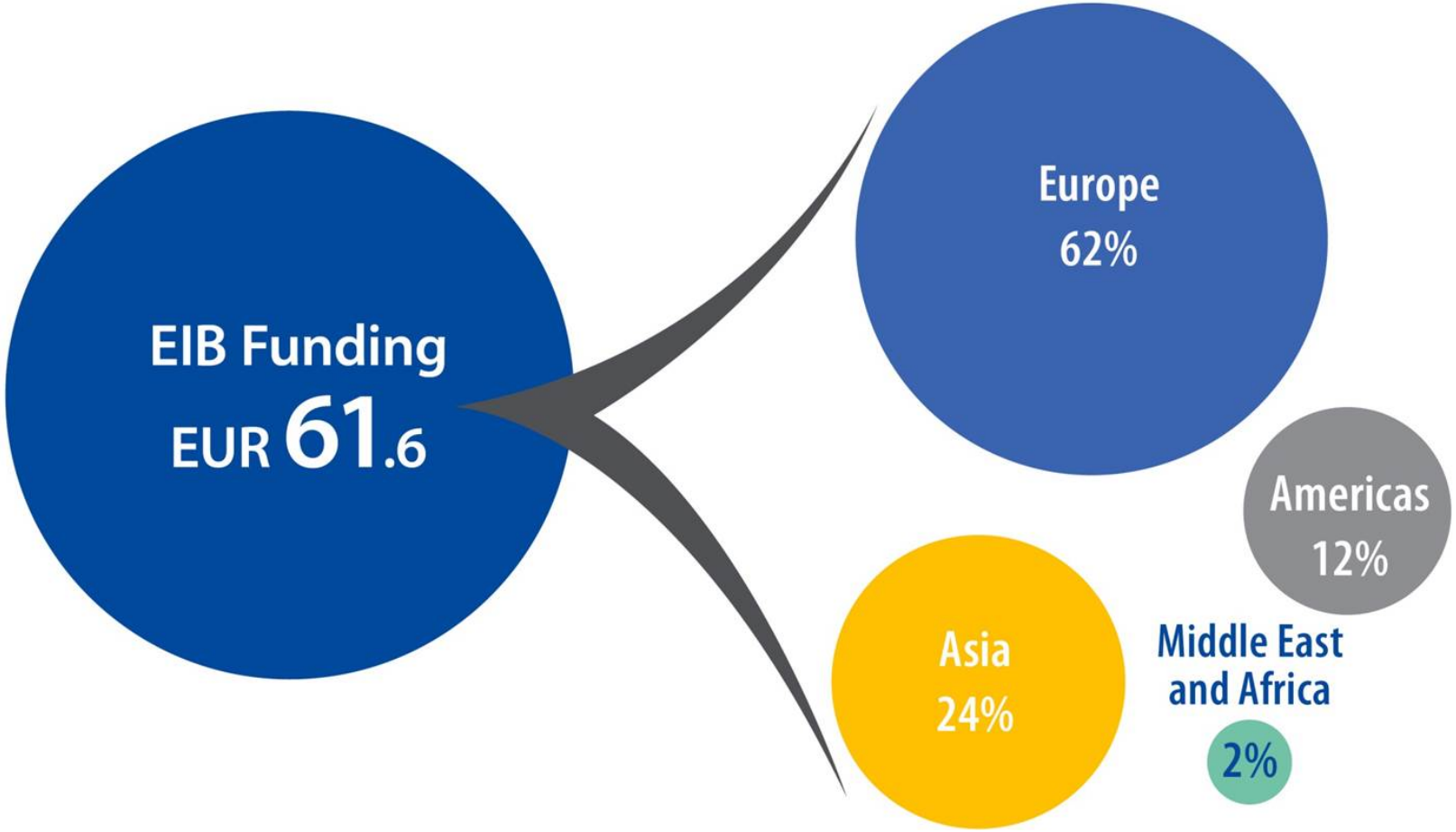
The EU Bank

- Natural financing partner for the EU institutions since 1958
- Shareholders: 28 EU Member States
- More than 90% of lending is within the EU
- Largest multilateral lender
- Euro 80 billion (signatures 2014)
- Euro 4 billion in water/year

