

Financing Measures to Address Water Scarcity

Perspectives from the European Investment Bank
(Geneva, 12 Dec 2017)

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Agenda

1. EIB at a Glance

Who are we? What do we do?

2. Approach to Financing Water Security Projects

What is important to EIB when appraising a water security project?

3. Examples of Water Security Projects

What have we financed to improve water security?

1. EIB at a Glance

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Overview

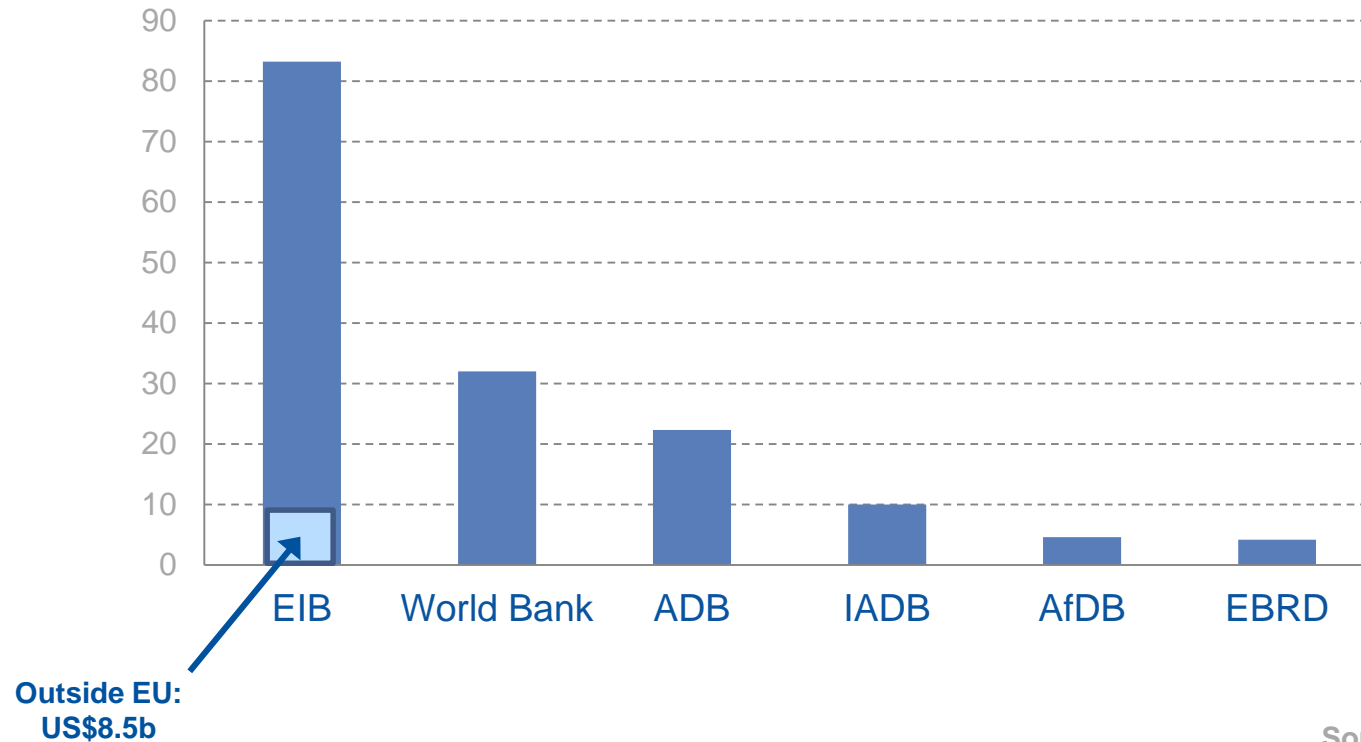


- Policy bank of the EU (100% owned by MS)
- HQ in Luxembourg, 30 local offices
- AAA-rated
- Over 400 projects in 160+ countries annually
- Over 90% of EIB lending in EU member states
- World's largest MDB

