the Province of Santa Fe. The winning bid was selected by offering the lowest tariff per cubic meter of water supplied.

This Consortium is essentially the same as the one that has been operating Aguas Argentinas since May, 1993 pursuant to a very similar concession. The Consortium is required to satisfy various service quality standards and achieve objectives such as: (i) rehabilitation of all plant and equipment within 8 years, and (ii) provide water and sewage collection services to all urban areas within 10 years.

Lyonnaise des Eaux, as operator, took over operations from Direccion Provincial de Obras Sanitarias early in December 1995. The consortium is committed to invest approximately US\$1,000 million over the life of the concession, 50 percent of which will take place during the first 10 years. Capital expenditures are expected to be financed through a combination of internal cash flow and sponsors' equity (roughly 50 percent), as well as long-term financing (the remaining 50 percent). The Bank was approached by the sponsors to arrange a corporate financing, amounting to approximately US\$85 million.

### III. COMPANY SPONSORS

The Lyonnaise des Eaux - Dumez Group was established in 1990 through the merger of Lyonnaise des Eaux, a French company with more than 110 years of experience in water services operations, and Dumez, one of the leading engineering and construction companies in France with more than 100 years of experience in public works. Lyonnaise des Eaux controls approximately 29 percent of the French water supply and sewage collection market. Since May 1993, Lyonnaise des Eaux has been successfully operating Aguas Argentinas SA, the largest water and sewerage concession in the world which serves the Buenos Aires area. As of December 31, 1994, Lyonnaise des Eaux' net worth amounted to approximately to US\$5.6 billion.

Sociedad Comercial del Plata SA, an Argentine holding company, has been involved in the energy sector, engineering and construction activities, as well as public utilities. Sociedad General de Aguas de Barcelona SA which was incorporated in Spain in 1867, has extensive experience in the operation of public utilities.

Aguas de Barcelona serves approximately 9 million consumers in several large Spanish provincial capitals such as Barcelona and Alicante. Banco de Galicia y Buenos Aires is the largest private bank in Argentina. Meller SA is an Argentine group with interests in many sectors including textiles, engineering and construction, telecommunications, oil and gas exploration and air transportation.

#### **IV. FINANCING PLAN**

Aguas Provinciales de Santa Fe expect to invest approximately US\$300 million in capital expenditures during the first 5 years of the concession period. The Bank intends to arrange approximately US\$85 million in long-term loans which would cover the Company's financing needs for the first 3-year period. The remainder will be covered out internal cashflow, sponsors' equity and an already committed loan from the World Bank.

#### **V. TIMETABLE**

The Company took over operations early in December 1995. The Company expects to raise long-term financing from an IDB-led syndicate of lenders during the first quarter of 1997.

#### **VI. ENVIRONMENTAL FACTORS**

Throughout the life of the concession, significant investments will be made to rehabilitate and expand the water supply and sewage collection networks. In addition, new water treatment and sewage treatment facilities will be constructed. These works will be very beneficial from an environmental point of view.

#### **VII. THE ROLE OF THE BANK**

The Bank has supported the restructuring and privatization of the water and sanitation sector in Argentina. It is consistent that the Bank support the private sector's efforts to rehabilitate and expand infrastructure in this social sector.

Through the participation of the Bank as lender-of-record, Aguas Provinciales de Santa Fe should be able to raise long-term loans from commercial lenders. Access to long-term financing will contribute to a reduction of the Company's financial costs which should, over time, lead to lower tariffs for customers. Moreover, the participation of the Bank should have a demonstration effect and facilitate the access of the water sector to the international financial markets.