UNECE Geneva workshop

2014 Borrowing activity

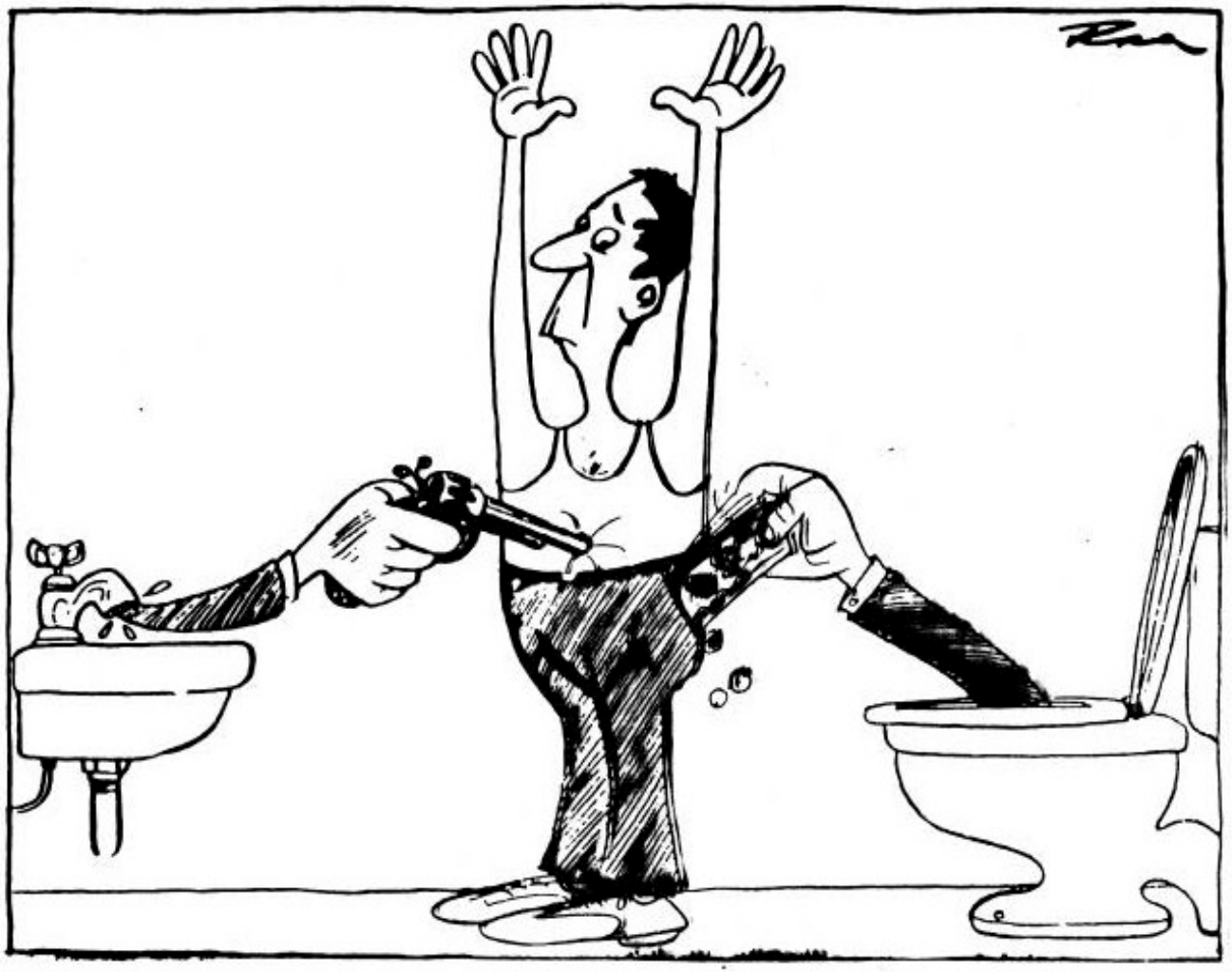
EUR 61.6bn: distribution of EIB bond issues by region



The EIB in the Water Sector: The EU "Water Bank"

- Largest source of loan financing to the sector → over EUR 18bn loans 2009-13 (5% of total lending)
- Leverage, blending: On average EIB loans cover 30% of total investment cost of water projects
- Flexibility: lends to national/local authorities, public or private companies, directly or through intermediaries
- Completeness: lending and expert advice support the whole water value chain / water cycle
- 10% of lending outside the EU, (25% of all loans)

One of the hardest sectors to finance



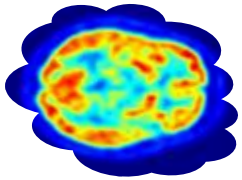
Politics

Cultural

Environment

Social

Emotional Response



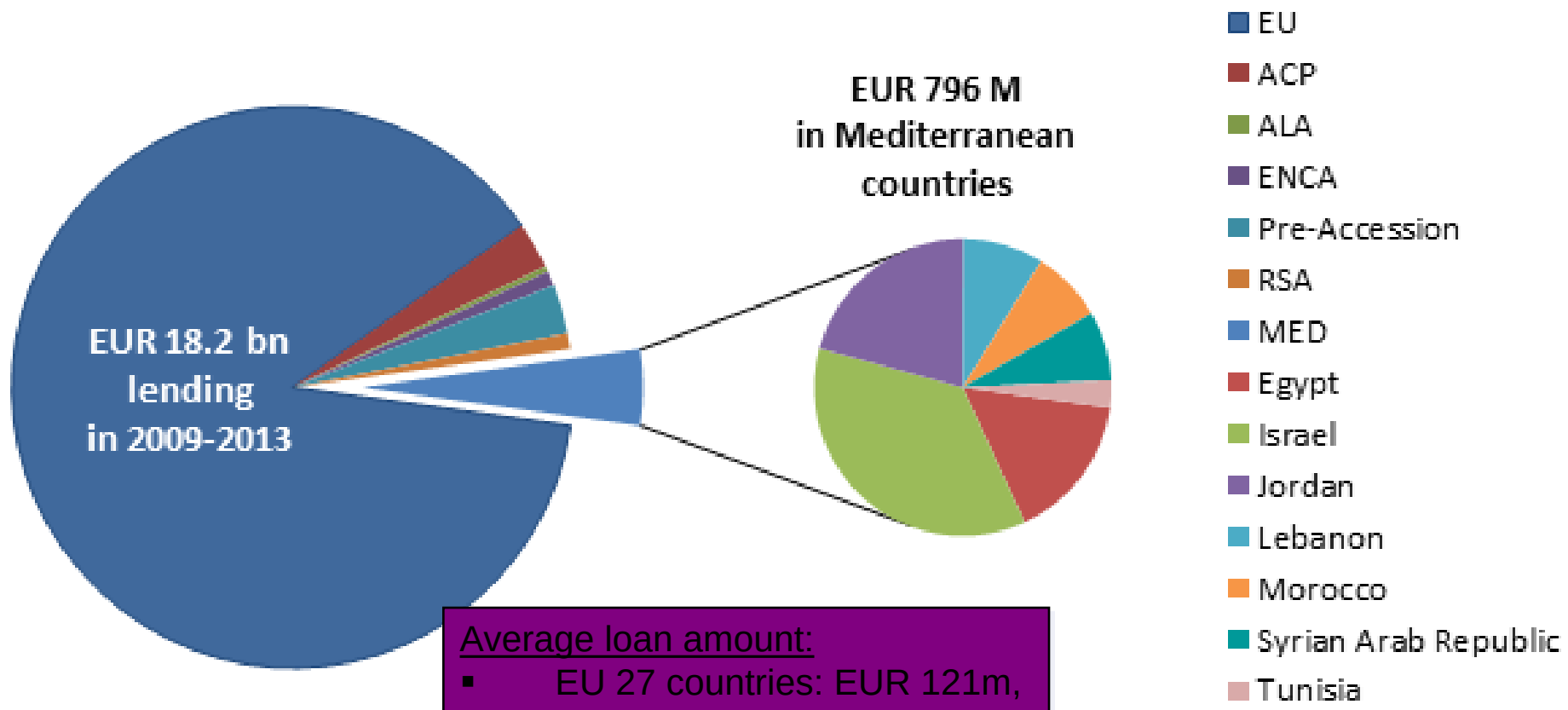
EIB Water Sector Activities: Contributing to EU priorities