1. EIB at a Glance

World's Largest Multilateral Lender

Annual Disbursement for Selected MDBs (US\$ billion, 2014)

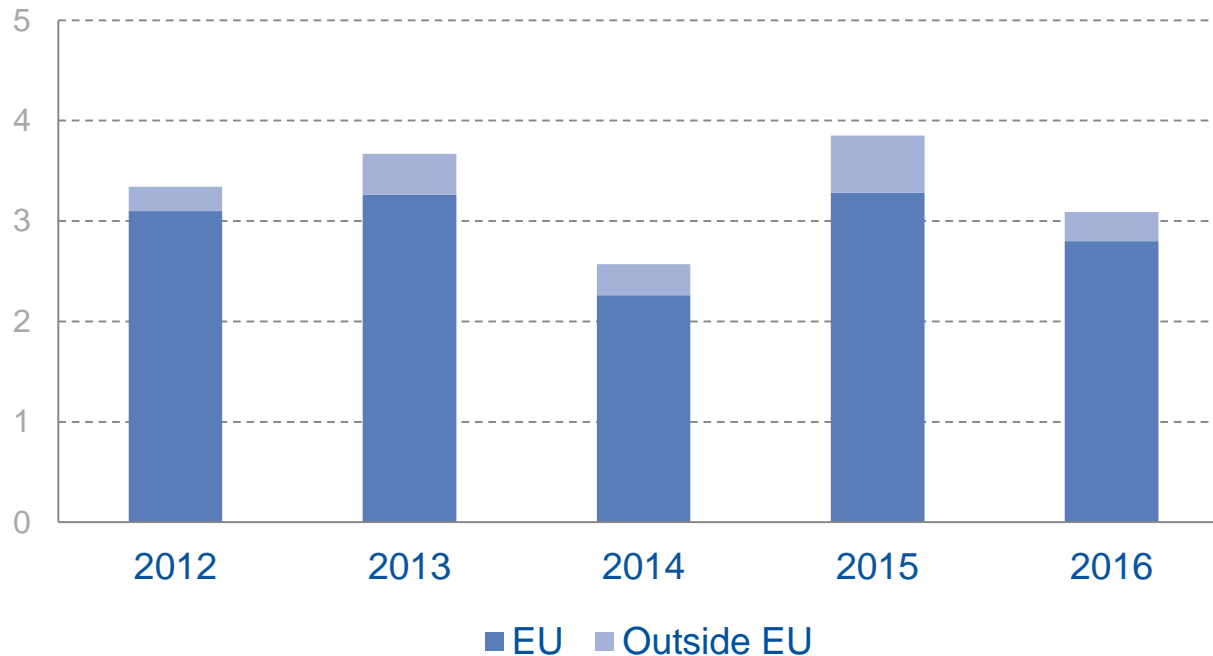


Source: ODI (2015)

1. EIB at a Glance

World's Largest Water Sector Lender

EIB Signatures for Water Sector Loans, 2012-16 (€ billion)



Source: EIB (2017)

1. EIB at a Glance

How Do We Finance Water Sector Projects?

Financing product (most common)

- Long-term loans (20-25 years, not exceeding economic lifetime of project infrastructure)
- Low interest rates (borrower benefits from EIB's AAA rating and possibly from EC guarantees)
- EIB financing \leq 50% of eligible project cost

