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

- **Europe**: 62%
- **Americas**: 12%
- **Asia**: 24%
- **Middle East and Africa**: 2%

EIB Funding
EUR 61.6
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
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

EUR 18.2 bn lending in 2009-2013

EUR 796 M in Mediterranean countries

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

- Size of project area
- Standard of living, and expectations
- Practices applied (good, bad, local, international)
- Urban, rural
- Procurement procedures applied
- Investment policy
- Local habits
- Standards and norms applied
- Business environment
- Contractors capacity in region
- Environmental conditions
- Taxes and charges
- Level of current and future service
- State subsidies, self-financing capacity
- Other
Particular aspects with impact on cost

- Design requirements (standards, norms, complexity, functionality, dimensioning, lifetime)
- Practices, lobbing
- Affordability, willingness to pay
- Tariff policy
- Plant inflow parameters
- Geology
- Water consumption, wastewater production
- Waste material treatment and disposal strategy
- Quality of material and equipment
- Service area development
- Plant outflow parameters
- Sector development strategies, master plans
- Cost recovery strategy (O&M recovery, full cost recovery)
- Metering, billing, collection rate
- Surfaces, other utilities
- Other

OPTIONS, DESIGN, COST
Sample unit costs:
Recent Jaspers data on sewers DN 300

<table>
<thead>
<tr>
<th>Country</th>
<th>Costs Estimations €/m DN 300 pipe</th>
</tr>
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<tbody>
<tr>
<td>Slovakia</td>
<td>445</td>
</tr>
<tr>
<td>Hungary</td>
<td>164</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>423</td>
</tr>
<tr>
<td>Poland</td>
<td>Range 310 – 380</td>
</tr>
<tr>
<td>Slovenia</td>
<td>Range 250 - 350</td>
</tr>
</tbody>
</table>

Recent EIB/PJ data on sewers DN 300

| Georgia | ≈ 100 |
EIB/PJ WWTP cost estimations

\[ y = 6448.1x^{-0.36} \]

\[ R^2 = 0.952 \]
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.
Tariffs in practice

2011 Consumer Tariffs (EUR/m³)

- Total fixed costs (EUR)
- Water variable costs per m³ (EUR)
- Wastewater variable costs (EUR)
- Total sales tax (EUR)

Average Tariff
2.6 EUR/m³
Max Denmark
Min Ireland

Wastewater
~50% of charges

Average Taxes
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)
Reserve slides on Water Security
EIB activities: the water value chain, climate action and the circular economy

WATER SECURITY: Managing Water Resources for Communities, the Economy and Ecosystems

CLIMATE ACTION: Making human settlements & activities resilient, while moving to a low-carbon path

CIRCULAR ECONOMY: - Re-use /Re-cycling - Recovery of nutrients, energy, heat, materials..

INNOVATION
Technology providers

EDUCATION
Human settlements: Domestic, commercial, some ind. water users

UNECE Geneva
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

What is water security?
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**