- DIRECTIVE COMPLIANCE
  - Contribute to compliance with Environmental Protection Directives (incl. Water Framework Dir., Dir. on Drinking Water, Urban Waste Water Treatment, Sewage Sludge, Floods, Bathing Waters, others)
- RESOURCE EFFICIENCY, CLIMATE ACTION
  - Support (often simultaneously) the objectives of the EU's Natural Resources Efficiency initiative, Water Blueprint and Climate Action
- GROWTH AND EMPLOYMENT INITIATIVE
  - Help develop innovative financial instruments and support RDI (European Innovation Partnership, Hydrobond etc)

EIB Activity in the Water Sector

Key Figures: Breakdown by Region

EIB Lending to the W&WW sector

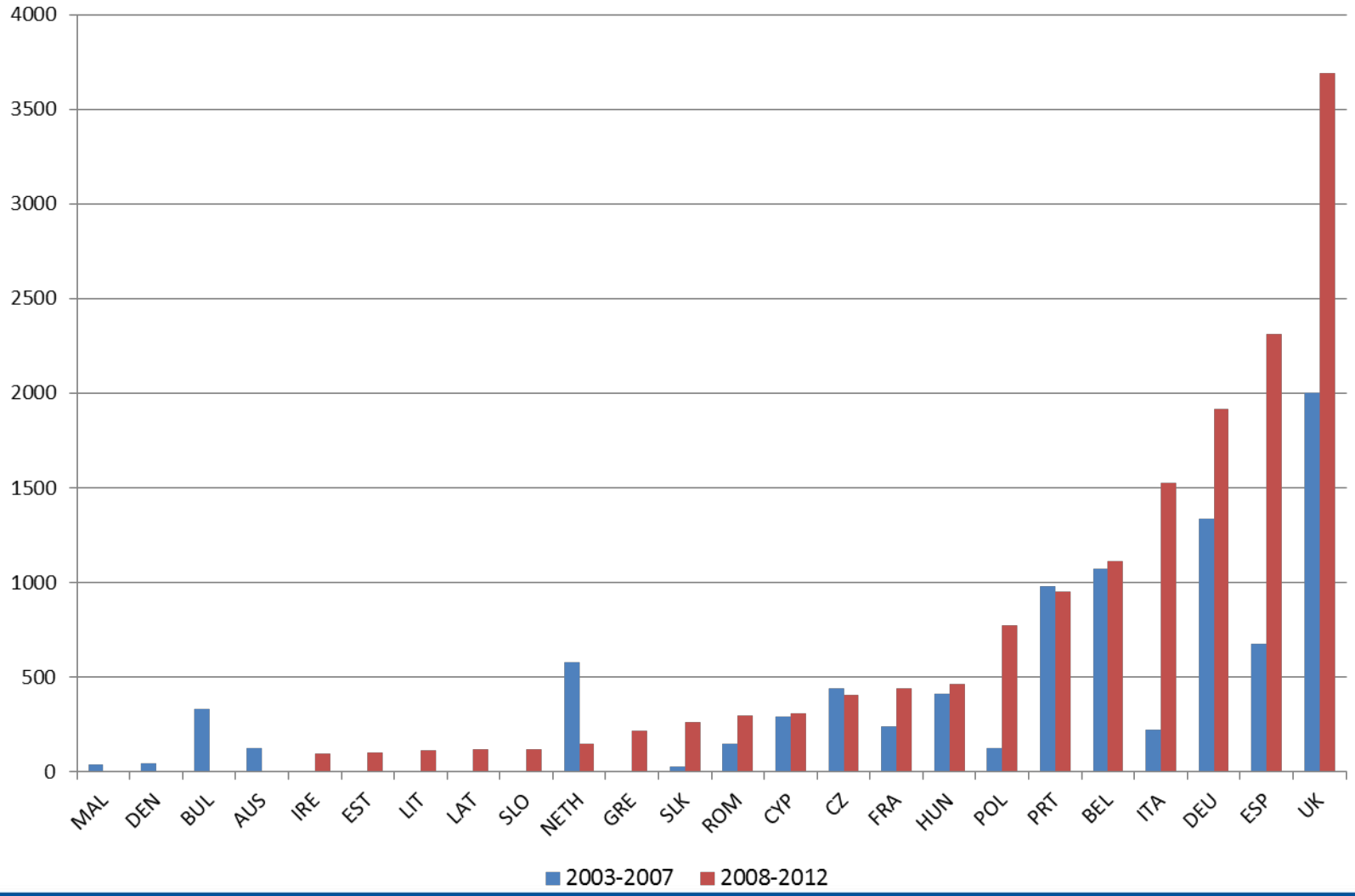


Average loan amount:

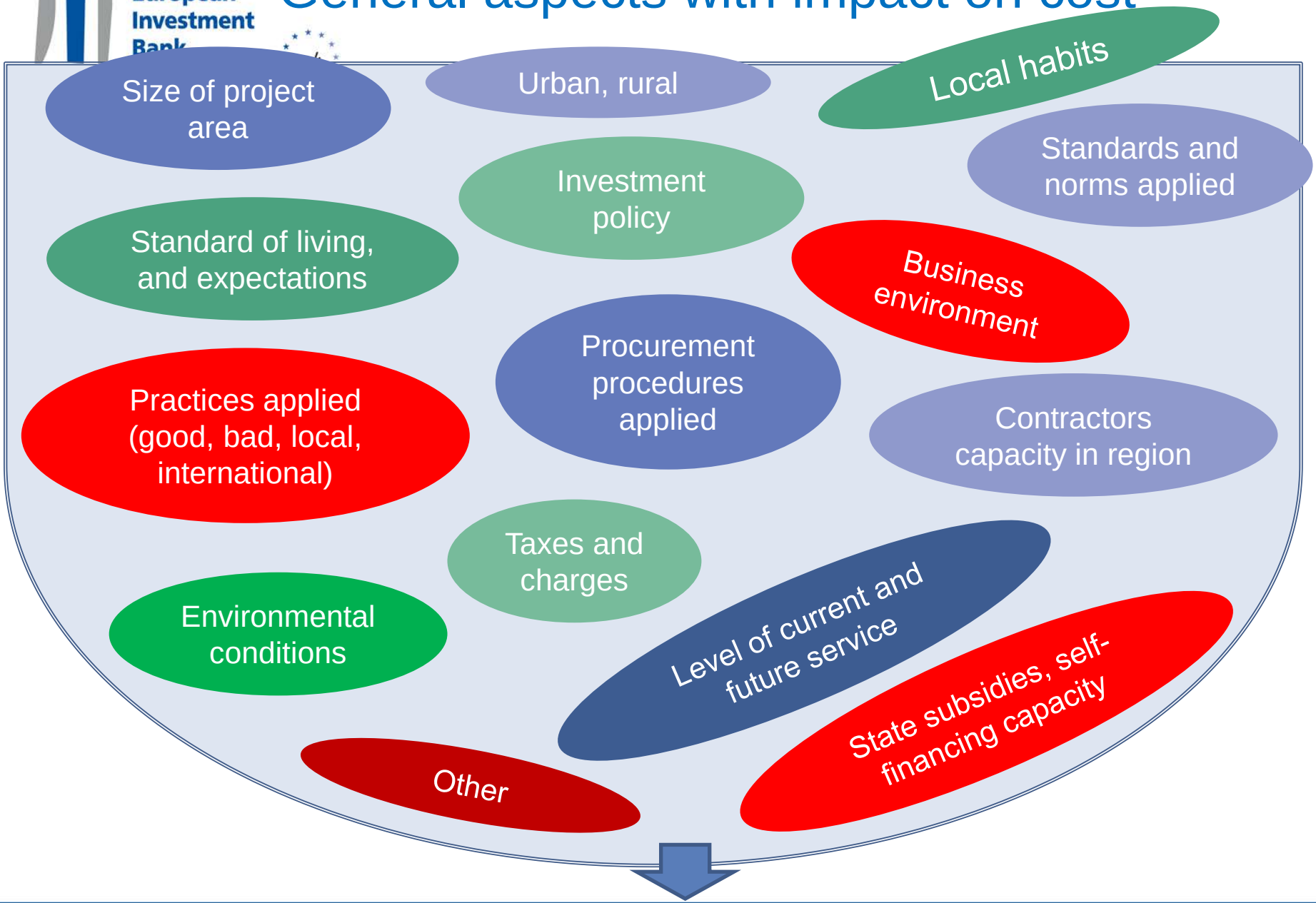
- EU 27 countries: EUR 121m,
- Partner countries: EUR 47m

EIB Activity in the Water Sector in Europe

Breakdown EU 27 Countries: 2003-07 *vs.* 2008-12 (EUR M)



General aspects with impact on cost



Particular aspects with impact on cost

Sector development strategies, master plans

Design requirements (standards, norms, complexity, functionality, dimensioning, lifetime)

Procurement strategy (lowest cost, value for money)

Practices, lobbing

Service area development

Affordability, willingness to pay

Geology

Cost recovery strategy (O&M recovery, full cost recovery)

Tariff policy

Water consumption, wastewater production

Metering, billing, collection rate

Plant inflow parameters

Waste material treatment and disposal strategy

Surfaces, other utilities

Other

Plant outflow parameters

Quality of material and equipment

OPTIONS, DESIGN, COST

European Investment Bank The EU bank

Sample unit costs:

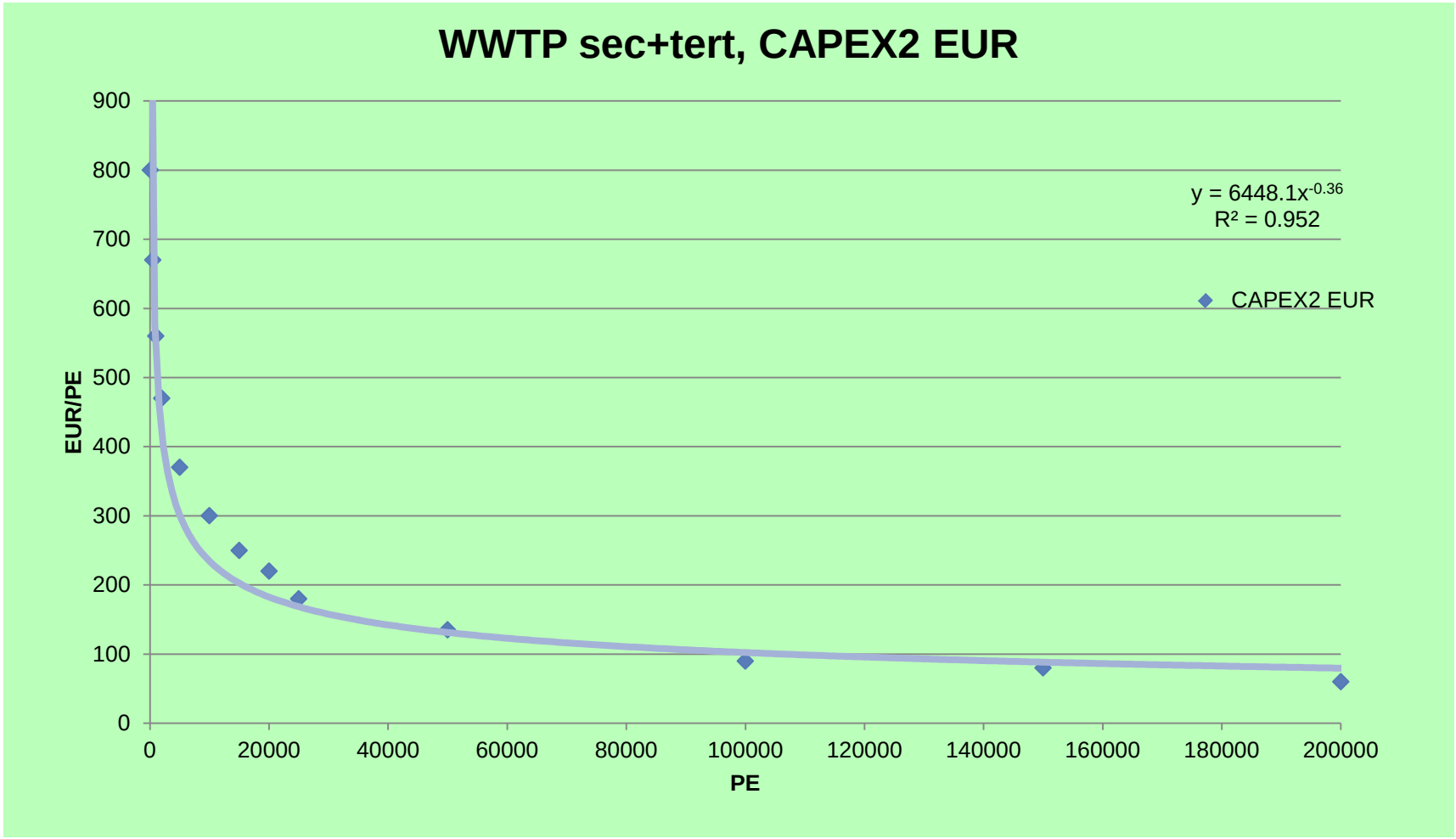
Recent Jaspers data on sewers DN 300

Country	**Costs Estimations €/m DN 300 pipe**
Slovakia	445
Hungary	164
Czech Republic	423
Poland	Range 310 – 380
Slovenia	Range 250 - 350

