Investing Today for Our Common Future: How can EIB contribute?

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EUROPEAN INVESTMENT BANK
OUTLINE

1. The European Investment Bank
2. EIB Activity in the Water Sector
3. How does EIB address the sector
4. How can EIB provide Value Added?
5. A Few Parting Messages
The European Investment Bank (EIB)

- The EU’s long-term lending bank set up in 1958 by the Treaty of Rome
- Shareholders: 28 Member States of the EU
- Largest Multilateral Development Bank in terms of assets (over €500 bn)
- Lends up to 50% of project investment cost
- Policy-Driven Bank with specific Lending Objectives
- Water sector falls under “Environmental Sustainability” and “Climate Action”
Current EIB Offering spectrum

European Investment Bank
EIB/EIF RSFF investment cycle coverage

Financial products adapted to scale, maturity and risk

Risk Capital
- European Angels Fund
- Different Fund-of-Funds
- Technology Transfer

CIP Resources (SME)
- Competitiveness and Innovation Program (CIP) Guarantee schemes
- Growth financing for SMEs
- Formal VC Funds

SME / MidCap
- SMEs/MidCaps via third parties (Banks)
- Special Operations

Investment Loans
- Investment loans to MidCaps/Large Corporates/Public Sector Entities (investment grade)
- Guarantees
- Special Operations

RSFF Products
- RSI: total individual eligible operations between EUR 25K and EUR 7.5m
- Intermediated product

Investor Type
- Seed / Start-Up Phase
- Emerging Growth Phase
- Development Phase
- EIF
- EIB
- Later Stage Counterparts

Growth Capital*
EIB Activity in the Water Sector

Delfland Waste Water Treatment Plant (NL)

Historic Wroclaw Water Works

Krakow Water Treatment Plant

Venise Flood Defence - MOSE
EIB Activity in the Water Sector

- One of the largest sources of loan financing to the sector

- Annual loan average of about EUR 3.5 bn over the past 5 years (vs EUR 2 bn in 2003-07),

- On average EIB lending represents 30% of the total investment cost of water projects → high leverage effect

- 90% of the projects are located within the EU

- EIB lends to public or private utility companies, national or local authorities or directly for project finance deals

- EIB lending covers the whole water cycle
EIB Activity in the Water Sector

EIB loans to the water sector from 2008 to 2012

EUR Bn per year

Annual average EUR 3.5 bn
(EUR 3bn in EU 27)
EIB Activity in the Water Sector

Breakdown of EU 27 Countries – 2008-2012, EUR M

[Bar chart showing the breakdown of EIB activity across EU 27 countries, with the UK having the highest activity at 3,691 EUR M.]
EIB Activity in the Water Sector

Breakdown EU 27 Countries: 2003-07 vs. 2008-12 (EUR M)
EIB Water Lending Policy (2008)

- Integrated Water Resource Management (WFD 2000)
- EU Directive Compliance (or progress towards Acquis) and Meeting MDGs in developing countries
- Sector consolidation for efficiency & sustainability
- Adaptation to climate change
- Security of supply (always consider demand management)
- Support efficiency (incl. by improving cost recovery) in:
  - allocation across different users
  - water use by the final users
  - service providers in managing systems
  - physical systems themselves
- Innovation (EIP but not only)
## EIB Water Lending in the EU & the COP

<table>
<thead>
<tr>
<th>Public Policy Objective or GEF Initiative</th>
<th>Higher priority areas</th>
<th>Exceptional Contribution</th>
</tr>
</thead>
</table>
| **Environmental Protection**             | • Promotion of efficient water resources management  
• Reduction of flood risk in compliance with the EU flood directive  
• Support sustainable drinking water supply services, wastewater treatment, improving aquatic biodiversity; projects to address EU directive compliance backlogs | • Cross border water projects  
• Natural disaster recovery and reconstruction projects  
• Bio-diversity reinstatement projects  
• Unique demonstration or early adopter take-up of innovative technology projects                                                                                           |
| **Renewable Energy and Energy Efficiency** | Any projects in W&WM qualifying under either RE or EE                                                                                                                                                                    |                                                                                                                                                                                                                           |
| **Economic and Social Cohesion**         | Any W&WM project that is eligible                                                                                                                                                                                        |                                                                                                                                                                                                                           |
| **Climate Action**                       | Any W&WM project that contributes to CC mitigation or adaptation → NOTE: some water-related activities can contribute to resilience in other sectors                                                                            |                                                                                                                                                                                                                           |
| **GEF – Resource Efficiency Initiative** | • Efficiency - reducing leakages and managing demand can save both water and energy, thus also improving the promoters’ financial position  
• Initiatives contributing to conservation of ecosystems, biodiversity                                                                                       |                                                                                                                                                                                                                           |
EIB Water Lending in the EU & the COP

EIB water lending policy linked with EU priorities:

- Compliance with Directives (e.g. WFD, UWWTD, WTD, Sewage Sludge, Flood, etc.)

- Implementation of EU Water Blueprint through:
  - Integrate quality/quantity management, focus on efficiency (incl. Agr.)
  - Green infrastructure (e.g. wetland protection, preparation of NCFF)

- Resource Efficiency Initiative under Horizon 2020
  - Efficient water use & reduced system losses can save water and energy thus also improving promoters’ financial position

- Growth and employment
  - Invest in water → create jobs in industry where Europe is leader
  - Deteriorating services, WR mismanagement may hamper growth

- New financial instrument and financing for innovation (EIP)
How can the EIB add value?

