Financing Measures
to Address Water Scarcity

Perspectives from the European Investment Bank
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By: André Oosterman, Senior Economist, EIB
1. EIB at a Glance
   Who are we? What do we do?

   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)

Outside EU: US$8.5b
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 ≤ 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

Drought management forms part of wider set of activities to achieve water security
General Criteria (1)

Criteria for ALL projects financed by EIB

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

Specific Criteria

Requirements for water security projects

• All projects: IWRM framework
• Transboundary projects: supranational agreement about use of shared water resources

+ 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!