Recent EIB/PJ data on sewers DN 300

Georgia	≈ 100

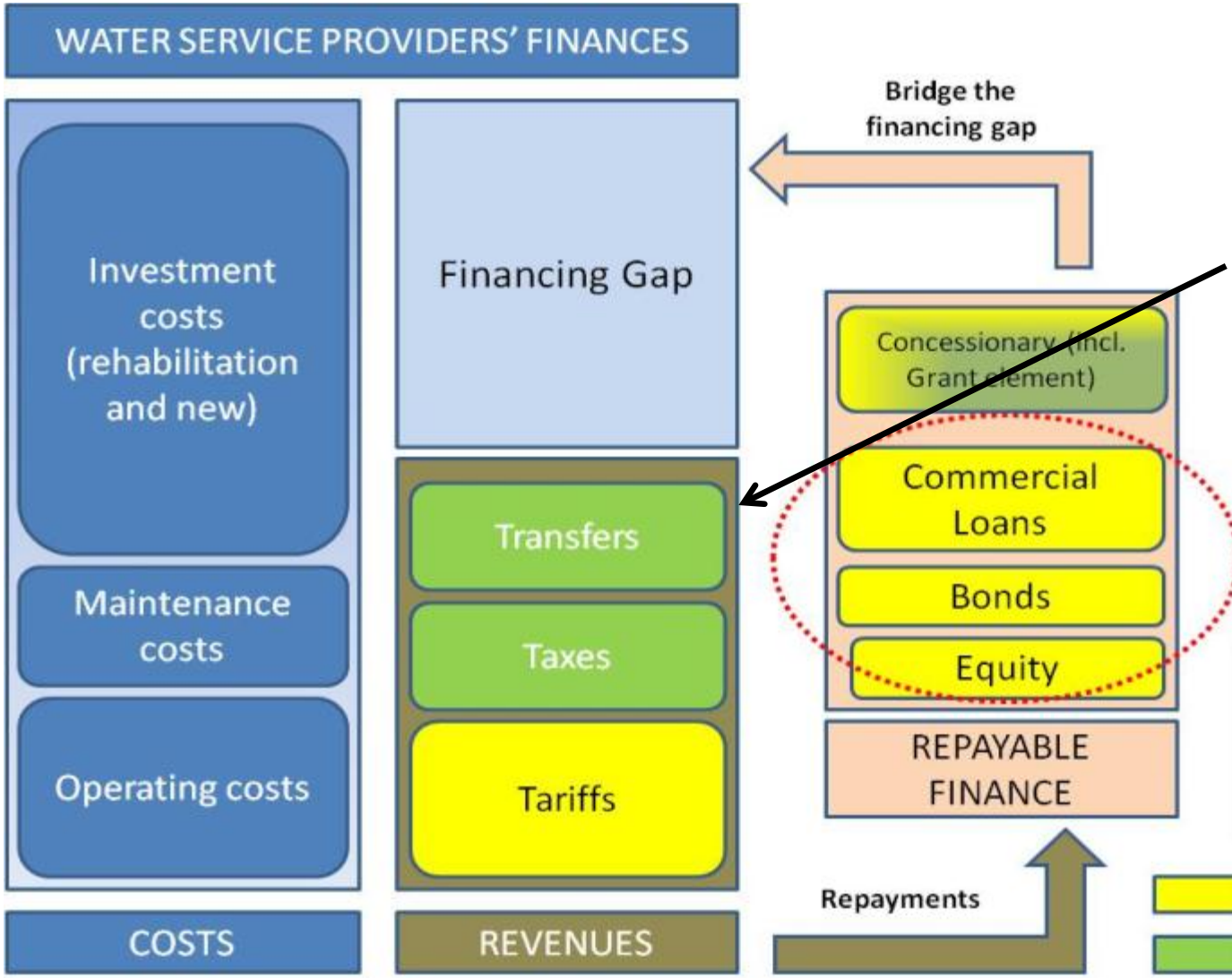
EIB/PJ WWTP cost estimations



EIB objective

- Technical, environmental, economic and financial sustainability of projects
- Tailored and sound designs
- Good quality of works
- O&M cost recovery → full cost recovery
- Conceptual solutions, water and sanitation
- Affordable tariffs

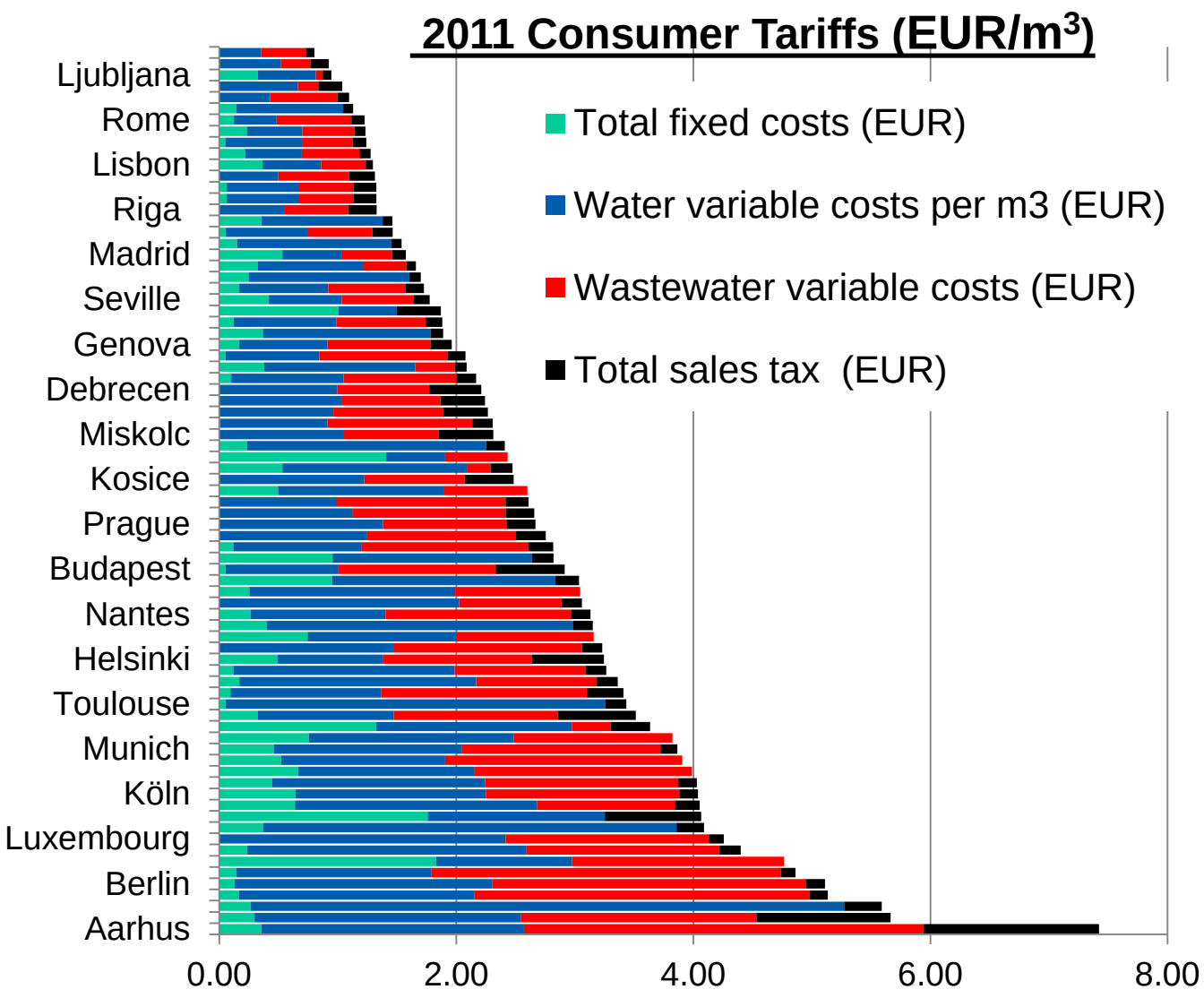
Tariffs, Taxes, Transfers (3Ts)