Value through our focus on soundness & sustainability:

- Sector policy dialogue to ensure project sustainability, bankability
- Advisory services at all levels (sector, project preparation, implementation) both within and outside EU
- Expertise in Project Finance, innovative financial instruments
- Influence through lending operation
- Catalytic role as honest broker
- Early intervention incl. proj. identification (with Ops)
- Project preparatio
- Safeguards (Procurement, E&S, Affordability)
- Phasing of investment and staggered conditionalities, process- vs. output-based conditions
- Targeted Technical Assistance
- Follow-up during monitoring
How can the EIB add value?

Project cycle and supporting activities

- Team attribution
- PIN: Appraisal starts
- CA Approval
- PCR Completion
- PCR +3 Evaluation

Feasibility ➔ Project preparation ➔ Tendering ➔ Construction ➔ Operation

- Sector dialogue, Identification
- Consistency with priorities, lending policy
- Due diligence, Risk analysis
- Monitoring, Implementation support
- Credit risk management, Financial monitoring

Feedback to all relevant stages

Advisory activities and management of TA

- Policy & program advisory activities
- Sector studies
- Project preparation support
- Implementation support

Results, indicators

Due diligence, Risk analysis
- Consistency with priorities, lending policy
- Sector dialogue, Identification

Due diligence, Risk analysis
- Consistency with priorities, lending policy
- Sector dialogue, Identification

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EIB Adding Value: Flood management

EIB completed or ongoing flood management projects since 1997, in the EU

<table>
<thead>
<tr>
<th>Country</th>
<th>Number</th>
<th>Type</th>
<th>Project cost (EUR m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>1</td>
<td>Inland</td>
<td>4,000</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>1</td>
<td>Inland</td>
<td>60</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>4</td>
<td>Inland</td>
<td>1,520</td>
</tr>
<tr>
<td>Germany</td>
<td>5</td>
<td>Inland</td>
<td>1,160</td>
</tr>
<tr>
<td>Hungary</td>
<td>3</td>
<td>Inland</td>
<td>1,110</td>
</tr>
<tr>
<td>Italy</td>
<td>2</td>
<td>Inland, Coastal</td>
<td>4,800</td>
</tr>
<tr>
<td>Poland</td>
<td>3</td>
<td>Inland</td>
<td>1,420</td>
</tr>
<tr>
<td>Portugal</td>
<td>1</td>
<td>Inland</td>
<td>100</td>
</tr>
<tr>
<td>Romania</td>
<td>2</td>
<td>Inland</td>
<td>1,020</td>
</tr>
<tr>
<td>Spain</td>
<td>1</td>
<td>Inland</td>
<td>30</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>23</strong></td>
<td></td>
<td><strong>15,230</strong></td>
</tr>
</tbody>
</table>
EIB Adding Value: Flood management

General Principles for development of Flood Management projects

- Look at the river basin as a whole (WFD)
- Follow the step-by-step approach of the Flood Directive
- Carry out a Strategic Environmental Assessment;
- Combine structural/non-structural measures contributing to overall objectives
- Support the preparation of Flood Management Schemes (incl. use of our existing EIB Guide)
- Mobilise TA for preparation and/or implementation (incl. to assess CC risk and vulnerability)
Czech rep. Flood Protection Phase II: EIB’s value added

- Intervened in definition of strategic approach for flood prevention and supported preparation of environmentally sound individual schemes
- Central co-ordination unit located within the MoA to monitor implementation
- Flood risk modelling applied to rank schemes & design mitigation measures:
  - Scheme selection based on multi-criteria approach combining benefit/cost ratios, technical merit & environmental considerations
  - B/C ratios based on risk analysis methodology to compute expected avoided damages (benefits) with/without each scheme:
- Requested independent environmental expert within the central co-ordination unit, who is part of the Committee for scheme selection
- Ensured EIAs carried out in line with requirements of EU Directives
- EIB’s financing conditions (local currency, maturities, fixed & floating rate)
Support for Portugal’s sector strategy development via dialogue & conditionalities of successive large projects

Design of innovative solutions to finance smaller clients in Italy (e.g. programmes for mid-sized utilities, minibonds)

Dialogue with EC, FIs, utilities, regulators on development of climate adaptation lending criteria

Advisory services for sector development (e.g. financial sustainability, affordability), project preparation (alongside JASPERS) or implementation support

Response to EC objective of increasing use of financial instruments: work on new facilities and funds

Increased support for transboundary activities, macro-region strategies (e.g. Baltic Sea, Danube)

Increase cross-sector work, e.g. water/food nexus
A Few Parting Messages

- EIB has shown the capacity to be a reliable and flexible partner for the implementation of EU policies
- EIB has been able to mobilise very large and increasing funding volumes for the EU water sector
- EIB advisory services capacity is not as well-known and risks to remain under-utilised
- A continued focus on water sector lending in the EIB will depend the evolving priorities of the EU and MS – and our focus areas are linked with em too (eg W/F/E Nexus will need a “push”..)
- “Follow the money”: Availability of grant funding, including for project preparation, remains important in the EU as well
- Innovative financing mechanisms as a means, not an end – sometimes “old” solutions may work best
- Coordination needs to increase to achieve EU policy objectives in EIB, in MS but also in the EC
THANK YOU FOR YOUR ATTENTION