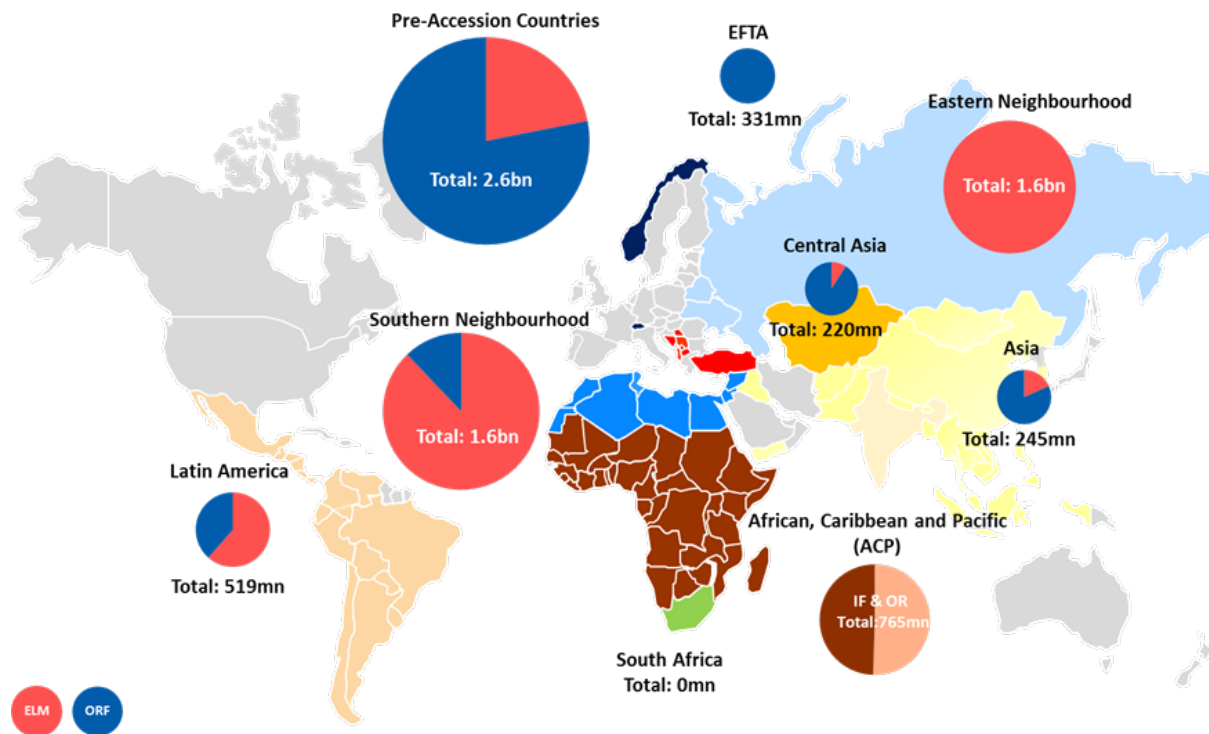
Borrowers in the water sector

- Public sector
- Corporates (mostly in EU)