Only future revenues from the 3Ts can fill the long run financing gap .. including loan repayment and investor returns

Source:OECD

Tariffs in practice



Average Tariff 2.6 EUR/m³
Max Denmark
Min Ireland

Wastewater ~50% of charges

AverageTaxes 9% of bill

All metered except: UK (partial) Ireland

Investment Subsidies: 0 to 100%

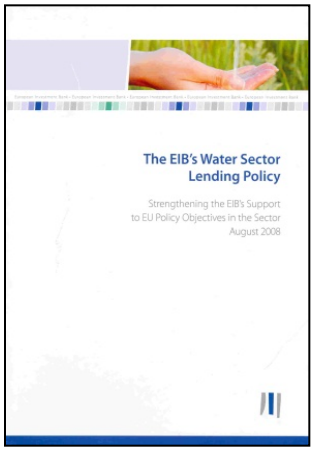
Source: GWI, EIB

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)

EU Directives

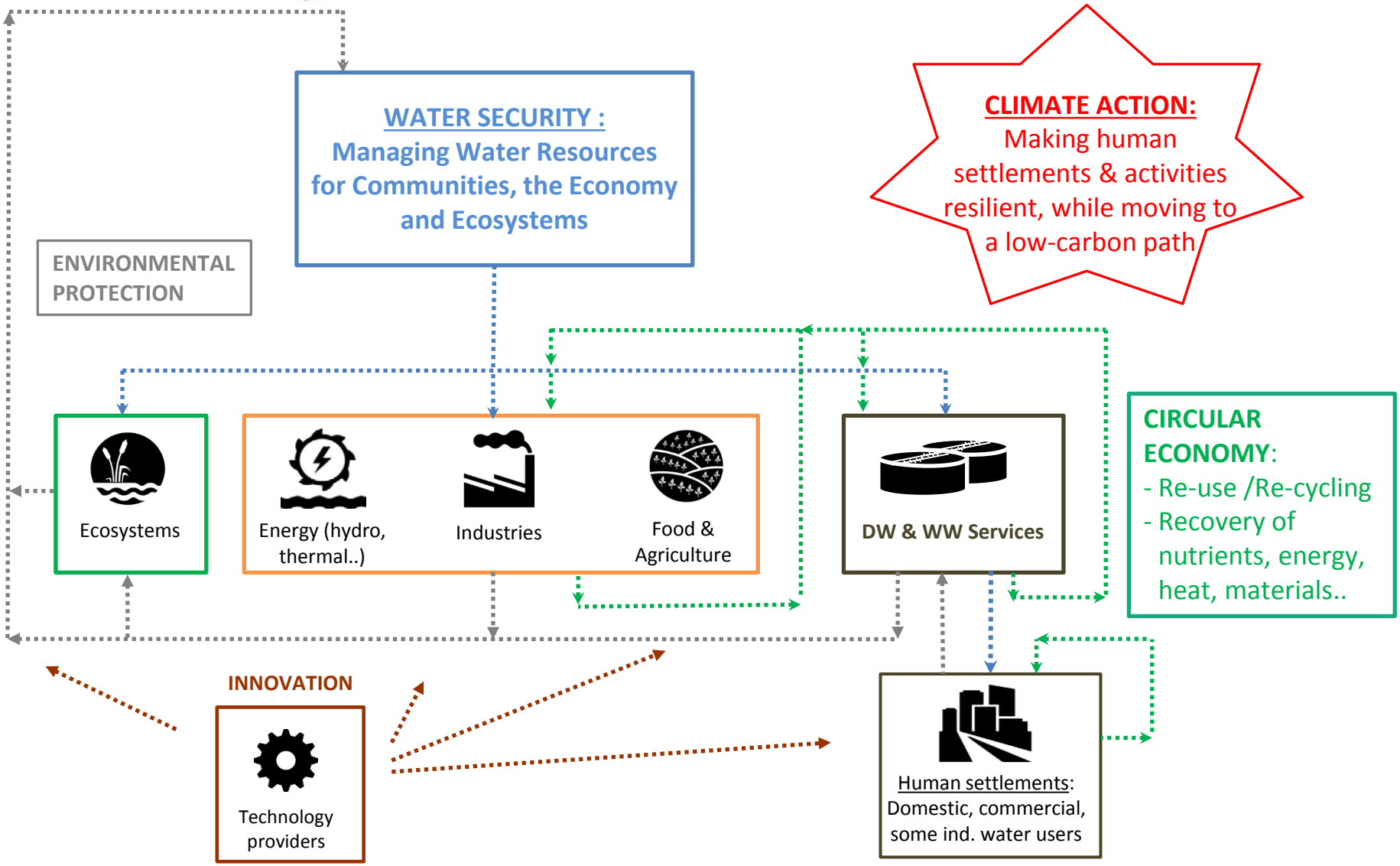
EU Policy



European Investment Bank The EU bank

Reserve slides on Water Security

EIB activities: the water value chain, climate action and the circular economy

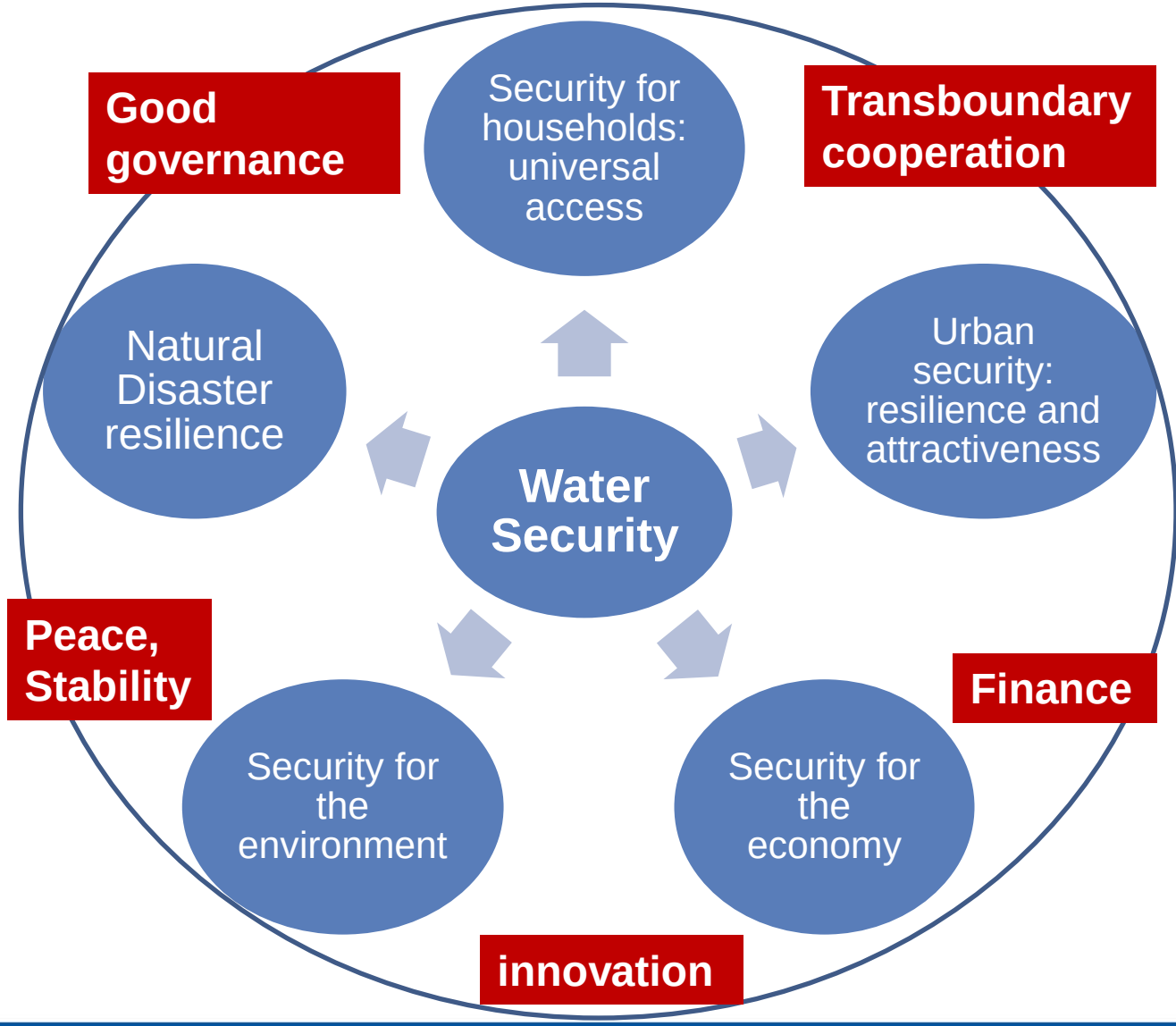


What is water security?

UN Water 2013:

"The capacity of a population to safeguard sustainable access to adequate quantities of acceptable quality water for sustaining livelihoods, human well-being, and socio-economic development, for ensuring protection against water-borne pollution and water-related disasters, and for preserving ecosystems in a climate of peace and political stability.

A complex challenge that depends on factors external to the water domain



Linking Water, Resilience & the Circular Economy

Challenges & opportunities for water at the center of key policy issues…

- Project preparation:
  - Climate risk vulnerability assessments;
  - Support for Natural Disaster Risk management
- Financing innovation:
  - New instruments to fund innovation & water security (esp. industrial);
  - Growing activities through Funds (EIF);
  - New instruments to reach smaller promoters (Hydro-bond)
- The water sector's curse is that it is considered mature and conservative. Every actor should think what they can do to prove the contrary.

Supporting water security for resilient communities and economic activities, towards a low carbon & circular economy