1. EIB at a Glance

Guarantees and Investment Grants for Non-EU Countries

EIB Signatures for Projects Outside EU: ~ €8 billion in 2016



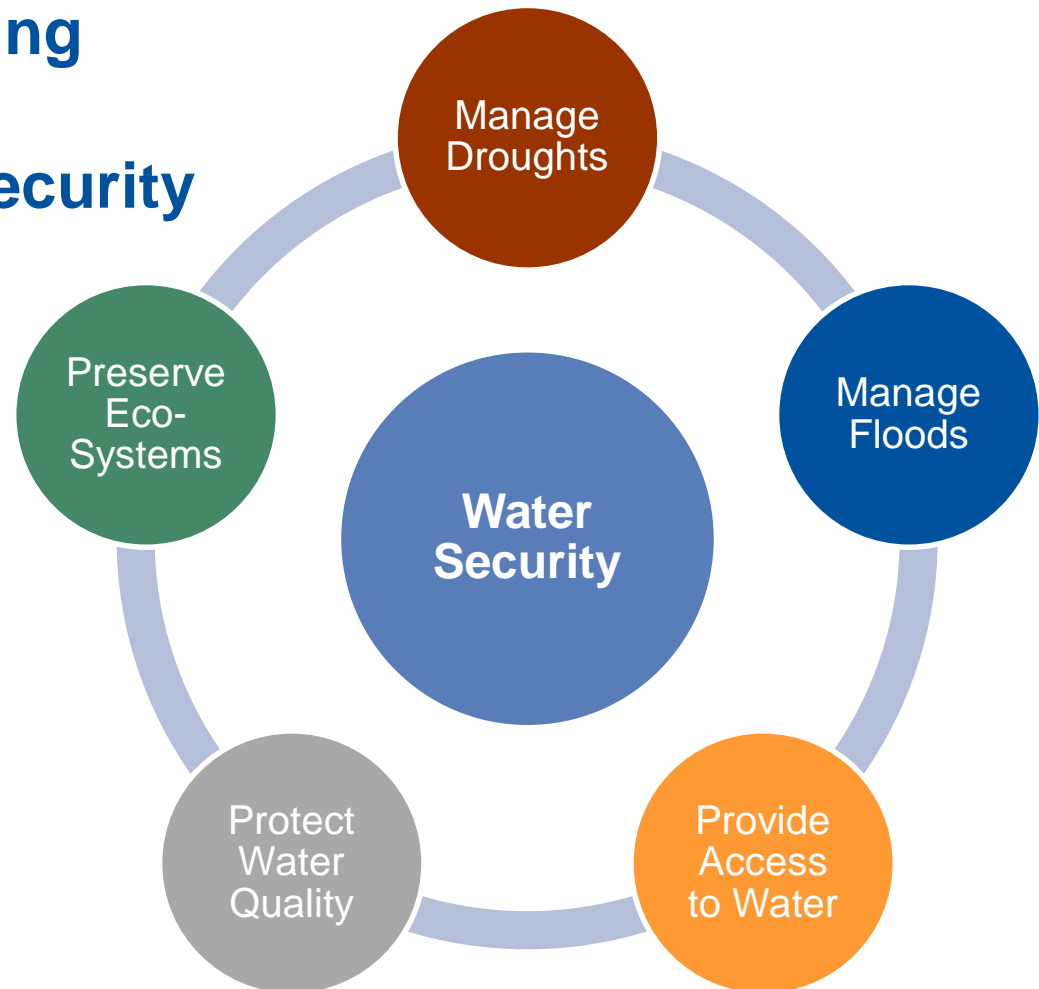
2. EIB's Approach to Financing Water Security Projects

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Drought Management in EIB Policy

EIB Water Sector Lending Orientation (Oct 2017): Strengthening Water Security

Drought management forms part of wider set of activities to achieve water security



2. Approach to Financing Water Security Projects

General Criteria (1)

Criteria for ALL projects financed by EIB

1. Technically sound
 2. Economically feasible ($ERR > SDR$)
 3. Financially sustainable (\neq full cost-recovery tariffs)
 4. In compliance with environmental, social and procurement regulations
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5. Implemented by capable promoter
 6. Meets one or more of EIB's policy objectives

2. Approach to Financing Water Security Projects

General Criteria (2)

EIB's policy objectives

- **Support private sector development**
(of limited relevance to water sector)
- **Develop socio-economic infrastructure**
Water projects aimed at achieving SDGs
- **Contribute to CC adaptation and mitigation**
NRW reduction, increased cost of water infrastructure due to climate change (CA > 35%)
- **Support regional integration**
Transboundary water projects



2. Approach to Financing Water Security Projects

Specific Criteria

Requirements for water security projects

- All projects: IWRM framework
 - Transboundary projects: supranational agreement about use of shared water resources
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- + Nature-based solutions (groundwater reinjection, ecosystem restoration, etc.)
 - + Payment for ecosystem services
 - + Exploitation of alternative water resources
 - Development of new water resources: NO, except if all demand-side measures have been exhausted

3. Examples of EIB-Financed Water Security Projects

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**Flood Management and
Hydropower Generation,
Slovenia/Croatia (€270m)**



**Water Transmission and
Dam Raising,
Malawi (€290m)**



3. Examples of EIB-Financed Water Security Projects

**Berg Storage Dam,
South Africa (€196m)**



**Flood Protection,
St Petersburg (€536m)**



That's all folks!